



BLACK SWAN FUNDS

Q2 2023 Update

Disclaimers

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About Us

- ~\$300M Assets Under Management
 - Vertically Integrated
 - Asset Management Company
 - Property Management Company
 - Black Swan Living

- \$60M+ capital raised
 - Private Equity Fund – [BlackSwanFund3.com](https://www.BlackSwanFund3.com)

\$75M+ Sales in 2022

- Real Estate Sales Team
- 2022 ranked in the top one third of one percent of 200,000 KW agents
- Gary Keller's personal mastermind
- \$40M+ Ground-Up Construction In Progress
 - Development of townhome subdivision

Frequently Asked Questions

How do I access my tax forms?

- All Fund I and Fund II K-1s have been 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 August.

When is the next fund?

- Fund III is coming soon. Get on the waitlist at blackswanfund3.com

How do I log into InvestNext?

- blackswan.investnext.com

When's the next in person event?

- September 15-17, 2023!!

Why are there no fees?

- To have complete alignment with our investors and put 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 are \$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. Our highest interest rate debt is 6.25%. We have successfully placed second lines on assets to get cash-out refis. We remain very optimistic about our business model.





REAL ESTATE REAL LIFE 2023

use promo code **WEBINAR** for \$250 off!



Rochester Best of the Best!



Rochester Best of the Best!



Black Swan Living

Best Property Management
Company



The Nicholas

Best Apartment Community



Nue 52

Best Apartment Community



**Residence @
Discovery Square**

Best Apartment Community

Vote every day through August 7!



Things are going badly in the industry,
but we're doing just fine.

Why?



BLACK SWAN IS POISED FOR SUCCESS

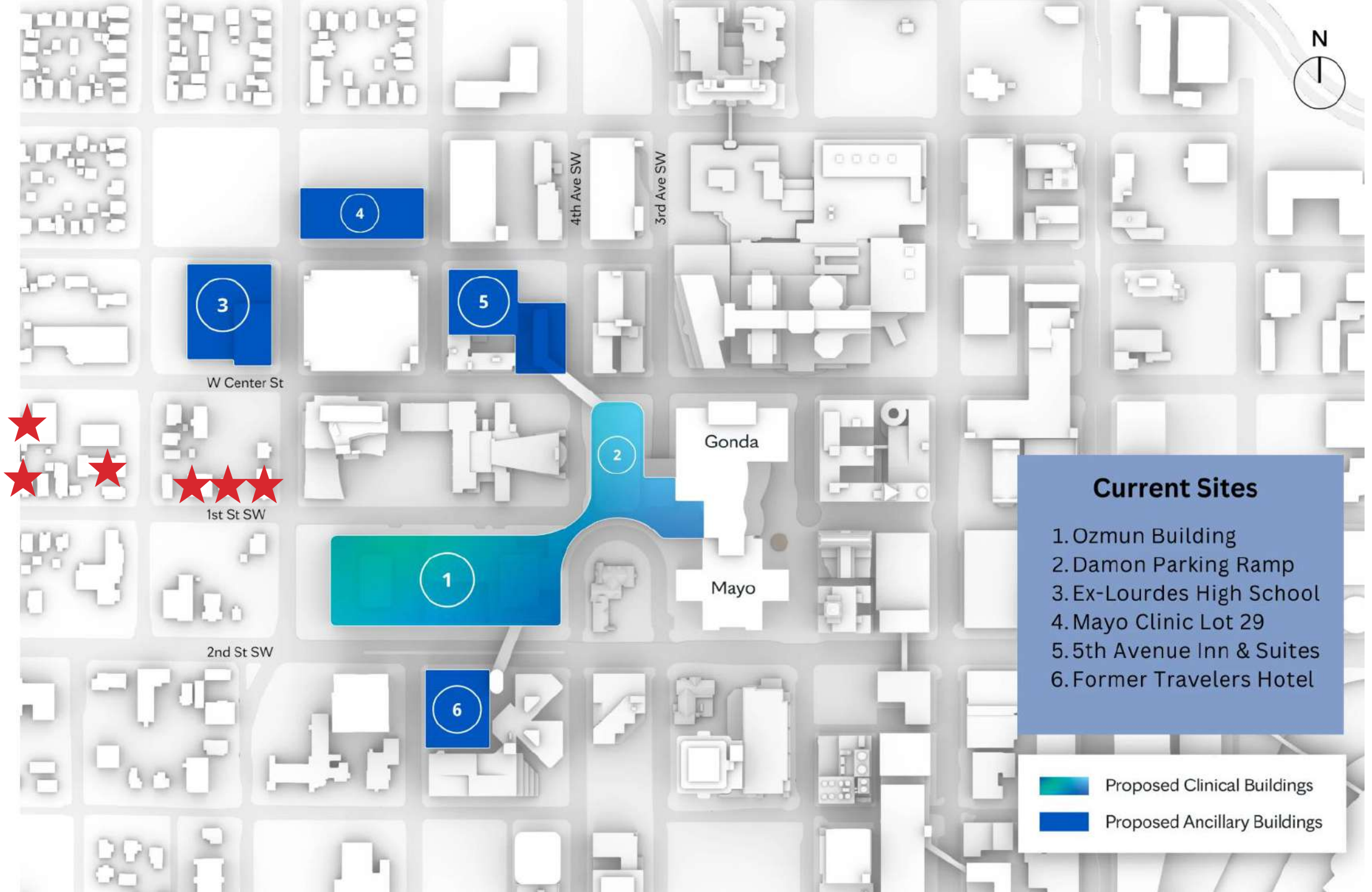


- NO variable rate debt
- NO rate caps
- All debt is fixed for 5 years, often 10 years
- Incredible liquid reserves
- No insurance exposure in disaster prone climates like Texas and Florida
- Vertically integrated
- Invested in temperate blue ocean markets





30% Revenue Growth
...in 3 months!

