FOUR CORNERS SHOPPING CENTER

FREEPORT, TEXAS

Grocery Anchored Retail Offered by DUWEST INVESTMENT SERVICES

INVESTMENT SALES

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STATEMENT OF CONFIDENTIALITY AND DISCLAIMER

INVESTMENT OVERVIEW

Four Corners Shopping Center is a 71,634 square foot grocery-anchored shopping center in Freeport, Texas, about 50 miles south of Houston. The grocer, Arlan's Market, is the second highest grossing store in the 16-store chain located throughout south and central Texas. The tenant's occupancy cost is a healthy 1.3%. Arlan's is the only full-scale super market in Freeport and includes a fresh meat and seafood department and produce section. The center also includes corporate leases with Family Dollar and Dollar Tree, two solid junior anchors that make Four Corners the premier retail destination in Freeport. These three tenants account for 67% of the gross leasable area of the shopping center. Among the remaining small shop tenants, the average rent is only $9.29 per square foot, giving a new owner good upside in rental growth. The property also can also accommodate a pad site on the northeast corner that has never been marketed. Lastly, there is a former restaurant vacancy with an end-cap location that presents even more upside.

Freeport has long been one of the state's largest ports, which companies such as Dow Chemical, BASF, Phillips 66 and Freeport LNG (liquefied natural gas) all having private terminals at the port. Originally, many of the terminals in Freeport were set up to import natural gas, one of the cleanest energy sources on the planet. But since the shale revolution has made the United States net exporters of LNG, Freeport has been set up well to capitalize. In the last few years, Freeport has risen to become the largest LNG exporter in North America. Freeport LNG alone, which became operational in September 2019, will export about 15 million tons of LNG in 2021 and is on track to book $2.5 billion in revenue. At current market prices, the daily output is worth $14 million, of which Freeport collects $5 million a day in tolling revenue. Further, to meet and help grow volume, the port broke ground in April 2021 on a $295 million project to deepen the channel to allow for larger and more modern vessels to continue to visit Port Freeport.

CLICK HERE FOR:

FOUR CORNERS SHOPPING CENTER VIDEOGRAPHY

CLICK HERE FOR AUCTION PAGE:

