



BLACK SWAN REAL ESTATE

Black Swan Funds



Q1 2023
Performance Report



Dear Black Swan Investors,

Thank you again for your investment with Black Swan. Your continued trust and support means the world to us—it is an honor to serve you on your financial freedom journey. We've spent the first few months of 2023 operating full speed ahead, while still finding time to be with loved ones and live in gratitude. It's been amazing to meet so many of you in person as we travel, and we look forward to many more meetups and conferences throughout the remainder of the year.

There is a lot of fear in the multifamily space right now—rumblings of capital calls, foreclosures, and suspended distributions. In March, the Silicon Valley Bank closure became the largest bank to fail since the 2008 financial crisis. Rest assured that your investment is safe and poised for success. At Black Swan, we believe the investor comes first, and we keep that in mind in everything we do. We remain committed to delivering the best possible outcomes for you, our valued investors.

The Black Swan team is working tirelessly to navigate the ever-changing market and ensure that we are taking the best care of our residents, assets, and investors. We're proud of the results we've achieved in Q1 2023, and we will continue to be diligent in executing the value add business plan in order to drive returns.

We're excited to share this full report with you and thank you again for your continued trust and support. We are so honored to have you as an investor.

If there's anyone in your life who would benefit from an introduction to us, we would love to be connected. Thank you for sharing this investing journey with us.

All our best,

Nick and Dr. Elaine Stageberg



EXCITING ANNOUNCEMENTS!

CLOSED

Residence at Discovery Square - Fund I & Fund II

Rochester, MN

- \$27M purchase price
- 129 units + commercial space
- 2019 build
- Seller carry deal with only \$3M down
- Fixed rate debt under 3% for another 2 years
- No interest payments on \$4M of the purchase price for 2 years
- Will build out 9+ urban townhome units
- Target ARV of \$36-37M

Colby Manor - Fund II

Rochester, MN

- \$2.65M purchase price
- 29 units
- Will undergo light renovation
- Amazing location, this will eventually be a re-development

UNDER CONTRACT

Kensington & Lauriston - Fund II

Tacoma, WA

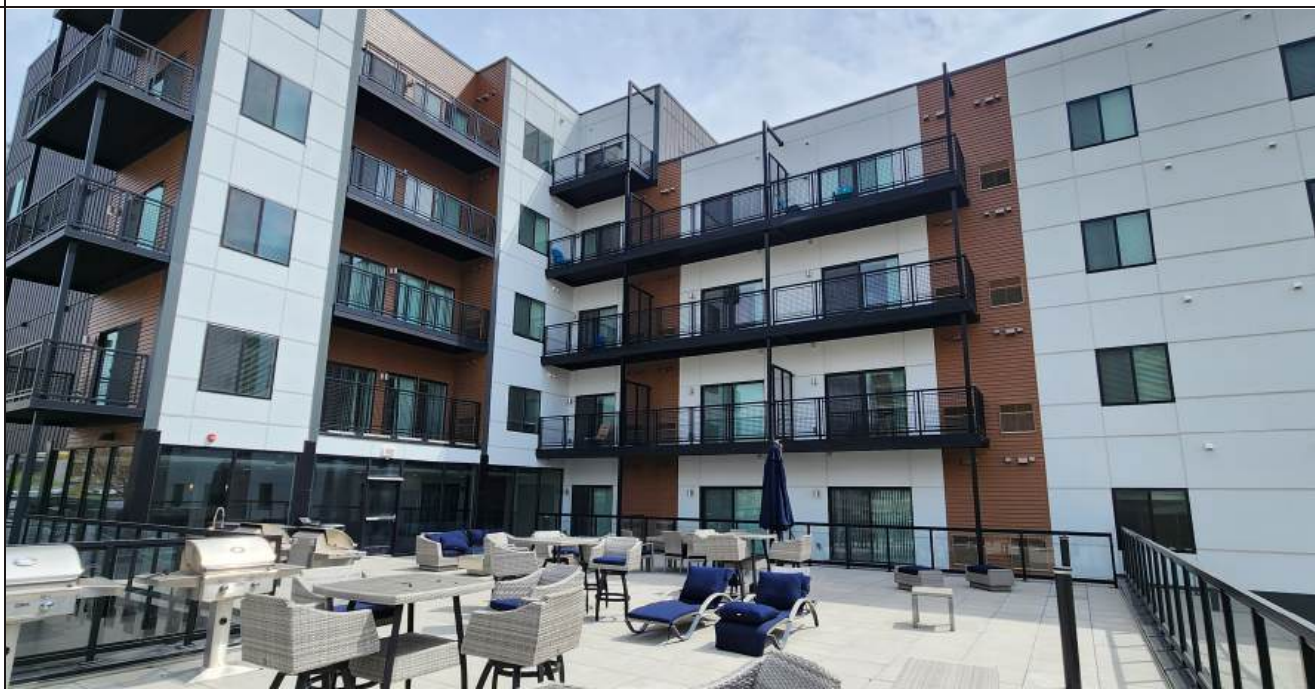
- \$8.05M purchase price
- 2 Class C buildings, 63 units
- Will undergo significant renovation
- 1 mile from the Tanara Villa Apartments

