



BLACK SWAN REAL ESTATE

Private Equity Fund I



Q1 2022
Performance Report



Dear Black Swan Real Estate Fund I Investors,

As we wrap up Q1 2022, we again want to express our gratitude for your investment in Fund I. We have spent these months since the launch of Fund I both humbled by and thrilled about this partnership. We are grateful for the Black Swan community and all of the exciting ongoing projects. Black Swan experienced a very strong Q1 with extraordinary outcomes shattering our most optimistic projections for the Nicholas & Oliver Apartments (called “the Nicholas”). **At this time we estimate that we have generated an almost unbelievable 115% return on the investment in the Nicholas Apartments in just the first three months.** This is the best start we ever could have hoped for and we are excited to share Q1 Fund performance with you in this report.

It is our hope that you already have some insight into Fund I performance through following along in our weekly email newsletters, Facebook group, and live Community Power Hour and coaching calls. If you would like to sign up for those, you can do so at meetblackswan.com. In this report, we will share a detailed Fund I performance report with you.

We invite you to Rochester to see these assets for yourself and have an immersive Black Swan experience! We are hosting our first in-person event, the [Black Swan | Real Estate | Real Life](http://meetblackswan.com) event on July 15-17, 2022. More information at meetblackswan.com. We would love to meet you and hope you can attend!

Finally, we can't expect the Fund performance to always be this incredible. We all have concerns about inflation, rising interest rates, or geopolitical instability in the world. However, no matter how the market changes, you can rest assured that the Fund owns high quality assets in excellent locations with great tenants and that we underwrite deals very conservatively. That's the Black Swan Way.

Thank you for sharing this exciting investment journey with us. We are so glad you're here.

Yours in infinite returns,

Nick and Dr. Elaine Stageberg



FUND I ACQUISITIONS

Total Capital Raised	\$11,000,000
Nicholas & Oliver Apartments*	(\$2,300,000)
17 Single Family Homes**	(\$4,647,000)
Capital Remaining	\$4,053,000

*As a reminder, due to the seller financing obtained with this acquisition, Fund I only needed to bring 10% of the purchase price for closing, which allows the Fund to purchase a proportionally larger amount of real estate overall. We were also able to reduce the closing costs on the transaction by approximately 99%, further reducing cash into the deal. By comparison, a “typical” transaction might have required up to \$7,500,000 cash for Nicholas.

** These homes were purchased with cash but will be financed after renovations and stabilization.

Total Capital Raised	\$11,000,000
Nicholas & Oliver Apartments*	(\$2,300,000)
17 Single Family Homes w/ 75%LTV***	(\$1,162,000)
Capital Remaining	\$7,538,000

***This is assuming the single family homes are leveraged at 75% of purchase price.

All acquisitions are located in or around Rochester, Minnesota.





NICHOLAS & OLIVER APARTMENTS

The cornerstone of Fund I is the Nicholas and Oliver apartments.

These total 95 Class A units within walking distance to Mayo Clinic with a purchase price of \$23M. These were purchased with an advantageous seller carry of \$9M with no interest and no payments for 7 years.

Since then, we've operated at nearly zero vacancy and have driven a staggering 20-30% rent growth, far exceeding our pro forma. As a 2015 Class A build, the building is in excellent condition. To keep driving rent growth and meet resident standards, we've started making improvements to units, including fresh paint and brand new luxury vinyl plank flooring, painting halls in common areas, installing a dog park, and adding more parking units.

Nicholas Apartments Q1 Profit/Revenue	40.04%
January Rents	\$133,376.50
February Rents	\$138,885.32 (↑4.13%)
March Rents	\$143,152.45 (↑3.07%)
Net Rental Income	\$422,635
Net Cashflow	\$89,906

Based on the exceptional performance of our team and local sales comparables, we estimate that if taken to market today, Nicholas is worth approximately \$26,000,000. This means we have generated a potential 115% return on investment in less than six months. Do note that this is an estimation of value, there are no plans to sell at this time, and return is not realized until a future sale or refi.



NICHOLAS & OLIVER APARTMENTS



Nicholas Apartments



Oliver Apartments

Value Add through Renovation

Units: Adding fresh paint and brand new luxury vinyl plank flooring.

Common areas: painting halls, installing a dog park, adding more parking units.



