

BUSINESS PLAN

Bittersweet Investment Group 5, LLC (BIG 5)



**Bittersweet Development “Building #5”
3400 16th St.
Greeley, Colorado 80634**



Bittersweet Investment Group 5, LLC

The company is new and presently has no assets. The purpose of the company is to purchase one office building located at 3400 West 16th Street, Greeley, CO 80634. The office complex has 8 separate buildings, each owning the lot underneath the building and an undivided interest in the balance of the property. These buildings were originally built by and for dentists and other related medical facilities and were separately owned. As times changed, many of the doctors either retired or moved to more high visibility locations. Bittersweet Group, LLC (“Bittersweet”) purchased several of the buildings in February 2015, they have rehabbed, leased and managed the properties since that time. Their focus is to change the previous dentist office format into a general office format which has a much higher demand in the marketplace.

Bittersweet is 100% owner of the Property. Bittersweet is selling the Property to Bittersweet Investment Group 5, LLC. Bittersweet wishes to sell 55%-90% of “Building #5” the “Property” to pay off debt and recapture their rehabilitation costs. Any Class A units NOT purchased will be retained by Bittersweet. Additionally, Bittersweet will invest \$30,000 into the Company. This payment will be placed in a reserve fund.

Bittersweet Investment Group 5, LLC (the “Company”) is a Colorado Limited Liability Company created to acquire “Building #5” in Greeley, Colorado the “Property”. The Company’s investment objectives are: equity ownership, zero debt, income production and property appreciation. In part this will be accomplished through rental increases tied to each long term leases. Management and leasing of the Property will be handled by Bittersweet Group, LLC the Managing Member of the Company. The Managing Member, on behalf of the Company, expects the company will hold the property for a period of time, taking advantage of the cash flow, capturing the increased cash flow and then hold for an opportunity to sell or exchange when the market dictates.

The Comparable Market Analysis prepared by Larry Hawe Senior Commercial Broker with Commercial Brokers Alliance shows the property value based on the income valuation approach has a market value of \$902,638 when fully leased. Bittersweet for the purpose of this offering has placed a value on the property of \$900,000. The property size is 7680sf with 5972sf net available lease space, the common area is 1708sf. The Property is 73% leased and the other 27% may need custom tenant finishing. Additional financial reserves maybe escrowed during the rental years.

This purchase is for the Property and all fixed assets in the Property.

The company anticipates earning gross receipts in year 1 of approximately \$65,656. This is a 7.2% gross annual return with monthly payments of \$5,471. The building is in very good condition and the company does not foresee any large capital expenditures for building maintenance. The company does anticipate a need for new tenant finish. The established reserve fund may be used in part for this purpose or to cover other as of yet unidentified expenses. The company may elect to create a maintenance reserve fund. Building management fees are 0% of the gross revenues, currently \$-0- per year.

This is a good opportunity in Greeley Colorado. The Property is 73% leased with a long term tenants who are in multiyear triple net leases. This project has several valuable upsides:

- Increased lease revenue once the remaining 27% is leased
- The project has built in lease escalators of 3%
- The project has good potential for building appreciation. Northern Colorado property has had 3% compounded appreciation or more and this trend is expected to continue.
- In 2020 with 3% escalators and 100% occupancy the property will generate \$90,044 in triple net leases. That’s a 10% return on investment.

The Comparable Market Analysis of similar properties in Northern Colorado reveals that the property is a good value. The CMA study has been provided by Larry Hawe: Senior Advisor Commercial Brokers Alliance.

- Current cost of new construction for a similar Property is \$289 per square foot or \$2.219 million.

- The price for this property is \$117 per square foot.
- By valuing the property using replacement cost method less depreciation the CMA is valued at \$1.365 million
- Larry Hawe adds that the price range for this property is between 62psf and 190psf
- In 2020 with the current leases and factoring in the escalators at 3% and an 8% CAP rate the building value is \$1.125Million

The Company intends to hold the Property for three - five years or as the market dictates. There are multiple exit strategies. Bittersweet may elect to buy the Property at a future date. The tenants may choose to purchase their spaces. There are numerous real estate investment companies that this property meets their investment criteria.

The Managers

Duke Marquiss has been involved with commercial property as a manager, broker, and owner for over 40 years. During the partnership period between Kirk Johanson and Duke, they have completely renovated several commercial buildings, have sold commercial condos in those buildings, and currently manage several of those leased properties.

They have purchased and sold many other commercial properties that they acquired through foreclosure process of owning the Notes, and or bought at a discount. This particular project in the Bittersweet complex, they purchased 5.5 of the buildings almost 3 years ago from a bank. The property was coming out of a depression and was poorly managed. They did a lot of exterior cleanup of the landscaping, created an exterior HOA, and started managing all of the units themselves. They have done the Tenant Improvements on 10 units between the buildings, all with new tenants in them. These 10 units account for almost 13,000 SF of completely renovated space using their own crews and subcontractors. This means any future renovations will be done on a wholesale basis to building 5, not with a retail contractor.

Kirk and Duke and have not only renovated the spaces, they have replaced a lot of the old "gross modified" leases that didn't capture all of the costs of the common areas spaces of the buildings, nor costs the tenants should have been paying. Almost 100% of the leases are now Base + Triple Net (NNN) leases, and they are all that way in building 5.

Marquiss and Johanson have vast experience in management, rehabbing and lease up of commercial properties.

Location & Market Information

The building is located in Greeley, Colorado at 3400 W. 16th Street. The project was built in the 70's and consisted of 8 similarly constructed buildings and was primarily built as a center for dentists. There are still a number of dentist's offices located in the project. A local bank acquired 5.5 of the buildings, 30,000+/- square feet through foreclosure or deed in lieu of foreclosure and had been operating them for a number of years. Johanson and Marquiss acquired the building in 2015 and started the process of rehabbing the property and converting all new and old leases where possible to triple net leases (tenant pays for all costs on a prorate basis, taxes, insurance, professional fees and CAM charges). Building 5 presently has a total of 5,972 net leasable square feet with 1,648 square feet vacant (27% vacancy) and there are several companies that are looking to make this their home. The signed leases terms are 3-5 years in duration and provide for annual 3% rental escalators in base rent. Management for the property is handled by Bittersweet. Bittersweet is owned and operated by the principles, Johanson and Marquiss. They have a full time accountant on staff and the management software to handle this project.