

Cambridge Park Investment Summary

LEXINGTON CAPITAL, LLC PRESENTS:

Cambridge Park – 120 unit complex in Lexington, KY
Cardinal Valley Neighborhood (West Lexington)



Todd Dexheimer
Lexington Capital, LLC
651-895-5414
todd@ventureDproperties.com

Cambridge Park Apartments Investment Summary

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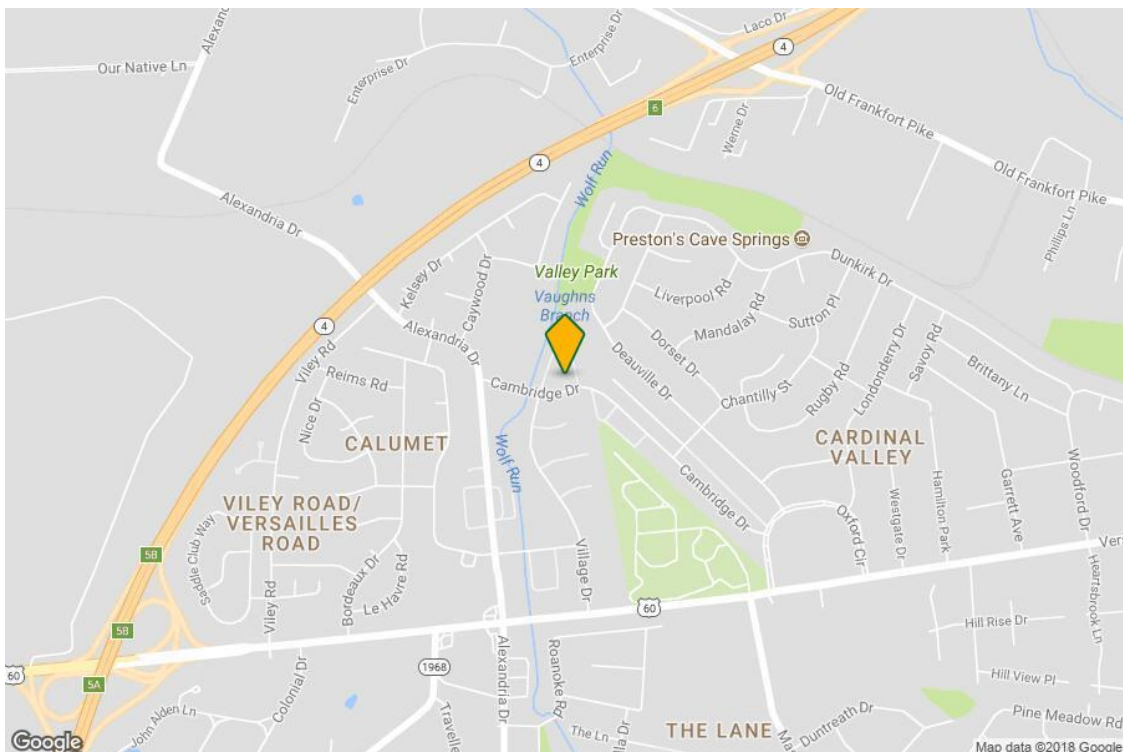
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Executive Summary

The investment is a 120 unit apartment building in Lexington, KY. The asset is currently 76% occupied and will undergo a mid-level renovation in order to maximize investor returns.

Purchase Price: \$4,175,000

Renovation Budget: \$724,955

Debt Service Coverage year 2: 1.84

Loan Amount: \$3,850,000

Future Loan: Freddie Mac SBL (proposed)

- **Target Amortization: 30 years**
- **Target interest Rate: 6% or less**
- **1 year Interest only**



Key Financials based on a 5 year hold:

Total Raise: \$1,400,000

Gross Revenue: \$940,743

Expenses: \$452,019

Net Operating Income: \$455,724



Investor Cash flow average: \$32,592/quarter

Investor average cash on cash: 9.31%

Investor total profit upon sale: \$1,353,758

Investor ROI: 19.3%

Investor IRR: 16.4%



Key Highlights

- + *Purchase and renovate non-renovated units to achieve maximum rents and occupancy.*
- + *Hold property for 5-7 years*
- + *Neighboring properties have appraised up to \$57,600/unit, we are purchasing at \$40,833/unit after renovation.*
- + *Ashland apartments an 84 unit community owned by Venture D Properties (Todd Dexheimer, CEO) and partners, will allow for strategic collaboration and efficiencies.*

Ownership Structure: Lexington Investors, LLC

General Partner: Lexington Capital, LLC maintains a 30% ownership with a 2% asset management fee on the gross revenue and a 2% acquisition fee

Limited Partners: shall maintain 70% ownership

- ❖ 8% preferred return
- ❖ 70/30 split after the preferred is paid
- ❖ 7% year 1 preferred return
- ❖ Payments made quarterly

I. Investment Summary Statement

The purchase and operation of Cambridge Park Apartments will provide safe, clean, modern and affordable housing to our residents and positive stability to the neighborhood. This investment consists of 10 buildings totaling 120 units with a mix of 1 and 2 bedroom units. The buildings were built in 1970 and have since had numerous updates including windows, renovation of 60 units, and most of the exterior, including new roofs, gazebo and renovations to the office/laundry. Many additional updates are needed in order to maximize the value of the property and make it a place that residents can call home.

