



BLACK SWAN REAL ESTATE

Black Swan Funds



Q2 2023
Performance Report



Dear Black Swan Investors,

As always, we'd like to take a moment to express our sincere gratitude for your continued trust and support. It is an honor to serve you on your financial freedom journey. We had an exceptionally busy quarter—with record-breaking renovation, leasing, and operations velocities. We've been on the road, and it has been a pleasure to meet so many of you in person. We look forward to growing our relationship with many more of you at [Black Swan | Real Estate | Real Life](#) in September!

We know you've heard it before, and perhaps you've experienced it in another fund or syndication: there is turmoil in the multifamily space right now. Rest assured that your investment is safe and poised for success. At Black Swan, we believe the investor comes first, and we remain committed to delivering the best possible outcomes for you.

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 continue to be diligent in executing the value-add business plan 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



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 soon. 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 your ticket!](#)

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.



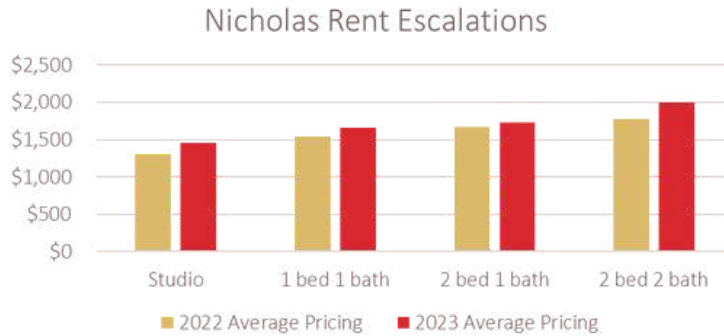


FUND I PERFORMANCE

The Nicholas

The Nicholas received recognition in the community, being nominated for Best Apartment Community in Rochester! This was a massive brand recognition win, and this award will help us attract even better residents at premium rental rates.

This asset continues to have strong performance and steady rent growth. In Q1 2023 we projected 3-10% rent increases, and we've achieved **12.36%**.



Nicholas Q2 Rent: \$441,952

Single Family Homes

The portfolio is stabilized and continues to yield steady, consistent returns. Our Single Family Home economic vacancy is <2% *portfolio wide*. We're seeing strong lease renewals with escalations across the board. Plus, all 30 single family homes have extremely safe fixed rate debt from local banks, with **nothing above 5.15%**.

SFR Q2 Rent: \$183,827

Distributions coming in Q3 and Q4 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.

- \$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
- Projected to hit 15% COC within 2 years!

The transition has gone extremely well. We've filled an insane number of units and are working with Kraus Anderson to build out both residential units and ultra luxe amenities in the vacant commercial space.

We secured a **25% reduction in property taxes**--this is a HUGE win! This will likely be the best deal we've ever done. RDS was also nominated for Best Apartment Community in Rochester's Best of the Best!

Closed on NW Parcel

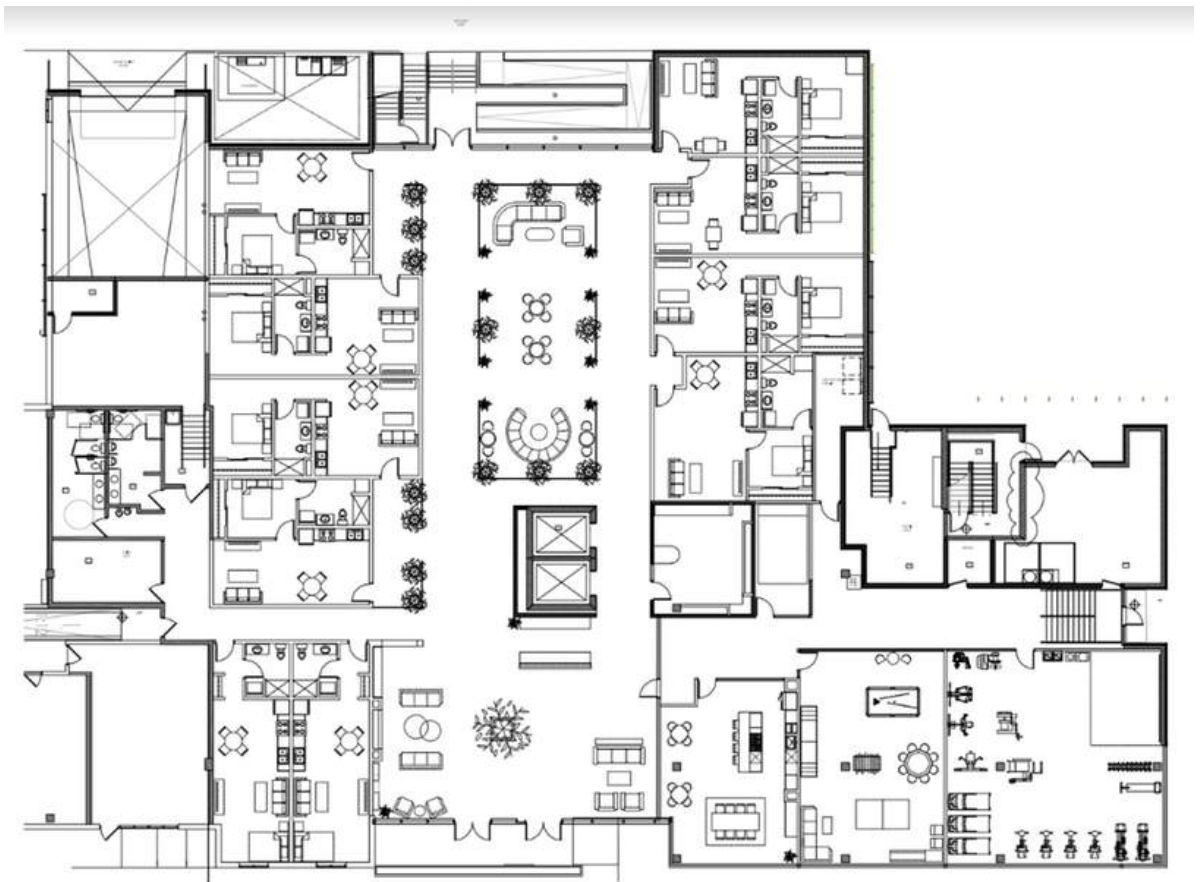
- Extremely distressed property
- Owners were previously offered \$800k, we closed for \$365k
- Favorable seller carry personally guaranteed by Nick & Elaine
- Filling with tenants, hoping to eventually tear down & put up a dog park

