

## **Hooks Town Center Business Plan**

### **I. Executive Summary**

The Red River Army Depot is a former military supply depot comprising 12,000 acres of land located west of Texarkana, Texas. The land is now owned by TexAmericas Center, a land development authority focused on the redevelopment of the site. TexAmericas Center currently employs over 4,000 people and is expected to increase the number of employees consistently over the next few years, eventually reaching one employee per acre, or 12,000 employees. As of now, the area is underserved in commercial needs, with little to no retail/restaurants within a reasonable distance from the employment core of the property. Additionally, the Red River Army Depot is already home to a satellite campus of Texarkana College however, the school is seeking more land to provide trade education on site. This proposed project, Hooks Town Center, serves to provide a solution to this by constructing over 150,000 sq. ft. of educational, retail, restaurant, and flex space, in addition to manicured park space and amenity lakes. LMJ Development, LLC serves to act as fee developers under TexAmericas Center, providing the plans, overseeing construction, initial management, and eventually overturning full responsibilities to TexAmericas Center. Full details about the proposal for the project are detailed below.

### **II. Market Analysis**

The 4,000 employees at the Red River Army Depot currently do not have neighborhood services facilities within close proximity to the Depot. In order to obtain these services, the employees must drive to either Texarkana, or New Boston, Texas. The proposed development satisfies the demand for neighborhood services as well as demand for space from small-scale manufacturers producing consumer goods, as it would provide the Red River Army Depot employees a place to enjoy neighborhood services, without driving long distances. The development program for the 35 acre site consists of 57,000 square feet of retail; 60,000 square feet of flex space; 20,000 square feet of restaurant space; 10,000 square feet of space dedicated to an amphitheater; 33,000 square feet of educational facilities and related amenities.

LMJ Development LLC is estimated to create approximately 765 jobs at the TexAmerica's Center (TAC). The flex space is intended to support a mix of tenants and support relatively small manufacturing businesses that produce products for retail consumption. An example of this would be a small supplement manufacturing business that is in need of more space. The first phase includes 78,000 square feet of education, flex, restaurant, retail and memorial space. The second phase includes 114,000 square feet of outdoor amphitheater space, educational, flex, restaurant, and retail space.

Based on CoStar Market report, rents trended slightly upwards by 0.7% and have an annual gain of 1.3% in the past three years. As retail rents and employment rates have been increasing, vacancy rates have been decreasing. In the past year, employment rates have increased by about 1.3% or 800 jobs. This trend is not only seen in the past year, as over the past five years, employment has increased by 0.2% annually. This increase will continue to grow with the employment opportunities that our projected development will provide.

Due to approximately 150,000 square feet of retail space being vacated at the Kitty Wells Shopping Center, the gross absorption of retail space was negative in 2017. The high vacancy rate at the mall artificially inflates the vacancy rate for the overall retail category in the Texarkana market. Vacancy rates in Neighborhood Centers and Strip Centers are projected to be less than 15% over the next four years. Availability of space for Neighborhood and Strip Centers in the market trended downwards over the last five years. Leases totaling 109,717 square feet in the Texarkana market were signed in the last 12 months ranging from 28,095 square feet to 1,729 square feet. The three largest spaces leased in the last 12 months were Walk On's with 11,109 square feet, 1919 N Robison Rd with 8,324 square feet, and 6872 Hampton Rd with 3,096 square feet. These leases are concentrated in relatively the same area, all being located on the West side of Texarkana. This is beneficial for our site, as it is showing that most of the job opportunities and retail are located on the West side of town. The leasing availability rate for flex space is approximately 7%, which means that there is a strong demand for flex space in the market.

Rental rates for power centers, neighborhood centers, strip centers, and general retail are projected to be generally stable over the next four years. Rental rates per square foot for neighborhood centers and strip centers increased slightly over the last five years and are projected to remain relatively stable in the next four years. Current retail rental rates are averaging to be approximately \$8.40. Rental Rates for the proposed TexAmerica's Development see: Section VII: Deal Structure, Subsection A. Proposed Land Purchase Strategy.

In 2019, the Texarkana market lost approximately 60,000 square feet of retail space and aside from the construction of Walk On's, no new retail space is projected to be built in the next four years. This is beneficial for our site as we see it as an opportunity to focus solely on our new development and bring potential employment both through the construction process and after to our area. There is also no new flex or educational space forecasted to be built in the near future.