II. Name of owner and management team

Owner: Lexington Investors, LLC

Todd Dexheimer – Chief Manager and majority owner

Limited Partners: To be named

The Team consists of several key players:

1. General Partner/Sponsor: Lexington Capital, LLC

Todd Dexheimer, CEO

Todd Dexheimer is the founder and Chief Manager of Venture D Properties, LLC and its affiliated companies started investing in Real Estate in 2008 in mainly single family homes and small multi-family. By 2009 S&D Real Estate was founded and operates as a company that purchases, renovates and rents real estate. In 2016 Venture D was formed in order to syndicate commercial and multi-family properties. Since 2008 Todd Dexheimer has purchased and renovated nearly 500 units. Renovations have ranged from small cosmetic renovations to large condemned buildings with extensive code and structural violations. His companies have worked closely with the cities of St. Paul/Minneapolis, MN, Milwaukee, WI, Cincinnati, OH and Beaufort, SC in order to bring buildings up to current habitable conditions. Currently Venture D and its affiliates own and operate approximately 350 units located in the Twin Cities, MN, Milwaukee, WI, Lexington, KY and Cincinnati, OH.

Todd has a strong background in the construction trades and real estate fields. Todd has been a carpenter for 15 years and has completed over 100 large rehabs in that time, along with many smaller rehabs and remodels. Todd has a degree in Technology Education from UW-Stout and a concentration in Architecture and Construction and spent 5 years as a high school and middle school teacher focusing on teaching construction, wood working, Architecture, Engineering and metal working. Todd also owns several real estate holding companies and currently owns and manages numerous rental properties and has rehabbed numerous more throughout the past 10 years. Lastly Todd is a licensed Realtor with Twin Cities Real Estate.



Ken Silvestri – Asset Manager

Ken currently has ownership in 650 multi-family units in the Lexington, KY area. Ken has been Lexington's #1 commercial Realtor according to Lexington Bluegrass Association of Realtors for more than a decade. Ken served as the 2007 President of the LBAR Commercial Investment Council. Mr. Silvestri has been a leader and a top performing real estate professional since 1990, specializing in commercial real estate since 1999. During his career he has been recognized as a member of the Re/Max Hall of Fame and as a CoStar Power Broker. Ken's exemplary track record is rooted in his commitment to being a disciplined finisher.



Brandon Cutwright – Project Manager/Contractor Relations

Brandon is the President of the Silvestri Real Estate Apartment Group and currently owns and manages 62 multi-family units. He is the analytical and due diligence specialist. Brandon graduated from the University of Kentucky in 2010 with a Bachelors in Business Administration (major – finance, minor – international business). Directly after college Brandon spent 5 years working for both private and public property management companies. Brandon currently serves as the President of the Greater Lexington Association Board of Directors.



2. Property Manager: Sundance Property Management

Sundance Property Management, LLC specializes in the acquisition and management of investment properties throughout the Midwest. Founded in 1993, today Sundance owns and/or manages over 50 real estate properties, including over 2,700 apartment units and 950 mobile home pads, in four states.



3. SEC Attorney – Zach Robins, Messerli & Kramer

Zach Robins is an associate in the Corporate & Transactions practice group at Messerli and Kramer. Zach has extensive experience in the areas of business and finance, mergers and acquisitions, strategic partnerships, equity raises and debt financing. Zach works closely with entrepreneurs and small businesses, and is co-founder of MNvest, a group that helped pass the equity crowdfunding legislation that will empower growing Minnesota businesses to raise capital online from any Minnesota resident.

4. Closing Attorney – Dan Rose, Rose Grasc Camenish Mains PLLC

Dan is a founding member of Rose Grasc Camenish Mains PLLC and has been licensed and actively practicing since 1984. Dan is AV Preeminent® Peer Review Rated™ by Martindale-Hubbell® for 2017 and is listed in The Best Lawyers in America® for 2017 and 2018 in the following practice areas: Corporate Law, Mergers and Acquisitions Law, Real Estate Law, Real Estate Litigation and Securities/Capital Markets Law. Dan was honored as a Kentucky 2016,

2017 and 2018 Super Lawyer and Top Attorneys in Kentucky for 2016 and 2017 by American Registry

5. Accountant – John Caylor, Caylor, LTD

6. Bookkeeper – Amy Ludwig

III. Purpose of transaction

The purpose of the transaction is to acquire and improve the property known as Cambridge Park Apartments, through an entity exchange of Cambridge Park Apartments, LLC, for a long - term hold and stabilization(5-7+ years). The ultimate goal is to renovate the property in order to create safe, affordable and updated housing for our residents as well as create positive cash flow and equity through sound renovation and management strategies. We do this not only by offering sound financial investments, but creating an atmosphere of trust, dedication, communication and integrity. Our values drive us to operate our real estate investments with honesty and integrity and to treat our property manager, contractors and tenant clients with the utmost respect. We also value giving back to our neighborhoods and communities by becoming an integral part of their success. It is our belief that by positively stabilizing our buildings we are able to help create safer, cleaner and happier communities.