Date	Actual Rent
2023-07-31	\$ 1,334,772.49
2023-07-24	\$ 1,332,402.50
2023-07-17	\$ 1,331,769.49
2023-07-10	\$ 1,313,149.49
2023-07-05	\$ 1,311,621.16
2023-06-26	\$ 1,292,602.49
2023-06-19	\$ 1,287,850.48
2023-06-12	\$ 1,265,556.48
2023-06-05	\$ 1,264,486.94
2023-05-30	\$ 1,312,809.22
2023-05-22	\$ 1,259,589.94
2023-05-15	\$ 1,244,270.94
2023-05-08	\$ 1,208,820.94
2023-05-01	\$ 1,205,415.93
2023-04-24	\$ 1,206,879.12
2023-04-17	\$ 1,048,416.84
2023-04-10	\$ 1,013,105.84



Current Sites

- 1. Ozmun Building
- 2. Damon Parking Ramp
- 3. Ex-Lourdes High School
- 4. Mayo Clinic Lot 29
- 5. 5th Avenue Inn & Suites
- 6. Former Travelers Hotel

-  Proposed Clinical Buildings
-  Proposed Ancillary Buildings

An aerial, black and white photograph of a city neighborhood. The central focus is a large, multi-story brick building with a flat roof and several windows. The building is surrounded by other residential structures, including smaller houses and apartment buildings. There are many trees scattered throughout the area, and a few cars are visible on the streets. In the background, a water tower and other city buildings are visible against a clear sky.

BLACK SWAN REAL ESTATE FUND I

BLACK SWAN REAL ESTATE FUND I

- \$10M Private Equity Fund
- Closed December 2021
- First distribution May 2023
- Anticipate distribution in Q3 and Q4 2023

Acquisitions

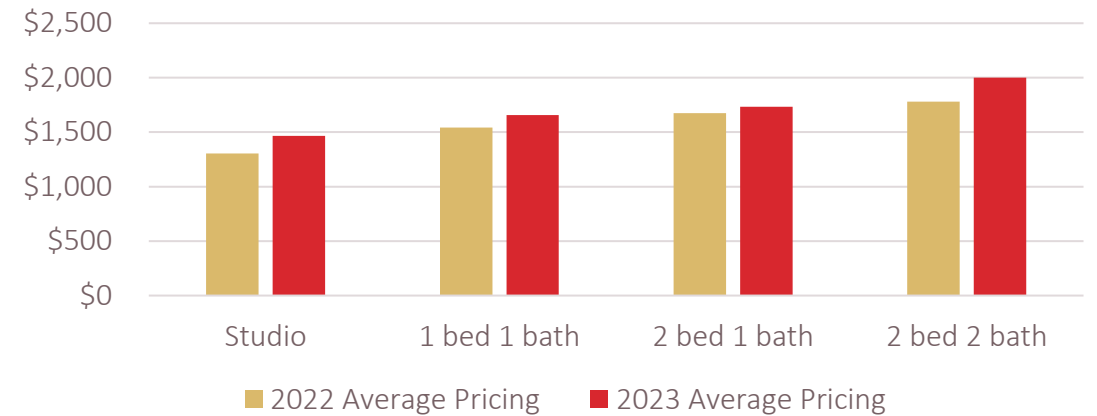
- The Nicholas Apartments
- 30 Single Family Homes
- Residence @ Discovery Square





The Nicholas

Nicholas Rent Escalations



Unit size	2022 Average Pricing	2023 Average Pricing	Average Increase
Studio/1ba	\$ 1,305.00	\$ 1,465.00	\$ 160.00 12.26%
1bed/1ba	\$ 1,542.21	\$ 1,656.30	\$ 114.10 7.40%
2bed/1ba	\$ 1,673.89	\$ 1,732.00	\$ 58.11 3.47%
2bed/2ba	\$ 1,780.00	\$ 2,000.00	\$ 220.00 12.36%
		Average Increase	\$ 138.05

In Q1 we projected 3-10% rent increases, we've achieved **12.36%**





***Nominated for
Best Apartment
Community in
Rochester!***



The Nicholas

Q2 Rent: \$441,952

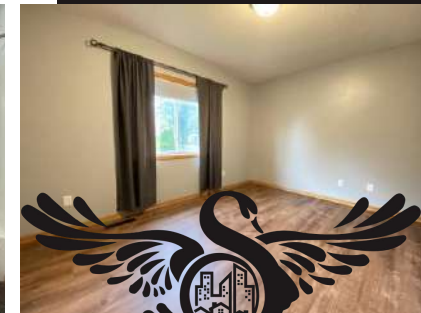
- Rent escalations from 3-12%+
- Strongest leasing asset in the portfolio
- Upgraded internet
- Have hit high, achievable, steady rents
- Very quiet, consistent asset

Single Family Homes

- 30 single family homes
- Renovations complete
- Steady rent growth
- All fixed rate debt
- Continued strong leasing performance
- SFR EV is consistently less than 2% - *portfolio wide!*



