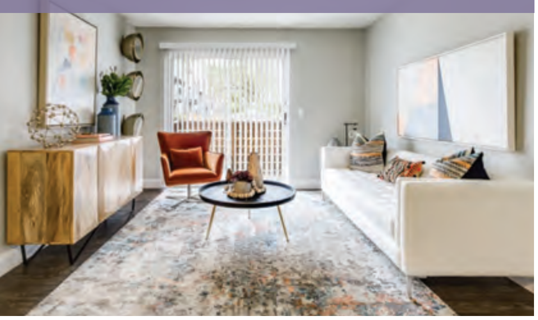
TPEG SOUTH ORLANDO INVESTORS LLC

# INVESTMENT EXIT SUMMARY

TRINITY
Private Equity Group

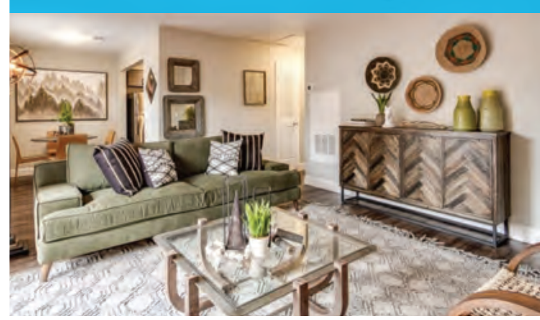
In September 2018, TPEG partnered with S2 Capital to acquire a three-asset portfolio of multifamily communities in Orlando, Florida. Grandview Pointe (renamed *The Caden*) is a 768-unit multifamily community constructed in 1974. Lake Jasmine (renamed *The Beverly*) is a 558-unit multifamily community constructed in 1972. Finally, Lakeview Pointe (renamed *Palmetto*) is a 336-unit multifamily community constructed in 1974. In October 2021, TPEG and S2 Capital successfully closed on the sale of the properties.

**The Caden**



**The Beverly**

**Palmetto**



## $100,000,000+

GROSS PROFIT DISTRIBUTED

| 50% IRR* | 2.84x Equity Multiple* | 38 Month Investment Period |
|---|---|---|

*Net investor returns after all fees and promotes.*

# INVESTMENT SUMMARY

In September of 2018, Trinity Private Equity Group ("TPEG") partnered with S2 Capital ("S2") to acquire a three-asset portfolio of multifamily communities in Orlando, FL (the "Project" or "Portfolio"). Grandview Pointe (since renamed to *The Caden)* is a 1974-vintage, 768-unit multifamily community located at 1989 Americana Blvd, Orlando, FL. Lake Jasmine (since renamed to *The Beverly)* is a 1972-vintage, 558-unit multifamily community located at 1182 Redman St, Orlando, FL. Finally, Lakeview Pointe (since renamed to *Palmetto)* is a 1974-vintage, 336-unit multifamily community located at 4444 Rio Grande Ave, Orlando FL. At the time of the investment, the underlying thesis centered around an appealing cost basis, a favorable location in a high-growth submarket, and the ability to significantly increase average rent levels through interior/exterior renovations. The Portfolio was acquired for an attractive basis of $124.500 million ($74,910 per unit) and the renovation budget totaled $24.224 million ($14,575 per unit). Total capitalization of the investment equated to roughly $159.050 million ($95,698 per unit), funded by $122.550 million of senior debt, $6.000 million of TPEG mezzanine debt, $29.150 million of TPEG equity, and approximately $1.385 million of equity provided by S2 and its affiliates.

S2's extensive renovation plan and hands-on management approach were successful, as rental rates, occupancy, and net operating income have all improved since acquisition. At acquisition, the properties were dated in terms of their finishes, amenities, and features. Through extensive renovations, S2 was able to modernize units and subsequently increase blended average effective rents for the Portfolio to over $995 per unit – a $229+ premium since takeover.

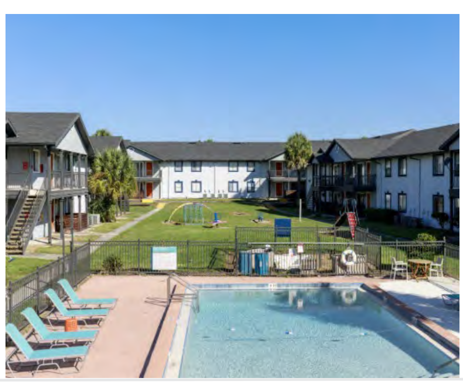
Due, in part, to successfully driving higher rents and therefore higher net operating income, the partnership executed a refinance in May of 2020. This refinance represented an exit for mezzanine investors and made for a distribution to equity investors equating to ~80% of their initial investment. Rent growth remained strong, and S2 continued to improve operational efficiencies at the properties. Roughly a year later, the partnership ultimately decided to market the Portfolio for sale.

