

MNSFLDLADERA LLC INVESTMENT EXIT SUMMARY



In September 2015, TPEG partnered with Integrity Group and Cross Timbers Development to develop a community of age-restricted, single family homes in Mansfield, Texas. In Q4 2020, the partnership’s final distribution to equity investors was made.

Highlights from the investment are shown below.

29.8%
IRR

2.53x
Equity Multiple

64 Month
Investment Period



DETAILS	UNDERWRITING	ACTUAL	VARIANCE
Exit Month	60	64	4
IRR	23.64%	29.79%	6.15%
Cash-on-Cash	2.36x	2.53x	0.14x

INVESTMENT SUMMARY

In September of 2015, Trinity Private Equity Group (“TPEG”) partnered with Integrity Group and Cross Timbers Development, LLC (collectively the “Sponsor”) for the purpose of developing and selling 186 single-family homes in Ladera Mansfield, an age-restricted and active adult community in Mansfield, TX, a suburb in the DFW area. Ladera Mansfield is a private community targeting the 50+ age group, featuring “lock-and-leave” low maintenance living. The underlying investment thesis centered around a supply/demand imbalance in a high-growth submarket and an aging baby boomer population who had a growing desire to remain active while reducing expenses and simplifying life.

The financing structure was designed to provide funds for the land purchase, the initial roads and first phase development of ~70 homes and all associated amenities. Subsequently, units were constructed primarily on the basis of presale commitments. As each home was sold, our partnership repaid the construction loan for that unit and a small portion of the development loan.

In Q4 of 2020, the partnership’s final distribution to equity investors was made, finalizing the return profile illustrated herein. Realized investor returns (discussed below) represent outperformance relative to underwriting. While the project experienced both positive and negative variances to budget throughout the development process, outperformance was generally driven by an average home sale price that was higher than original underwriting. Continued demand for affordable single-family homes in DFW and cheap/available buyer financing contributed to the outperformance.

RETURN SUMMARY

TPEG investors have realized a pre-tax IRR of approximately 29.8% and a cash-on-cash return of approximately 2.53x over the 64-month investment period. These figures are net of all fees and promotes. A final distribution of approximately \$68,000 (~3.2% of the original contribution) related to the sale of the final homes was made to equity investors in late December of 2020.

After selling the final homes, the partnership must fund a reserve to carry any repair, warranty or tax expense through 2030; projects of this type carry potential liabilities for warranty items for up to 10 years from completion per the Texas Statute of Repose. TPEG investor interests will be “bought out” by the sponsorship group so they do not need to remain subject to the ten-year Statute of Repose and ten more years of K1s.

The realized return profile for equity investors is illustrated in the figure below. Not shown are returns to mezzanine note investors, who received an all-in annual return of 10% and had their notes repaid in mid-2018. There were no equity distributions during the first year of the investment. Moderate cash flow to equity investors did occur in years two and three, before a complete repayment of the development loan resulted in significant proceeds to equity with each home sale throughout year four. Distributions related to the remaining home sales are reflected in years five and six. The investment outperformed the original underwriting from both an IRR and cash-on-cash return perspective. **The realized IRR below is 6.15% higher than the originally projected IRR of 23.64%, and the cash-on-cash multiple is also higher than the underwritten 2.39x cash-on-cash multiple.**

Mnsfld Ladera LLC		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Equity Investor Contribution	(2,100,000)	-	-	-	-	-	-
Preferred Return Payments		-	66,572	293,051	353,710	-	-
Return of Equity Investor Capital		-	-	-	2,100,000	-	-
Split of Remaining Cash		-	-	-	2,033,000	400,000	68,000
Total	(2,100,000)	-	66,572	293,051	4,486,710	400,000	68,000
Cash Flows per \$100,000	(100,000)	-	3,170	13,955	213,653	19,048	3,238
<i>Annual Yield</i>		<i>0.00%</i>	<i>3.17%</i>	<i>13.95%</i>	<i>213.65%</i>	<i>19.05%</i>	<i>3.24%</i>
Equity Investor IRR	29.79%						
Equity Investor Cash-on-Cash	2.53x						

In summary, the investment benefited from strong leadership and execution, a well-conceived investment thesis, low interest rates and a favorable single-family home market in Dallas/Fort Worth. If you have questions about this investment, please reach out to a member of the TPEG team. Trinity Private Equity Group and Integrity Group/Cross Timbers Development appreciate the participation of each investor and are proud to deliver such strong returns to those that have backed us.