DISTRIBUTIONS

- First Real Estate Fund I distribution coming in May!
- Technology Fund I distribution coming in May!

Verify your information is correct in InvestNext to receive your distributions!

Contact
rachel@blackswanteam.com
with any questions.





FREQUENTLY ASKED QUESTIONS

How do I access my tax forms?

- All Fund I and Fund II K-1s have been sent out. Your K-1 was sent via email from safesendreturns. You may also view your K-1 in your InvestNext portal.
- We anticipate Technology Fund I K-1s will go out in June. The delay is due to the multiple levels of tax filings (the underlying portfolio companies, then Lotus, then Black Swan). We are working as hard as possible to get them out!

When is the next fund?

Fund III is coming in Summer 2023. Get on the waitlist at blackswanfund3.com and stay tuned for more details!

How do I log in to InvestNext?

Access your InvestNext portal at blackswan.investnext.com

OR

Scan the QR code to get to the InvestNext portal login.



When is the next in-person event?

Black Swan | Real Estate | Real Life 2023 is taking place in Rochester September 15 - September 17. [Get on the waitlist!](#)

Why are there no fees?

To have complete alignment with our investors and put you, our investors first.

What is an infinite rate of return?

Once all cash is out of the deal and has been returned to investors, everyone stays in the deal for decades. Because there is \$0 in the deal, all returns are "divide by 0," which is an infinite rate of return! This is the fastest path to large wealth creation.

What about interest rates?

We have all fixed rate debt with at least 4 years left on the note terms. We have successfully placed second lines on assets to get cash-out. We remain very optimistic about our business model.





FUND I PERFORMANCE

The Nicholas

This asset continues to have strong performance and steady rent growth. Almost every lease for Nicholas is spoken for for the rest of the year, this is our strongest performing asset in terms of leasing. As of April 17, there is one vacancy in the entire building. We have implemented the internet upgrade and a \$75 utility fee. The utility fee covers Water, Sewer, Trash, Heat, and Air Conditioning in a flat \$75 fee. Heat and A/C are now paid by house meter with an ultra-efficient heat pump system. It's a win-win!

Q1 Rent: \$447,602

The Nicholas rent exceeds our original pro forma by \$175,088 per year--roughly 10% better than we anticipated!

VALUE ADD			
Parking - 5 additional spaces		Utility Billback - \$75 per month	
\$125/space/month	= \$625	\$75/unit/month	= \$7,125
\$625 x 12 months	= \$7,500	\$1900 x 12 months	= \$85,500
\$7,500 x 20 (5 cap)	= \$150,000	\$85,500 x 20 (5 cap)	= \$1,710,000

Single Family Homes

There were no SFR acquisitions for Fund I this quarter. The portfolio is stabilized and yielding steady, consistent returns. We're seeing strong lease renewals with \$100+ escalations across the board. ALL single family homes have extremely safe fixed rate debt from local banks. **Nothing above 5.15%!**

Q1 Rent: \$182,882

Q1 NOI: \$108,601

NOI = 40% expense ratio. We run a very lean operation!

