

# The Meadows at Southern University

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**Acquisition and Reposition**

**Value Add Opportunity**

**Student Housing**

**Across Street From Major University**

**All 2 Bedroom Unit Mix**

Presented by

**Greenwood Property Management**

Troy D. Jeanmard

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## Executive Summary



### The Meadows at Southern University

#### Income, Expenses & Cash Flow

|                               |                   |
|-------------------------------|-------------------|
| Potential Rental Income       | \$ 356,400        |
| Other Income                  |                   |
| Total Vacancy and Credits     | (17,820)          |
| Operating Expenses            | \$ (143,042)      |
| Net Operating Income (NOI)    | <b>\$ 195,538</b> |
| Annual Reserves:              | \$ (6,600)        |
| Debt Service:                 | \$ (113,622)      |
| <b>Cash Flow Before Taxes</b> | <b>\$ 75,316</b>  |

#### Property Overview

|                               |                   |                   |            |
|-------------------------------|-------------------|-------------------|------------|
| Purchase/Asking Price         | \$ 250,000        | Property Type     | Apartments |
| Improvements                  | 700,000           | No. of Units      | 44         |
| Other                         |                   | Price Per Unit    | \$ 22,692  |
| Closing Costs                 |                   | Total Sq Ft       | 37,312     |
| Finance Points                | 48,450            | Price Per Sq Ft   | \$ 26.76   |
| <b>Total Acquisition Cost</b> | <b>\$ 998,450</b> | Income per Unit   | \$ 8,100   |
|                               |                   | Expenses per Unit | \$ (3,251) |
| Mortgage (s)                  | \$ 855,950        |                   |            |
| Down Payment / Investment     | <b>\$ 142,500</b> |                   |            |

#### Assumptions

|                               |       |
|-------------------------------|-------|
| Rental Growth Rate:           | 3.00% |
| Expense Growth Rate:          | 3.00% |
| Capitalization Rate (Resale): | 9.00% |

#### Loan Information

|                                  | <u>% of Asking</u>   | <u>% of Cost</u> |
|----------------------------------|----------------------|------------------|
| Down Payment: \$ 142,500         | 57.00%               | 15.00%           |
| Initial Loan Balance: \$ 807,500 | 323.00%              | 85.00%           |
| <u>Loan Amount</u>               | <u>Interest Rate</u> | <u>Term</u>      |
| \$ 807,500                       | 13.00%               | 30               |
|                                  |                      | <u>Payment</u>   |
|                                  |                      | \$9,469          |

#### Financial Measurements

#### Year 1

#### Year 3

#### Year 5

#### Notes / Discussion

|   |               |                    |                    |
|---|---------------|--------------------|--------------------|
| Debt Coverage Ratio (DCR)                       | 1.72          | 2.55               | 2.70               |
| Loan-to-Value Ratio (LVR)                       | 39.3%         | 54.6%              | 49.6%              |
| Capitalization Rate Based on Cost               | 20.58%        | 21.84%             | 23.17%             |
| Capitalization Rate Based on Resale Price       | 9.00%         | 9.00%              | 9.00%              |
| Gross Rent Multiplier                           | 0.70          | 6.10               | 6.10               |
| Net Present Value (NPV) - B/ Taxes 13.50%       | 1,009,569     | 1,130,089          | 1,225,272          |
| Cash on Cash Return - Before Taxes              | <b>52.85%</b> | <b>Can't Comp.</b> | <b>Can't Comp.</b> |
| Internal Rate of Return - Before Taxes          |               | <b>189.82%</b>     | <b>157.09%</b>     |
| Modified Internal Rate of Return - Before Taxes |               | <b>131.02%</b>     | <b>72.78%</b>      |

**Disclaimer: All information presented is believed to be accurate.**

The information, calculations and data presented in this report are believed to be accurate but are not guaranteed. The information contained in this report shall not be considered as a substitution for legal, accounting or other professional advice. Please seek proper legal and tax advice as appropriate before making investments.

## Cash Flow Analysis



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| Rental Activity Analysis                  | Year 1     | Year 2     | Year 3     | Year 4     | Year 5     |
|---|------------|------------|------------|------------|------------|
| <b>Potential Rental Income</b>            | \$ 356,400 | \$ 367,092 | \$ 378,105 | \$ 389,448 | \$ 401,131 |
| Less: Vacancy & Credit Losses             | (17,820)   | (18,355)   | (18,905)   | (19,472)   | (20,057)   |
| Less: Operating Expenses                  | (143,042)  | (147,333)  | (151,753)  | (156,306)  | (160,995)  |
| <b>Net Operating Income (NOI)</b>         | \$ 195,538 | \$ 201,404 | \$ 207,446 | \$ 213,670 | \$ 220,080 |
| Less: Annual Debt Service                 | (113,622)  | (81,377)   | (81,377)   | (81,377)   | (81,377)   |
| Less: Funded Reserves and/or Improvements | (6,600)    | (6,666)    | (6,733)    | (6,800)    | (6,868)    |
| <b>CASH FLOW Before Taxes</b>             | \$ 75,316  | \$ 113,361 | \$ 119,337 | \$ 125,493 | \$ 131,835 |