TEN-X AUCTION PAGE

301 S. BRAZOSPORT BLVD, FREEPORT, TX 77514
ADDRESS

FREEPORT
CITY

BRAZORIA
COUNTY

1976
CONSTRUCTION YR

71,634 SF
BUILDING SIZE

266,587 SF / 6.12
SITE SIZE SF / SITE SIZE ACRES

$411,434
IN- PLACE NOI

$6.67
AVERAGE RENT

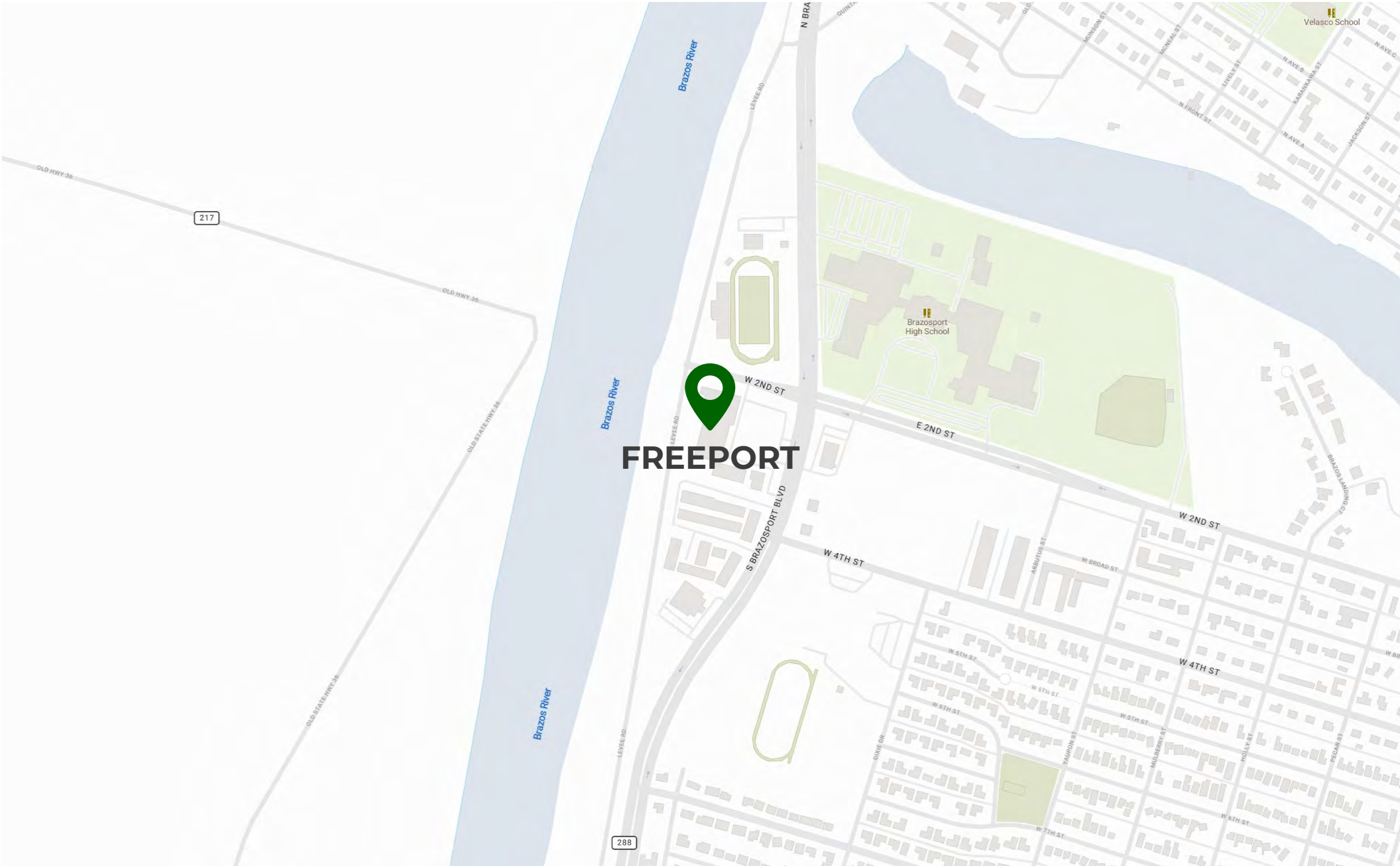
93.2%
OCCUPANCY

HIGHWAY 288: 28,720 VPD
TRAFFIC COUNTS

FEE SIMPLE
OWNERSHIP

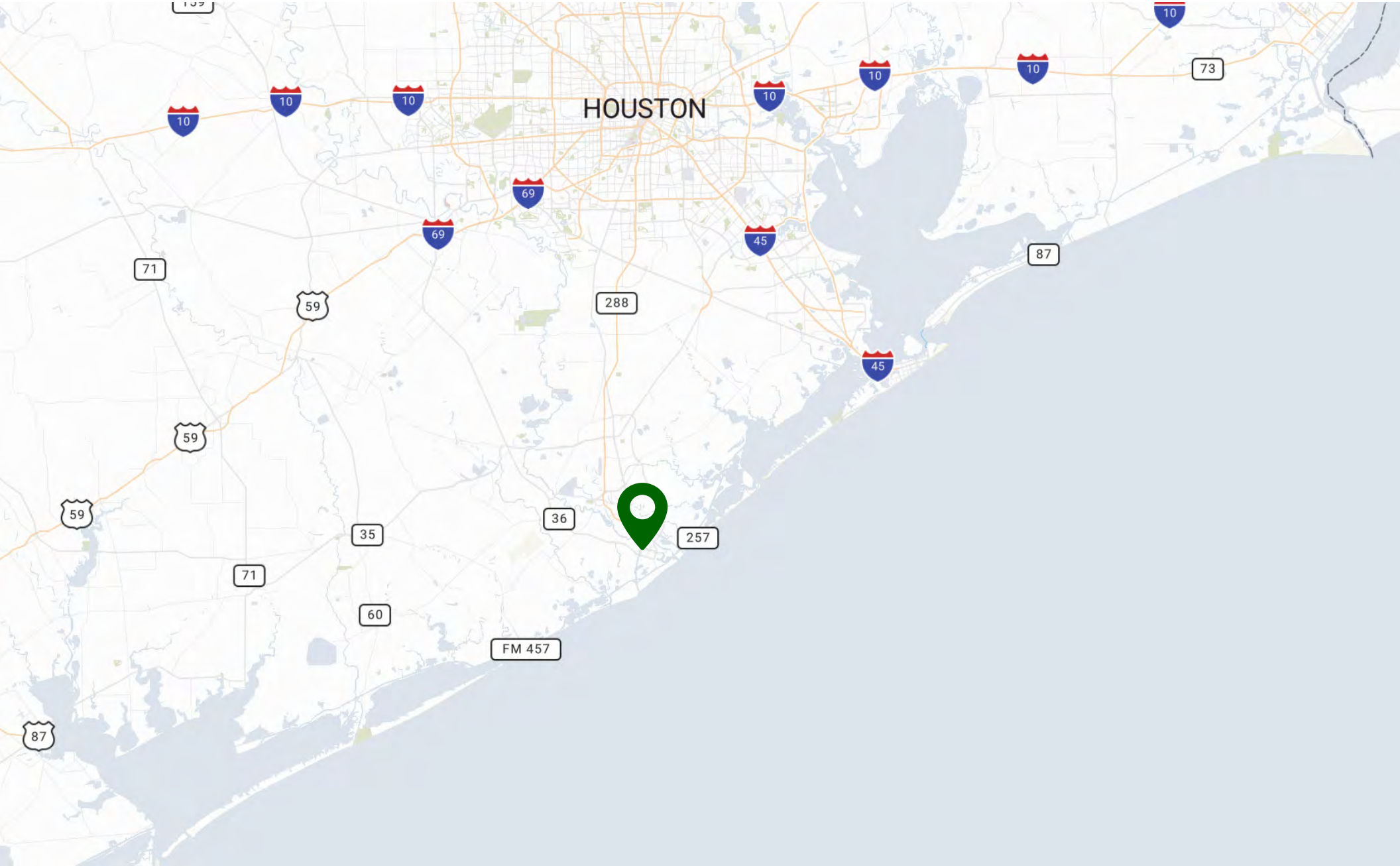
LOCATION MAP

301 S. BRAZOSPORT BLVD, FREEPORT, TX 77514



REGIONAL MAP

301 S. BRAZOSPORT BLVD, FREEPORT, TX 77514



AERIAL VIEW

LOOKING WEST

AERIAL VIEW

LOOKING NORTH

AERIAL VIEW

LOOKING NORTHWEST


FAMILY DOLLAR
DOLLAR TREE
STORAGE
Pizza Hut
dollar 24/7
Arlan's MARKET
GAC
FREEPORT family dentistry
Jenny's Hair Salon
Hardy Tax
boost
99 Cents Plus
Vape City
Texas Style BURGERS
Rigo's Mexican Restaurant
Pylon Sign
OLD HIGHWAY 36
288 TEXAS
S. BRAZOSPORT BOULEVARD
N