10% Distribution coming in May 2023!

Please make sure your bank information is updated in the InvestNext portal.
blackswan.investnext.com





RESIDENCE @ DISCOVERY SQUARE

Residence at Discovery Square (RDS) is owned by both Black Swan Fund I *and* Black Swan Fund II. This is a 129 unit, Class A urban core asset built in 2019. This transaction is Minnesota's largest single-building multifamily sale in 2023!

- \$27M purchase price
- Seller carry deal with only \$3M down
- No interest payments on \$4M of the purchase price for 2 years
- Fixed rate debt at 2.83% for another 18 months
- Target ARV of \$36-37M
- 7% COC ROR at time of closing - *this is a crazy high number for a brand new Class A urban core deal--higher than most other investment offerings out there in any class!*
- Projected to hit 15% COC within 2 years!

Appraisal

The appraisal came in at \$27.5M--*\$500,000 more than we paid!* This is extraordinarily unusual, especially in today's market. This is the as-is value, before we've implemented even a single step of our business plan. We will still lease commercial space, build out residential units, raise rents, and upgrade amenities to add massive value. This is a huge win!

Transition

As of May 8, the Black Swan Living team is two weeks into the transition process at RDS.

- Transferred the phone, website, and apartments.com listing.
- Nearly all tenants have been onboarded in our resident portal and are paying May rent.
- Our facilities team is now cleaning common areas and vacant units.
- Master lease tenant meeting.
- We've obtained one master lease unit back already.
- Our leasing team is renewing leases and showing units for new leases.



Reilly and Hunter managing the transition from the RDS office.





RESIDENCE @ DISCOVERY SQUARE



Future Build Outs

- 15 units in Phase 1 of build out
- Bids from 3 builders obtained, working on 4th
- Architectural and structural plans complete
- \$2.5M current estimated construction budget
- Will install parking lot in SW corner
 - \$50K estimated cost
- NW Parcel under contract!
 - Will knock down and install additional parking
- Working to fill the currently empty 10,000 sqft of commercial space
 - Meeting with 5 different restaurant owners
 - Reached out to many different potential users
 - Could develop into additional residential units in phase 2



We have had many meetings with the architect and builder to find the most valuable path forward for the ground-level construction.

We're working through the second generation of plans with builder and architect now to value engineering, reduce cost, improve quality and feel, and execute design/build systems like mechanical, electrical, and plumbing.



FUND II PERFORMANCE

We are pleased to announce that Fund II Acquisitions are COMPLETE. We hope you're proud to call yourselves owners of some truly impressive assets. Q1 was a time for renovation, renovation, renovation!

Total Asset Value: \$80.5M

Liquid Reserves: \$6.7M

Fund II Acquisitions

Tanara Villa Apartments - Tacoma, WA

- \$24.15M purchase price
- 130 units

Residences of Old City Hall - Rochester, MN

- \$5M purchase price
- 22 units

Hamptons Townhomes - Rochester, MN

- \$1.6M purchase price
- 12 units

Douglas Trail Townhomes - Rochester, MN

- \$11M purchase price
- 100 units

Riverview Apartments - Rochester, MN

- \$5M purchase price
- 39 units

Garfield Apartments - Tacoma, WA

- \$5M purchase price
- Residential units, commercial units, and land

The Colby - Rochester, MN

- \$2.65M purchase price
- 29 units

Residence at Discovery Square - Rochester, MN

- \$27M purchase price
- 129 units plus commercial space

Kensington & Lauriston - Tacoma, WA

- \$8.05M purchase price
- 2 Class C buildings, 63 total units





FUND II RENOVATIONS

The renovation momentum from Q4 2022 continued into the New Year. Our construction team has completed **103** renovations since January 1, and is actively managing **51** job sites. We're pleased to share that we've hired a full time construction manager to bring more projects in house! We are working on a full spectrum of renovations, and we rinse and repeat the plan we know and love: update appliances, hardware, and fixtures; apply fresh, neutral paint; add LVP. The transformations are amazing.