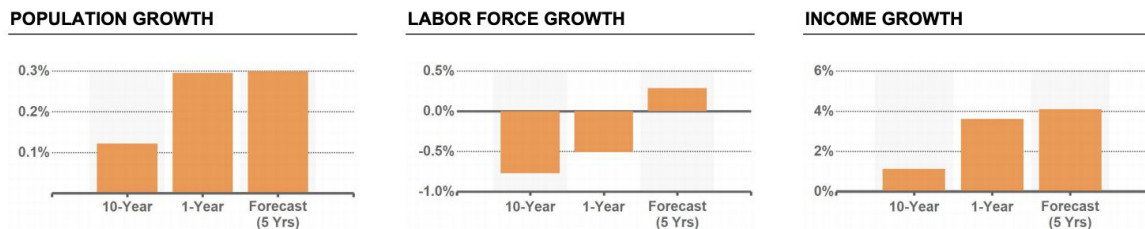


Sales of existing retail space in the Texarkana market were below the five year average, with the exception of the sale of Classic: Chrysler, Dodge, Jeep at an estimated price of \$12,000,000. Twenty comparable properties sold in the past 12 months with an estimated capitalization rate of approximately 7% and an average price per square foot of \$106. If the sale of the Classic: Chrysler, Dodge, Jeep Dealership is removed from the data, the price per square foot of space ranged from \$12 to \$300 per square foot. Some of the properties include a Dollar General selling at \$124 a square foot and a former nightclub selling at \$12 a square foot. Based on the proposed use of the site, the quality, and uniqueness paired with the provided sales data, it

could be assumed that the project would see a positive trend in sales. Since the development will be unlike any other retail properties in the area, it is difficult to compare, however, positive sales could be anticipated due to the projected stability of positive market trends. Annually, by Year 10, the projected financial performance of the portfolio of the properties is expected to generate an annual net revenue stream of \$1,426,803, which equals \$7.97 net rent per square foot.

The property owners stated that many employees drive as far as 75 miles in order to get to work. We are viewing this as a positive factor in our new development, as we believe that if we can create a “destination” type space, it will naturally draw visitors from the surrounding areas, as they are accustomed to driving such far distances. It is also a beneficial thing for us, as we are creating a space that employers can have lunch or visit in the middle of the workday. Major employers in the Texarkana market include government; education & health services; and trade, transportation & utilities. The Red River Army Depot is the largest employer in the market with an estimated employment of over 4,000 jobs. The proposed site is located 1.4 miles east of the Red River Army Depot. Other major employers include CHRISTUS St Michael with 1,800 employees, Cooper Tire with 1,750 employees, and Southern Refrigerated Transport with 1,200 employees. Although employment projections for the Texarkana market over the next three years are trending downward, TexAmerica’s Center (TAC) recently leased 6,000 square feet of space and has an active prospect list of 43 potential employers.

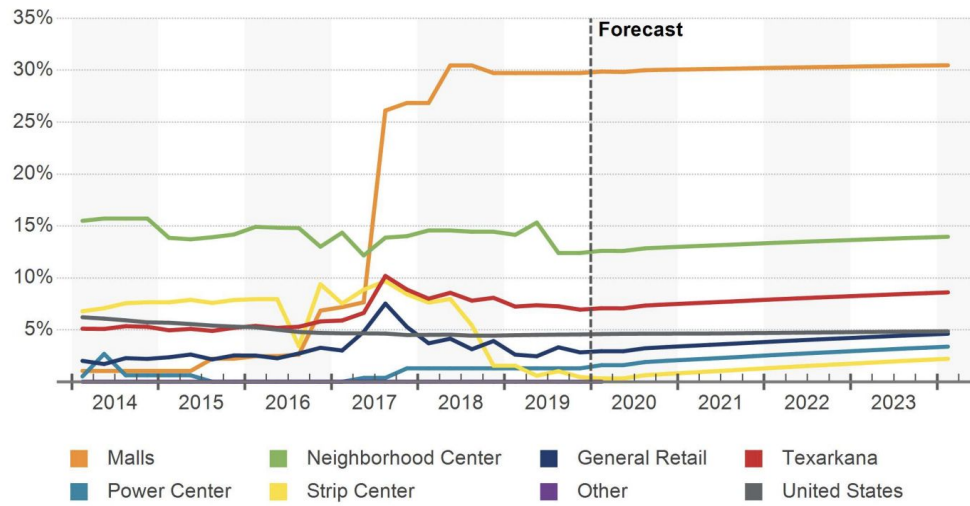
Population of Texarkana is projected to increase by 0.3% over the next five years. The labor force is forecasted to grow in the next 5 years. Incomes in the area increased by approximately 1% over the last 10 years and are forecast to increase by 4% over the next five years. This is extremely beneficial for our site, as this increase of population and employment will continue to grow with the jobs present in our site.