IV. Description of Property

Cambridge Park is a 120 unit portfolio consisting of 10 three-story apartments and an office/clubhouse building in the west side of Lexington, KY that is currently 76% occupied. The buildings consist of pitched asphalt shingled roofs, brick exterior, with CMU block foundations. The 10 building portfolio was built in 1970

The project has the following unit mix:

72 – 2 bedroom, 1 bath units

48 – 1 bedroom, 1bath units

Amenities:

1. Medium traffic street with excellent visibility
2. Ample off street parking
3. Office building with storage for on-site manager and maintenance
4. Office building has a coin operated washer and dryer
5. Identical floor plans for the 1 and 2 bedrooms respectively
6. Covered Mailbox area
7. Gazebo area with grills
8. Ample green space for residents
9. Large city park with playground next door for residents
10. Near shopping and major roads
11. Off street and on street parking readily available
- 12 Low maintenance brick exterior with pitched roofs
13. Walking distance to public transportation, shopping, restaurants

V. Acquisition of the Property

Lexington Investors, LLC proposes to purchase the subject property for \$4,175,000 and complete moderate unit renovation totaling \$724,955. Details can be read below.

- Acquisition will be made through an entity exchange. Thorough due diligence will have been completed of the existing entity. This allows for us a chance to avoid a property tax increase during the first several years.
- Seller shall provide financing in the amount of \$3,850,000 at 5% interest only for year 1 and 6% interest only in year 2. No pre-payment penalties and loan fees involved. There is a 3rd year option for a 1% fee at 8% interest only
 - A \$325,000 down payment will be given to the seller at closing
 - \$600,000 will be placed into an escrow account held by Rose Grash Camenish Mains PLLC
 - The escrow money will be released as construction is completed. The escrow shall also be used as additional security to the seller in case of default, in which case we will forfeit that money.
- Upon Stabilization of the asset, agency debt will be placed on the property at market rates and terms, to be determined.

VII. Due Diligence

The basis for the business plan was derived through the due diligence performed by Todd Dexheimer, along with Sundance Property Management, Derringer Contracting, LLC and Silvestri Real Estate. This analysis included:

Walking all buildings and vacant units – detailing all issues of the interiors and Exteriors

Review of financial statements, tenant information, market reports

Evaluation of resident stability in the submarket

Review of all service contracts as they pertain to the operating statements

Thorough market analysis to establish market rents and vacancy projections

Through this comprehensive analysis we arrived at an acceptable purchase price that will allow for successful operation of the property. In addition, we assembled a detailed business plan for maximizing returns through income growth and operational and capital cost savings, and accelerated depreciation based on a cost segregation analysis as outlined on the next page.

VIII. Business Plan

- There will be lower cash flow in the beginning of year one as we will be establishing new market rents by renovating vacant units. This will in turn create additional short term vacancies and cause temporary break even cash flow. We expect to lose some of our existing tenants due to the physical changes that the buildings will undergo and the increase in rents, however, once renovations are complete, occupancy and gross revenue are expected to increase rapidly.
- Analysis of comparable properties indicates that currently the rents for renovated units are slightly below market rent and below market for the non-renovated units.
- Total renovation and stabilization will take 12-16 months. The renovation phase should be completed in under 16 months leaving the remaining months to lease up.
- We will be improving landscaping, entrances and curb overall appeal along with the common areas and interior units for the property. These improvements will enable us to obtain a positive community for all of our residents.
- Our goal will be to operate the property and maximize the value in the first 3-7 years, after which we will exit the property.
- We currently own Ashland Apartments, which is an 84 unit property within a few blocks that will allow for shared staffing and increase efficiency

Capital Improvements

Our due diligence identified large amounts necessary in capital improvements totaling \$724,955 that will increase the property's competitive advantage in the market. All improvements are slated to be completed in the first 12-16 months of ownership. Our company will be working in collaboration with the city inspectors in order to ensure all safety hazards and code violations have been identified and remedied.

