



BLACK SWAN REAL ESTATE

Private Equity Fund I



Q2 2022
Performance Report



Dear Black Swan Real Estate Fund I Investors,

We again want to express our gratitude for your investment in Fund I. It is truly an honor and a privilege to serve you. Now that Q2 2022 is wrapped up, we are proud to report that Fund I continues to perform very well. We are continually blown away by the performance of the Nicholas & Oliver deal. Although we went into the deal with conservative financing and a top notch property management team, the success is still defying our expectations. We are thrilled to share that we're operating the Nicholas at 0% vacancy, pushing rental rates, and adding value through modest renovations and internet negotiations—but more on that later!

After a relatively slow Q1, we picked up steam and acquired 12 more single family homes in Q2. We perceived Q1 to be the peak of the market and did not want to participate in the folly. We've gained momentum, we are in the process of doing our first cash-out refi, and we expect to pick up many more single family homes in Q3 and Q4, with terms that best serve you, the investor.

Finally, we want to remind you that 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 investing journey with us.

Yours in infinite returns,

Nick and Dr. Elaine Stageberg



BLACK SWAN | REAL ESTATE | REAL LIFE 2022

We can't give a proper update on Q2 without sharing some highlights from **Black Swan | Real Estate | Real Life**, our first ever in person event!

July 15th - July 17th, the Black Swan team happily hosted investors and showed off our city. In our time together, we focused on *values-driven real estate investing*. We shared the core values that have guided Black Swan to success, and challenged investors to create their own. We practiced and applied mindset to our real estate investing strategies. We bussed around Rochester to tour Black Swan properties - including *Fund I assets like the Nicholas & Oliver Apartments, and single family homes!*

We had so much fun getting to know this group of investors, and we can't wait for next year!

SAVE THE DATE!

Black Swan | Real Estate | Real Life 2023

September 15th - September 17th



Saturday morning Secure Your Freedom seminar



Sunday tour of Rochester and the Mayo Clinic.





FUND I ACQUISITIONS

Total Capital Raised	\$11,000,000
Nicholas & Oliver Apartments*	(\$2,300,000)
29 Single Family Homes**	(\$8,031,000)
Operating Capital	\$669,000

*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)
29 Single Family Homes w/ 80%LTV***	(\$1,606,000)
Cash Remaining for Future Acquisition	\$7,094,000

***This is assuming the single family homes are leveraged at 80% of purchase price.

All acquisitions are located in or around Rochester, Minnesota.





SINGLE FAMILY HOMES

We have acquired 29 single family homes in Rochester, MN, that we will add value to through renovation and operations. As of July 29, 2022, all single family homes purchased with Fund I are closed.

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.

After the first round of refinancing, we will purchase another round of homes. We anticipate acquiring 125+ single family homes by the time Fund I is completely full.

29 Single Family Homes

23 Leased

6 Under Renovation

Average Lease Rate: **\$2,112**

Average Cost: **\$276,285**





SINGLE FAMILY HOMES



FINANCING TERMS

5 Year Term

2 Regional banks

80% LTV

Full Recourse

25 Year Amortization

Personally guaranteed by Nick & Elaine

0.5% Origination Fee

5.25% Fixed Rate



NICHOLAS & OLIVER APARTMENTS

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

The Nicholas Apartments have performed extraordinarily well with minimal renovation. We are actively pushing rental rates, operating at 0% vacancy, and the units show extremely well.

We have added value to this asset through modest renovations that enhanced the look in common areas and 15 units at minimal cost. We are working on a major value add parking project that we expect to be able to discuss by the end of the year.

A major value add that we're excited to share is our internet contract. When we took ownership of the Nicholas, the building had an unfortunate internet contract. The residents paid \$55 per month for slow internet that isn't quite fast enough to stream or Zoom consistently, which just doesn't work in 2022. Slow internet has been our number one complaint from residents at the Nicholas. The contract was essentially the lowest level of service for the longest term possible. We were able to change that. Thanks to the power of the Fund, we have huge collective buying power. We negotiated an extremely favorable contract for the Nicholas Apartments, along with 6 other buildings in our downtown campus. Residents will continue to pay \$55 per month, and receive an upgrade in speed and quality with the best internet in the entire community. We got the contract at \$35 per month, which creates \$20 per month per unit in profit. This internet contract negotiation addresses the number one resident complaint, and **increases the value of the building by \$456,000. Now that's a win-win deal.**





FUND OPERATIONS

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

In 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 \$3,200,000	\$64,000
Asset Management Fee	1% of \$474,000	\$4,740

Fees Waived Q1 2022

\$787,160

Fees Waived Q2 2022

\$68,740

Total Fees Waived* **\$855,900**

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 Q2. We look forward to continually adding value through the year and acquiring more single family homes after our first cash-out refi! We couldn't be happier with the outcomes.

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. 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 the Fund 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