Before: yellow paint, brown basic carpet



After: fresh gray paint, LVP flooring

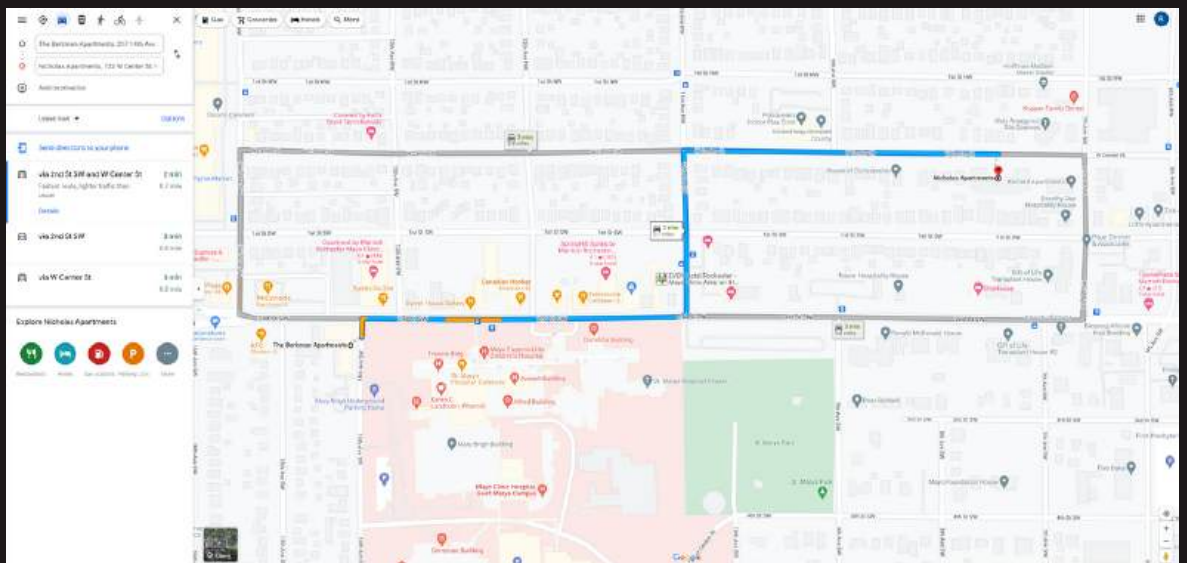


THE BERKMAN

A few weeks ago, the Berkman Apartments in Rochester sold for **\$187M**.

This is the most expensive building to sell in the history of Minnesota. This transaction is many times the next largest apartment building to ever sell in Rochester, and is amongst the largest transactions in the entire country for a community this size. We have always known that Rochester is a very special place and DMC is a very special initiative and now the rest of the country knows it too. **This is a very big deal.**

When we purchased the Nicholas and Oliver we were aware of this forthcoming sale, though the ultimate sales price blew away our expectations. Nicholas is only 3 minutes away from the Berkman, and this striking market data significantly increases the value of Nicholas. No doubt this sale will attract many other future developments in the area which will further enhance the value of Nicholas.



Nicholas is less than a mile away from the Berkman. 3 minutes by car, 13 minutes by foot. This striking market data significantly increases the value of the Nicholas.



SINGLE FAMILY HOMES

Over the past ten years, we have built our personal portfolio investing in single family homes due to their excellent returns, stability of tenants, low expenses, and escalating demand. This is where we found our expertise, and we're continuing that work with Fund I.

We have acquired 17 single family homes (9 closed, 8 under contract) in Rochester, MN, that we will add value to through renovation and operations. These homes were purchased with cash to allow us the opportunity to get the best price and eventually refinance in the shortest amount of time possible. This is a practice and a market we understand exceptionally well.

Leasing performance for single family homes has been unprecedented this quarter—our team has even been able to lease homes we haven't closed on yet! As we have not yet closed on all the properties in this Fund, vacancy metrics will be skewed. We are happy to inform you, however, that portfolio wide, **our vacancy rate is an incredible 1.4%**.



POTENTIAL FUTURE ACQUISITIONS

We continue to work with owners and brokers to source high-quality real estate investments for Fund I. We have several offers out at this time. We must strike a balance to spend capital quickly so as to increase returns, and also do so in a measured, calculated manner to ensure that we are placing capital in assets that are likely to perform strongly, taking caution not to overpay.



FORCED APPRECIATION

Forced appreciation is a major part of our business plan in both multi-family and single family. Forced appreciation comes through physical renovations and management excellence.