**On October 29th, S2 Capital successfully closed on a sale of the South Orlando Portfolio for $263.000 million.** The sale price represented an increase of ~111% relative to the original purchase price and ~65% relative to our partnership's total basis. The overall pre-tax distribution of net sales proceeds will equal approximately ~177% of an equity investor's original contribution, **which results in a realized internal rate of return ("IRR") of roughly 50% and a cash-on-cash return of ~2.84x over the 38-month investment horizon.**

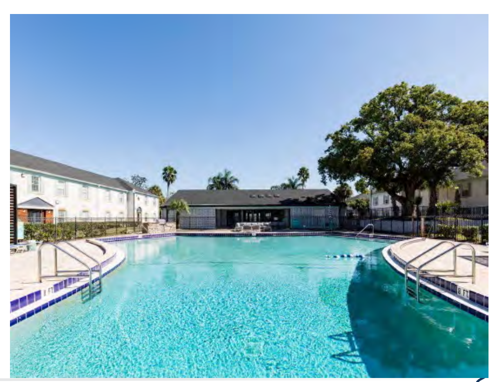
Due to a significant tax burden associated with the sale, TPEG and S2 provided investors the opportunity to direct net sale proceeds from one of the three underlying South Orlando assets into a Qualified Intermediary (a "QI") to facilitate a **1031 exchange – allowing the partnership (and its underlying investors) to defer significant tax and use money that otherwise would have gone to the IRS to acquire better located and higher quality multifamily assets.** Investors who chose not to participate in the 1031 exchange will receive their sale proceeds from the third asset. Investors that elected to participate in the 1031 received a sale distribution for two of the three underlying assets in the Portfolio, and their sale proceeds related to the third asset will be redirected into the acquisition of a multifamily portfolio consisting of three assets located in Durham and Charlotte, North Carolina.

The Caden


The Beverly



Palmetto



# INVESTOR RETURNS

| Details | Underwriting | Actual | Variance |
|---|---|---|---|
| **Sale Month** | 60 | 38 | -22 |
| **Sale Price** | $199,755,697 | $263,000,000 | +$63,244,303 |
| **Sale Price/Door** | $129,190 | $158,243 | +$29,053 |
| **IRR** | 22.73% | 49.6% | +26.82% |
| **Cash-on-Cash Return** | 2.01x | 2.84x | +0.83x |

The investment's 2018 Private Placement Memorandum (PPM) forecasted a refinance event in month 26 and an outright exit in month 60. Due in part to higher-than-expected rent growth, TPEG and S2 opted to refinance the project in month 20, allowing the partnership to return 100% of mezzanine capital, make a significant distribution to equity investors, increase the loan amount, and lower the interest rate associated with the senior debt. TPEG and S2 elected to sell the Portfolio after just 38 months of ownership due to several factors, including heightened demand (high values) for well-located multifamily assets in the Orlando market.

The original PPM forecasted a sale in month sixty (60) for $199.756 million (based on annualized NOI of $12.984 million and an exit cap rate of 6.50%). Therefore, the ultimate sale price of $263.000 million in month 38 resulted from NOI that exceeded expectations, and a sale cap rate that was materially lower (a higher valuation) than original underwriting – attributable to favorable submarket/market dynamics.

The figure below details actual returns for equity and mezzanine investors over the 38-month investment period.

| TPEG South Orlando Investors: Equity Return Summary | | Year 1 | Year 2 | Year 3 | Year 4 |
|---|---|---|---|---|---|
| **Equity Investor Contribution** | (29,150,000) | - | - | - | - |
| Preferred Return Payments (10%) | - | - | 5,039,239 | 828,280 | 189,184 |
| Return of Equity Investor Capital | - | - | 19,971,318 | 2,937,795 | 6,240,887 |
| Split of Remaining Cash (50%) | - | - | - | - | 47,620,623 |
| Total | **(29,150,000)** | **-** | **25,010,557** | **3,766,075** | **54,050,694** |
| **Cash Flows per $100,000** | **($100,000)** | **$0** | **$85,800** | **$12,920** | **$185,423** |
| *Annual Cash Yield* | | *0.00%* | *85.80%* | *12.92%* | *185.42%* |

| | |
|---|---|
| **Equity Investor IRR** | **49.6%** |
| **Equity Investor Cash-on-Cash** | **2.84x** |

**The year 4 distribution to equity investors includes the pending distribution from the third asset sale*

The equity return profile illustrated in the figure above illustrates the realized pre-tax returns for equity investors that elected to "opt out" of the 1031 exchange. Mezzanine investors received a full return of capital from the May 2020 refinance, while equity investors received a distribution equating to ~80% of their original investment.

| TPEG South Orlando Investors: Mezzanine Return Summary | | Year 1 | Year 2 |
|---|---|---|---|
| Mezzanine Investor Contribution | (6,000,000) | - | - |
| Interest Payments (10%) | - | 492,740 | 516,575 |
| Return of Investor Capital | - | - | 6,000,000 |
| **Total** | **(6,000,000)** | **492,740** | **6,516,575** |
| **Cash Flows per $100,000** | ($100,000) | $8,212 | $108,610 |
| *Annual Cash Yield* | | *8.21%* | *108.61%* |

| | |
|---|---|
| **Mezzanine Investor IRR** | **10.32%** |
| **Mezzanine Investor Cash-on-Cash** | **1.17x** |

In summary, the investment significantly outperformed pro forma projections, benefitting from a strong Sponsor and a favorable multifamily market in Orlando. In all cases, the South Orlando Portfolio represents another successful TPEG + S2 partnership. Thanks to a sound investment thesis, a favorable purchase price, efficient execution from S2 and increased demand for Orlando multifamily assets, the investment outperformed original projections. TPEG and S2 appreciate the continued confidence of investors and are pleased to deliver such strong investment returns to those who have backed us.