

CASE STUDY 1: DISTRESSED NOTE ACQUISITION

VENTURE SORRENTO OFFICE CONDOS *San Diego, CA*

- 41,462 SF Office Condo Development
- Acquired \$10.01 million note at 51% of unpaid balance
- Since acquisition, developer sold 6,800 SF @ \$337.00 / sf



OPPORTUNITY

In December of 2008, PacVentures purchased the approximately \$10.01 million outstanding note secured by a for-sale office condominium project well located in San Diego, California, from the existing lender. The original lender decided to sell the loan as long as the closing could occur before the end of the year.

RESULTS TO DATE

PacVentures entered into a purchase agreement with the original lender on December 8, 2008, and closed 9 business days thereafter on December 19. In that time PacVentures was able to obtain financing for its purchase from a local bank. Ownership purchased the loan for a total cost of \$5.5 million (including closing costs), resulting in a cost basis of roughly \$132 per square foot on the project. Because of PacVentures' strong reputation and track record, \$3.5 million of debt financing was secured against the note, bringing the total equity investment to approximately \$2 million.

With one prospective buyer in escrow for two of the units, PacVentures decided to work with the project's developer and extend the term of the original note, allowing them the opportunity to repay the outstanding note without facing foreclosure. Just one month following the acquisition of the note, that prospective buyer closed on 6,825 square feet at \$337 per square foot. Of the \$2.17 million in net proceeds to ownership from this sale, 50% went to paying down the new \$3.5 million loan to \$2.42 million, and the remaining 50% went to ownership, resulting in a remaining unpaid equity balance of \$914,600.

This single transaction has brought ownership's total cost basis on the acquisition to just \$88 per square foot.

Disclaimer: Information and details provided regarding PacVentures, Inc.'s capabilities, strategy, and investment track record are subjective statements, have not been audited by any third party, and are not intended to be viewed as objective. Past results are not necessarily indicative of future results. PacVentures does not assume any responsibility regarding the accuracy or completeness of the information or other items provided by PacVentures and the use of such information is at your own risk. The information in document has been prepared solely for informational purposes and is neither an offer to sell nor the solicitation of an offer to buy any security or instrument. All information is confidential and may not be reproduced without PacVentures' express written consent.