Priority will be given to all exterior items and safety items. Capital items include, but are not limited to:

- Landscaping improvements: Adding shrubs and landscaping beds to the front and sides of the property and clearing out the overgrown trees in the rear of the buildings
- Replace Exterior doors and locks, providing self-closing doors and auto locking hardware
- Painting common areas
- Add lighting in common areas
- Replacing common area flooring
- Repairs to all units to varying degree including new Luxury Vinyl flooring, painting, kitchen cabinets and counters, bath repairs, plumbing and electrical fixtures and appliances
- Code and fire safety repairs to the plumbing, electrical, boiler and building systems
- Replacing furnaces and water heaters
- Pest control



Updated cabinets, counter tops, flooring



Original cabinets to be replaced, some fixed and painted



New Bath, Flooring, vanity, some surrounds



Old bath (this is one of the worst), some tile will stay



IX. Market Overview

Property Market Data: Rents at the property currently range from \$500/month to \$720/month with current rents renovated units in the area renting for between \$700-\$750/month for a 2 bedroom and \$575-625 for a 1 bedroom. With a sound renovation strategy we should be able to achieve rents near that of Thoroughbred Crossing Apartments of \$750 for a 2 bedroom.

Country Lane Rent Comparable

Property Name/Address	Rating	Yr Built	Property Size		Asking Rent Per Month Per Unit				Rent/SF
			Units	Avg Unit SF	Studio	1 Bed	2 Bed	3 Bed	
Carolyn Manor 2017-2021 Cambridge Dr	★★★★★	1970	45	600	-	\$596	-	-	\$0.99
Cambridge Park Apartme... 2045 Cambridge Dr	★★★★★	1970	120	770	-	\$575	\$700	-	\$0.84
Cambridge Apartments 1980-2016 Cambridge Dr	★★★★★	1969	70	747	-	\$576	\$678	-	\$0.83
Bradford Green Apartments 1270 Village Dr	★★★★★	1970	50	850	-	-	\$701	-	\$0.82
Thoroughbred Crossing 1346 Village Dr	★★★★★	1968	119	920	-	-	\$747	-	\$0.81
Crystal Springs Apartments 1321-1369 Alexandria Dr	★★★★★	1969	72	754	-	\$557	\$658	\$759	\$0.79
Garden Brooke Apartments 1340 Alexandria Dr	★★★★★	1974	64	850	-	-	\$657	-	\$0.77
Cross Keys & Woodridge... 1553 Alexandria Dr	★★★★★	1965	86	702	-	\$487	\$589	-	\$0.77
Stone Bridge Apartments 1261 Village Dr	★★★★★	1974	113	756	-	-	\$573	-	\$0.76

King Henry 2220 Devonport Dr	★★★★★	1970	96	935	-	-	\$650	\$750	\$0.73
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Carolyn Manor

2017-2021 Cambridge
Dr 45 Units / 3 Stories
Rent/SF \$0.99, Vacancy 11.1%
Owner: Arvm Properties