TENANT PROFILES

arlansmarket.com

Arlan's Market is a family owned grocery business that is headquartered in Seabrook, Texas and San Antonio, Texas. The business was founded by Ames Arlan in 1991 following the purchase of their first location in Seabrook, Texas. Now after over 30 years, they opperate 17 stores across Texas. The location in the subject shopping center represents the only full grocery stores in the city of Freeport, and their occupancy cost is strong. It is reportedly the second highest grossing location in Arlan's chain. Locals have embraced the family owned grocery store since its opening which has resulted in strong store performance.

dollartree.com / familydollar.com

Founded in 1986 Dollar Tree is a Fortune 150 company that operates over 15,000 locations across the United States and Canada. Having completed the acquisition of Family Dollar in 2015, the company operates under two segments, Family Dollar and Dollar Tree. Both stores acting as discount retailers providing low cost consumable merchandise to customers including: Candy, food, health and beauty products, household paper products, and other general merchandise . Today, Dollar Tree carries a market cap of nearly $23B, revenues in excess of $25.7B, EBITDA of $2.97B, and a credit rating of BBB-.

RENT ROLL

Rent Roll as of 7/1/2021				301 S. BRAZOSPORT BLVD, FREEPORT, TX 77514										
				CURRENT TERM		CURRENT BASE RENT			RENTAL INCREASES					
SUITE	TENANT	SIZE (SF)	% OF TOTAL (SF)	START	EXPIRE	PSF	ANNUAL	MONTHLY	DATE	PSF	ANNUAL	CAM RECOV.	RENEWAL OPTIONS	NOTES
301	Arlan's Market	27,104	37.8%	4/26/2019	6/25/2024	$4.14	$112,211	$9,351	-	-	-	NNN Incl. Mgmt Fee (Base Year 2009)	Three, 5-Year Options with CPI increases not to exceed 5% on each renewal date	Percentage Rent of 1.5% over a Natural Breakpoint ($30,394 in 2020) 2009 Base Year: Taxes: $22,575 Ins: $15,874 CAM: $74,977
303	Snap Fitness	5,364	7.5%	11/1/2014	3/1/2026	$10.30	$55,249	$4,604	-	-	-	NNN Incl. Mgmt Fee	None	Termination Option Effective 3/31/22; However, Tenant is currently selling the business and new owner has no plans to exercise termination. They actually want to expand.
305-B	Pizza Hut	1,400	2.0%	11/1/2021	4/30/2025	$12.00	$16,800	$1,400	Nov-22 Nov-23	$12.86 $13.71	$18,000 $19,200	NNN Incl. Mgmt Fee	Four, 5-Year Options at 5% Increases Over Prior Option	
305-A	VACANT (STORAGE)	1,836	2.6%	-	-	-	-	-	-	-	-	-	-	
305	Dollar Tree	10,620	14.8%	10/5/2018	10/31/2026	$7.50	$79,650	$6,638	-	-	-	NNN + 10% Admin on CAM	Five, 5-Year Options at $.50 PSF Increase in each Option	
307	Family Dollar	9,380	13.1%	1/7/2002	12/31/2022	$6.67	$62,565	$5,214	-	-	-	NNN, No Mgmt (Base Year 1998)	Five, 5-Year Options at 10% Increase in each Option	1998 Base Year: Taxes: $21,928 Ins: $529 CAM: $9,519

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INVESTMENT SERVICES

RENT ROLL

Rent Roll as of 7/1/2021				301 S. BRAZOSPORT BLVD, FREEPORT, TX 77514										
				CURRENT TERM		CURRENT BASE RENT			RENTAL INCREASES					
SUITE	TENANT	SIZE (SF)	% OF TOTAL (SF)	START	EXPIRE	PSF	ANNUAL	MONTHLY	DATE	PSF	ANNUAL	CAM RECOV.	RENEWAL OPTIONS	NOTES
311	GAC North America	1,500	2.1%	7/15/2019	7/14/2024	$7.04	$10,560	$880	-	-	-	NNN Includes Mgmt	One, 5-Year Option at FMV	
313	Freeport Family Dentistry	1,500	2.1%	3/1/2013	3/31/2023	$12.50	$18,750	$1,563	-	-	-	NNN Includes Mgmt	None	
315	Jenny's Hair Salon	1,000	1.4%	6/1/2020	5/31/2025	$12.31	$12,312	$1,026	-	-	-	NNN Includes Mgmt	One, 5-Year Option at FMV	
317	Hardy Tax	1,200	1.7%	8/1/2020	7/31/2023	$8.33	$9,996	$833	-	-	-	NNN Includes Mgmt	None	
319	99 Cents Plus/ Boost Mobile	3,830	5.3%	10/21/1994	12/31/2021	$6.27	$24,000	$2,000	-	-	-	Gross	None	
323	Vape City	1,500	2.1%	10/1/2020	9/30/2025	$12.36	$18,540	$1,545	-	-	-	NNN Includes Mgmt	One, 5-Year Option at FMV	
325	VACANT	3,000	4.2%	-	-	-	-	-	-	-	-	-	-	
327	Red Top Burgers & Shakes	2,400	3.4%	10/8/1979	2/28/2023	$11.63	$27,900	$2,325	Feb-22	$11.88	$28,500	NNN Includes Mgmt, Pays Taxes Directly	None	
	Total Occupied **Total Vacant** **Total GLA**	**69,798** **1,836** **71,634**	**97.4%** **2.6**			**$6.67**	**$465.333**	**$38,778**						

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INCOME & EXPENSE

2021 BUDGETED EXPENSES

	CURRENT	PSF
Real Estate Taxes (Main Parcel)	$50,973	$0.71
Real Estate Taxes (Red Top)	$1,720	$0.02
Property Insurance	$37,220	$0.52
Common Area Maintenance		
Utilities	$7,382	$0.10
Landscaping	$4,248	$0.06
Parking Lot Cleaning/Porter	$4,544	$0.06
Repair and Maintenance	$11,672	$0.16
Total Common Area Maintenance	$27,846	$0.39
Management Fee (3.5%)	$19,194	$0.27
TOTAL EXPENSES	**$136,953**	**$2.30**

Assumptions:

1. Pizza Hut has executed a lease for a portion of the last remaining vacancy at the property. Landlord is required to perform certain work, which if not complete by closing, the amount to cover the work will be credited to purchaser at closing. The terms of the Pizza Hut lease have been included in the rent roll and in-place Net Operating Income.