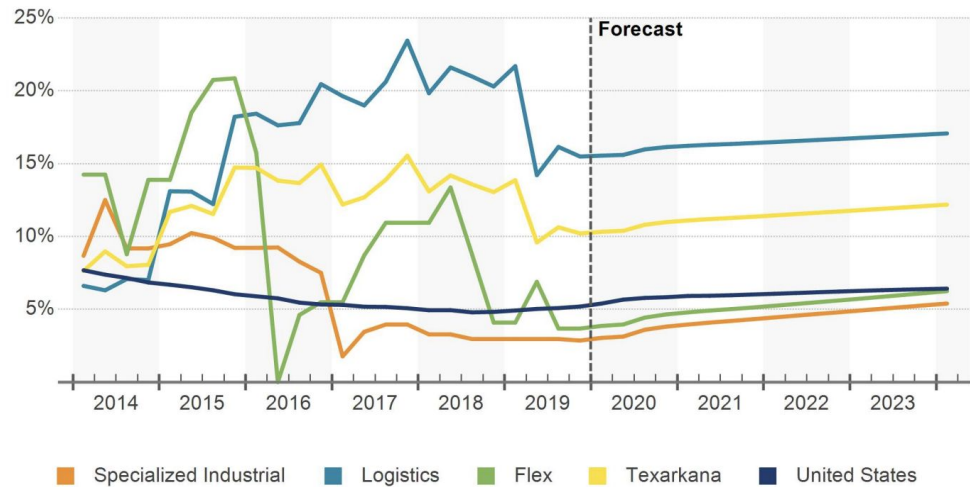
The market rent for neighborhood centers and strip centers has historically been decreasing, however, they are forecasted to reach a stable place in the market for the next four years. This is beneficial as it is showing that rents are not increasing and by being constant, the economy is constant. The market rent per square foot is relatively increasing over time, however it is not increasing drastically and will likely stay close to where current rates are at this time. They are also projected to remain constant and stable over the next four years. The CoStar report shows that the current rental rate is \$14.28/square foot for retail and \$7.65/square foot for Flex Space.

The vacancy rates for neighborhood and strip centers are both less than 15%. This is a good statistic for the proposed development, as it shows that space is in high demand and we have an opportunity to continue to revitalize this area. The CoStar report shows that the Vacancy rate for Flex space in Texarkana is 10.2%.

Vacancy Rate for Retail Space:

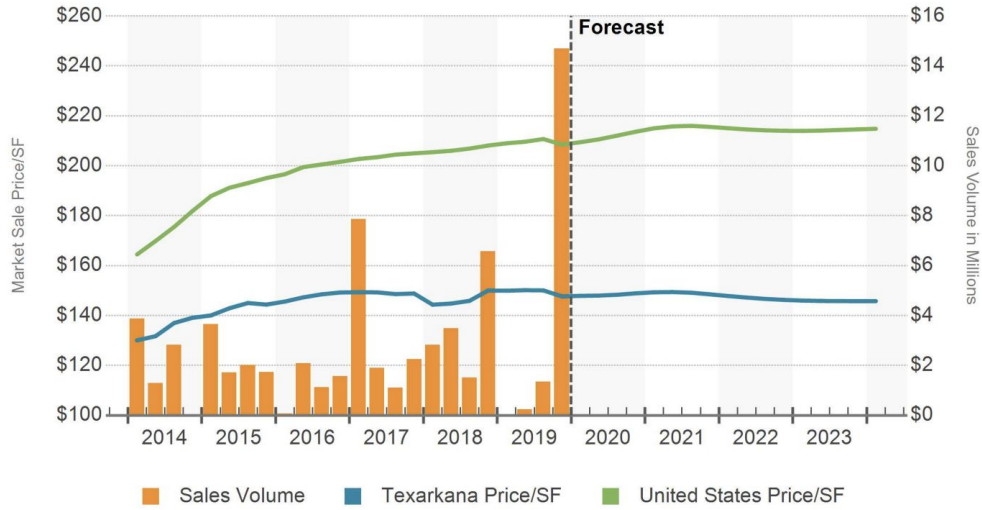


Vacancy Rate for Flex Space:



The sales volume in the fourth quarter of 2019 was significantly higher than in the past, which shows that everything that was for sale, was sold. This benefits our site, as it supports all of our retail space that is available. The cap rate is trending between approximately 6.9% and 14%. We believe that we will be able to receive a lower cap rate for TexAmerica's site. The chart below shows the sales volume & market sale price per square foot for retail space:

**SALES VOLUME & MARKET SALE PRICE PER SF**



**III. Site Analysis**

TexAmericas Center is located in the northeast portion of Texas, in Bowie County, along Interstate-30, 17 miles west of Texarkana, Texas. TexAmericas Center comprises approximately 12,000 acres located east of New Boston, Texas, south of Hooks, Texas and west of Texarkana, Texas. It is bounded by Interstate-30 to the North, Interstate-369 to the East, Texas State Highway 67 to the South, and Texas State Highway 8 to the West. The proposed site, of approximately 32 acres, is located in the north central portion of TexAmericas Center, anchored by the Main Street and Avenue A intersection in Hooks, Texas.