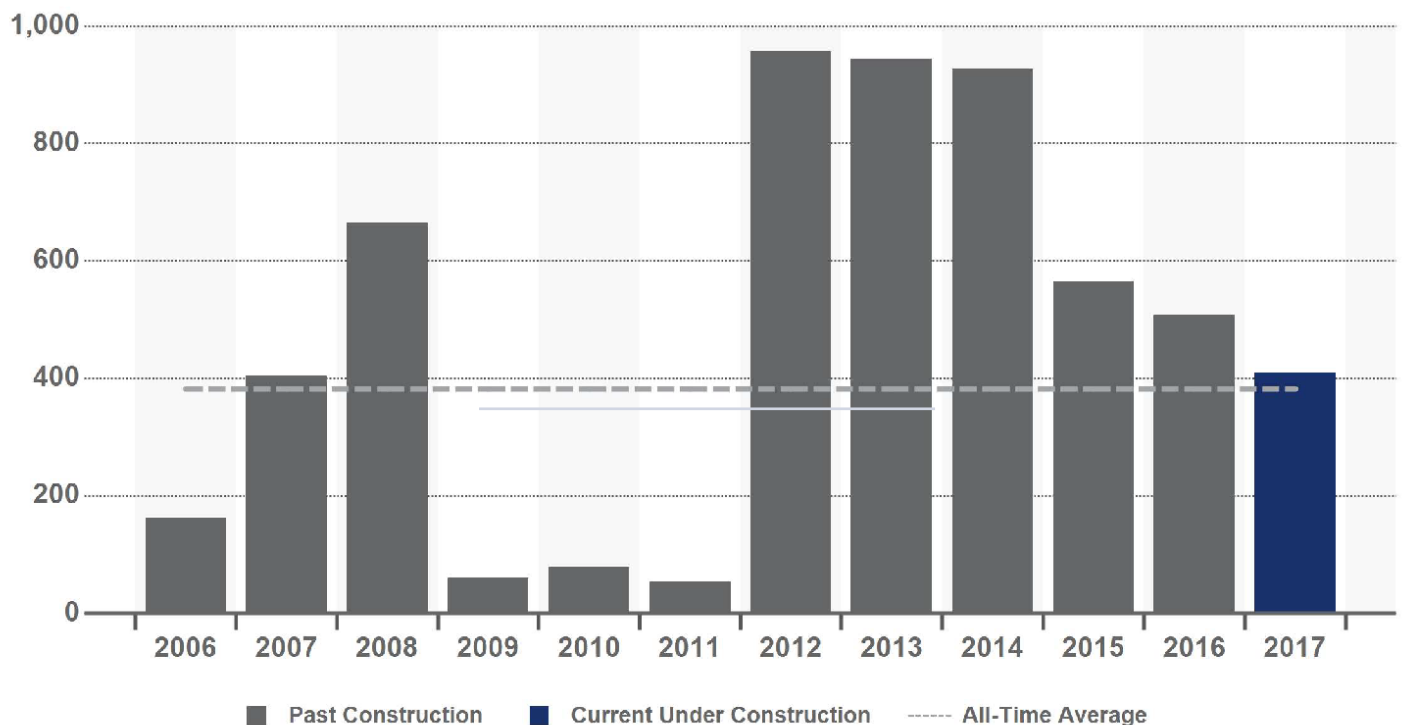
Cambridge Park

2045 Cambridge Dr
120 Units / 2 Stories
Rent/SF \$0.84, Vacancy 16.7%
Owner: RPM



Thoroughbred Crossing

1346 Village Dr
119 Units / 3 Stories
Rent/SF \$0.81, Vacancy 1.7%
Owner: DF Investment Group, Inc
★★★★★



Todd Dexheimer and Venture D through 24 months of research has indicated several markets that appear to have solid investment potential. When looking for the best cities, we looked at the cities with the greatest opportunity for immediate returns as well as future returns. The list of important factors included:

- Unemployment rate that is falling

- Job growth and the type of jobs being added
- Current employers strength and overall economic diversity
- Vacancy rates of the current housing stock and the trend
- Number of units being added to the current supply
- Affordability of rent and housing and how they relate to each other
- City's comprehensive plan

Lexington, KY is the 2nd largest city in Kentucky with a metro population of 588,359 and growing. It is located in the middle of horse country within a 4 hour drive of many large cities, including Cincinnati, Indianapolis, Columbus, Louisville, Nashville, Knoxville and Dayton. Lexington ranks tenth among US cities in college education rate, with 39.5% of residents having at least a bachelor's degree. The Kentucky Horse Park, The Red Mile and Keeneland race courses are located in Lexington, along with several colleges are located within Lexington including: the University of Kentucky, BTCT, Eastern Kentucky University, Kentucky State, National College, Transylvania University, and Bluegrass Community & Technical College.

One of the most exciting things about Lexington is that the city has not seen a decade of decline in population. Most decades in fact have seen double digit growth, which is expected to continue as the area is expecting 3.5% job growth/year over the next 10 years.

Table 1: Population Trends, 2000-2015

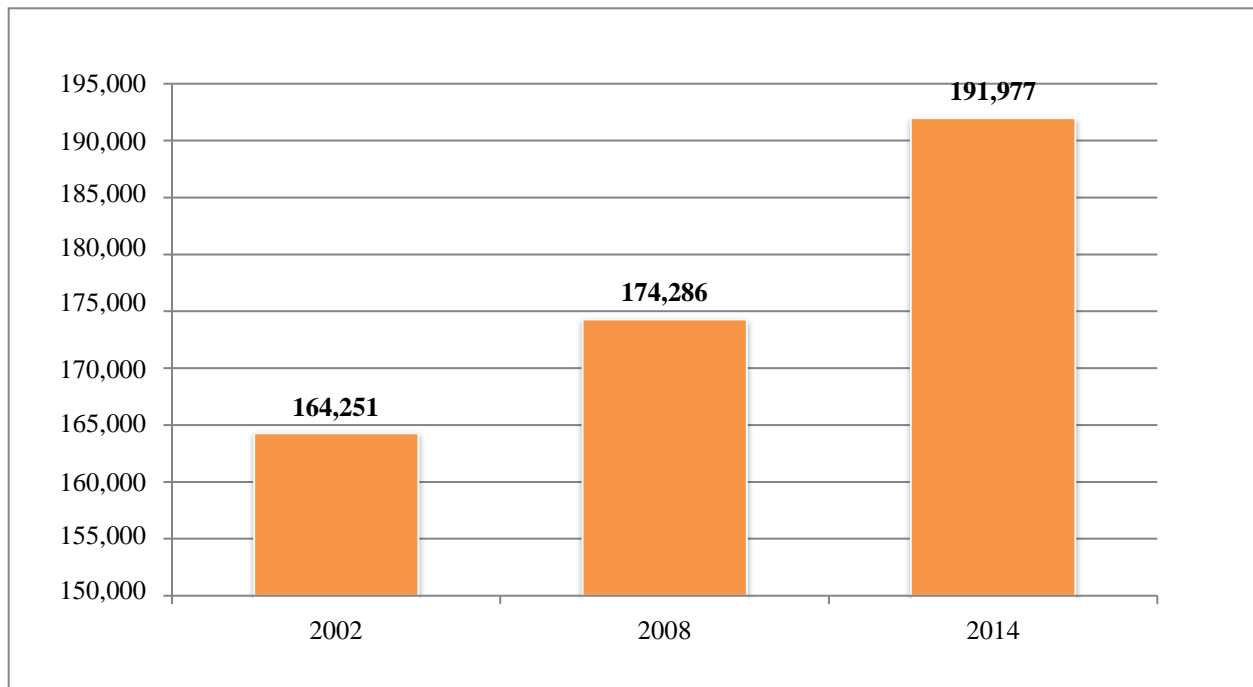
	2000 Census	2010 Census	2015 ACS	% Growth (2000-2015)
Fayette County	260,512	295,803	314,488	20.7%
7 County Region	479,198	555,015	588,359	22.8%
Commonwealth of Kentucky	4,041,769	4,339,367	4,425,092	9.5%