| Property Resale Analysis              |              |              |              |              |              |
|---------------------------------------|--------------|--------------|--------------|--------------|--------------|
| <b>Projected Sales Price</b>          | \$ 2,172,644 | \$ 2,237,824 | \$ 2,304,958 | \$ 2,374,107 | \$ 2,445,330 |
| Less: Selling Expenses                | (86,906)     | (89,513)     | (92,198)     | (94,964)     | (97,813)     |
| <b>Adjusted Projected Sales Price</b> | \$ 2,085,739 | \$ 2,148,311 | \$ 2,212,760 | \$ 2,279,143 | \$ 2,347,517 |
| Less: Mortgage(s) Balance Payoff      | (853,456)    | (1,279,940)  | (1,258,906)  | (1,236,851)  | (1,213,725)  |
| <b>SALE PROCEEDS Before Taxes</b>     | \$ 1,232,282 | \$ 868,371   | \$ 953,854   | \$ 1,042,292 | \$ 1,133,792 |

| Cash Position                          |              |              |              |              |              |
|--|--------------|--------------|--------------|--------------|--------------|
| Cash Generated in Current Year         | \$ 75,316    | \$ 113,361   | \$ 119,337   | \$ 125,493   | \$ 131,835   |
| Cash Generated in Previous Years       | n/a          | 75,316       | 188,677      | 308,014      | 433,506      |
| Cash Generated from Property Sale      | 1,232,282    | 868,371      | 953,854      | 1,042,292    | 1,133,792    |
| Cash Inflow (Outflow) from Refinancing |              | 494,994      | 494,994      | 494,994      | 494,994      |
| Original Initial Investment            | (142,500)    | (142,500)    | (142,500)    | (142,500)    | (142,500)    |
| <b>Total Potential CASH Generated</b>  | \$ 1,165,098 | \$ 1,361,092 | \$ 1,565,911 | \$ 1,779,842 | \$ 2,003,177 |

| Financial Measurements  |         |             |             |             |             |
|---|---------|-------------|-------------|-------------|-------------|
| Debt Coverage Ratio (DCR)                                     | 1.72    | 2.47        | 2.55        | 2.63        | 2.70        |
| Loan-to-Value Ratio (LVR)                                     | 39.3%   | 57.2%       | 54.6%       | 52.1%       | 49.6%       |
| Capitalization Rate Based on Cost                             | 20.58%  | 21.20%      | 21.84%      | 22.49%      | 23.17%      |
| Capitalization Rate Based on Resale Price                     | 9.00%   | 9.00%       | 9.00%       | 9.00%       | 9.00%       |
| Net Present Value (NPV) - Before Taxes                        | 13.50%  | 1,009,569   | 1,070,184   | 1,130,089   | 1,181,405   |
| <b>Cash-on-Cash Return</b> with Equity                        | 817.61% | 19.84%      | 23.59%      | 22.43%      | 21.43%      |
| <b>Cash-on-Cash Return</b> - Before Taxes                     | 52.85%  | Can't Comp. | Can't Comp. | Can't Comp. | Can't Comp. |
| <b>Internal Rate-of-Return (IRR)</b> - Before Taxes           | 817.61% | 249.43%     | 189.82%     | 167.25%     | 157.09%     |
| <b>Modified Internal Rate-of-Return (MIRR)</b> - Before Taxes | 817.61% | 230.02%     | 131.02%     | 92.84%      | 72.78%      |