UMR Master Lease

- University of Minnesota Rochester has renewed their master lease through 2026
- 25% of units at RDS
- Originally planned to terminate in August 2024, 2 months before our financing renews
- Restructured master lease so UMR can opt to give a unit back & pay rent on the unit until we lease it
- HUGE win/win/win deal created!

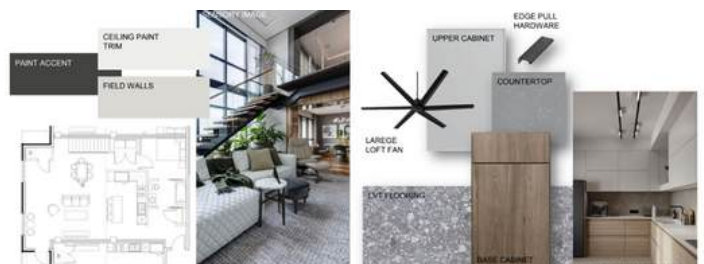


RESIDENCE @ DISCOVERY SQUARE



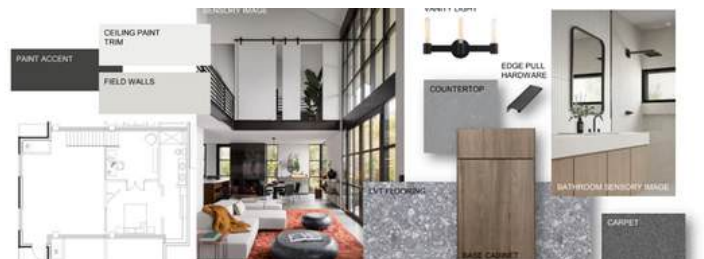
Amenity Build Outs

- Community café & kitchen space
- Game lounge
- Golf simulator
- Upgraded fitness center
- Luxury atrium
- Conference center
- Theater
- Library



Residential Loft Buildouts

- Working to convert commercial space to residential
- Plan to construct 25 units
- First loft unit is almost complete



Switching to 1 story floor plan

- Reduce construction costs to ~\$120k/unit
- Units should be worth \$225k each when complete
 - \$100k per unit gross profit
 - \$100k x 25 units = **\$2.5M in equity**
- Cut construction time in half



FUND II PERFORMANCE

Fund II Acquisitions are complete as of Q2 2023. We hope you're proud to call yourselves owners of some truly impressive assets. In Q2, we continued renovations on all assets and focused on strong leasing performance and rent escalations.

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

Total Asset Value: \$80.5M

Liquid Reserves: \$6.7M





FUND II: ROCHESTER UPDATES

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

This is one of the most beautiful assets in the entire portfolio, even more so as units come out of renovation. These light renovations have had a tremendous impact on leasing operations while still maintaining unique, historic details.

