TRINITY INVESTORS

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TPEG CORPUS 5 INVESTORS LLC
INVESTMENT EXIT SUMMARY

In September 2020, Trinity Investors partnered with GVA Management to acquire and renovate five multifamily assets totaling 614 units. The assets, all located in Corpus Christi, Texas, range in vintage from 1967 to 1972 and are named Baytree, Ocean Palms, Country Club Manor, Alameda and Chateau Santa Fe.

In just under 16 months, the partnership sold the two largest properties - Ocean Palms and Baytree. In month 24, Country Club Manor was sold.

In April 2023, the partnership closed on the sale of the final two properties in the portfolio - Alameda and Chateau Sante Fe.

RETURNS **SUMMARY**

IRR*	CoC*	HOLDING PERIOD
40.8%	**1.72x**	**31 Months**

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

INVESTMENT SUMMARY

In September of 2020, Trinity Investors ("Trinity") partnered with GVA Management ("GVA") to acquire and renovate five multifamily assets totaling 614 units located in Corpus Christi, TX (the "Project" or "Portfolio"). The assets range in vintage from 1967 to 1972 and are named Baytree, Ocean Palms, Country Club Manor, Alameda and Chateau Santa Fe. The underlying thesis centered around partnering with a market-leading Sponsor to acquire a well-located portfolio for a discounted basis with the opportunity to capture revenue upside, minimize expenses, and ultimately grow the bottom line through the implementation of professional management practices and an identified exterior/interior renovation program. Total capitalization for the Project equated to $44.541 million, funded by $27.756 million of senior loan proceeds across the five assets, $4.500 million of Trinity mezzanine debt, $6.500 million of Trinity equity, and $5.785 million of capital provided by GVA and affiliates.

The partnership purchased the Portfolio from a small, local owner who had owned and self-managed the properties for 29 years, lacking modern management practices and not charging market rate rents or utility billings. For example, the seller's operations did not include a standard software management system, and the assets were not achieving the market potential in relation to certain income premiums such as private back yards or washer/dryer connections, something that GVA ultimately pursued. Additionally, GVA was able to charge market-rate utility bill backs, helping move net rental income ~8% in the first year through simply charging what was being charged across the market.

On top of the near-term revenue opportunities, the interior renovation scope was inconsistent, curb appeal lagged competitors in the market, and there were several deferred maintenance items that needed to be addressed. Upon takeover, GVA focused on replacing lower-quality tenants with better prospects, which was achieved by implementing a software management system and standard-sized leasing team, improving the quality of the untouched unit interiors and enhancing curb appeal. Specifically, GVA's exterior/amenity renovations included painting the exteriors (pictures below), repairing asphalt, upgrading landscaping, and curing deferred maintenance items where necessary. GVA's interior renovation plan included ~30% of the units being entirely renovated, while the others simply required new appliances or new hardware and fixtures. GVA's renovation strategy and hands-on management approach were successful, which ultimately led to higher than pro forma rent growth and occupancy levels, better expense management, and Net Operating Income ("NOI") outperformance.

Before

After

PERFORMANCE SUMMARY

Due to an attractive going in cap rate, favorable senior financing, and strong interim performance, GVA was able to produce current distributions to both mezzanine and equity investors throughout the life of the investment. While the underwriting assumed holding the asset for 48 months, favorable market conditions, coupled with the team's success in optimizing revenue and minimizing expenses, led the partnership to test the capital markets after only a year of ownership. As a result, in just under 16 months of ownership, the partnership sold the two largest properties – Ocean Palms and Baytree – for ~69% and ~31% increases, respectively, over their original basis. These significant profit margins allowed the partnership to return all mezzanine capital, all outstanding preferred return, and approximately 94% of the outstanding equity capital. Following the sale of Ocean Palms and Baytree, the partnership sold Country Club Manor in month 24 of the investment for a ~34% premium over the asset's original basis, which brought the total distributions to equity investors to ~1.42x of originally invested capital. Finally, the partnership sold Alameda and Chateau Santa Fe in month 31 of the investment for premiums of ~17% and ~10%, respectively, over each asset's original basis. All in, over the roughly 31-month investment horizon, the partnership successfully sold all five assets at prices that represent a ~56% increase in portfolio value and a ~36% increase over the total cost basis (see the below chart for property-specific economics). Given the significant gain in portfolio value over the partnership's total cost basis, Trinity equity investors realized an internal rate of return ("IRR") of 40.8% and an equity multiple of ~1.72x over the roughly 31-month investment horizon.

Per Door Metrics	Baytree	Ocean Palms	Country Club Manor	Alameda	Chateau Santa Fe
Hold Period (months)	16	15	24	31	31
Purchase Price	$65,269	$56,111	$73,438	$57,333	$54,348
Total Basis	$72,600	$63,500	$83,557	$69,408	$65,898
Exit Price	**$95,210**	**$107,237**	**$111,719**	**$81,147**	**$72,681**
% Gain vs. Purchase Price	*45.87%*	*91.12%*	*52.13%*	*41.54%*	*33.73%*
% Gain vs. Total Basis	*31.14%*	*68.88%*	*33.70%*	*16.91%*	*10.29%*

RETURNS SUMMARY

The figure below details actual returns for equity investors over the 31-month investment period.

TPEG Corpus 5 Investors: Returns Summary	Year 0	Year 1	Year 2	Year 3
Equity Investor Contribution	(6,500,000)	-	-	-
Preferred Return Payments (10.00%)		496,638	359,876	-
Return of Equity Investor Capital		-	6,500,000	-
Split of Remaining Cash		-	-	3,808,291
Total	**($6,500,000)**	**$496,638**	**$6,859,876**	**$3,808,291**
Cash Flows Per $75,000	(75,000)	5,730	79,152	43,942
Cash Flows Per $350,000	(350,000)	26,742	369,378	205,062
Annual Cash Yield		*7.64%*	*105.54%*	*58.59%*
Equity Investor IRR	**40.8%**			
Equity Investor Multiple	**1.72x**			

The equity return profile shown in the figure above illustrates the realized, pre-tax returns that equity investors received throughout the investment period (after considering fees and promotes paid to Trinity/GVA). In total, Trinity equity investors realized an internal rate of return ("IRR") of 40.8% and an equity multiple of ~1.72x over the 31-month investment horizon. Additionally, throughout the investment, GVA was able to distribute an annualized 10% interest payment to mezzanine investors for each quarter before a full return of capital was distributed following the sales of Ocean Palms and Baytree in months 15 and 16, respectively.

In summary, an attractive cost basis, better revenue optimization and expense management practices, and an actively engaged Sponsor helped the investment outperform expectations and close on a sale faster than anticipated – providing an exceptional return to investors. Trinity and GVA appreciate the continued confidence of investors and are pleased to deliver such strong investment returns.