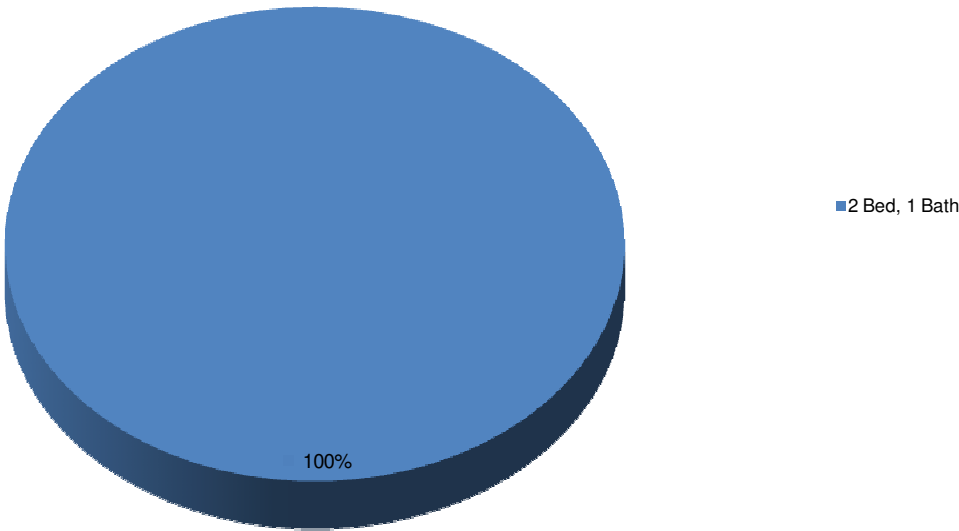
Rent Roll Summary



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| Unit Description | Number of Units | Per unit Sq Ft | Total Sq Ft | Percent of Total | Monthly Rev/ Sq Ft | Rent Per Unit | Monthly Rent | Annual Rent |
|------------------|-----------------|----------------|-------------|------------------|--------------------|---------------|--------------|-------------|
| 2 Bed, 1 Bath    | 44              | 848            | 37,312      | 100.00%          | 0.800              | \$ 675        | \$ 29,700    | \$ 356,400  |
| Totals           | 44              | 848            | 37,312      | 100.0%           | 0.796              | 675 \$        | 29,700 \$    | 356,400     |

Unit Mix



# Annual Expenses



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| Expense Description             | Annual Amount     | Annual Increase | Per Unit        | Per Sq Ft     | % of Expenses | % of Revenue |
|---------------------------------|-------------------|-----------------|-----------------|---------------|---------------|--------------|
| Management Fee                  | 28,512            |                 | 648.00          | 0.76          | 19.9%         | 8.4%         |
| Miscellaneous                   | 114,530           | 3.0%            | 2,602.95        | 3.07          | 80.1%         | 33.8%        |
| <hr/>                           |                   |                 |                 |               |               |              |
| Total Annual Operating Expenses | <u>\$ 143,042</u> |                 | <u>\$ 3,251</u> | <u>37,312</u> | <u>100.0%</u> | <u>42.2%</u> |