Source: U.S. Census Bureau

Couple that with the Urban Growth Boundary that Lexington has enacted and there is little doubt that the city will see continued growth. The Urban Growth Boundary stops urban sprawl outside of the Lexington MSA. Currently in order to divide a parcel located outside of the MSA a 40 acre minimum is required. The city and county planning commissions have been very slow to increase the boundary, creating need for infill within the boundary.

The Lexington economy has been extremely stable and growing with a strong presence in manufacturing, technology, health care, education and small businesses, benefiting from a diverse, balanced business base. The Lexington MSA currently has an unemployment rate of 3.7%, which is below the national average and below many of the surrounding cities. In 2011 Lexington was ranked as the 4th-best city for "Businesses and Careers" by Forbes magazine, the 5th-best city for Young Professionals in 2008, and 6th-Best "Value Cities" in 2011 by Kiplinger.

Figure 5: Jobs Located in Fayette County (2002, 2008, 2014)



Source: U.S. Census Bureau

The city is the home to four Fortune 500 companies: Xerox, Lexmark International, Lockheed-Martin, and IBM, employing 3,000, 2,800, 1,705, and 552, respectively. UPS, Trane, and Amazon.com, Inc. have large operations in the city, along with Toyota Motor Manufacturing and a JIF peanut butter plant. Many other mid-sized companies call Lexington it's home, including: Link-Belt Construction Equipment, A&W Restaurants, Tempur-Sealy International, Florida Tile, Fazoli's Restaurants, Big Ass Solutions, Forcht Group, First Corbin Bancorp, Kentucky National Insurance Company, BSC and First Lab.

Table 8: Employment in Notable Industrial Sectors, 2002-2014

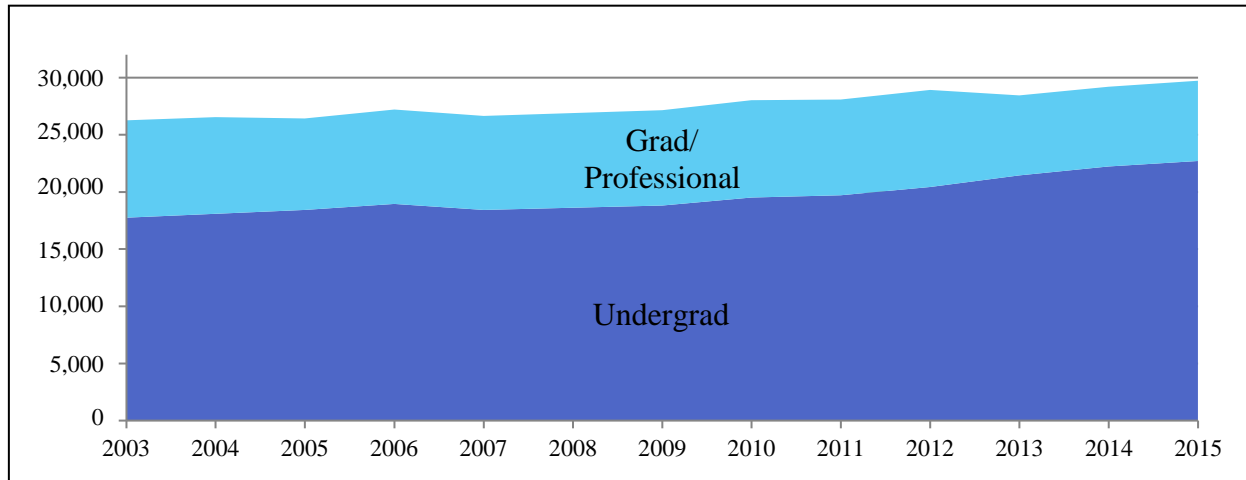
	Jobs in 2002	% of All Jobs 2002	Jobs in 2014	% of All Jobs 2014
Health Care and Social Assistance	23,296	14.2%	32,105	16.7%
Educational Services	16,711	10.2%	25,541	13.3%
Retail Trade	21,120	12.9%	22,177	11.6%
Accommodation and Food Services	15,489	9.4%	18,914	9.9%
Admin/Support, Waste Management & Remediation	8,447	5.1%	13,042	6.8%
Manufacturing	15,183	9.2%	12,527	6.5%
Professional, Scientific, and Technical Services	10,409	6.3%	12,087	6.3%
Construction	8,820	5.4%	7,330	3.8%
All other sectors	44,776	27.3%	48,254	25.1%