Old City Hall transformation: kitchen at the time of purchase (left) versus a newly renovated unit (right).



Tanara Villa transformation: kitchen at the time of purchase (left) versus a newly renovated unit (right).



FUND II: ROCHESTER UPDATES

Residences of Old City Hall | Value: \$5.5M

This asset has performed exceptionally well since closing. Light renovations have had a tremendous impact on leasing operations. Units have been beautifully updated while still maintaining unique, historic details like the art deco chandeliers, vaulted ceilings, and granite window sills.

Active Rehabs

- 1 in process
- 13 complete

Rent Growth

In Place Rent: **\$1600**

New Lease: **\$2100** - *pro forma exceeded by \$300!*



Hamptons Townhomes | Value: \$1.7M

This property was in very rough shape when we acquired it. We've turned over most units so we can focus on implementing our renovation plan. The feel of the community has improved drastically since we did a thorough lot cleanup and as units are renovated.

- 6 renovations in process
- 5 renovations complete





FUND II: ROCHESTER UPDATES

Douglas Trail Townhomes | Value: \$14M

We're renovating units faster than we can lease them at Douglas Trail--*a good problem to have!* This is a record number of rehabs for our team and we are so pleased with the massive velocity. One of our biggest wins this quarter is solving the problem of the bright pink trash cans. We've removed the small individual cans and added large dumpsters. Now residents have sufficient room for their trash and the community looks much cleaner! Another win-win.

Active Rehabs

- 17 in process
- 35 complete

Rent Growth

In Place Rent (2 bed): **\$875**
New Lease (2 bed): **\$1475**



The Riverview | Value: \$6.5M

This acquisition was another unique deal that the Black Swan team has transitioned smoothly. Since closing, we have acquired 6 additional units and now have an HOA supermajority. In addition to acquiring units, we are working on professionalizing the HOA and splitting out all electrical. We've added massive value by adding a brand new fitness facility.

Active Rehabs

- 20 units have already been renovated
- Remaining units are in process





FUND II: ROCHESTER UPDATES

The Colby | Value: \$2.65M

This asset was purchased with all-cash, and we will cash out refi as soon as possible. The Colby is a Class D building in a Class A location with extraordinarily valuable zoning. All units will undergo a very light renovation, but the true value in this asset is the location. This acquisition is a redevelopment play--eventually it will be knocked down to accommodate a future multi-family project; no details have been determined yet, only the earliest of conversations have started and this is a years long process. At this time, most tenants have been onboarded in our resident portal, we are executing roof repairs, and we're beginning light renovations.

Active Rehabs

- 3 in process
- 6 to start June 1



In red: the Colby. In yellow: the Berkman, the largest single asset real estate transaction in Minnesota history at \$187M.



FUND II: TACOMA UPDATES

We are thrilled to continue our expansion in Tacoma--this is a market we've come to know quite well. In addition to owning Tanara Villa and the Garfield Apartments, Fund II is under contract on a third Tacoma acquisition: the Kensington & Lauriston Apartments.

Tanara Villa Apartments | Value: \$28M

We are deep into renovations on this project. We're waiting for permits and have 10 units waiting on inspections. Corridor painting and lighting upgrades are complete and we've pulled permits for the clubhouse, fitness center, and office. The landscape architecture work is complete and landscaping work will start soon!

- Average in-place lease: **\$925** | Lease rate after light rehab: **\$1525**



Garfield Apartments | Value: \$5M

This asset is in the thick of a difficult transition. Many in-place tenants are challenging to onboard, many with no computer or smartphone. Despite challenges, we're making good progress transitioning this asset and getting started on renovations. 3 undesirable commercial tenants have been vacated. Laundry is being upgraded to coinless machines.