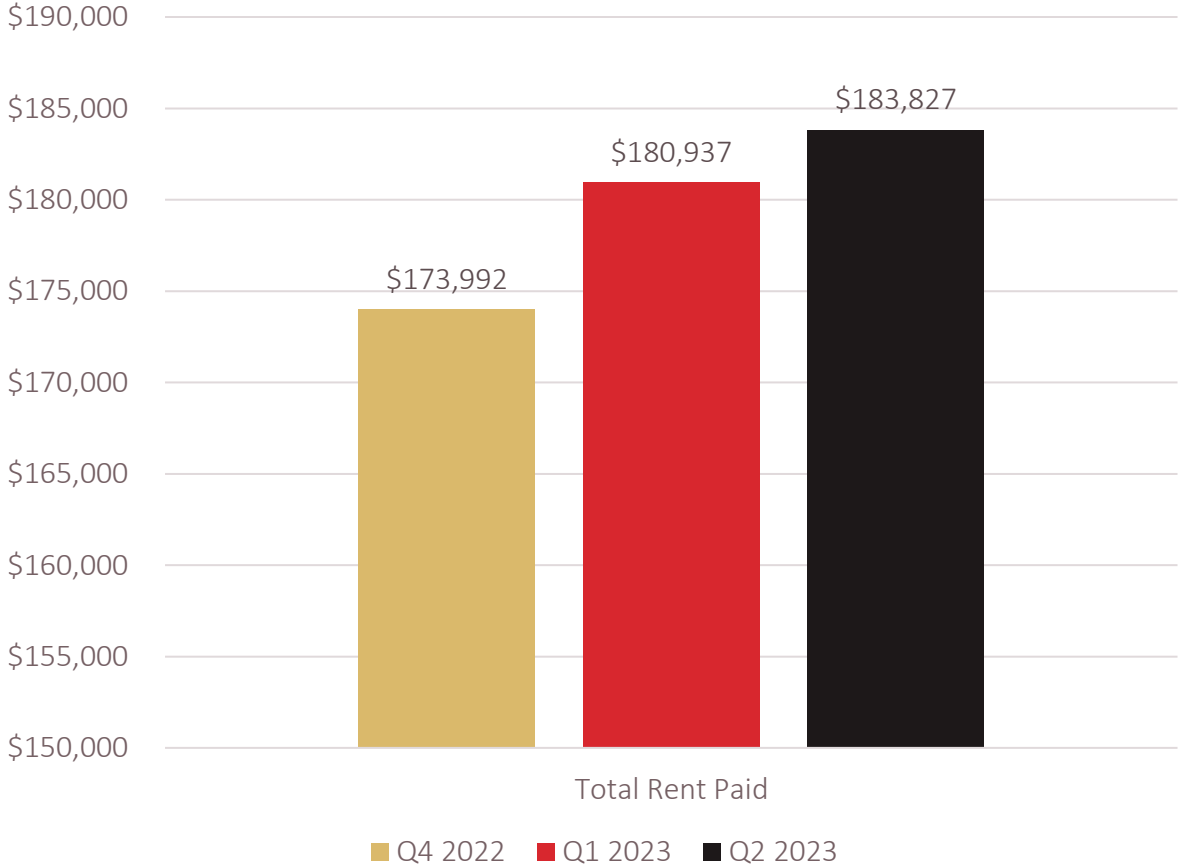




Single Family Homes Rent Growth



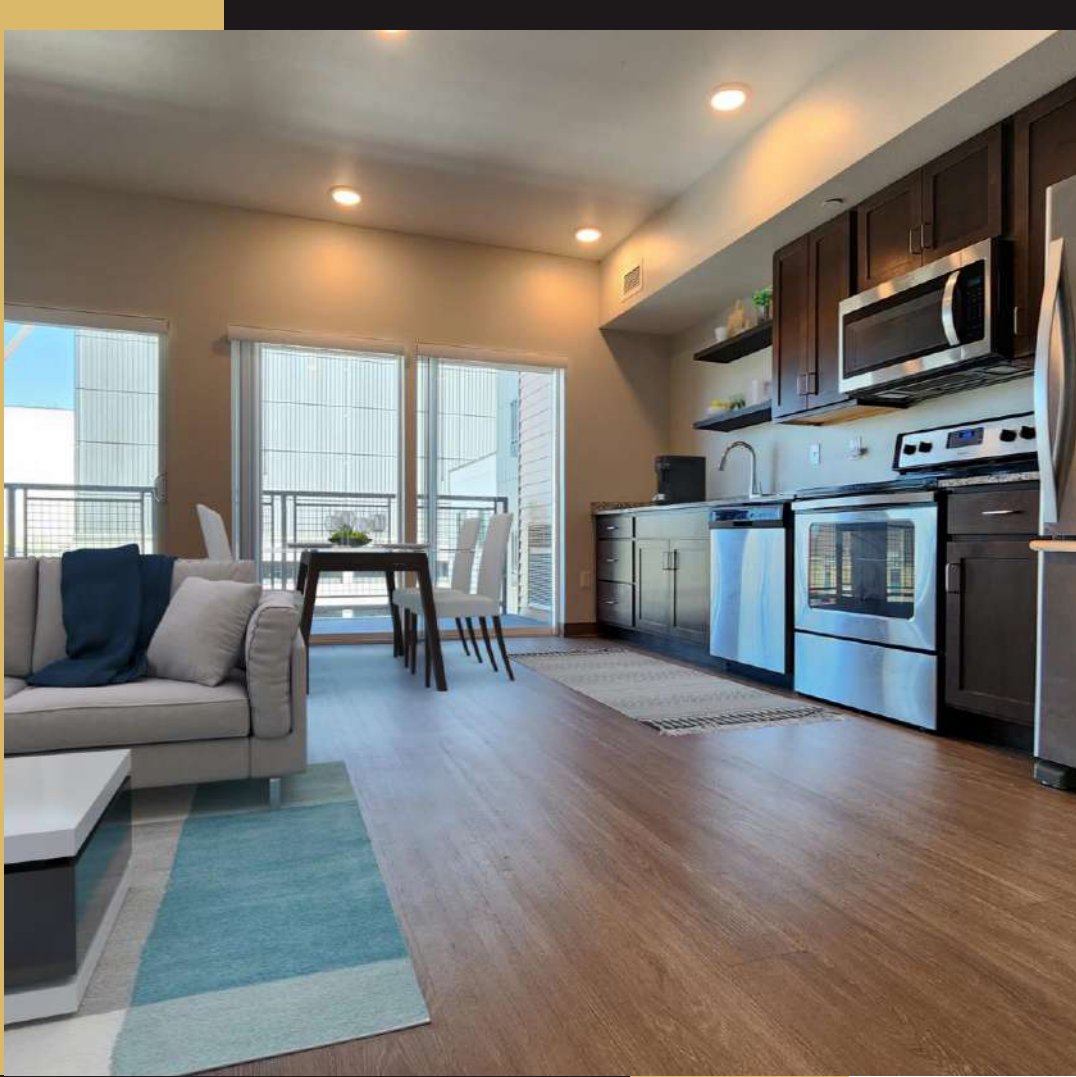
Rochester Homes Fund I





Residence @ Discovery Square

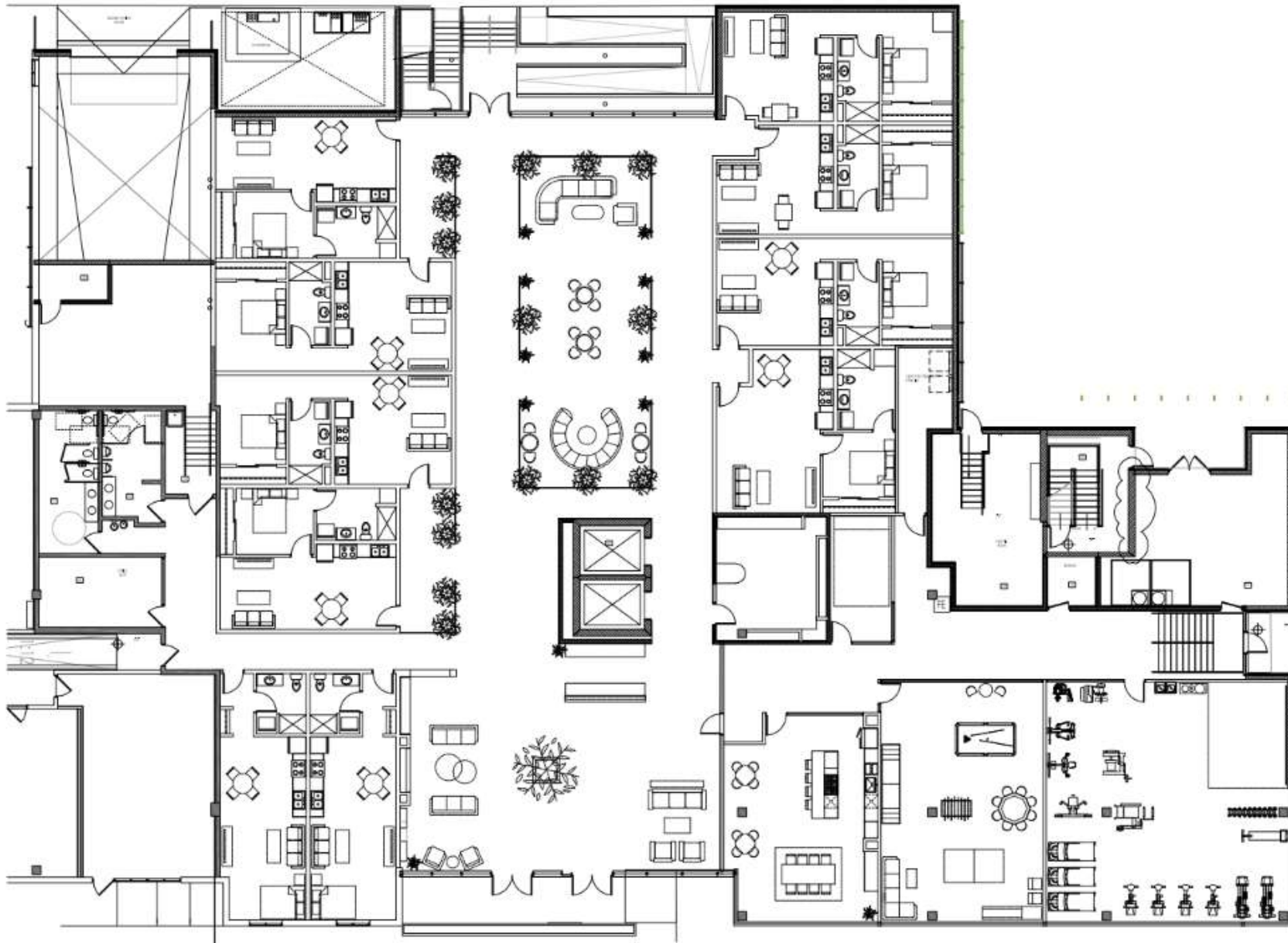
- 129 unit apartment building plus 25,000 sqft commercial space
- Built in 2019—Came online in urban core just before COVID
- \$27M purchase price
- CFD deal with only \$3M down
- Fixed rate debt at 2.83% for another 18 months
- No interest or payments on \$4M of the purchase price for 18 months
- Part of larger downtown Rochester multifamily campus
- Value-add plan to increase value up to \$9-10M



Residence @ Discovery Square

- Nominated for Best Apartment Community!
- Filled an insane number of units
- Closed on NW parcel
 - Extremely distressed property
 - Previously offered \$800k, we closed for \$365k
 - Favorable seller carry that Nick & Elaine are personally guaranteeing
 - Filling with tenants, hoping to put up a dog park
- 25% reduction in taxes – HUGE win!
- Working with Kraus Anderson to build out residential units and ultra luxe amenities in the vacant commercial space
- Will likely be the best deal we've ever done!



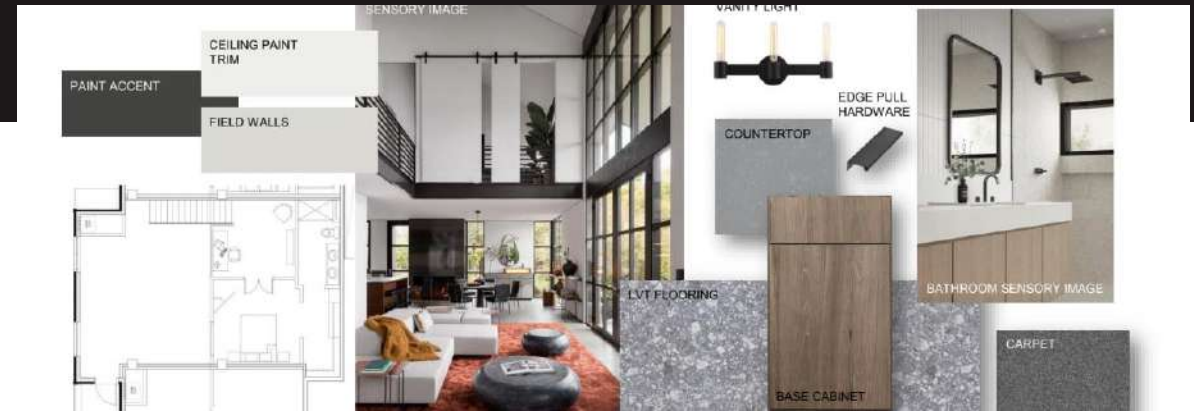


Amenity Buildout

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



Residence @ Discovery Square



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 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





Residence @ Discovery Square

- 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!**



BLACK SWAN REAL ESTATE FUND II

NOW LEASING
CALL 995-1557

NOW LEASING
107-995-1557



BLACK SWAN REAL ESTATE FUND II

- \$30M Private Equity Fund
- Closed December 2022
- Completed acquisitions in Q2 2023
- Value-add multifamily in Rochester, MN & Tacoma, WA

Acquisitions

- Tanara Villa Apartments
- Residences of Old City Hall
- Hamptons Townhomes
- Douglas Trail Townhomes
- Riverview Apartments
- Garfield Apartments
- The Colby
- Residence @ Discovery Square
- The Kensington & Lauriston





Tanara Villa Apartments

- Value: \$28M
- 130 units, 1970's build
- Purchase price: \$24.15M
- Targeting \$36M+ value after renovations in the next 24 months
- Massive renovation of every unit, common areas, amenities, and landscaping
- Not distressed, but has original finishes, no major improvements ever

Tanara Villa Apartments

Construction Progress

- Full scale exterior construction underway
- Exterior paint – complete!
- Interior corridor paint – complete!
- Controlled entry system – complete!

