

OFFERING  
MEMORANDUM

**FAMILY DOLLAR**

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(NOT THE ACTUAL PROPERTY)

SHALLOWATER(LUBBOCK), TEXAS

**ARROYO & COATES**  
COMMERCIAL REAL ESTATE SERVICES  
Lic. # 00995512



**Arroyo & Coates** is pleased to present the opportunity to acquire a single-tenant, triple net, free-standing Family Dollar in Shallowater (Lubbock), Texas.

### HIGHLIGHTS

- Recession proof tenant.
- Great exposure.
- Includes adjacent 1.77 acre parcel for future development.
- Low price per SF.
- Constructed in 2003.
- Excellent 1031 exchange opportunity.

### FOR MORE INFORMATION CONTACT:

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### PROPERTY OVERVIEW

Family Dollar is located in Shallowater, only 12.5 miles northwest from downtown Lubbock. The Lubbock MSA, which has an estimated population of 263,045, is situated in the heart of the vast Southern Plains of West Texas and Eastern New Mexico. Lubbock is nicknamed the “Hub City” because it is the economic, educational, and health care hub of the Southern Plains. It is also home to Texas Tech University.



Constructed in 2003, the building is 100 feet by 80 feet, for a total of 8,000 square feet. The property has great exposure with frontage on US Highway 84, a main thoroughfare leading directly into Lubbock. The offering includes two separate parcels; the building sits on a 1.01 acre parcel, and the adjacent 1.77 acre parcel represents a value-add component as a future development site.

Family Dollar is responsible for all expenses except the roof and structure. There are 4 five year options that are automatically extended unless written notice is given 60 days in advance.

### PROPERTY SUMMARY

<b>Address</b>	8302 Highway 84 Shallowater, TX 79363
<b>County</b>	Lubbock
<b>APNs</b>	R74005, R74238
<b>Building Area</b>	8,000 square feet
<b>Acres</b>	2.78 acres
<b>Construction Date</b>	2003

### LEASE SUMMARY

<b>Original Lease Term</b>	10 years
<b>Lease Commencement</b>	1/1/04
<b>Lease Expiration</b>	12/31/13
<b>Options</b>	4 five year options
<b>Increases</b>	\$5,000 increase each option
<b>Lease Type</b>	NNN
<b>LL Responsibilities</b>	Roof, structure, & parking lot