## Annual Property Operating Data



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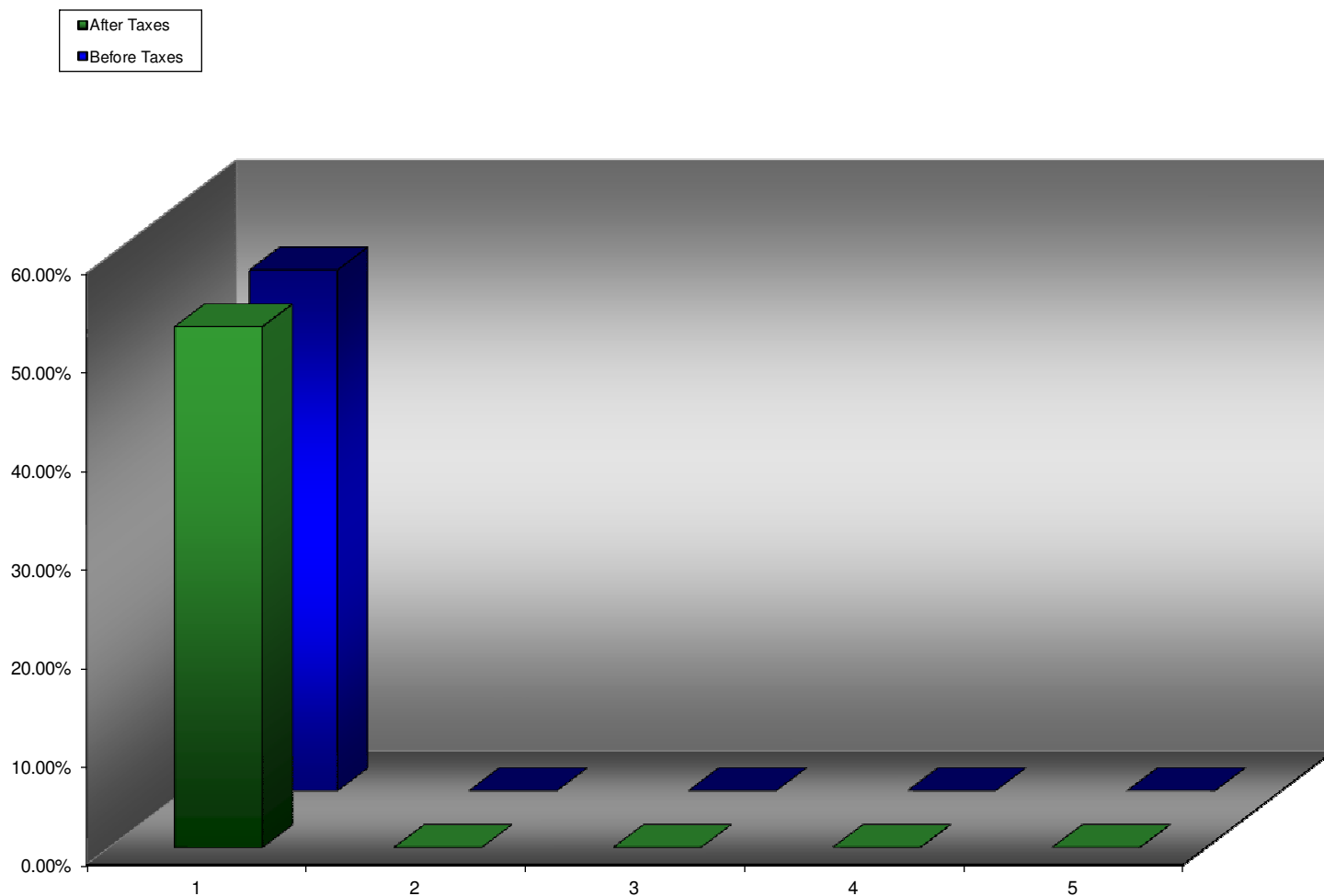
|                                   | Year 1            |          |         | Year 2           |          |         | Year 3           |          |         | Year 4           |          |         | Year 5           |          |         |
|-----------------------------------|-------------------|----------|---------|------------------|----------|---------|------------------|----------|---------|------------------|----------|---------|------------------|----------|---------|
|                                   | Sq Ft             | Per Unit |         | Sq Ft            | Per Unit |         | Sq Ft            | Per Unit |         | Sq Ft            | Per Unit |         | Sq Ft            | Per Unit |         |
| <b>Potential Rental Income</b>    | \$ 356,400        | 0.80     | 675.00  | \$367,092        | 0.82     | 695.25  | \$378,105        | 0.84     | 716.11  | \$389,448        | 0.87     | 737.59  | \$401,131        | 0.90     | 759.72  |
| Less: Vacancy & Credit Losses     | (17,820)          | -0.04    | -33.75  | (18,355)         | -0.04    | -34.76  | (18,905)         | -0.04    | -35.81  | (19,472)         | -0.04    | -36.88  | (20,057)         | -0.04    | -37.99  |
| <b>Effective Rental Income</b>    | <u>\$ 338,580</u> | 0.76     | 641.25  | <u>\$348,737</u> | 0.78     | 660.49  | <u>\$359,200</u> | 0.80     | 680.30  | <u>\$369,976</u> | 0.83     | 700.71  | <u>\$381,075</u> | 0.85     | 721.73  |
| <b>Gross Operating Income</b>     | <u>\$ 338,580</u> | 0.76     | 641.25  | <u>\$348,737</u> | 0.78     | 660.49  | <u>\$359,200</u> | 0.80     | 680.30  | <u>\$369,976</u> | 0.83     | 700.71  | <u>\$381,075</u> | 0.85     | 721.73  |
| <b>Operating Expenses</b>         |                   |          |         |                  |          |         |                  |          |         |                  |          |         |                  |          |         |
| Management Fee                    | 28,512            | 0.06     | 54.00   | 29,367           | 0.07     | 55.62   | 30,248           | 0.07     | 57.29   | 31,156           | 0.07     | 59.01   | 32,091           | 0.07     | 60.78   |
| Miscellaneous                     | 114,530           | 0.26     | 216.91  | 117,966          | 0.26     | 223.42  | 121,505          | 0.27     | 230.12  | 125,150          | 0.28     | 237.03  | 128,905          | 0.29     | 244.14  |
| <b>Total Operating Expenses</b>   | <u>\$ 143,042</u> | 0.32     | 270.91  | <u>\$147,333</u> | 0.33     | 279.04  | <u>\$151,753</u> | 0.34     | 287.41  | <u>\$156,306</u> | 0.35     | 296.03  | <u>\$160,995</u> | 0.36     | 304.91  |
| <b>Net Operating Income (NOI)</b> | <u>\$ 195,538</u> | 0.44     | 370.34  | <u>\$201,404</u> | 0.45     | 381.45  | <u>\$207,446</u> | 0.46     | 392.89  | <u>\$213,670</u> | 0.48     | 404.68  | <u>\$220,080</u> | 0.49     | 416.82  |
| Less: Annual Debt Service         | (113,622)         | -0.25    | -215.19 | (81,377)         | -0.18    | -154.12 | (81,377)         | -0.18    | -154.12 | (81,377)         | -0.18    | -154.12 | (81,377)         | -0.18    | -154.12 |
| Less: Funded Reserves             | (6,600)           | -0.01    | -12.50  | (6,666)          | -0.01    | -12.63  | (6,733)          | -0.02    | -12.75  | (6,800)          | -0.02    | -12.88  | (6,868)          | -0.02    | -13.01  |
| <b>Cash Flow Before Taxes</b>     | <u>\$ 75,316</u>  | 0.17     | 142.64  | <u>\$113,361</u> | 0.25     | 214.70  | <u>\$119,337</u> | 0.27     | 226.02  | <u>\$125,493</u> | 0.28     | 237.68  | <u>\$131,835</u> | 0.29     | 249.69  |