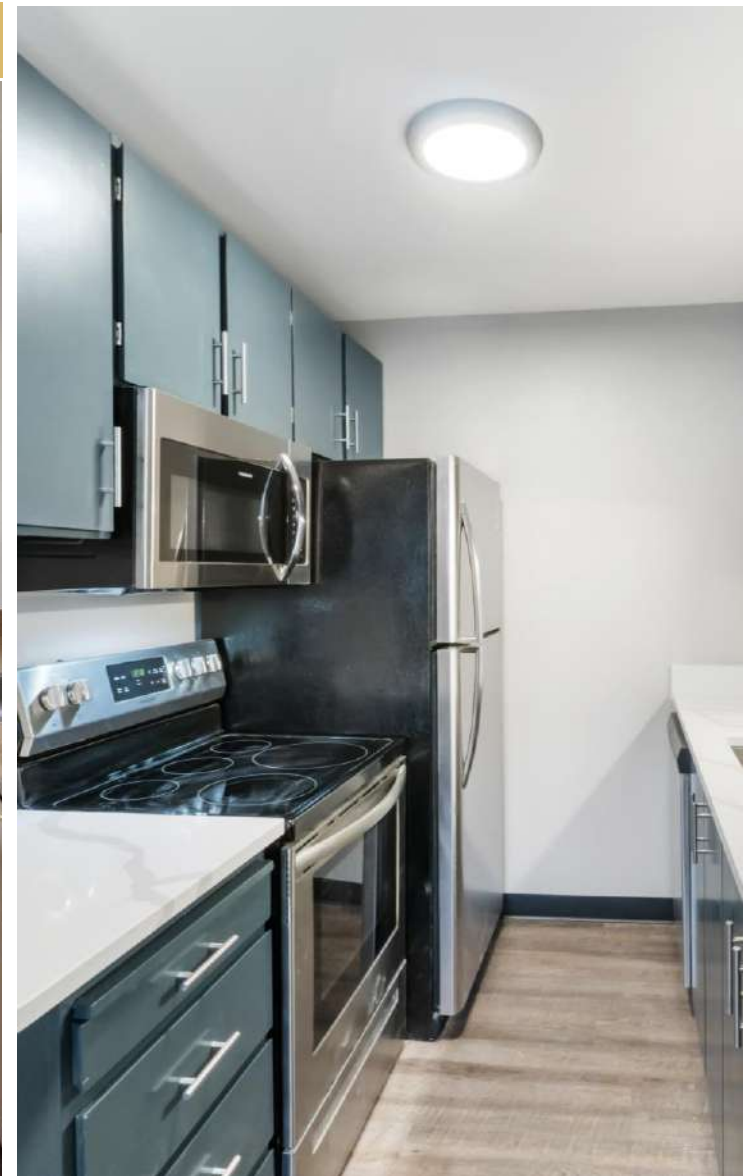


MASSIVE Landscaping Project Underway



Tanara Villa Apartments

- Renovations moving along steadily
- Hiring to increase velocity
- In the middle of common area renovations
- Solid progress on unit renovations
- **22** units under active renovation
- Targeting 5-6 completed per month



Tanara Villa Apartments



- Renovated units: **\$1495** (plus \$125 utilities)
- Non-renovated units: \$1295 - \$1395 depending on condition
- Newly renovated units in August: **\$1,595**
- Targeting **\$1695 - \$1795**





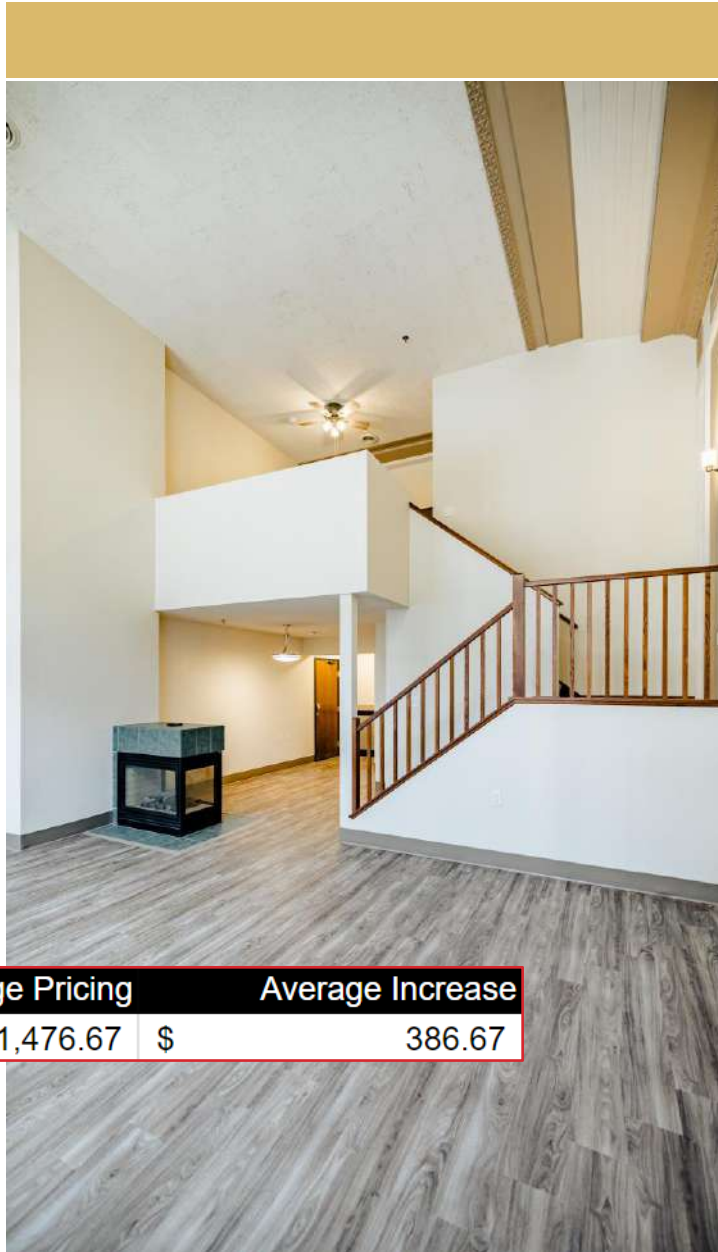
Residences of Old City Hall

- Value: \$5.5M
- \$5.15M purchase price
- Historical, dynasty asset in downtown Rochester
- Half of purchase price carried by seller with no interest, no payments for 5 years
- Acquired with only \$500,000 down in construction escrow
- Projected 25%+ CoC RoR

Old City Hall

- 6 rehabs in progress
- 11 rehabs complete
- Hosted community wide open house in May with 500+ attendees
- Rent escalation of **35.47%**

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
- \$1.5M purchase price
- 25% of purchase price carried by seller with no interest, no payments for 3 years
- 5% fixed interest rate for 5 years
- Will extensively renovate every unit
- Anticipate full cash out refi <1 year after purchase
- Projected 16.8% COC