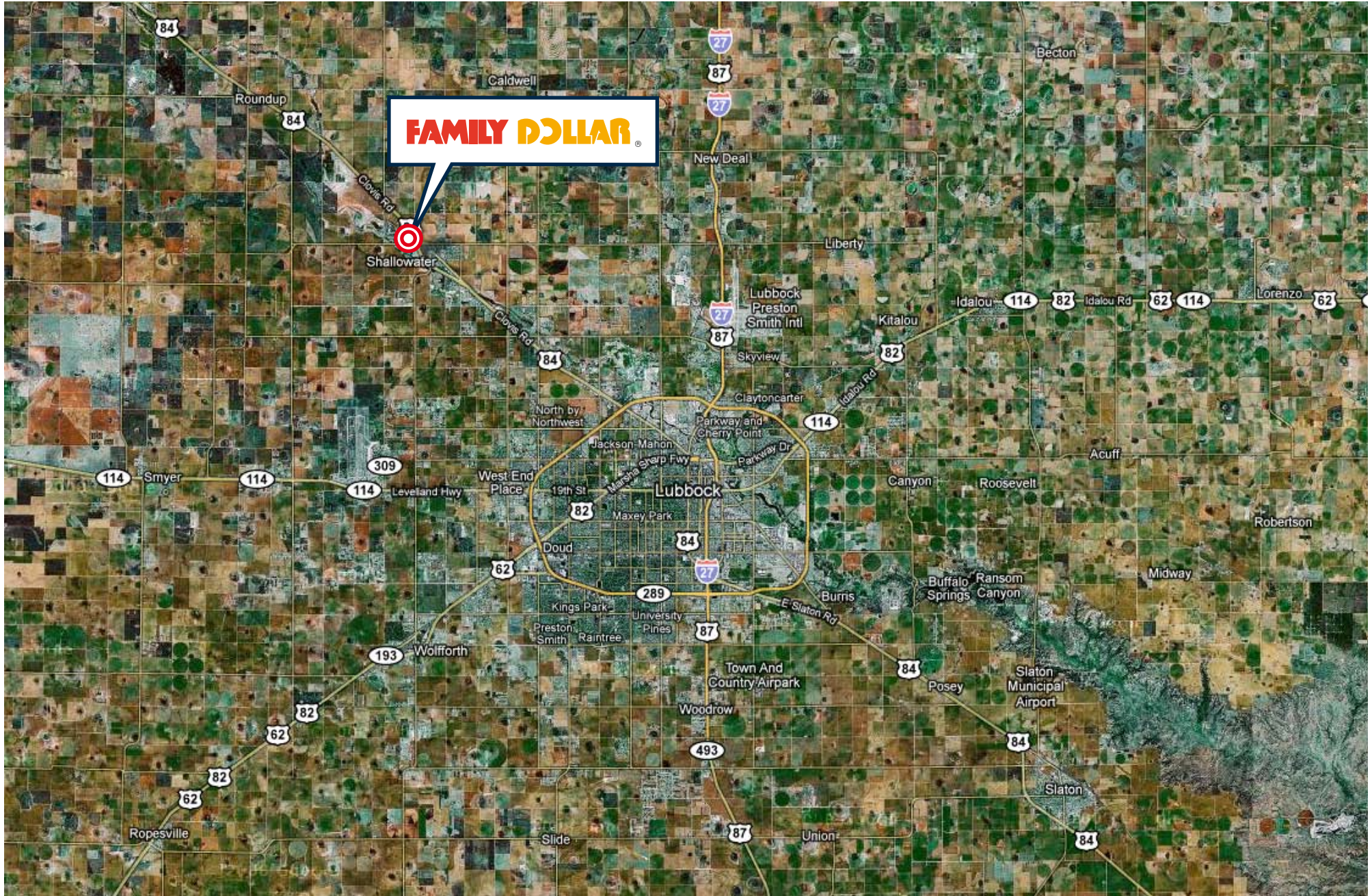
### OFFERING SUMMARY

<b>Price</b>	\$610,000
<b>per SF</b>	\$76.25
<b>per Acre</b>	\$219,424
<b>NOI</b>	\$53,000
<b>per Month</b>	\$4,417
<b>per SF per Month</b>	\$0.55
<b>Cap Rate</b>	8.69%

VALUATION	
<b>NOI</b>	<b>\$53,000</b>
Debt Service	(\$31,339)
<b>Cash Flow</b>	<b>\$21,661</b>
Principal Reduction	\$9,827
<b>Total Return</b>	<b>\$31,488</b>
<b>Cap Rate</b>	<b>8.69%</b>
<b>Cash on Cash</b>	<b>8.88%</b>
<b>Total Return %</b>	<b>12.90%</b>

PROPOSED FINANCING	
<b>Loan Amount</b>	<b>\$366,000</b>
<b>Equity Required</b>	<b>\$244,000</b>
Debt Service	(\$31,339)
LTV	60%
DSCR	1.69
Rate	5.9500%
Term	3 years
Amortization	20 years





PLAT MAP



AERIAL



# FAMILY DOLLAR®




Founded in 1959, Family Dollar Stores, Inc. is one of the fastest growing discount store chains in the United States. There are currently more than 6,600 stores operating in 44 states. During the last ten years, more than 4,000 new stores have been added to the chain.