Active Rehabs

- **1** in progress
- **2** complete with light renovations

Kensington & Lauriston Apartments | Under Contract

- \$8.05M purchase price
- 2 Class C buildings, 63 units
- Will undergo significant renovation
- A++ location, downtown Tacoma, 1 mile from Tanara Villa





BLACK SWAN TECHNOLOGY FUND I

We've partnered with the Lotus Fund III, to make the exclusive \$165M Fund available to all accredited investors. This is a value-add investment strategy very similar to Fund I and Fund II, and we couldn't be more excited about the alignment of interests. This fund is extremely well positioned to navigate any challenging headwinds.

- **8** investments in **5** companies with **1** exit
- K-1s will likely go out in June
- Lotus was *not* impacted by the Silicon Valley Bank closure
- Lotus has no debt
- *At this time, there is no anticipated capital call for the next 20%.*

Technology Fund I Acquisitions



CONVOX - enables the automation of application deployment and management, allowing development teams to utilize more features more efficiently. The CONVOX charter prioritizes uptime, scalability, and development process.

Joi Delivers - in the \$250B home delivery segment of the mobility space.

- Exited the investment at a **33% return**.

PayForward - an exclusive membership rewards program.

- Awarded **\$10M** contract from Blue Cross Blue Shield of California

EdgeTI - provides scalable, secure, multi-tenant, customer-facing portals that uniquely deliver on the promise of a Single Pane of Glass solution.

- Awarded **\$950M** contract from US Department of Defense
- Stock has more than quadrupled since 2021

Coinonía - Coinonía Fund has developed a block chain platform strategy that scales across three distinct 'Pillars' in the Web3 domain via their tested and proprietary methodology.

Distribution coming in May 2023!

Please make sure your bank information is updated in the InvestNext portal.
blackswan.investnext.com



BLACK SWAN LIVING

This was yet another successful, record breaking quarter for the growing Black Swan Living Property Management team that makes the magic happen.

We've added 14 members to the Bevy since January 1, bringing us to **37** full time employees. We're particularly focused on growing our maintenance, facilities, and construction departments as we bring more and more services in house. We're especially excited to bring lawn & snow in house in 2023! The assets in Fund I and Fund II are going to receive better care at a much lower cost. Win-win!

Some exciting Q1 stats from the Black Swan team:

- **103** rehabs complete since January 1
- **1,821** maintenance tickets closed
- **122** leases signed

Resident Satisfaction

Happy residents are key in a successful operation. We place high quality residents and strive to create the best possible living experience. We are pleased to share some very high scores from our customer satisfaction surveys where we ask residents to rate their experience out of 10:

- Move-in CSAT: **8.7**
- Cleanliness CSAT: **8.9**
- Annual happiness survey: **8.4** - *portfolio wide survey!*

This team is here to serve you.





CONCLUSION

We are so pleased with the Q1 outcomes for all Black Swan Funds, and we're looking forward to adding value for years to come. It is an honor to serve you on your path to financial freedom. Thank you for being a part of this journey with us.

We've spent this first quarter of 2023 living in gratitude. We recognize the many many blessings in our life and do our best to share that gratitude with you. Nick got to celebrate his 40th birthday with loved ones, and we are so incredibly grateful for this energetic, supportive, welcoming community.

As always, we'd like to take this moment to thank you for the opportunity to lead, to help protect and grow your wealth. We hope you're proud to call yourselves owners of some truly impressive assets. Despite the fear and uncertainty in the multifamily space, you can rest assured that your investment with Black Swan is safe and secure. Our commitment to putting our investors first has never been stronger.

As a reminder, 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 Funds in real time. For more information and ways to connect with us, visit meetblackswan.com.

Thank you again for investing with us. We are continually humbled by the enthusiasm and support from the Black Swan community. We couldn't be happier with the outcomes from all Black Swan Funds and the bright future for these collections of assets. We look forward to serving you in future funds.

All our best,

Nick and Dr. Elaine Stageberg