Hamptons Townhomes



- **11** rehabs complete
- **1** rehab remaining
- Community feel has completely changed
- **MASSIVE** rent escalations after rehab

Hamptons Townhomes



Rent escalations of 61.76% - 89.69%

Hamptons 200			
Unit size	2022 Average Pricing	2023 Average Pricing	Average Increase
2bed/1.5ba	\$ 850.00	\$ 1,375.00	\$ 525.00
		Average Increase	\$ 525.00
Hamptons 204			
Unit size	2022 Average Pricing	2023 Average Pricing	Average Increase
2bed/1.5ba	\$ 856.67	\$ 1,625.00	\$ 768.33
		Average Increase	
Hamptons 208			
Unit size	2022 Average Pricing	2023 Average Pricing	Average Increase
2bed/1.5ba	\$ 850.00	\$ 1,375.00	\$ 525.00
		Average Increase	\$ 525.00





Douglas Trail Townhomes

- Value: \$14M
- Seller had variable rate loan instrument they could no longer service as rates have risen
- Purchased at same price they paid in **2017**
- 5.15% fixed for 5 years
- Already received an offer from HUD for a full cash out refi
- Projected 17% COC
- Project moving forward very quickly

Douglas Trail Townhomes

- Massive renovation velocity
- Nearly halfway done!
- **26** rehabs in progress
- **43** rehabs complete
- Lawn & snow brought in house!
- Extensive landscaping cleanup
- Community feel is changing
- Hosted movie night with RPD



Douglas Trail Townhomes





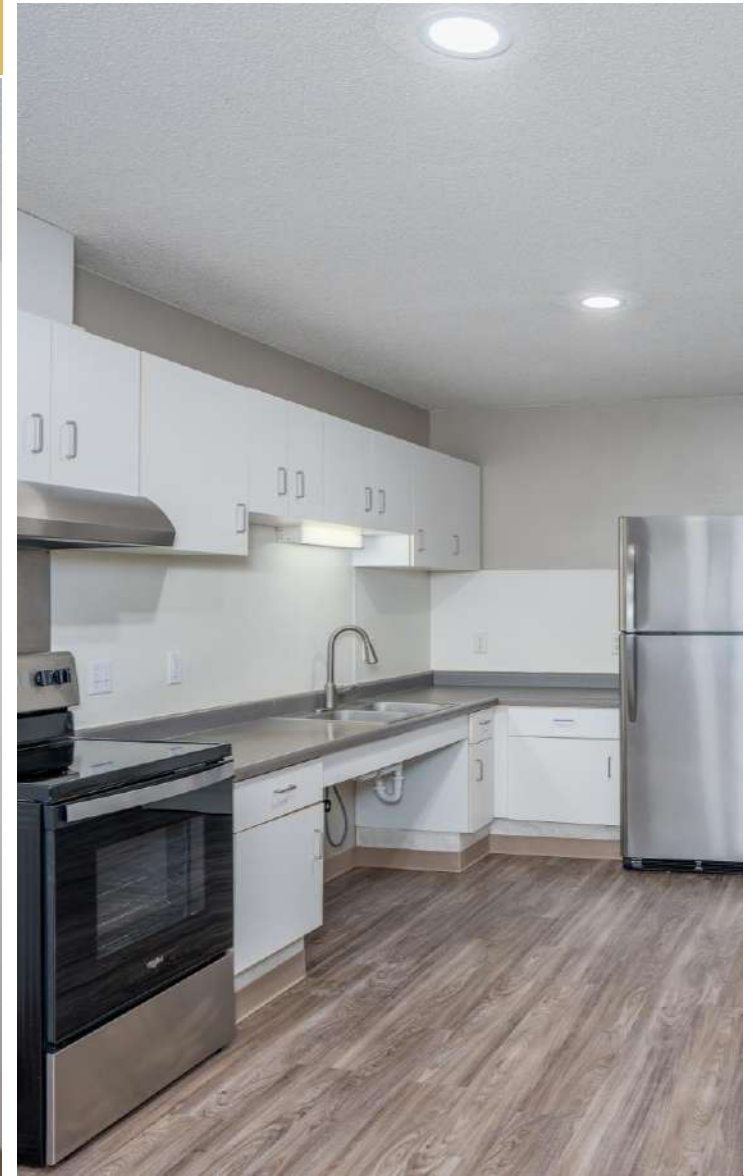


The Riverview

- Value: \$6.5M
- \$5M purchase price
- Lender brought the deal to us to get the asset off of their books because operator was struggling
- Will renovate all units
- 10% of purchase price carried by seller with no interest, no payments for 5 years
- Fixed rate debt at 5.15%
- Projected 16.3% COC in year one!

The Riverview

- **3** rehabs in progress
- **49** rehabs complete
- Extraordinarily strong leasing performance
- No need for marketing package





The Riverview



Exterior Improvements

- New mulch
- New building signage
- Tree trimming & removal
- Removed unused playground
- Installed a dog park!



Garfield Apartments

- Value: \$5M
- \$5M purchase price
- Mix of apartment units, commercial units, and land
- Purchased with extremely favorable seller financing
 - Seller financing entire deal
 - 80% LTV, 5% rate, lien carried on only ONE property
- Plan to sell two properties to recover down payment
- BRRR remaining property



Garfield Apartments

Construction:

- Lightly renovated **5** of the 23 units
- Painted and replaced lighting and carpet in the corridor
- Upgraded controlled entry system
- Painted the exterior awning black

Leasing:

- Problematic commercial tenants are gone
- Actively leasing commercial spaces
- Signed a 5-year lease to a scuba diving business
- Sending lease to a retail store this week
- Lots of interest in lightly renovated apartments at \$1,100
- Raising rents closer to market rate at renewal (current rents at \$750-\$950)





The Colby

- Value: \$2.65M
- \$2.65M purchase price
- Class A Location
- 32 Class D apartment units
- 2 single family homes
- 2 vacant lots
- Extraordinarily valuable zoning
- Could easily accommodate a \$100M redevelopment one day
- Purchased with all-cash
- Will cash out refi ASAP

The Colby



The Colby

- Met with architect about knocking down
- Blown away its proforma
- 1 rehab complete
- 11 rehabs in process





Kensington & Lauriston

- \$8.05M purchase price
- 2 Class C buildings, 63 total units
- Will get a construction loan for renovations
- A++ location “the ugliest thing on the block”
- 1 mile from Tanara Villa Apartments
- Current rent roll is at \$765k annually
 - Our pro formas in 3 years after renovation are \$1.29M
 - Will drive value to +/- \$10.65M to \$11.7M, depending on cap rates at that time