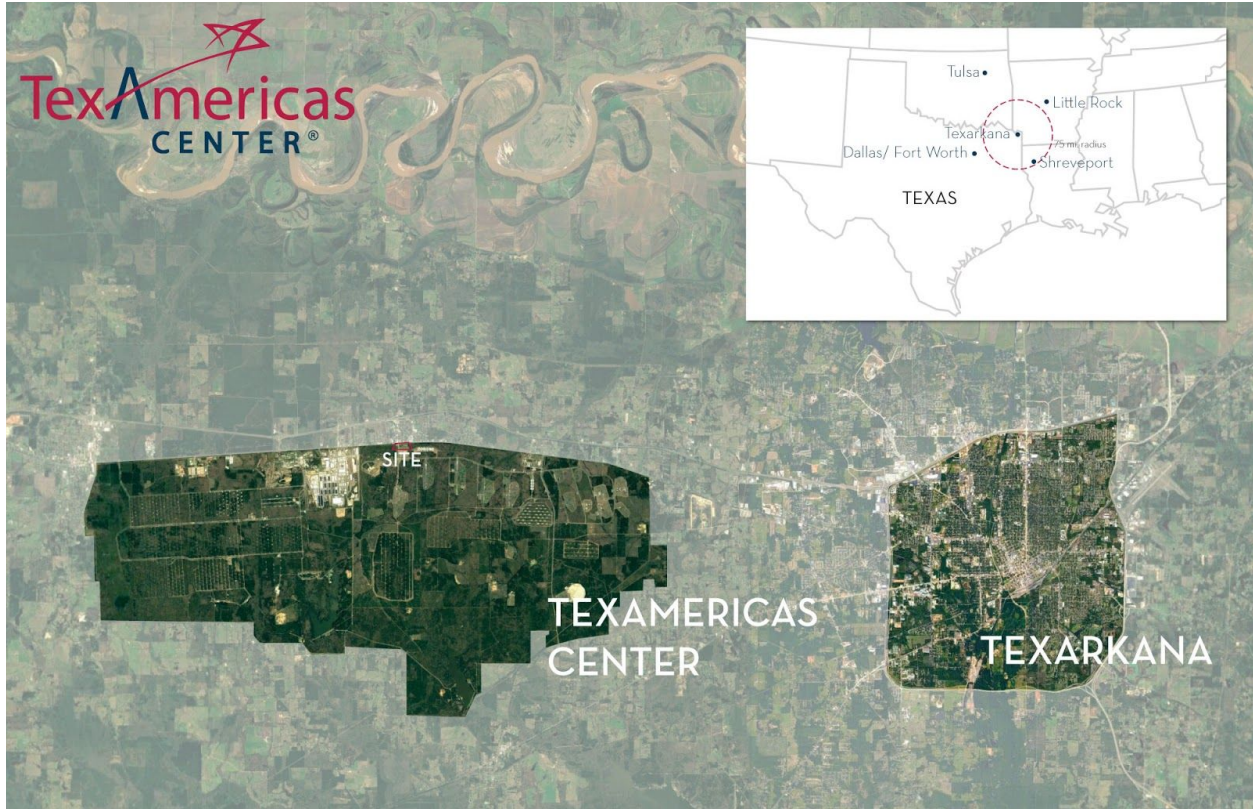


Photo Source: Google Earth 2020

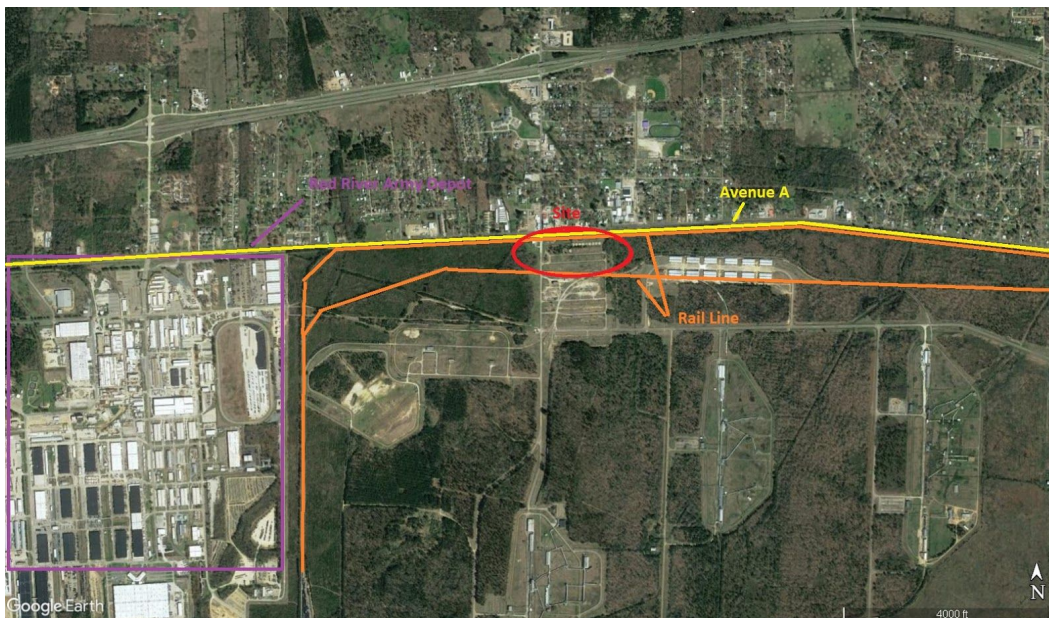
The TexAmericas Development is located west of Texarkana, Texas which has a population of approximately 150,000 people. The TexAmericas Development has an even closer proximity to Hooks, Texas which has a population of approximately 3,000 people.