Family Dollar stores offer self-service retail discount products for lower to mid-income consumers. Most merchandise is priced below \$10.00. The typical store offers household chemicals, paper products, candy, snacks and other food, health and beauty aids, hardware and automotive supplies, pet food and supplies, home products, toys, stationery, school supplies, seasonal goods, and electronics. It also provides apparel and accessories for both sexes and all ages.

Family Dollar's headquarters are located in Matthews, North Carolina. The company has been a publicly held corporation since 1970 and its Common Stock is listed on the NYSE under the ticker symbol FDO.





	Radius: 1 Miles	Radius: 3 Miles	Radius: 5 Miles
 2000 Total Population	371	3,561	16,790
2000 Group Quarters	0	7	450
2009 Total Population	418	3,924	21,188
2014 Total Population	442	4,168	23,411
2009 - 2014 Annual Rate	1.12%	1.21%	2.02%
 2000 Households	113	1,232	6,152
2000 Average Household Size	3.28	2.88	2.66
2009 Households	130	1,393	8,055
2009 Average Household Size	3.21	2.81	2.57
2014 Households	139	1,493	8,998
2014 Average Household Size	3.18	2.79	2.55
2009 - 2014 Annual Rate	1.35%	1.4%	2.24%
2000 Families	90	960	4,202
2000 Average Family Size	3.69	3.31	3.15
2009 Families	101	1,060	5,199
2009 Average Family Size	3.67	3.26	3.12
2014 Families	107	1,121	5,680
2014 Average Family Size	3.64	3.25	3.12
2009 - 2014 Annual Rate	1.16%	1.13%	1.79%
 <b>2000 Housing Units</b>	117	1,317	6,521
Owner Occupied Housing Units	70.5%	71.7%	62.8%
Renter Occupied Housing Units	22.1%	21.6%	31.4%
Vacant Housing Units	7.4%	6.7%	5.7%
<b>2009 Housing Units</b>	136	1,502	8,643
Owner Occupied Housing Units	69.9%	68.2%	58.2%
Renter Occupied Housing Units	25.7%	24.6%	35.0%
Vacant Housing Units	4.4%	7.3%	6.8%
<b>2014 Housing Units</b>	145	1,611	9,635
Owner Occupied Housing Units	72.4%	70.0%	60.2%
Renter Occupied Housing Units	23.4%	22.7%	33.1%
Vacant Housing Units	4.1%	7.3%	6.6%
<b>Median Household Income</b>			
2000	\$37,963	\$38,109	\$37,180
2009	\$51,523	\$47,534	\$47,121
2014	\$51,998	\$49,959	\$49,835
<b>Median Home Value</b>			
2000	\$64,286	\$68,667	\$66,331
2009	\$68,333	\$81,406	\$83,565
2014	\$81,667	\$90,000	\$93,881
<b>Per Capita Income</b>			
2000	\$14,569	\$16,741	\$16,318
2009	\$19,162	\$19,849	\$20,649
2014	\$19,135	\$19,899	\$20,945
<b>Median Age</b>			
2000	30.8	33.8	28.9
2009	30.6	34.7	30.6
2014	31.2	34.8	31.3

Data Note: Household population includes persons not residing in group quarters. Average Household Size is the household population divided by total households. Persons in families include the householder and persons related to the householder by birth, marriage, or adoption. Per Capita Income represents the income received by all persons aged 15 years and over divided by total population. Detail may not sum to totals due to rounding.

Source: U.S. Bureau of the Census, 2000 Census of Population and Housing. ESRI forecasts for 2009 and 2014.