Kensington & Lauriston

- No major construction yet
- Will complete Lauriston roof replacement and some light exterior upgrades in Q3
- First couple units will be renovated in Q3





Kensington & Lauriston

- Pushing escalations on lease renewals
 - Average increase of \$200 per month
- Leasing units renovated by previous owner
 - Urban 1 bedroom: **\$1,295**
 - Studio: **\$1,195**
- Leasing units after renovation
 - Urban 1 bedroom: **\$1,595**
 - Studio: **\$1,295 - \$1,395**





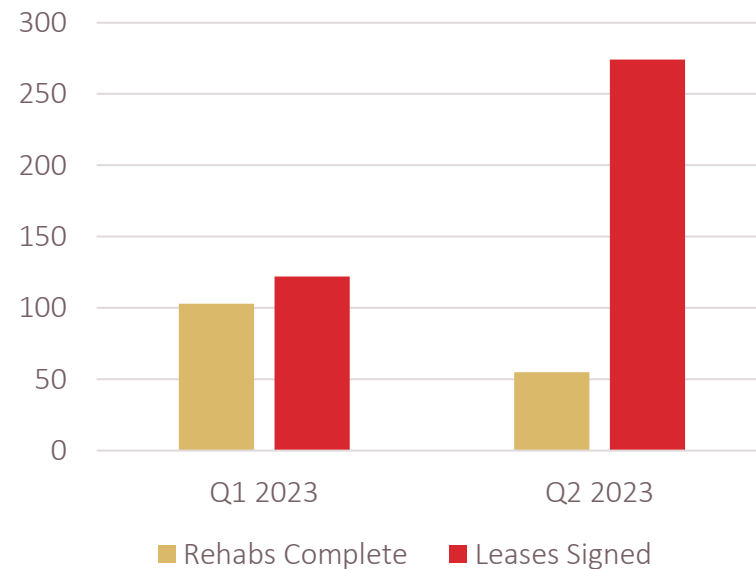
**BLACK SWAN LIVING
PROPERTY MANAGEMENT**



Black Swan Living

- Up for Best Property Management Company!
- All lawn & snow officially in house
- **43 FTEs**
- **55 rehabs complete**
- **274 leases signed**
- **2,101** maintenance tickets closed
- **150+** renewals signed
- Top 1% of all real estate agents in the state!

Rehab & Leasing Velocity





MFINCON 2023

- Presented “Seasons of Life” on stage
- Hosted a sponsor booth



- Met Robert Cialdini
- Connected with lots of friends!



Limitless Expo 2023

- Met Chris Voss
- Hosted a sponsor booth

Presented “Better Sex & A Bigger Portfolio” on stage!



An aerial, black and white photograph of a row of modern, two-story houses. The houses feature gabled roofs, multiple windows, and brick accents on the lower level. A large, white, sans-serif text overlay is centered over the middle of the image. The text reads "BLACK SWAN REAL ESTATE" on the top line and "JOINT VENTURES" on the bottom line. The houses are set on a residential street with driveways and lawns. A utility pole and a tall chimney are visible in the background.

**BLACK SWAN REAL ESTATE
JOINT VENTURES**

Stone Haven Townhomes

- Phase II construction complete
- Phase III construction underway
- Strong leasing performance



Stone Haven Townhomes







Midtown Apartments

- 50% cash out refi after only ~20 months through crazy interest rate increases

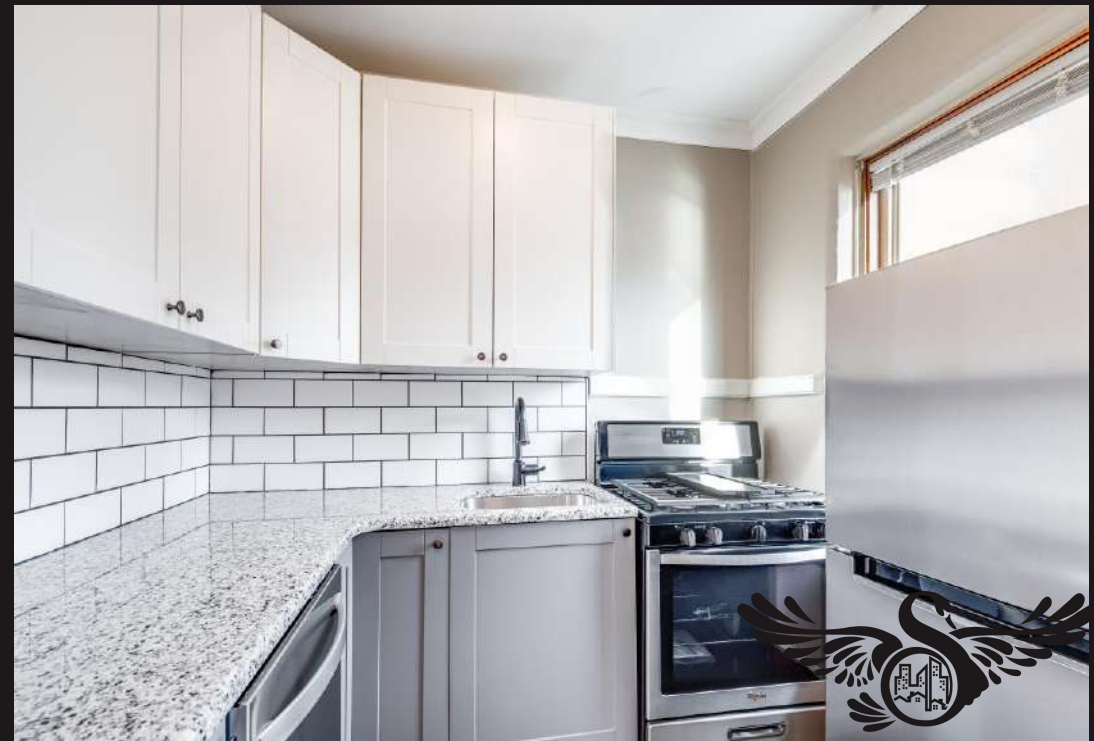




Zick Apartments

- Renovations complete
- Actively working on cash out refi
- Rent escalations of 8.33%+

Unit size	2022 Average Pricing	2023 Average Pricing	Average Increase
Studio/1ba	\$ 900.00	\$ 975.00	\$ 75.00
1bed/1ba	\$ 916.67	\$ 1,097.50	\$ 180.83
		Average Increase	\$ 127.92





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

- Renovations are complete
- Targeting cash out refi in 6-9 months
- Rent escalations of 10.26%+

Unit size	2022 Average Pricing	2023 Average Pricing	Average Increase
1bed/1ba	\$ 962.50	\$ 1,095.00	\$ 132.50
Studio/1ba	\$ 975.00	\$ 1,075.00	\$ 100.00
		Average Increase	\$ 116.25





Nue 52

- Cash out refi is done
- Still growing in value
- Seeing escalations of 11.5%+
- Up for Best Apartment Community!