Active Rehabs

- 6 in process
- 11 complete

Unit size	2022 Average Pricing		2023 Average Pricing		Average Increase
1bed/1ba	\$	1,090.00	\$	1,476.67	\$ 386.67



Hamptons Townhomes | *Value: \$1.7M**

This property was in very rough shape when we acquired it. Our light renovation plan has gone extraordinarily well and this asset will be the first to complete all renovations in Q3! We've achieved massive rent escalations after renovation, and the feel of the community has improved drastically.

- 1 renovation in process
- 11 renovations complete



*This current value is our "best guess" estimate of market value and is not supported by recent sales data or official appraisal



FUND II: ROCHESTER UPDATES

Douglas Trail Townhomes | Value: \$14M*

We've completed a record number of rehabs at Douglas Trail and we're nearly halfway done! In Q2, we were able to bring all lawn & snow in house and implement extensive landscaping improvements. The feel of this community is truly changing for the better.

Active Rehabs

- **26** in process
- **43** complete



The Riverview | Value: \$6.5M*

We've seen massive renovation velocity at the Riverview, and anticipate completing these light renovations in Q3. We have an HOA supermajority and have done drastic landscape improvements--like tree removal, adding new mulch, and constructing a dog park--that is paid by the HOA. We've had an extraordinarily strong leasing performance, so much so that we no longer have a need for a marketing package.

Active Rehabs

- **3** in process
- **49** complete





FUND II: ROCHESTER UPDATES

The Colby | Value: \$2.65M*

This asset was purchased with all-cash in Q2, 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. Though it's a ways down the road, we have met with an architect about knocking the building down.

In the meantime, all units will undergo a very light renovation. We've completed our first unit and the rental rates we're getting have blown away our pro forma.

Active Rehabs

- 11 in process
- 1 complete



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



FUND II: TACOMA UPDATES

Tanara Villa Apartments | *Value: \$28M**

We are deep into renovations on this project, and made significant progress on our full scale exterior construction in Q2. We've completed the exterior painting, interior corridor painting, and the addition of a controlled entry system. The massive landscaping project is underway and unit renovations continue to move along steadily.

- 22 units under active renovation
- Non-renovated units after escalation: **\$1295** | After light rehab: **\$1595**



Garfield Apartments | *Value: \$5M**

This has been a more difficult transition, with challenging in-place tenants. All problematic tenants are gone, we are actively leasing commercial spaces, and making progress on light renovations. We've made improvements to the common areas and exteriors in this time.

- 5 complete units out of 23



Kensington & Lauriston Apartments

We closed on the Kensington & Lauriston Apartments in Q2, and are focused on pushing rent escalations. There has been no major construction yet.

- Average lease renewal increase of \$200 per month





BLACK SWAN LIVING

We are so excited to report that this was yet another record breaking quarter for the Black Swan Living Property Management team that makes the magic happen. We've seen extraordinary leasing, renovation, and maintenance velocity, and continue to bring services in house as frequently as possible. The assets in Fund I and Fund II are receiving better care at a much lower cost. We are honored to be nominated for Best Property Management Company in Rochester!

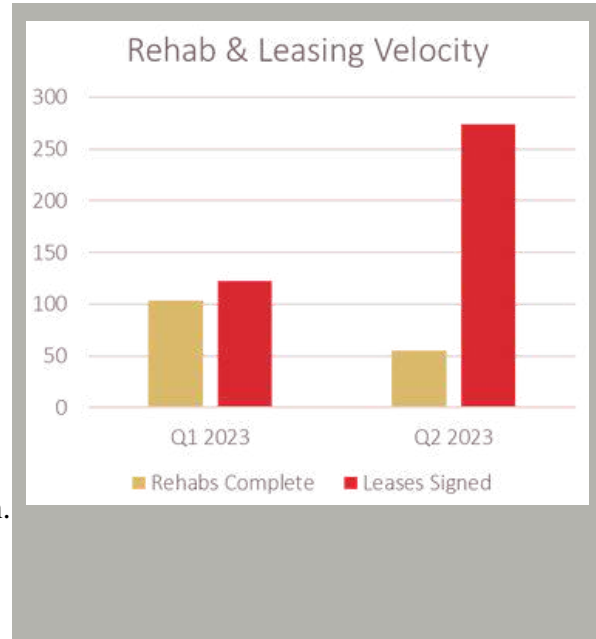
Q2 stats from the Black Swan team:

- 55 rehabs completed
- 2,101 maintenance tickets closed
- 274 leases signed
- 150+ renewals signed
- Top 1% of all real estate agents in the state!

Conferences

Another highlight from Q2 was getting to take our team on the road! It was a pleasure to speak on stage, meet inspirations like Robert Cialdini and Chris Voss, host sponsor booths and happy hours, and to connect with many of you in person.

- MFINCON - *Charlotte, NC*
- Limitless Expo - *Phoenix, AZ*





JOINT VENTURES

In past quarterly reports, we've shared information specific to the Private Equity Funds, though many of our investors have invested with us through other vehicles in the past. This quarter, we're including updates on joint ventures.