YEAR ENDING SEPTEMBER 30, 2022

	IN-PLACE	PSF
Base Rent	$448,933	$6.27
Percentage Rent	$30,424	$0.42
Expense Reimbursements	$69,031	$0.96
Gross Revenue	$548,387	$7.66
Operating Expenses	$136,953	$1.91
NET OPERATING INCOME	**$411,434**	**$5.74**

2. Common Area Expenses and Property Insurance estimates have been grown by inflation by 3% over 2020 Actuals.

3. Arlan's Market reimburses CAM (incl. management fee) over a 2009 Base Year which was $74,977. Per the terms of the Lease, we are assuming Tenant's CAM contribution will actually be negative $9,300 because actual CAM is much lower than their base year. This amount is offset from the total CAM reimbursements.

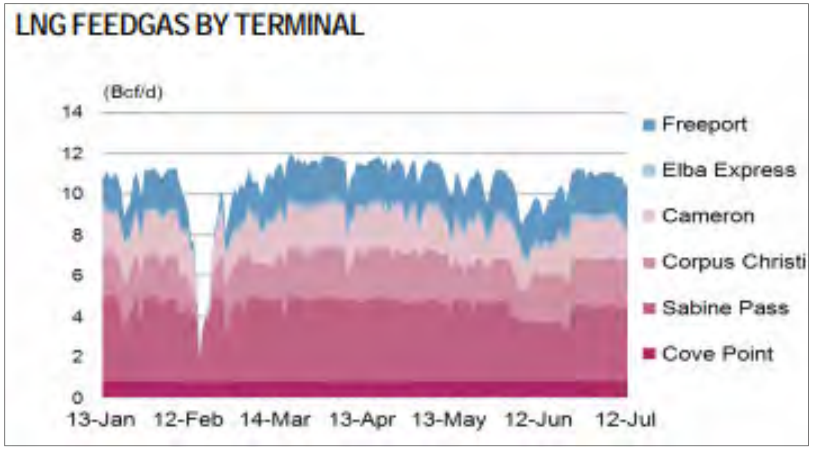
4. Arlan's Market pays 1.5% of gross sales over a breakpoint of $7,480,733. In its first full calendar year (2020), Tenant's gross sales were $9,509,007, resulting in percentage rent of $30,424. This rent amount has been assumed in our Pro Forma Net Operating Income.

SUBMARKET OVERVIEW

The subject property is located in Freeport, Texas, a coastal city within Brazoria County. Freeport is approximately 50 miles Southwest of Houston, TX and 40 miles west of Galveston, Texas. The city sits at the mouth of the Brazos River and along the Intracoastal Waterway. The city's largest economic driver is Port Freeport, which as of 2021, is the country's largest exporter of Liquefied Natural Gas (LNG). The port employs nearly 16,000 workers alone while supporting 150,000 jobs statewide. Freeport is home to many national tenants including Dole Fresh Fruit Company, Riviana Foods, Chiquita Brands, and many others. In addition, Dow Chemical, BASF, Phillips 66, and Freeport LNG all have private terminals at the port. In April of 2021, the port broke ground on a $295 million project to deepen the channel to allow for larger and more modern vessels to continue to visit Port Freeport.

LNG exporting has been a recent development within the Freeport community with Freeport LNG becoming operational in September of 2019. Freeport LNG is mostly owned by investor Michael S. Smith who originally bet on Freeport to be an import terminal for LNG. However, now that the United States is a large producer of natural gas, the terminal was onverted/expanded to an export facility. Freeport LNG chills and exports roughly 2 billion cubic feet of natural gas per day equaling $14 million in revenues daily. Through this, the city receives nearly $5 million dollars per day through tolling fees. Freeport is also a major port and exporter for petrochemicals, which are needed for all types of plastics and in high demand in the manufacturing of electric vehicles.

Other strong economic drivers for Freeport are its fishing community and tourism. The city is home to one of the largest shrimp-trawler fleets in the state and dozens of local fishing charters. Texans come from all over to visit Freeport to enjoy either a day on the water fishing or relaxing on the city's 3-mile long, Bryan Beach.



MEDIA

DOW PLANS NEW MDI DISTILLATION AND PREPOLYMERS PLANT

The opening of the Freeport, TX site will enable the firm to supply an additional 30% of product to its customers.

John S. Forrester | Jun 09, 2021

American chemicals and materials giant Dow revealed plans Wednesday to construct a new integrated MDI distillation and prepolymers facility at its manufacturing site in Freeport, TX. The asset will replace its existing North American capacity in La Porte, TX and will allow the firm to increase its supply of the product by 30%.

"This MDI investment optimizes our existing asset infrastructure and enhances our global polyurethanes leadership position, further enabling us to support downstream systems customers' growth," Jane Palmieri, president of the Industrial Intermediates & Infrastructure operating segment for Dow, in a company release. "The back integration at the Freeport site creates a cost competitive supply of key upstream polyurethane raw materials, enables a reliable supply position to support our growth in downstream high-value polyurethane markets and delivers a more sustainable production process."

Dow's Freeport MDI asset is expected to start up in 2023. At the same time, the company plans to shut down the polyurethane assets at its La Porte location.