In multi-family, forced appreciation comes through increasing Net Operating Income (NOI) which is all income minus all expenses with the exception of debt service.

In single family homes, forced appreciation comes through increasing the value of the home through renovations.

As we acquire properties, our focus is on adding value through both renovation and operations. Forced appreciation is not realized until a refinance or a sale event, so numbers here should be considered an estimate of value at this point in time, not realized gains or losses.

Based on rental income increases and operational expense decreases at Nicholas Apartments along with analysis of multi-family sales comparables, we estimate that the value of Nicholas Apartments has increased by approximately \$3 million over purchase price. We will continue to execute our business plan to further force appreciation. (Again, do note that this is an estimation of value, there are no plans to sell at this time, and return is not realized until a future sale or cash out refinance.)

Given the recency of single family home acquisitions, we are valuing the single family home portfolio at purchase price at this time. As we complete renovations over the coming months, we will share details about forced appreciation. We try to be very conservative in these estimates.

Valuation

Nicholas	\$3 million over purchase price*
Single Family Homes	Same as purchase price

**These figures are estimates and are not final.*



MARKET APPRECIATION

Fund I targets a long-term hold strategy of 20+ years. During the hold period, there will be both increases and decreases in market appreciation through market cycles. This is to be expected. By targeting a long hold period, we will experience significant market appreciation.

Given the recency of Fund I acquisitions, we will not include any market appreciation metrics at this time. Changes in the assets based on the market will be shared on an annual basis.

DEPRECIATION

While we do not invest in real estate specifically for tax advantages, or include them in our pro formas, we absolutely seek to maximize this incredible wealth generator for ourselves and our investors. We pulled out all of the stops to close on the Nicholas and Oliver apartments on the last day of the year in 2021 so that the passive losses from that asset could be included on our 2021 K-1s.

We have since performed a cost segregation study which had favorable results and allowed us to claim accelerated depreciation and bonus depreciation on the asset. We still need to do further analysis, but at this time we are expecting that **for every \$100k placed in Fund 1, an investor could receive \$30,000+ in 2021 depreciation.** Amazing!!

Please remember this figure is not final, and most importantly, there is still MUCH more depreciation coming for 2022 as we deploy the rest of the capital.





FUND OPERATIONS

Let's wrap up with the figures AREN'T in the fund: Fees.

In the Black Swan Real Estate Fund I we do not collect acquisition fees, asset management fees, capital event fees, loan recourse fees, disposition fees, or other fees directly from invested capital. We do collect property management fees and where possible, real estate commissions, neither of which are paid from capital contributed to the fund.

Here's an example of what that a fee schedule would look like in a "Typical" Syndication or Fund:

Acquisition Fees	2% of \$27,647,000	\$552,940
Loan Recourse Fee	1% of \$23,000,000	\$230,000
Asset Management Fee	1% of \$422,000	\$4,220
Total Fees Waived*	\$787,160	

In addition to waiving these fees, we are ruthless with administration costs. In fact, the only overhead expense paid for by the Fund in all of Q1 2022 was tax preparation of K1 forms which totaled \$8,700. **This is an extraordinarily 'lean' operation by industry standards.**

Why do we operate this way?

Our goal is to align our interests with yours, our investors. Because we do not participate in the profit from the fund until all of your capital has been returned we are laser focused on returning capital as quickly as possible. In all of your investments, we encourage you to think critically about fee structure and we are proud to offer an industry-changing alternative that puts the interests of you, the investor, first and foremost.

**Based on example fee schedule in a typical private equity fund.*



CONCLUSION

We are so pleased with how Fund I has performed in Q1, and we look forward to providing an even more in depth performance report as time progresses.

We will send updated performance reports quarterly. In the meantime, make sure you stay connected with us on Facebook, in our weekly email newsletters, and in our monthly Community Power Hour live meetings, where we will share updates on the Fund in real time. We would love to meet you in person at our July 2022 event, Black Swan | Real Estate | Real Life, and show give you a personal tour of our Rochester properties. For more information and ways to connect with us, visit meetblackswan.com.

Finally, we want to thank you again for investing with us. We are continually humbled by these outcomes and by the Black Swan community as a whole. We couldn't be happier with where Black Swan is at and the direction it's going. We look forward to serving you in future funds.

Yours in infinite returns,
Nick and Dr. Elaine Stageberg