The proposed TexAmerica's development will be the largest employment opportunity between Texarkana and Hooks, Texas. For the largest existing job providers, see above. The existing site's topography does not pose any issues with regard to the proposed development. The site has very low slope, less than 1% grade across a majority of the area, and naturally drains from the center of the site towards the east and west.

The immediate surrounding land uses of the site include the Red River Army Depot, the Riverbend Water Resources District, and the low density commercial/residential within the City of Hooks. The project seeks to preserve the view corridor currently existing along Main Street and Highway 82. The designs of the proposed buildings will add to the existing design character, rather than compete with it. This is accomplished by incorporating similar facades, materials and setbacks. The residents of Hooks, Texas communicated their desire to preserve the historical appearance of downtown Hooks and The TexAmerica's development respects their wishes by expanding the downtown area, rather than replacing it. Along Highway 82, the TexAmerica's development will have

Rail lines border the site on the north and south, however due to the low volume on these lines, the noise they generate should be negligible, however, the possibility exists for an increase of traffic in the future, particularly on the northern line. Over time, as population increases, traffic on Avenue A will increase correspondingly. The Red River Army Depot is located over 1,500

yards to the west. The operations at the Depot generate sustained levels of noise. OSHA regulates permissible noise generation to a maximum of 90 dBA. A common law used to calculate decibel reduction, the Inverse Square Law, states a 90 dBA sound generated from the Depot impacts our site with a 26.48 bBA pressure, which is equivalent to a soft whisper.



According to discussions with the seller, TexAmericas Center, the site has expansive clay soils. A detailed geotechnical investigation will be conducted during the feasibility period to understand the conditions of the local soils and proper remediation will be carried out if and when necessary.

The site is situated between two natural drainage paths that both flank the site to the East and West and the site naturally drains toward these features. A small portion of the western drainage path falls within FEMA Zone A (100-Year Floodplain), however this floodplain does not affect any proposed construction within the site. The proposed development features two retention ponds that lie within the natural drainage areas to the East and West. Based on the calculation from the proposed site plan, the site requires around 22,000 cu. yd. of detention, however the plan provides for 66,000 cu. yd. of retention. The extra retention is to create the larger amenity ponds instead of mostly dry detention areas to increase the usability and appeal of the project.

A Phase I ESA will be conducted during the feasibility period. Given the prior usage of the site, a Phase II ESA will most likely be deemed necessary. Upon this finding, subsequent Phase ESAs will be conducted as needed. A threatened and endangered species and archeological and cultural assessment will be also conducted. Based on data gathered from the United States Geological Survey (USGS) National Map System, there are no wetlands existing on the TexAmericas Center site.

The TexAmericas Center has established long-term relationships with stable providers for all utilities required by the site. The site is well served by all utilities, therefore connecting to the existing utilities clears the standard due diligence hurdles of availability and convenience. Phone/fiber services are being provided by Windstream. Water/wastewater is being provided by

Riverbend Water Resources District. Electric is being provided by SWEPCO (Southwestern Electric Power Company). Navitas is providing natural gas. The image below shows utility access and location for the site:



Photo Source: Affected Property Assessment Report and Building Decontamination Area BB (page 41)

The current vehicular access to the TexAmerica's Development is direct access from Highway 82. There are currently gravel roads throughout the site for vehicular access. Our proposed site will have vehicular access through most of the development, excluding the pedestrian only walkway in the center of the development.

There is currently a railway on the north and south sides of the TexAmerica's Development. There are no current plans to alter the railway on the northern border and the southern railway is not an active rail line.

Pedestrian access will be granted through the center of the development. Pathways, water features, memorials, green space, and trees will be placed strategically to offer pedestrians a walkable environment throughout the whole site.

#### IV. Proposed Land Use



Hooks Town Center aims to create a new multi-use area adjacent to Downtown Hooks that combines retail, educational facilities, restaurants, recreation, and flexible space, all while maintaining the small town charm of the surrounding area. Through the use of natural elements of planted space and water, and the built elements of the amenities, this project will provide a much needed resource for the residents and employee workforce for the City of Hooks and TexAmericas Center, respectively.