A number of features were added to lower the site's water usage and minimize its carbon footprint, including the use of thermal energy, implementing production efficiencies to reduce water intake and wastewater discharge. The site also eliminates the need for transport of raw materials.

Powder & Bulk Solids reported in February that Dow announced it will shed infrastructure related to its chemical plants in Germany. Unnamed sources told Reuters that the company intends to sell the assets, including infrastructure and services at petrochemical sites in Stade, Schkopau, and Boehlen, for about €800 million, or about $966 million.

DOW'S FREEPORT, TX SITE

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MEDIA

FREEPORT LNG OPTIMISTIC IT COULD GET SUPPORT FOR TRAIN 4 BY END OF YEAR: CEO

Author: Harry Weber
Editor: Valarie Jackson
Commodity: LNG, Natural Gas
Topic: LNG Commoditization

At least 75% of capacity to be sold before sanctioning 'ESG bonkers' European buyers tough to crack for new deals

Freeport LNG could sign sufficient long-term contracts by the end of the year to sanction a proposed fourth liquefaction train at its Texas export facility, based on the advanced stage of talks with potential buyers, CEO Michael Smith said during a June 29 interview.

While the company has not announced any firm commercial deals tied to Train 4 since a p reliminary agreement signed in 2018 by Japan's Sumitomo for the purchase of 2.2 million mt/year of LNG expired last year without being finalized, talks with potential buyers have picked up in recent months amid tightness in global supplies, Smith said on an installment of the S&P Global Platts Capitol Crude podcast that will air July 6.

If it gets at least 75% of the train's about 5 million mt/year capacity sold to the commodity traders, utilities, and other end-users that Freeport LNG has been talking to, that would allow the company to make a final investment decision by the summer of 2022, he said.

"I think it is only a matter of time before customers will be willing to sign 20-year deals to facilitate new FIDs," Smith said. "I think we have seen this movie before."
The optimism about being able to sanction Train 4 within the next 12 months was noteworthy in that Smith made his comments the same day that another major US LNG exporter, Sempra, said that a key deal with Saudi Aramco to support its proposed Port Arthur LNG facility in Texas had fallen through.

For existing exporters, global gas and LNG forward prices are trending strong and relatively stable, pointing to a long runway for exporters to enjoy healthy netbacks on deliveries to Europe and Asia, buffeted by cheap feedgas costs because of low US Henry Hub prices. Feedgas deliveries to US LNG export terminals have recently been averaging over 11 Bcf/d, implying utilization of over 90%.

But while those trends are positive, challenges remain, largely owed to the high cost of construction, the risk to lenders in terms of providing financing, and uncertainty in the markets amid the global energy transition to increased use of cleaner-burning fuels.

"There are a lot of wanna-be LNG facilities that have been approved by the FERC that just aren't in the right place, in the right developer's hands, well-conceived, and would only be able to reach FID in the greatest of markets," Smith said. "And for many of those, they have been trying to get off the ground for so many years that the well is going dry on their investors willing to put capital into something when the chances of succeeding are probably slim and none."

MEDIA - CONTINUED

He added, "Obviously, that's not the case with Sempra, that's for a different reason, but there's only going to be a handful of facilities that I believe are going to get built."

Freeport LNG's tolling model, location, and the leverage of its existing footprint, as well as its stick-to-it frame of mind when it comes to traditional pricing mechanisms for US liquefaction projects, make Train 4 a good bet, Smith said.

Carbon Emissions

He also noted Freeport LNG was ahead of the curve in terms of limiting carbon emissions by building the only liquefaction terminal in the US that uses exclusively electric motors instead of natural gas turbines to drive its liquefaction compressors. While that presents unique power needs that can be challenging during hurricanes and other disruptions, it has helped the company in recent commercial talks with climate-conscious buyers.

While he wouldn't name the buyers, Freeport LNG is talking to about being foundation customers for Train 4, he did suggest that as far as regions Europe, which helped support the first wave of US liquefaction capacity, was largely off the board for the second wave.

"That is a tough market to crack because they are so ESG bonkers and there's a lot of governments that don't want US shale gas, I think, even if you do carbon sequestration for some of them," Smith said.

MEDIA

MCCARTHY AWARDED EXPANSION PROJECT AT PORT OF FREEPORT VELASCO TERMINAL

on October 27, 2020

McCarthy Building Companies, Inc. has been awarded the Velasco Container Terminal expansion project at Port Freeport, Texas. The Velasco Terminal expansion, which includes Berth 8, features over 925 feet of berth extension and will accommodate post-Panamax gantry cranes. This will be the single largest project built by a public port on the Texas Gulf Coast. Construction is scheduled to begin this month with the new infrastructure being fully operational by August 2022.

"McCarthy has vast experience working along the Texas coast, building and rehabilitating ports," said Fitz O'Donnell, vice president of operations for McCarthy. "We excel at complex projects and look forward to tackling this large and important project for Port Freeport."