PROPOSED FINANCING

	3-Yr Fixed 25-year Am	3-Yr Fixed 20-year Am
Sales Price:	\$610,000	\$610,000
Down Payment:	\$213,500	\$244,000
Loan Amount:	\$396,500	\$366,000
LTV*:	65%	60%
Interest Rate**:	6.75%	5.95%
Amortization (years):	25	20
Monthly Payment / Avg Monthly Payment:	\$2,528	\$2,611
Cash on Cash Return:	7.18%	8.88%
Lender Costs (approx)***:	\$2,500	\$1,200
Principle Reduction Over Loan Term:	\$1,927	\$32,273
Approximate Annual Cash Flow:	\$22,664	\$21,668
Title and Borrower Legal (approx):	\$10,000	\$10,000
Recourse:	yes	yes
NOI:	\$53,000	\$53,000
Prepayment Penalty:	1%	Declining

\*LTV is based on a 1.25DCR except for fully amortizing loans which move to a 1.01 DCR.

\*\* Rates and terms represent preliminary quotes and are based on treasury yields as of 4-21-10 and represent no legal obligation.

\*\*\* Remaining funds will be credited to borrower from lender at closing and this includes third parties such as appraisal

Note: Rates and programs assume a financially strong guarantor/borrower. Also, a 70% LTV is possible for the remaining lease term fixed program depending on borrower strength and location.



## FAMILY DOLLAR BUCKS THE SKEPTICS

By Teresa Rivas

Wednesday, January 6, 2010

FAMILY DOLLAR STORES (TICKER: FDO) sells inexpensive goods. Its stock also happens to be inexpensive.

This morning, the discount retailer announced better-than-expected fiscal first-quarter earnings of \$67.6 million, or 49 cents a share, up from 42 cents a share last year and ahead of the 47-cent consensus estimate.

The results were helped by same-stores sales, which grew 4% in December, and fewer holiday-related markdowns. The company also said it expects second-quarter profit of 65 cents a share, one cent above expectations.

The shares jumped 10% on the news, to a recent \$30.25. If you're scared off by today's rally, don't be.

Despite today's gains, Family Dollar remains the cheapest in its sector, trading at 12.5 times the consensus estimate for 2010 earnings per share and at about a 20% discount to its median five-year price/earnings multiple of 16. That's cheaper than competitors 99 Cents Only Stores (NDN), Dollar General (DG) and Dollar Tree (DLTR).

Moreover, Family Dollar is the only one of the group to pay a dividend, currently at 2%. It has the most cash on its balance sheet of the four, and aside from 99 Cents Only, has the least amount of debt. Family Dollar also has the best returns on equity and assets of the group.

Dollar stores in general did extremely well throughout the recession for obvious reasons. But while others saw close to (or more than) triple-digit gains in the last two

years, Family Dollar rose a much more modest 61% in that time, and has fallen out of favor recently, dropping 2.6% in the last three months.

However, concerns about Family Dollar topping last year's results appear overblown. Pali Research analyst Stacey Widlitz notes that while Family Dollar may struggle to top results achieved at the height of the recession, those results do not appear to be "driven by loss of customers or trade down disappearing."

Thus, despite signs of a grudging economic recovery, fundamentals are not abandoning Family Dollar, particularly with consumers -- especially in lower-income brackets -- still under pressure from a number of factors, including a high unemployment rate.

Longer term, Family Dollar seems the best positioned in the group. Only about one-third of Family Dollar's offerings actually carry a \$1 price tag, leaving it less exposed to inflationary pressures than others, like 99 Cents Only that sticks strictly to the \$1 model for all inventory.

Another part of the Family Dollar story is gross margins, which grew to 36.1% in the quarter, also topping expectations, on well controlled lower inventories and theft expenses. Even Wedbush Morgan analyst Joan Storms, who has an Underperform rating on the stock, noted that "longer-term, we see positive growth prospects for the company, which has a strong management team and execution record."

The dollar-store sector may not see as much of a knockout performance as in the past, as the economy slowly recovers and competition from other discounters, like Wal-Mart Stores (WMT), intensifies. However, many of the industry's core consumers remain under pressure in this environment, and savvy bargain hunting continues to be a widespread shopping tactic.

Family Dollar, which has gained far less than its peers and sports a healthy balance sheet, is therefore likely the best play in the space.

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