The proposed project seeks to provide 56,000 sq. ft. of retail space. The space will be divided into different classes of storefronts, utilizing a mix of an anchor store at the corner of HWY 82 and Avenue A, and smaller, local and boutique type uses in the other retail buildings.

The project includes space for two 10,000 sq. ft. restaurant venues that will be more suited to casual dining and bar-going experiences along the lakefront on the eastern edge of the property.

The flex spaces encompass 60,000 sq. ft. of area separated into four buildings situated along the southern edge of the property and will mostly be shells of building that necessary uses will fill utilizing a build-to-suit basis.

The 33,000 sq. ft. educational complex is proposed to sit on the western edge of the property along the western retention pond. It will be geared toward students seeking formal training in industrial production/manufacturing and other trade fields through Texarkana College. The educational buildings will feature lab/shop spaces as well as traditional classrooms.

The project features two dedicated park spaces, both along the amenity lakes that provide the boundary for the site. An amphitheatre venue is proposed for the western park space in order

to provide a location for live performances and events. This will help bring life and activity to the project and help it stay active throughout the week and weekend.

The project is planned to be developed in two phases, each with varying amounts of built out for the various building use types. These are outlined below:

Development Schedule		
Phase Start	Year 0	Year 4
Phase	Phase 1	Phase 2
Use	Buildout	Buildout
Ampitheater	100.0%	0.0%
Detention	100.0%	0.0%
Education	100.0%	0.0%
Flex	50.0%	50.0%
Parking	50.0%	50.0%
Parkspace	50.0%	50.0%
Resturaunt	50.0%	50.0%
Retail	28.6%	71.4%
War Monument	100.0%	0.0%
<b>Project</b>	<b>60.0%</b>	<b>40.0%</b>

Development Schedule		
Phase Start	Year 0	Year 4
Phase	Phase 1	Phase 2
Use	Buildout	Buildout
Ampitheater	10,000	-
Detention	224,000	-
Education	33,000	-
Flex	30,000	30,000
Parking	140,710	140,710
Parkspace	25,000	25,000
Resturaunt	10,000	10,000
Retail	16,000	40,000
War Monument	1,000	-
<b>Project</b>	<b>489,710</b>	<b>245,710</b>

A. Phase 1:

1. Education: 33,000 sq. ft.
2. Retail: 16,000 sq. ft.
3. Restaurant: 10,000 sq. ft.
4. Flex: 30,000 sq. ft.
5. Recreation (War Memorial & Amphitheatre): 11,000 sq. ft.
6. Programmed Park Space: 25,000 sq.ft.



**B. Phase 2:**

1. Education: 0 sq. ft.
2. Retail: 40,000 sq. ft.
3. Restaurant: 10,000 sq. ft.
4. Flex: 30,000 sq. ft.
5. Programmed Park Space: 25,000 sq.ft.



The risk assessment portion of the TexAmerica’s Center is comprised of an analysis of the management structure, competitive advantage, marketing and sales strategies, and results in a determination that the proposed project will result in a relatively stable portfolio that delivers excellent risk mitigating controls to ensure Hooks Town Center is well positioned to mitigate risk.

TAC current possesses efficient, effective and expert property management services in-house. Therefore, by turning over property management to the TAC, the project will be able to take advantage of significant cost-savings. Typically this fee is in the range of 3% of potential

gross income, which in year 1 off operations is \$42,510. Overall, TAC stands to gain a significant cash-flow source by operating the portfolio of assets.

The MSA for the proposed site, the greater Texarkana Area, does not have a product offering such as the Hooks Town Center. The closest competitors are, the Central Mall and Oaklawn Village Shopping Center, and these assets are not considered proper competitors due to the unique blend of educational and recreational uses in the Hooks Town Center. Therefore, the proposed site is considered to have a competitive advantage to attract patrons because of the unique product offerings in the project.

Because we propose to have TAC manage the property, the marketing strategy will be managed by TAC as well. The popular and cost effective methods of marketing are brokerage representation, and internet advertising. TAC has established channels to service both strategies and will result in efficient and consistent marketing messaging.

As with property management and marketing strategy, the sales plan will be managed through TAC. The overall sales strategy will focus on brokerage-style generated leases from standard prospecting activities. Because the Hooks Town Center plan rests on a strategy of ground-leases with TAC retaining ownership of the real assets, the sales will focus on securing long-term leases from high quality and high credit tenants. Further, we recommend limiting the types of businesses within the project to ensure each tenant can thrive and not have to compete with co tenants within the project.

#### **V. Regulatory**

Based on discussions with the seller, it is understood that TexAmericas Center acts as the governing body for the overall property including the site for this proposal. Under their scope of regulation is: building permits, easement grants, landscaping and sign ordinances, parking regulations, plan approval, and impact/permit fees. The one major factor that TexAmericas Center does not have control over is the deed restrictions for the overall property. The deed currently restricts the use of the land for residential purposes and no changes to the current restrictions are in sight. All necessary permits, approvals, and regulations will be run through TexAmericas Center as the project progresses.