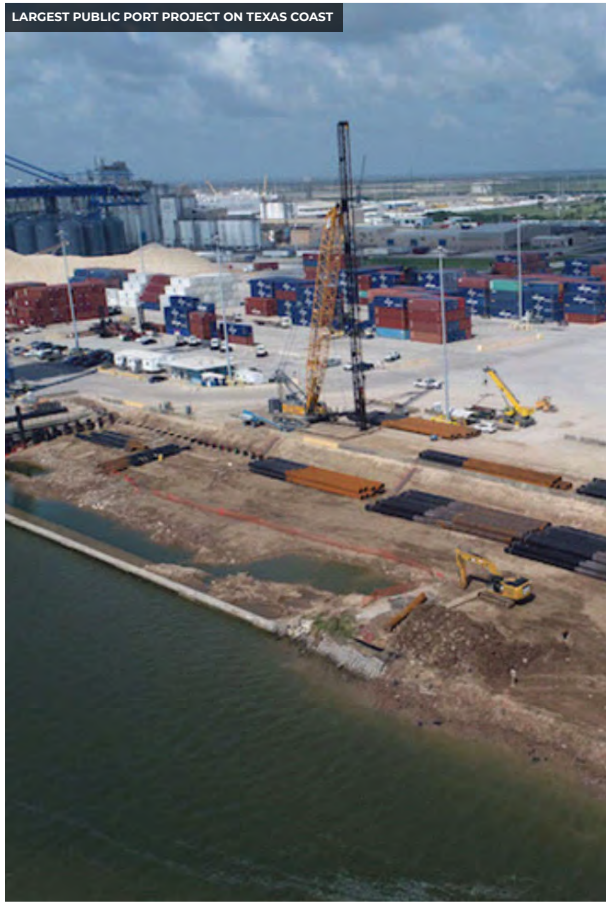
The scope of work includes demolition of existing concrete relieving platform, excavation, combi-wall bulkhead, new wharf, wharf piling, dredging, revetment, fenders, electrical and crane rail installation. McCarthy will self-perform all aspects of the project except for dredging, electrical and crane rail installation.

There is approximately 29,200 tons of steel piling on this project and one of the biggest challenges is that the piles have extremely tight driving tolerances that will require a three- story template to ensure accurate alignment. In addition to the piles, 60,000 tons of revetment rock is to be placed in between the piles. Extreme care will be taken during the placement of the revetment rock to ensure that the new piles are not damaged. Further, the new berth will be constructed while maintaining access to the existing Berth 7 and close coordination is required while vessels are docked at Berth 7.

The new berth will be dredged to 51 feet, matching the depth of the Freeport Harbor Channel Improvement Project, which will handle newer, larger container vessels transiting the expanded Panama Canal and will be equipped to handle approximately 1.5 million lifts per year.

Port Freeport is ranked nationally 10th in chemicals, 19th in total tonnage, and 26th in containers. The Freeport Harbor Channel serves BASF, Chiquita Fresh N.A., CMA CGM, Dole Fresh Fruit, The Dow Chemical Company, Freeport LNG, Hoegh Autoliners, Horizon Terminal Services, Mammoet, Phillips 66, Riviana Foods, Inc., Seaway Crude Pipeline Company, Sallaum Lines, Tenaris, and Vulcan Materials Company.

McCarthy has been an active builder along the Texas coast for more than 20 years. It built the Velasco Terminal Berth 7 project for Port Freeport and completed several projects for Port Houston including the Bayport Wharf II, Bayport Phase I Stage II Container Yard, Bayport Gate Complex, Bayport Port Road, Bayport Phase I Stage I RCC and Bayport Wharf I.


LARGEST PUBLIC PORT PROJECT ON TEXAS COAST

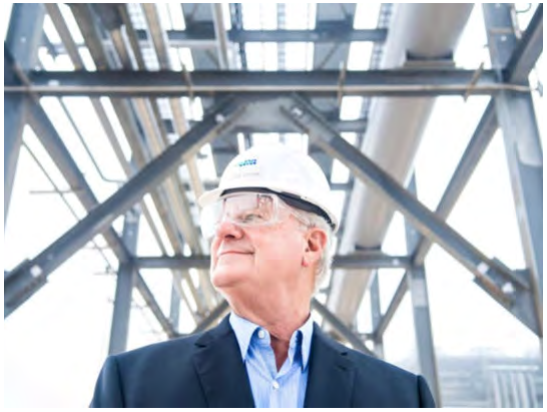
MEDIA

MEET THE BRONX-BORN BILLIONAIRE EXPORTING AMERICA'S SHALE GAS BONANZA

Christopher Helman

Forbes Staff

Energy



Shale Gas Billionaire: Michael Smith at his massive LNG operation on Quintana Island, Texas, which is now shipping out more than 2% of the United States' natural-gas production. "It's my baby," he says.

(MATTHEW MAHON FOR FORBES)

How Michael S. Smith salvaged a wrong-way bet on fracking by building a $14 billion plant in Texas to ship gas around the globe.

Quintana Island is a 7-mile speck of land off Freeport, Texas, tucked in where the Brazos River empties into the Gulf of Mexico. Over the past 200 years, the island has been home to a Mexican fort, then a busy seaport for early Texas farmers, who shipped out cotton. Union ships later bombarded Confederate troops stationed there. In 1900 came the Great Galveston Hurricane, which killed 11,000 in the immediate vicinity and wiped Quintana clean. By the time Michael S. Smith set foot on the island in 2002, it was languishing: a few dozen dilapidated homes, a migratory bird sanctuary and beach, and a brownfield of storage tanks built on fill dredged from navigation channels. "We'd be sinking in the mud if we were standing here then," Smith says.

Smith has made his own historic mark on the island. Having spent $14 billion, he now owns a controlling interest in Freeport LNG, which chills and exports 2 billion cubic feet of natural gas per day, most of it so-called shale gas, horizontally drilled, hydraulically fracked. At current market prices that daily output is worth some $14 million, on which Freeport collects about $5 million a day in tolling revenue. "We are taking clean American natural gas, adding tremendous value and exporting it to countries that do not have enough energy and would otherwise be burning dirty coal," he says.

Since becoming operational in September 2019, Freeport LNG has loaded 200 cargoes destined for Japan, South Korea and Croatia, where a single shipment can meet the annual energy needs of tens of thousands. Freeport will export about 15 million tons of LNG this year—the energy equivalent of 130 million barrels of oil—and is on track to book nearly $2.5 billion in revenue. Smith's 63% ownership in the limited partnership is worth in excess of $1 billion.