Unit size	2022 Average Pricing	2023 Average Pricing	Average Increase
1bed/1ba	\$ 1,252.50	\$ 1,396.82	\$ 144.32
2bed/2ba	\$ 1,396.67	\$ 1,570.00	\$ 173.33
		Average Increase	\$ 158.83





BLACK SWAN TECHNOLOGY FUND I

BLACK SWAN TECHNOLOGY FUND I

- Lotus Fund III
- Closed December 2022
- Value-add technology companies



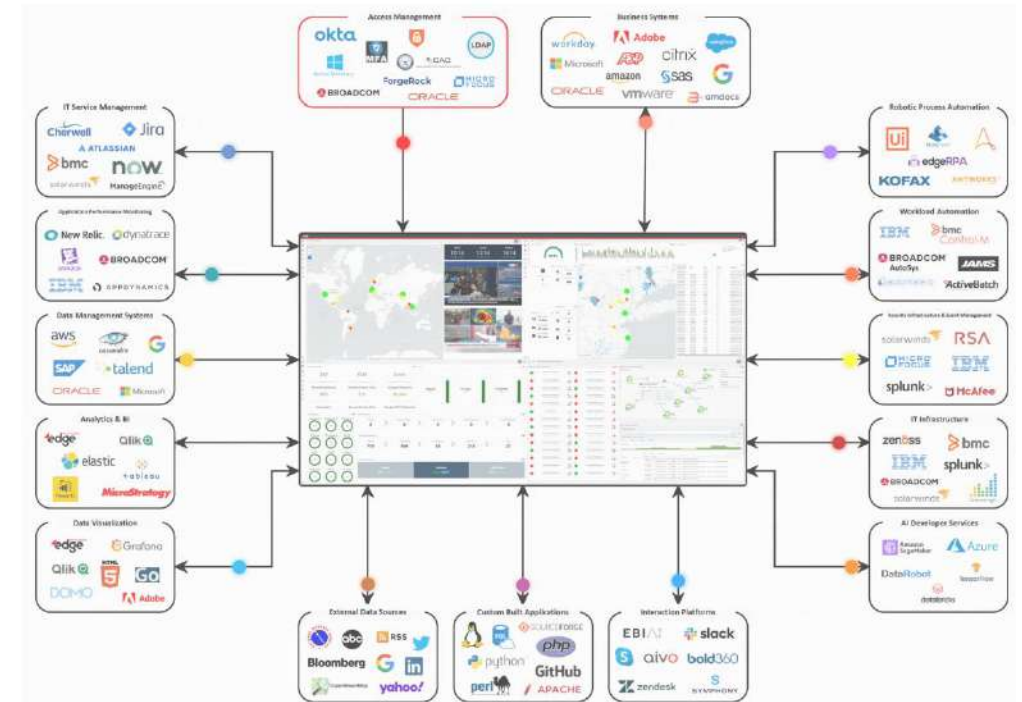
Technology Fund I

General Updates

- K1 distribution is the Fund's #1 priority
- Significant leadership change
- Distribution went out in May
- No anticipated capital call for the next 20%
- Tech Fund webinar with Brett Paulson on Friday, August 11 @ 12pm cst

EdgeTI

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



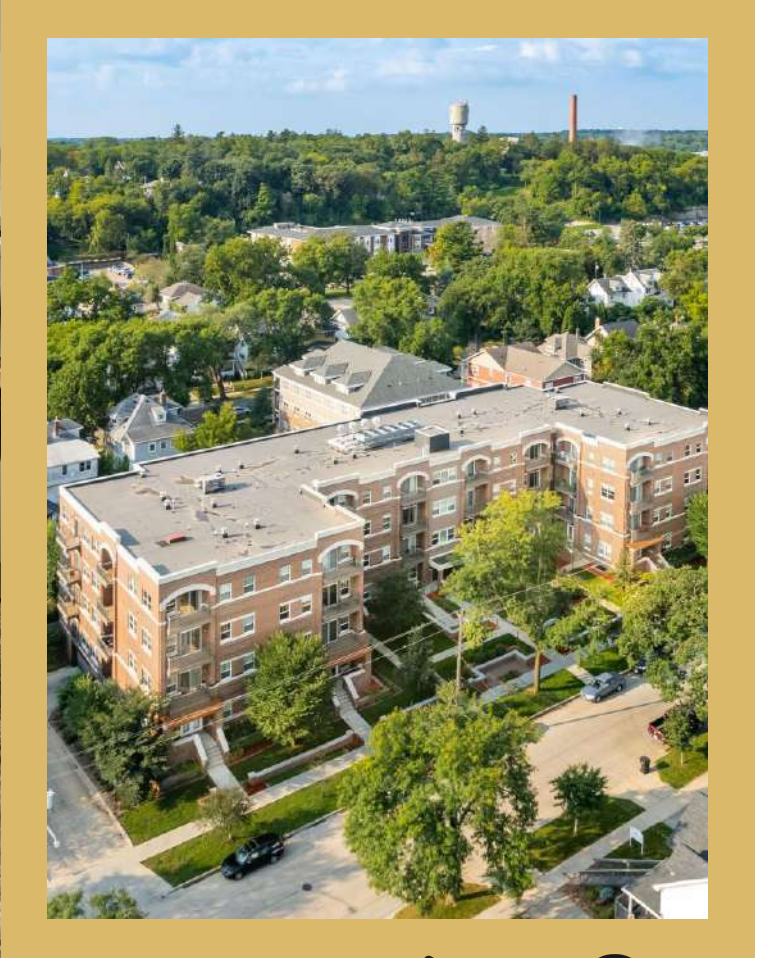


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Rochester Best of the Best!



Announcements



blackswanfund3.com

Real Estate Real Life
September 15-17

PIMDCON
September 21-23

Connect with us here:

MeetBlackSwan.com

Get on the Fund III waitlist here:

BlackSwanFund3.com

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