Source: U.S. Census Bureau

The city's largest employer, the University of Kentucky employs 14,000. The university ranks as the 9th-largest economic company in the state of Kentucky, with an annual budget of \$1.4 billion, and the College of Medicine within the university is the 21st-largest company in the

state. Along with employment UK currently is seeing a steady growth in school enrollment. Currently, UK's total on-campus dormitory capacity is 7,181 beds, leaving 21,429 students to live off- campus or commute from home/elsewhere in the region. June 2nd 2018, Amazon announced 600 new jobs coming in to Lexington.

Figure 3: University of Kentucky Enrollment (2003-2015)

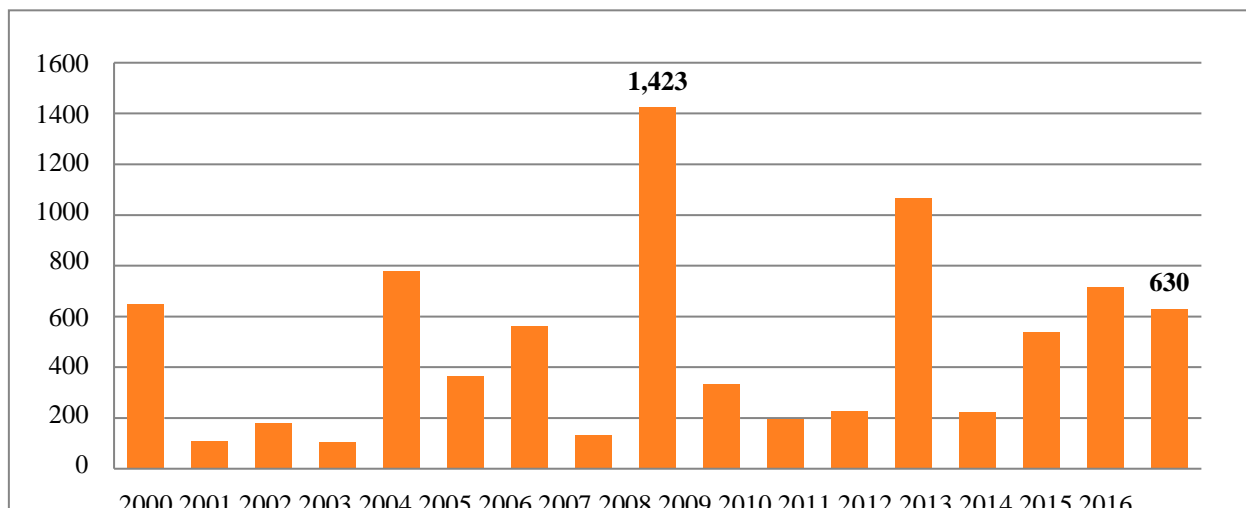


Source: University of Kentucky, Office of Institutional Research & Advanced Analytics

Rental occupancy has increased from 92.6% in 2010 to 95.3% in 2016, creating a more stable market, which should allow for continued rent price increases and less concessions. Since 2011 rents have seen a year to year annual increase of approximately 3%.

The number of authorized residential building permits indicate a significant slowdown in residential production in Fayette County. The peak residential production period was in 2004 when permits to build nearly 3,000 units were issued. From the low point of 2011 when permits were issued for just 739 units, residential building has seemed to have rebounded to 1,243 units in 2016 (Figure B-1).