Liquefying gas involves chilling methane down into a -260-degree liquid that can be pumped into thermos-bottle tankers and then shipped around the world. To do so economically, Freeport LNG has erected some of the world's biggest LNG machines, called "trains." It started by hammering 36,000 pilings 100 feet into mushy Quintana ground. Atop that now stands enough steel to build six Eiffel Towers and 192 miles of gleaming pipe, all anchored in 496,000 tons of concrete. What's truly extraordinary is that all this was built not by some multinational energy giant but instead by one individual: the stubborn, Bronx-born Smith.

He admits he initially got his bet wrong. Back in 2002, when he got his start on Quintana Island, Smith's strategy was not to export LNG at all, but to import it. He believed at the time that the U.S. would soon run short of affordable supplies of domestic gas. Indeed, he first raised $800 million to build an import terminal that by 2008 was obsolete before it was even completed.

MEDIA - CONTINUED

BILLIONAIRE ENERGY MAGNATE MICHAEL SMITH'S PIVOT FROM IMPORTING TO EXPORTING NATURAL GAS

WATCH
8:43

Having been the first mover in a failed strategy, though, put Smith in prime position to reverse course and export, rather than import, LNG. All he had to do was manage a few risks: raising $14 billion, jumping through regulatory hoops and completing one of the world's biggest construction projects. "Our capital costs were off by more than two times," he says. "We just didn't know." A decade later, thanks to the fracking revolution, the U.S. now exports a record 10 billion cubic feet of gas per day, about one tenth of domestic production.

Smith is a large man, who at age 66 is still skiing and scuba diving despite some replacement joints. He has a lopsided nose and plenty of "da Bronx" still in his voice. His father ran a business involved in turning garbage into fuel. Smith studied premed at Colorado State University, but his senior year he "realized I was going to be a doctor for all the wrong reasons. I didn't know what I wanted to do." So he dropped out and became a Vail ski bum.

To earn a living, Smith got his real estate license in Colorado in 1978, selling commercial properties out of Fort Collins. Vital to his later success was learning all the paperwork—deals, contracts, plans, permits. Real estate provided a natural pivot into oil and gas; in the late 1970s, when oil prices spiked, he got into leasing land for drilling near where more experienced operators had just hit big wells. "When I started drilling wells, I would sit the wells myself," he says, meaning he'd stay on-site alongside the roughnecks. "I found out that I had the fundamentals to understand the technical side of the business." Rather than pay engineers, Smith used a calculator: "I did it on my HP 12c."

"I had eternal optimism," he continues, "but I was always afraid there was so much I didn't know." Such as oil prices' tendency toward volatility. When oil plunged in the late 1980s, Smith bought out his partner for little more than the assumption of liabilities. To save cash, he paid service providers Halliburton and Maverick Tube with interests in new wells. Smith took Basin Exploration public in 1992. Big finds grew elusive, so in 1995 he transformed Basin, sold the Rockies assets, cut staff and shifted operations to Houston to drill in the Gulf of Mexico. That got frustrating, too, leaving Smith convinced that domestic supplies of natural gas were drying up. In 2000, he sold Basin for $410 million to Stone Energy, pocketing about $60 million.

Just 45, Smith had a fortune, but he wasn't ready to hit the slopes full time. In 2001, at the Brown Palace Hotel in Denver, he met Charif Souki, a former investment banker and restaurateur with a small gas company called Cheniere Energy. They both believed the United States would soon need to import gas. Souki had scoured the Gulf Coast for prime LNG locations and had options on three sites, including Freeport. Smith could have thrown in his lot with Souki, but he wanted to run his own show. He put up $14 million for 60% of the Freeport site.

The project united his real estate and energy skills. Smith recouped his initial investment by getting big potential customers like Dow Chemical and ConocoPhillips to put down deposits and eventually sign 20-year contracts securing the right (but not the obligation) to turn LNG back into usable gas at Freeport. With those anchor tenants in place, ConocoPhillips put up more than $500 million to build the import terminal, including insulated tanks big enough to stack Boeing 747s in. "If I had known the costs would become so high, I would've just looked at Charif's proposal, shut it and kept on going," Smith says.

MEDIA - CONTINUED

AN LNG TANKER LEAVING FREEPORT - COURTESY FREEPORT LNG

By 2008 it was clear the boom in shale gas had made their import terminal dead on arrival. But thanks to those 20-year contracts, Freeport LNG was still making $25 million a year . . . for doing nothing. Says Smith: “We had built this facility, and it literally never got used.”

He therefore made a bet that it was more lucrative to reverse the flow and exportAmerica’s natural-gas bonanza (up 74% in two decades, thanks to fracking some 33 trillion cubic feet per year). As Jason Feer, of the consultancy Poten & Partners, says, “These guys were quick to understand the value of these stranded assets just waiting for repurpose.” Smith again raised money by selling 20-year contracts for services to liquefy natural gas to BP and Japanese giants such as Osaka Gas and Jera. He also sold equity stakes in specific aspects of the project: The two Japanese companies put up $1.25 billion to own 50% of train 1. Australian private equity firm IFM Investors injected $1.3 billion for 56% of train 2. In 2014, private equity giant GIP bought 25% of the limited partnership for $850 million. With solid backing, Smith’s team borrowed massive amounts.

‘He built it. It’s finished. He has accomplished something remarkable and done a phenomenal job.’

Most Nimby conflicts were resolved when Freeport LNG bought and demolished some 60 homes on the island. The biggest frustration was Hurricane Harvey, which dumped 2 feet of rain in 2017 and ruined equipment. Finally, in late 2019, Freeport LNG was operational. “He built it. It’s finished. He has accomplished something remarkable and done a phenomenal job,” says Souki, a friendly rival, who in 2015 left Cheniere to start LNG developer Tellurian Energy. “Any kind of construction risk is out of the way. It’s the safest business model possible—just a tolling business impossible to replicate today.”