# Cash on Cash Return



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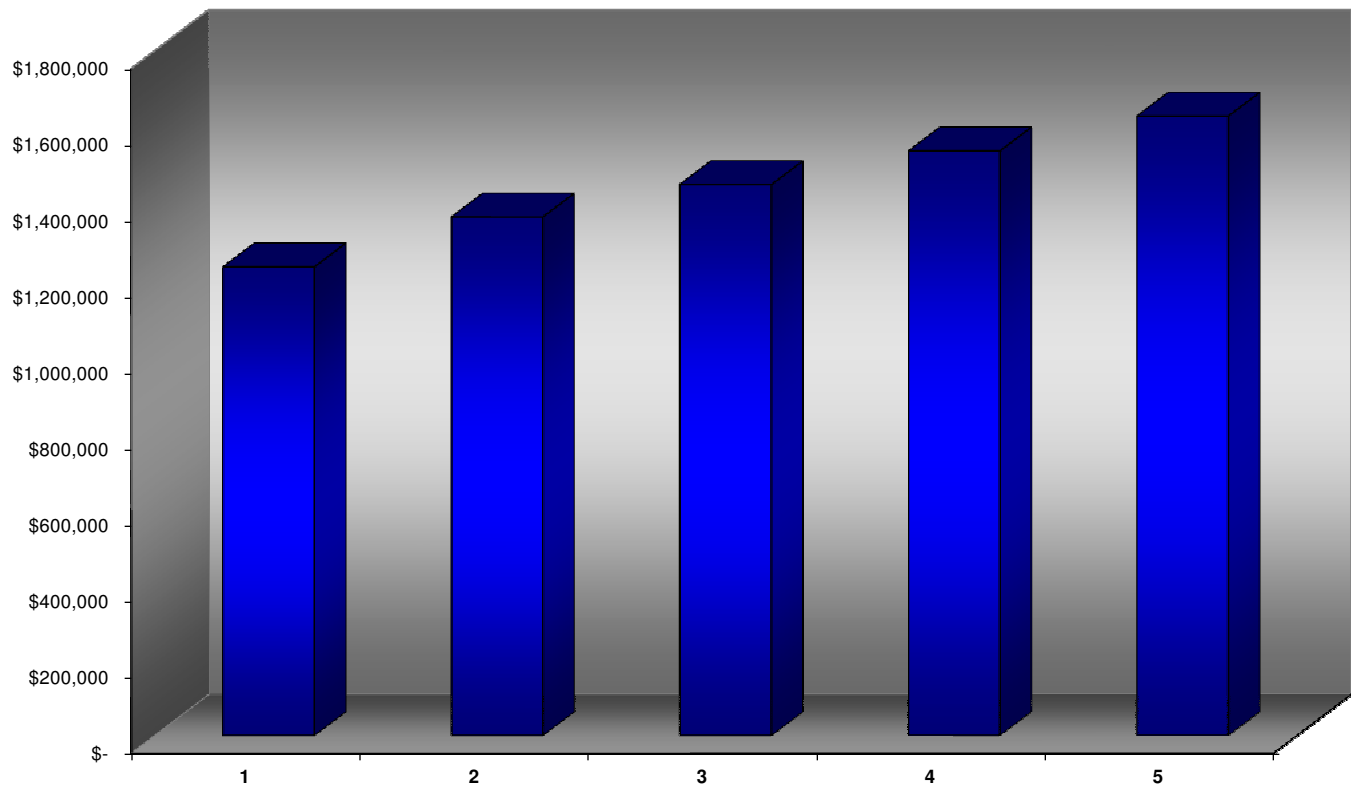
| Time Period | Initial Investment | Cash Flow    | Cash on Cash | Income | Cash Flow   | Cash on Cash |
|-------------|--------------------|--------------|--------------|--------|-------------|--------------|
|             | Adj for Refinance  | Before Taxes | Before Taxes | Taxes  | After Taxes | After Taxes  |
| Year 1      | \$ 142,500         | \$ 75,316    | 52.85%       | \$ -   | \$ 75,316   | 52.85%       |
| Year 2      | -                  | 113,361      | 0.00%        | -      | 113,361     | 0.00%        |
| Year 3      | -                  | 119,337      | 0.00%        | -      | 119,337     | 0.00%        |
| Year 4      | -                  | 125,493      | 0.00%        | -      | 125,493     | 0.00%        |
| Year 5      | -                  | 131,835      | 0.00%        | -      | 131,835     | 0.00%        |