#### **VI. Financial Analysis**

The overall investment program is based on the TAC retaining ownership of the entire Hooks Town Center development. TAC will be the sole owner and operator of the real property in the development. TAC's cash-flows are lease revenues, development costs and operating expenses. The financing strategy is for TAC to take out a revolving line of credit and to self-fund the balance of the development fees. The analysis described below will show this is a profitable venture for TAC.

The sensitivity analysis considered the impact the land has on the development project. With land pricing at \$25,000 an acre, and the Hooks Town Center project comprising 32 acres, this represents an additional \$800,000 in land cost. The difference in IRR and Cash-on-Cash if the development project had to pay for land is significant. These tables below show the impact of including land cost. Ultimately, the increase to project cost drives unnecessary financial performance down and this drives our recommendation for TAC to retain ownership of the land and pursue the ground lease strategy.

TAC Returns	
Total Payments from TAC	(3,829,898)
Total Payments to TAC	6,282,741
IRR	7.2%
NPV (@ 10%)	2,323,592
Cash-on-Cash	1.6

Loan Info Summary	
Supported Loan Amount	4,337,051
Interest Rate	10.0%
Amortization (years)	10

Funding consists of two sources, TAC's capital and debt financing in the form of a revolving line of credit. Equity partners and additional debt funding are not recommended due to the unique characteristics and funding abilities of the TAC. The specific funding amounts details of the debt and equity funding are described in the Balance Sheet portion below.

It is assumed TAC retained ownership and property management of the entire Hooks Town Center development project. Construction costs, absorption rates, and rental rates are tied to per square feet values calculated from a Texarkana Report from JLL. Phase 2 is assumed to commence at the earliest opportunity after stock constructed in Phase 1 is absorbed and stabilized, which is year 4 of the 10 year analysis.

The Capital Stack consists of TAC's total investment of \$3,829,896 and a line of credit of \$4,337,051. TAC ultimately receives over \$6,000,000 in returns and discounting the Hooks Town Center's performance, a result of 7.2% Internal Rate of Return and a Cash-on-Cash Return of 1.6 times equity are achieved.

Capital Stack		
Line Item	Amount	%
Project Cost	8,166,947	100.0%
Loan	4,337,051	53.1%
TAC	3,829,896	46.9%
<b>Total Financing</b>	<b>8,166,947</b>	<b>100.0%</b>

TAC Returns	
Total Payments from TAC	(3,829,898)
Total Payments to TAC	6,282,741
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The profit and loss analysis for the entire Hooks Town Center shows very favorable financial performance, ultimately resulting in a 7.2% IRR and 1.6X of investor capital. The financial projections are modeled on a 10 year time period and reflect TAC retaining ownership of all properties

The summary of the 10 Year Pro Forma is shown below.

Net Cash Flow (10 Year Hold)	
Ampitheater	293,946
Education	1,432,262
Flex	1,397,439
Resturaunt	841,136
Retail	2,317,958
<b>Total</b>	<b>6,282,741</b>

The financial performance of the proposed Hooks Town Center is strong, resulting in a profit to the TAC. The main form of revenue from Hooks Town Center is rent collections from tenants, with a small portion of the revenue being proceeds from renting the amphitheater from time to time. We predict total revenue to be just over \$6M. When this top line revenue is filtered through the balance sheet and the net present value calculation is computed the NPV is over \$2.3M.

TAC Returns	
Total Payments from TAC	(3,829,898)
Total Payments to TAC	6,282,741
IRR	7.2%
NPV (@ 10%)	2,323,592
Cash-on-Cash	1.6

a) Development Costs

Development Costs		
Use	SQFT	PSF/Cost
Land	1,524,600	0.57
Ampitheater	10,000	22.80
Detention	224,000	1.49
Education	33,000	38.58
Flex	60,000	33.49
Parking	281,420	1.29
Parkspace	50,000	19.29
Resturaunt	20,000	38.58
Retail	56,000	35.07
War Monument	1,000	10.52

Construction Cost per Use		
Use	Use/Cost	PSF/Cost
Ampitheater	612,151	61.22
Education	1,657,237	50.22
Flex	2,393,707	39.90
Resturaunt	1,155,736	57.79
Retail	2,348,116	41.93
<b>Total Construction Costs</b>	<b>8,166,947</b>	<b>45.63</b>

The TAC must contribute capital in years 0 and 4 to fund the capital requirements of Phase 1 and Phase 2 respectively. Phase 1 is years 0-3 and Phase 2 is years 4 and beyond. A break-even analysis was conducted and it shows the breakeven event to occur in year 9. The break-even recovery period factors in all TAC's equity contributions and highlights the Hooks Town Center begins year 9 as a net positive cash flowing development.