MEDIA - CONTINUED

Today Freeport LNG carries $13 billion in debt. That's manageable. With customers locked in to paying $2.5 billion a year for the next two decades, there will be enough to pay off debt, keep the machines running and make distributions to Smith and partners.

There are still headaches. No sooner had Freeport LNG gotten all three trains operational in early 2020 than Covid-19 lockdowns dashed global demand for gas. Amid canceled cargoes, summer LNG prices slumped to $3.40 per million Btu (British thermal units). This January, though, LNG shot up to a record $18.50 per million Btu in Asia, before falling again to $7. Such volatility could spur dealmaking. "That's the impetus to signing 20-year supply deals—utilities in Japan have to make sure they have the gas they need," says analyst Alex Munton, of energy consultancy Wood Mackenzie. As for Freeport, "they need to know there's a buyer for the gas."

Smith already has approvals to add a fourth train and might use it to market premium, lower-carbon-footprint LNG. Sounds gimmicky, but customers want it. And because Freeport LNG gets all its electricity off the Texas power grid—which has benefited from a decade-long boom in wind power—he can sell his product as greener than LNG generated with gas-fired turbines.

The gas is greener, too. According to Lawrence Berkeley National Lab, we can credit the shale fracking boom for nearly half of the reduction in U.S. emissions since 2005, as utilities switch from higher-carbon coal. With plenty of coal left to displace, "our transition to renewables, no matter how fast we do it, is going to take a long time," Smith says. "There's still going to be a large role for natural gas." He's confident that the LNG market can grow 50% by 2030—and keep those ships docking at Quintana Island for decades to come.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KETCHUP
PICKLES
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FRESH PRODUCE

DEMOGRAPHICS

	1 MILE	3 MILE	5 MILE
POPULATION			
2021 Population	5,068	12,713	21,145
2010 Population	4,804	12,048	19,519
% Proj Growth 2021 - 2026	0.4%	0.61%	0.61%
HOUSEHOLDS			
2021 Households	1,639	4,010	6,982
Family Households w Children	1,228	2,989	5,027
Persons Per Household	3.1	3.2	3.0
DAYTIME POPULATION			
Total Daytime Population	4,211	15,320	26,228
Workers	1,226	8,046	13,721
Residents	2,985	7,574	12,507
RACE			
% White	66.7%	61.7%	65.5%
% Black	11.5%	13.7%	11.4%
% Asian	7.0%	6.0%	6.0%
% Other	14.8%	18.6%	17.1%
White	3,380	7,844	13,850
Black	583	1,742	2,411
Asian	355	763	1,269
Other	750	2,365	3,616

	1 MILE	3 MILE	5 MILE
AGE			
Median Age	30.6	29.4	31.2
INCOME			
2021 Average Household Income	$67,502	$62,367	$65,687
2021 Per Capita Income	$21,842	$19,793	$21,954
HIGHEST EDUCATIONAL ATTAINMENT			
Education Base - Age 25+	3,063	7,398	12,781
Less than 9th Grade	4.8%	10.6%	10.3%
Some High School	20.1%	15.6%	15.1%
High School or GED	36.0%	36.8%	36.8%
Some College	22.6%	22.0%	22.9%
Associates Degree	7.2%	7.5%	6.8%
Bachelors Degree or Higher	9.2%	7.4%	8.1%
POPULATION BY EMPLOYMENT TYPE			
% White Collar	47.8%	40.5%	38.6%
% Blue Collar	31.7%	43.4%	44.2%
% Services	20.5%	16.1%	17.2%
HOUSING			
% Renter Occupied Housing Units	35.0%	37.6%	34.4%
% Owner Occupied Housing	45.9%	44.7%	45.4%
HOUSING VALUES (OWNER OCCUPIED)			
Median Home Value	$52,736	$48,464	$50,888

DUWEST
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BIOS

WILL WALTERS

PARTNER
INVESTMENT SERVICES

As head of the DuWest Investment Services Group, Mr. Walters assists his clients with the disposition and acquisition of their retail assets. Since launching the platform in the fall of 2015, Mr. Walters has leveraged his national broker and owner database to transact over $385 million in retail assets. He began his career in real estate in 2006 as an investment sales analyst before moving to Associate Director with Cushman & Wakefield's retail investment sales team. In this role he assisted in the sale of over $165 million in real estate assets, of which $95 million were on behalf of special servicer clients. In 2010, Walters moved on to Westwood Financial Corp. to help the firm launch its retail value-add investment platform. In this role, he oversaw the acquisition of fourteen shopping centers across the country. At the time Mr. Walters left to join DuWest, thirteen of the shopping centers had been sold by Westwood yielding project level IRR's ranging from 25% to 85%.

Mr. Walters is married with two daughters and is a member and volunteer at Munger Place Church. He is a graduate of the University of Texas at Austin, where he earned his degree in 2004.

WILL HENDERSON

SENIOR ASSOCIATE
INVESTMENT SERVICES

Will Henderson is a Senior Associate with the Investment Services team at DuWest. Will is primarily focused on underwriting and performing due diligence properties with the goal of maximizing client's value during the acquisition or disposition of a retail asset. Prior to joining DuWest, Will spent five years as a commercial lending analyst for both Frost Bank and MapleMark Bank. He spent the majority of his time in banking focused on Commercial Real Estate underwriting and analysis across all asset types. Based on his experience in banking, Will also serves as a consultant on project financing for any clients who need assistance with their debt needs.

Mr. Henderson is married and lives in Fort Worth, TX. He is a graduate of the Neeley School of Business at TCU. In his spare time, he enjoys tennis, golf, and travel.

FOUR CORNERS SHOPPING CENTER

FREEPORT, TEXAS

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