## Property Equity Analysis



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| Time Period | Projected Adj Resale Value | Projected Increase | Refi Proceeds (if any) | Mortgage(s) Balance Payoff | Sale Proceeds Before Taxes | Income Taxes From Sale | Sale Proceeds After Taxes | Property Equity | Year / Year Equity Increase |
|-------------|----------------------------|--------------------|------------------------|----------------------------|----------------------------|------------------------|---------------------------|-----------------|-----------------------------|
| Year 1      | \$ 2,085,739               | 734.30%            | \$                     | \$ (853,456)               | \$ 1,232,282               | \$                     | \$ 1,232,282              | \$ 1,232,282    | \$ 1,089,782                |
| Year 2      | 2,148,311                  | 3.00%              | 494,994                | (1,279,940)                | 1,363,365                  | -                      | 1,363,365                 | 1,363,365       | 131,082                     |
| Year 3      | 2,212,760                  | 3.00%              | 494,994                | (1,258,906)                | 1,448,848                  | -                      | 1,448,848                 | 1,448,848       | 85,483                      |
| Year 4      | 2,279,143                  | 3.00%              | 494,994                | (1,236,851)                | 1,537,286                  | -                      | 1,537,286                 | 1,537,286       | 88,438                      |
| Year 5      | 2,347,517                  | 3.00%              | 494,994                | (1,213,725)                | 1,628,786                  | -                      | 1,628,786                 | 1,628,786       | 91,500                      |

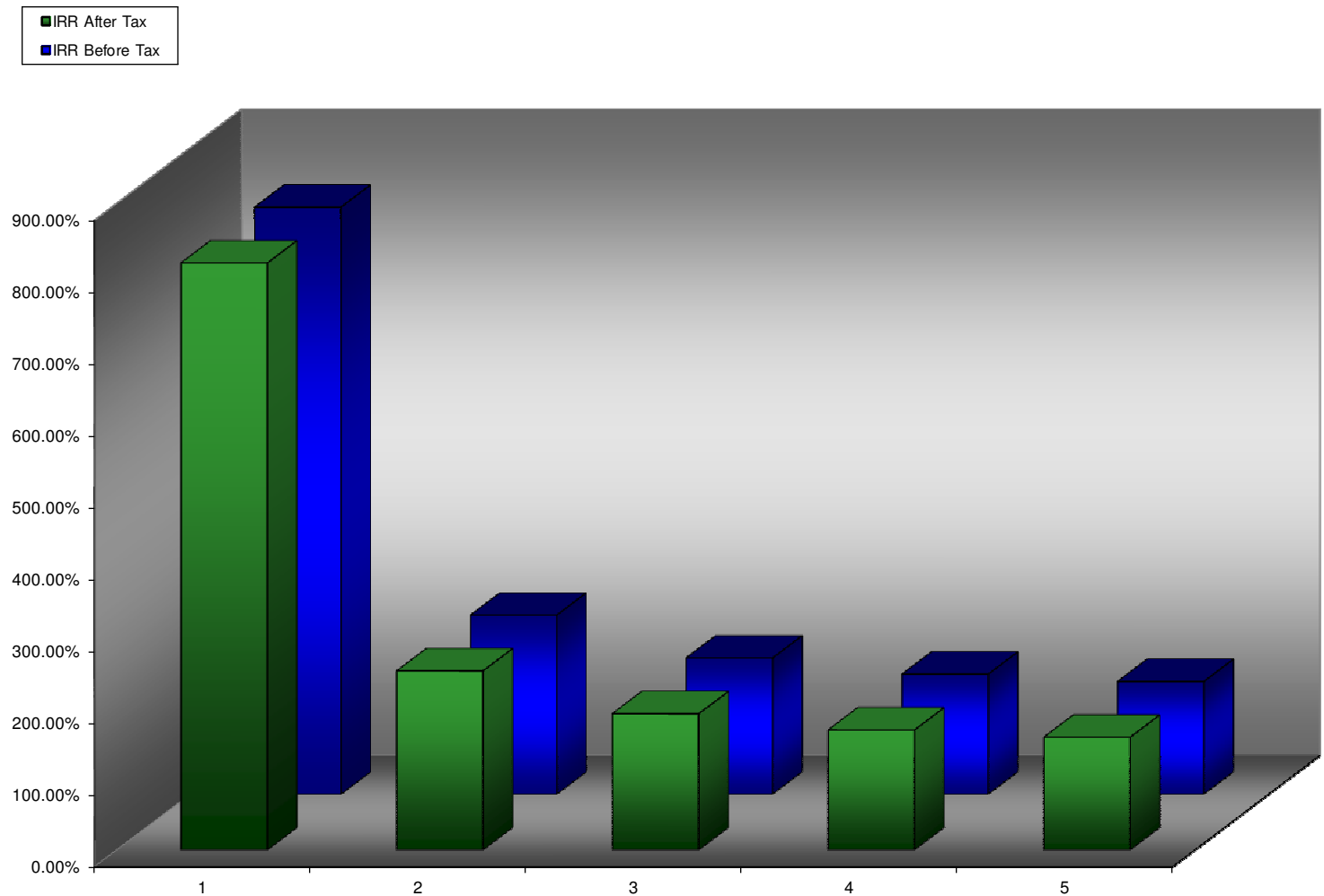


# Internal Rate of Return



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| Time Period | Internal Rate of Return (IRR) |             |
|-------------|-------------------------------|-------------|
|             | Before Taxes                  | After Taxes |
| Year 1      | 817.61%                       | 817.61%     |
| Year 2      | 249.43%                       | 249.43%     |
| Year 3      | 189.82%                       | 189.82%     |
| Year 4      | 167.25%                       | 167.25%     |
| Year 5      | 157.09%                       | 157.09%     |