Figure B-3: Building Permits Issued (Multi-Family Dwellings)

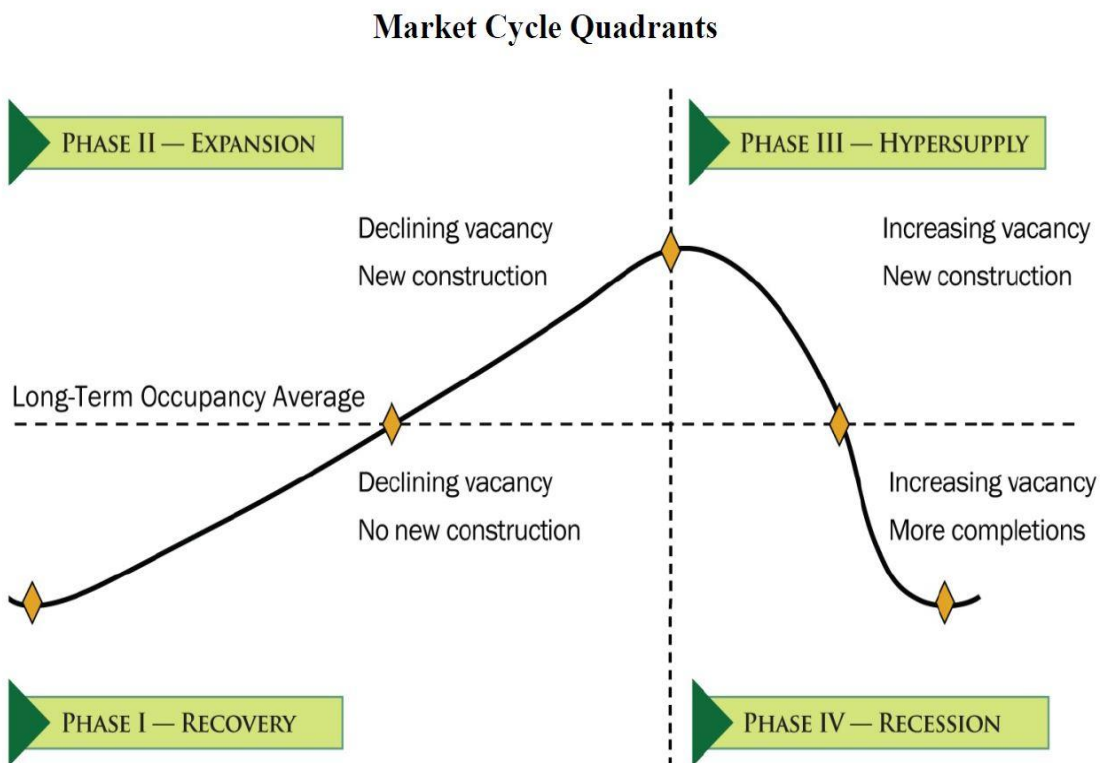


Source: U.S. Census Bureau

All of this combined leads us to believe that Lexington, KY is a great market to invest in. Adding everything together we should see property values increase steadily over the next 5 years along with high occupancy and increasing rents.

Where is Lexington on its market cycle? At Venture D we feel that Lexington has a minimum of 5 years of growth remaining and likely much longer. This trend will help push rents, which in turn will increase returns and generate more profitable sales pricing.

When looking at the graph below, it is our belief that then market is in the expansion phase II about 1/3 of the way to the top. In the Mid-West these phases usually last between 112-18years, putting us somewhere between 2022-2027 before the market reaches it's peak level.



Source: Mueller, Real Estate Finance, 1995.

Many markets around the US, especially the primary markets have been experiencing major cap rate suppression, driving down returns for investors and increasing their exposure. Markets such as New York, San Francisco, Seattle, Denver and even Minneapolis are seen record low capitalization rates and record high purchase prices. As rents in many of those markets continue to climb to unsustainable pricing, renters will be forced to either find roommates, move to a cheaper location or buy a house. This in turn will force rents to drop and concessions to start. Once that happens investors that have purchased apartments with low cap rates will be losing

money daily. In markets like Lexington we are still experiencing cap rates that are near 6% for B class and 7% for C class, along with some value add properties. The slow and steady growth along with current rent being affordable makes for a market that can sustain future growth.

X. Charity

Todd Dexheimer and his companies take great pride in donating to local charities. My commitment is to donate 5% or more of my profits (not yours, unless you ask us to) to local Lexington area or Twin Cities area charities. We strive to provide financial support to charities that focus on housing needs and financial and employment education for teenagers and adults. Providing for others in the communities that we do business in is an important part of our overall business plan.

XI. Highlights

A few notes on the underwriting that we think bodes well for our success.

1. Interest rate for a future loan is at 6%, current rates are seeing mortgages at 4.6-5%
2. Current capitalization rates are at 7-7.25% we show an exit at 8%
3. Rent growth projections are low, showing 0% between year 1 and 2, only 2% from year 2 to 3 and then 2.5% growth thereafter. This is coupled with a 2% expense increase.
4. There is a chance to refinance and pull some money out, this would increase returns, but is not modeled.

XI. Conclusion

The Cambridge Park Apartments provide substantial upside potential for our current and future residents, the community and the city of Lexington. Our approach is simple – provide safe, clean, updated housing that can make our residents and community proud and in return create a positive portfolio that creates a valuable business in order to continue success. With our detailed plan put to action along with proper management and continued improvement and maintenance of the buildings we will achieve success for all of the aforementioned.