The exit strategy is more of a long-term hold strategy. Because TAC is in the unique position to own and operate the real estate assets in Hooks Town Center, it is recommended for TAC to retain ownership in-perpetuity. However, as an alternate exit strategy, it is recommended for TAC to plan for the option to sell properties as required. These stipulations need to be included into tenant's leases.

The preferred strategy is for TAC to self-fund, and self-develop the Hooks Town Center. The recommended secondary scenario would be to alter phasing, simply by delaying new construction to allow for slower than expected stabilization rates. However, an alternate strategy is for TAC to sell the land to a private developer who will develop the project. This strategy is projected to take longer and result in dramatically lower profit and control to TAC, therefore it is recommended only as a pessimistic option.

## VIII. Deal Summary

### A. Proposed Land Purchase Strategy

#### 1. Hooks Town Center - Project Summary

Hooks Town Center - Project Summary	
<b>Location</b>	
Location:	Hooks, TX
<b>Mixed-Use Project</b>	
<b>Uses</b>	
Ampitheater	10,000 SF
Detention	224,000 SF
Education	33,000 SF
Flex	60,000 SF
Parking	281,420 SF
Parkspace	50,000 SF
Resturaunt	20,000 SF
Retail	56,000 SF
War Monument	1,000 SF
<b>Schedule</b>	
Phase 1 Start:	Year 0
Phase 2 Start:	Year 4
Equity Repaid	Year 9
<b>Cost</b>	
Construction Cost	7,001,451
Development Fee	249,242
Financing (Intreest)	916,254
Total Cost	8,166,947
Per Square Foot	45.63
<b>Financing</b>	
Phase 1	
Bank Loan	2,503,897
TAC Equity	2,211,103
Phase 2	
Bank Loan	1,833,156
TAC Equity	1,618,795
Project	
Bank Loan	4,337,053
TAC Equity	3,829,898
<b>Profit</b>	
Net Return to TAC	2,323,592
IRR	7.2%
Cash-on-Cash Return	1.6 X

#### 2. All Cash, Finance, Lease

- a) The breakout of cash to debt financing is shown below. TAC will contribute a total of \$3,829,896 to the project in cash and a lending partner will contribute \$4,337,051 to the project.

b)

Capital Stack		
Line Item	Amount	%
Project Cost	8,166,947	100.0%
Loan	4,337,051	53.1%
TAC	3,829,896	46.9%
<b>Total Financing</b>	<b>8,166,947</b>	<b>100.0%</b>



### 3. Pricing per sq ft/ac

a) The rent schedule is shown below.

PSF/Rent	
Ampitheater	7.75
Education	8.50
Flex	6.75
Resturaunt	9.75
Retail	9.25

### 4. Financing Strategy

a) The Financing strategy is a simple division between equity contribution of one source, TAC, and debt contribution of one source, lending partner. The specific lending structure is detailed below in the Debt & Equity section.

We recommend the TAC to create a wholly-owned Limited Liability Company to be the pass-through entity that will own and operate the Hooks Town Center. This allows the TAC to separate the liabilities from the assets in the project and provides an excellent layer of protection. Even though TAC is a quasi-governmental entity, it is recommended to take legal steps to protect TAC from liabilities to the greatest extent possible.

As mentioned in the Balance Sheet portion above, we recommend TAC to utilize debt financing to enhance TAC's IRR. We recommend utilizing debt financing of \$4,337,051 to enhance TAC's equity return. The financing of equity and debt are divided among two development phases, which helps to limit the equity and debt deployed into the project at any given time. We recommend the TAC to maintain their sole equity position because they have the ability to capitalize the non-debt portion of the entire project costs. Being able to draw from their strong balance sheet allows TAC to maintain exclusive control over the entire project without having to alter the project according to dicenting equity partner's requirements. The funding will take place across two phases according to this schedule, with Phase 1 shown in green and Phase 2 shown in blue.

Development Schedule		
Phase Start	Year 0	Year 4
Phase	Phase 1	Phase 2
Use	Buildout	Buildout
Ampitheater	100.0%	0.0%
Detention	100.0%	0.0%
Education	100.0%	0.0%
Flex	50.0%	50.0%
Parking	50.0%	50.0%
Parkspace	50.0%	50.0%
Resturaunt	50.0%	50.0%
Retail	28.6%	71.4%
War Monument	100.0%	0.0%
<b>Project</b>	<b>60.0%</b>	<b>40.0%</b>

The operations and management will be the exclusive control of TAC. This structure gives TAC the maximum control over the entire development project, ranging from balancing the

tenant mix to maintaining the desired level of maintenance and capital expenditures to keep the project fresh and current.

**IX. Conclusion**

We believe that the Hooks Town Center development will provide much needed amenities to the area for the employees stationed on the Red River Army Depot as well as the residents of Hooks. With our project, we believe we will create a destination for the overall region that draws patrons to enjoy the shopping, dining, and park-going experience the development will provide.