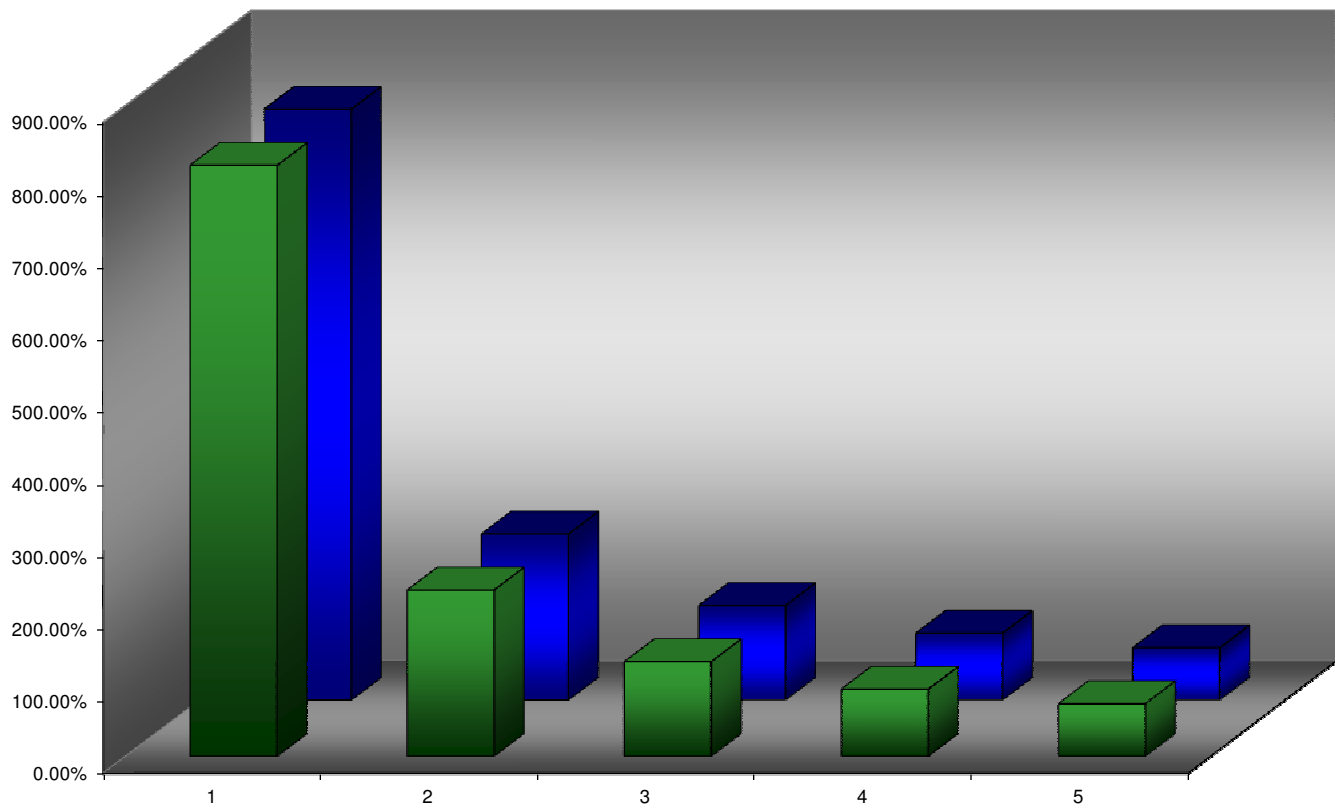
# Modified Internal Rate of Return



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■ MIRR - After Taxes  
■ MIRR - Before Taxes



| Time<br>Period | Modified Internal Rate of Return |             |
|----------------|----------------------------------|-------------|
|                | Before Taxes                     | After Taxes |
| Year 1         | 817.61%                          | 817.61%     |
| Year 2         | 230.02%                          | 230.02%     |
| Year 3         | 131.02%                          | 131.02%     |
| Year 4         | 92.84%                           | 92.84%      |
| Year 5         | 72.78%                           | 72.78%      |