Stone Haven Townhomes

- Ground up construction townhomes
- Phase II construction complete
- Phase III construction underway
- Strong leasing performance



Midtown Apartments

- 24 unit apartment community
- Light renovations complete
- 50% cash out refi after only ~20 months through crazy interest rate increases



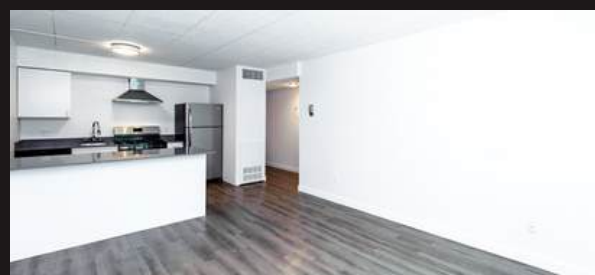
Zick Apartments

- 100 year old building in A+ location
- Renovations complete
- Actively working on cash out refi
- Rent escalations of 8.33%+ from 2022



Uptown Landing & Uptown Terrace

- Targeting cash out refi in 6-9 months
- Rent escalations of 8.41% - *Landing*
- Rent escalations of 19.35% - *Terrace*



Furlow

- 100 year old building with extensive unit renovations
- Renovations complete
- Targeting cash out refi in 6-9 months
- Rent escalations of 10.26%+



Nue 52

- Up for Best Apartment Community!
- Cash out refi is done
- Still growing in value



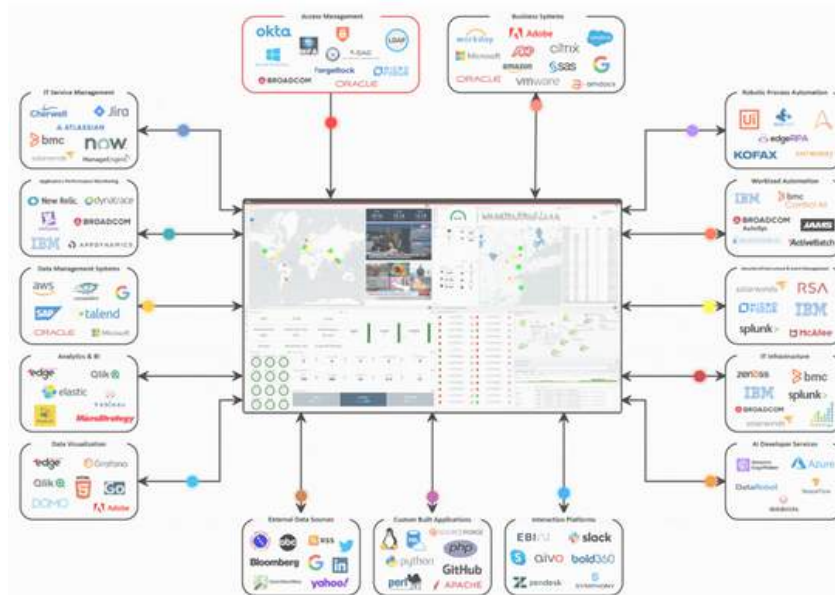


BLACK SWAN TECHNOLOGY FUND I

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, with an extreme alignment of interests.

General Updates

- K-1 distribution is the Fund's #1 priority
- There was a significant leadership change
- Distribution went out in May 2023
- *At this time, there is no anticipated capital call for the next 20%.*
- Tech Fund webinar with Brett Paulson on Friday, August 11 @ 12pm Central



Edge TI

This acquisition provides scalable, secure, multi-tenant, customer-facing portals that uniquely deliver on the promise of a Single Pane of Glass solution, and it is performing exceptionally well.

- Awarded \$950M contract from US Department of Defense
- Awarded \$5M contract with VA Health System
- Stock has more than quadrupled since 2021



CONCLUSION

Thank you for being a part of this journey with us. We are so pleased with the Q2 outcomes for the Black Swan Funds, and we're looking forward to adding value and driving returns for years and years to come. It is an honor to serve you on your path to financial freedom.

It's exciting to see the velocity of renovations, leasing, and operations continue to grow as we add value to these assets, and it is an honor to serve our community. It is our hope that by the next quarterly update, we'll *officially* be writing to you as the Best Property Management Company in Rochester, and that we get to showcase one of the assets *you* own as the Best Apartment Community in Rochester, too.

We'd like to take this moment as always to thank you for the opportunity to lead, and to help protect and grow your wealth. We hope you're proud to call yourselves owners of some truly impressive assets that are only growing in value. Despite fear 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 see a very bright future for these collections of assets. We look forward to serving you in future funds.

All our best,

Nick and Dr. Elaine Stageberg