TRINITY INVESTORS

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TPEG BRANCH MC INVESTORS LLC

INVESTMENT EXIT SUMMARY

In December 2020, Trinity Investors (formerly Trinity Private Equity Group) partnered with GVA Management to acquire and renovate Branch at Medical Center , a 426-unit garden-style apartment community in San Antonio, Texas. In March 2022, the partnership closed on the sale of the property.

RETURNS **AT-A-GLANCE**

55.5%	**1.72x**	**15 Month**
IRR*	Equity Multiple*	Investment Period

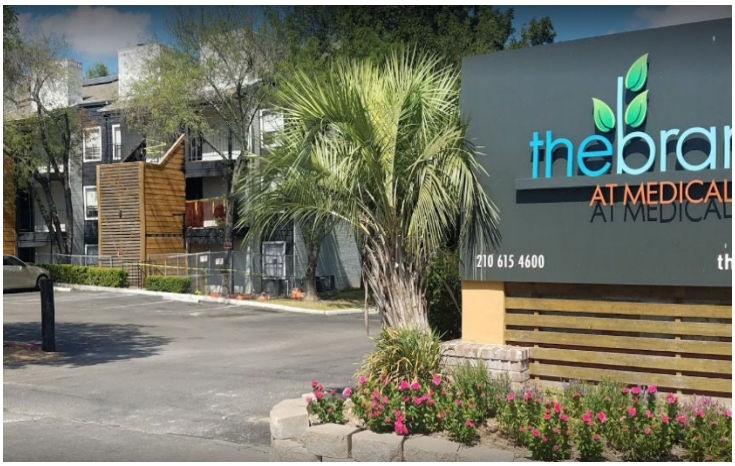
**Net investor returns after all fees and promotes.*

INVESTMENT SUMMARY

In December of 2020, Trinity Investors ("Trinity") partnered with GVA Management ("GVA") to acquire and renovate The Branch at Medical Center Apartments (the "Project" or "Property"), a 1984-vintage, 426-unit garden-style apartment community located in the Medical Center district of San Antonio, TX. At the time of the investment, the underlying thesis centered around buying an asset for an attractive cost basis at a significant discount to replacement cost, a favorable location, an experienced Sponsor with proven success in the submarket, and the opportunity to capture rent upside through implementation of GVA's proven management practices and an investment across the exterior and interiors. **Total capitalization for the Project equated to $36.189 million**, funded by a $24.411 million senior loan, $3.500 million of Trinity mezzanine debt, $7.100 million of Trinity equity, and approximately $1.178 million of equity provided by GVA and affiliates.

Prior to takeover, the property was highly amenitized; however, curb appeal lagged that of its competitors and there were several deferred maintenance items that GVA sought to address. Furthermore, the interior renovation scope was inconsistent and consequently ineffective in achieving consistent rent premiums. After taking over the asset, GVA saw a quick drop in occupancy as the prior management was signing leases for below market terms from both a length and price perspective, which resulted in a large concentration of lease expirations in the first quarter (~37%). This created a large occupancy drop which troughed at roughly 77% within the first few months of the investment. GVA acted quickly and replaced their property manager after being displeased with the renewal percentage as well as renovation progress. Since replacing the manager, the new manager oversaw a significant increase in renovation pace and successfully increased occupancy to the mid-90% range. The turnaround in occupancy and GVA's renovation plan was met with strong rent growth, as GVA successfully increased rents to market levels and outperformed pro forma rent expectations, despite taking over the asset with in-place effective rents that were lower-than-communicated. In summary, GVA executed on their interior renovation plan, significantly improved curb appeal, and quickly cured most deferred maintenance at the property.

Following a successful first year of ownership, Trinity and GVA elected to list the property for sale. **On March 23rd, GVA successfully closed on the sale of The Branch at Medical Center for $48.990 million ($115,000 per unit)** – approximately 15 months after the property was acquired**.** As a reminder, our partnership paid $31.600 million ($74,178 per unit) for The Branch at Medical Center in 2020 before investing additional capital to improve the property, representing a ~55% increase in value and ~35% increase over the cost basis. **With a distribution of net sales proceeds equal to approximately 172.00% of the equity investment, Trinity equity investors realized an internal rate of return ("IRR") of 55.5% and a cash-on-cash return of 1.72x over the roughly 15-month investment horizon**. Further detail on the investment return profile is included in the *Returns Summary* on the following page.



PERFORMANCE SUMMARY

The investment's December 2020 Private Placement Memorandum (PPM) projected a sale in month 36 (thirty six) of the investment; however, given recent positive market trends and GVA's success regarding occupancy growth, rent growth, and execution of their renovation plan, the partnership decided to test the sale market and ultimately sold the asset for a higher sale price in just under 15 months than what was underwritten for a 36-month hold period.

Details	Underwriting	Actual	Variance
Sale Month	36	15	-21
Sale Price	$43,475,880	$48,990,000	+ $5,514,120
Sale Price/Unit	$102,056	$115,000	+ $12,944
IRR	21.4%	55.5%	+ 34.1%
Cash-on-Cash	1.72x	1.72x	0.00x

The original PPM forecasted a sale in month 36 for a valuation of $43.476 million (based on NOI of $2.391 million and a cap rate of 5.50%). Despite being sold ~21 months earlier than projected, the actual exit valuation represents a $5.514 million (~13%) premium relative to the originally underwritten sale price – mainly attributable to the favorable submarket/market dynamics and GVA's rapid execution of their investment thesis.

RETURNS SUMMARY

The figure below details actual returns for equity investors over the 15-month investment period.

TPEG Branch MC Investors: Return Summary	Year 0	Year 1	Year 2
Equity Investor Contribution	(7,100,000)	-	-
Preferred Return Payments (10.00%)		-	873,397
Return of Equity Investor Capital		-	7,100,000
Split of Remaining Cash		-	4,244,551
Total	**$ (7,100,000)**	**$ -**	**$ 12,217,948**
Cash Flows Per $75,000	(75,000)	-	129,063
Cash Flows Per $350,000	(350,000)	-	602,293
Annual Cash Yield		*0.00%*	*172.08%*

Equity Investor IRR	**55.5%**
Equity Investor Cash-on-Cash	**1.72x**

The equity return profile shown in the figure above illustrates the realized, pre-tax returns that equity investors received throughout the entire investment (after considering fees and promotes paid to Trinity/GVA). In total, **Trinity equity investors realized an internal rate of return ("IRR") of 55.5% and a cash-on-cash return of ~1.72x over the less than 15-month investment horizon.** Additionally, throughout the investment, GVA was able to distribute an annualized 10% interest payment to mezzanine investors each quarter followed by a full return of capital at sale.

In summary, an attractive cost basis, strong rent growth, experienced Sponsor, and favorable multifamily market helped the investment outperform expectations and close on a sale faster than anticipated – providing an exceptional return for investors. Trinity and GVA appreciate the continued confidence of investors and are pleased to deliver such strong investment returns.