# Prospective Partner Investment

The Meadows at Southern University

## Equity Partner



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**50.00% Equity Interest**  
**0.00% Preferred Return**  
**\$71,250 Investment**

| Annual Cash Flow Projection                         | Year 1           | Year 2           | Year 3           | Year 4           | Year 5           |
|---|------------------|------------------|------------------|------------------|------------------|
| <b>Property's Cash Flow Before Taxes</b>            | \$ 75,316        | \$ 113,361       | \$ 119,337       | \$ 125,493       | \$ 131,835       |
| Managing Partner's 50% Share                        | (37,658)         | (56,681)         | (59,668)         | (62,746)         | (65,917)         |
| <b>Equity Partner's 50% of Before Tax Cash Flow</b> | <u>\$ 37,658</u> | <u>\$ 56,681</u> | <u>\$ 59,668</u> | <u>\$ 62,746</u> | <u>\$ 65,917</u> |

| Property Resale Proceeds                             |                     |                     |                     |                     |                     |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|
| <b>Resale Proceeds Before Taxes</b>                  | \$ 1,232,282        | \$ 868,371          | \$ 953,854          | \$ 1,042,292        | \$ 1,133,792        |
| All Partner's Return of Investment Capital           | (142,500)           | (142,500)           | (142,500)           | (142,500)           | (142,500)           |
| All Partner's Previous Return of Investment Capital  |                     | 494,994             | 494,994             | 494,994             | 494,994             |
| Remaining Funds from Sale to be Distributed          | <u>\$ 1,089,782</u> | <u>\$ 1,220,865</u> | <u>\$ 1,306,348</u> | <u>\$ 1,394,786</u> | <u>\$ 1,486,286</u> |
| Managing Partner's 50% Share                         | (544,891)           | (610,432)           | (653,174)           | (697,393)           | (743,143)           |
| <b>Equity Partner's 50% Share of Resale Proceeds</b> | <u>\$ 544,891</u>   | <u>\$ 610,432</u>   | <u>\$ 653,174</u>   | <u>\$ 697,393</u>   | <u>\$ 743,143</u>   |

| Equity Partner's Equity Interest Summary                  |                   |                   |                   |                   |                     |
|---|-------------------|-------------------|-------------------|-------------------|---------------------|
| <b>Equity Partner's 50% of Before Tax Cash Flow</b>       | \$ 37,658         | \$ 56,681         | \$ 59,668         | \$ 62,746         | \$ 65,917           |
| Previous Year's Cumulative Share of Cash Flow             | n/a               | 37,658            | 94,338            | 154,007           | 216,753             |
| Equity Partner's 50% Share of Resale Proceeds             | <u>544,891</u>    | <u>610,432</u>    | <u>653,174</u>    | <u>697,393</u>    | <u>743,143</u>      |
| <b>Equity Partner's Share of Profit</b>                   | <u>\$ 582,549</u> | <u>\$ 704,771</u> | <u>\$ 807,181</u> | <u>\$ 914,146</u> | <u>\$ 1,025,813</u> |
| Equity Partner's Return of Investment Capital             | 71,250            | 71,250            | 71,250            | 71,250            | 71,250              |
| <b>Equity Partner's Share of Resale &amp; Liquidation</b> | <u>\$ 653,799</u> | <u>\$ 776,021</u> | <u>\$ 878,431</u> | <u>\$ 985,396</u> | <u>\$ 1,097,063</u> |
| <b>Percentage of Available Cash</b>                       | 50.00%            | 50.00%            | 50.00%            | 50.00%            | 50.00%              |

## Return on Investment

|   |         |         |         |         |         |
|---|---------|---------|---------|---------|---------|
| Cash on Cash Return - Before Taxes              | 52.85%  | 79.55%  | 83.74%  | 88.07%  | 92.52%  |
| Internal Rate of Return - Before Taxes          | 817.61% | 299.34% | 207.76% | 175.12% | 160.68% |
| Modified Internal Rate of Return - Before Taxes | 817.61% | 279.01% | 150.94% | 103.96% | 79.95%  |

## Prospective Partner Investment

The Meadows at Southern University

### Equity Partner

**50.00% Equity Interest**  
**0.00% Preferred Return**  
**\$71,250 Investment**



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| Managing Partner's Equity Interest Summary            | Year 1            | Year 2            | Year 3            | Year 4            | Year 5              |
|---|-------------------|-------------------|-------------------|-------------------|---------------------|
| <b>Managing Partner's 50% of Before Tax Cash Flow</b> | \$ 37,658         | \$ 56,681         | \$ 59,668         | \$ 62,746         | \$ 65,917           |
| Previous Year's Cumulative Share of Cash Flow         | n/a               | 37,658            | 94,338            | 154,007           | 216,753             |
| Managing Partner's 50% Share of Resale Proceeds       | 544,891           | 610,432           | 653,174           | 697,393           | 743,143             |
| <b>Managing Partner's Share of Profit</b>             | <u>\$ 582,549</u> | <u>\$ 704,771</u> | <u>\$ 807,181</u> | <u>\$ 914,146</u> | <u>\$ 1,025,813</u> |
| Managing Partner's Return of Investment Capital       | 71,250            | 71,250            | 71,250            | 71,250            | 71,250              |
| <b>Managing Partner's Share of Total Cash</b>         | <u>\$ 653,799</u> | <u>\$ 776,021</u> | <u>\$ 878,431</u> | <u>\$ 985,396</u> | <u>\$ 1,097,063</u> |
| <b>Percentage of Available Cash</b>                   | 50.00%            | 50.00%            | 50.00%            | 50.00%            | 50.00%              |