



MULTIFAMILY FUND I

FAQ GUIDE





MULTIFAMILY FUND I

Thank you for your interest in the Arrowpoint Multifamily Fund I (AMFI). We have prepared this document to help address commonly asked questions regarding the launch of the AMFI. We are always available to address additional questions, should you have any.

FOR ADDITIONAL INFO, PLEASE CONTACT:

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FUND OVERVIEW

1. What is a Real Estate Fund?

Real estate funds like the AMFI invest in multiple properties over an extended period of time rather than in a single deal. With a fund structure, a Limited Partner's (LP) investment equity is allocated across all properties acquired by the fund, creating diversified sources of risk and return.

2. How many properties will be in the AMFI?

We are anticipating to acquire 6 to 8 properties during the fund investment period.

3. What are the benefits of investing in a Real Estate Fund?

- ▶ Diversification of investor equity reduces overall risk while offering the potential for higher returns
- ▶ Greater exposure to investments in various markets and asset classes
- ▶ Provides participation in upside on property price appreciation upon sale, refinances, and supplemental loans
- ▶ Potential tax benefits for investors such as pass-through depreciation opportunities and 1031 exchanges
- ▶ Offers the ability to commit an investment amount without having to fund the entire amount on day one

4. What is your investment criteria?

- ▶ Communities located in the northeast, specifically New England. We will also consider communities outside of the region on a case-by-case basis
- ▶ Primarily Class B/C properties with excellent opportunity for value creation through improvements
- ▶ Class A properties on a case-by-case basis will also be considered
- ▶ 50+ unit assets in highly desirable submarkets
- ▶ \$10 million to \$60 million total capitalization per property

TARGET CASH-ON-CASH RETURNS

- ▶ Avg Including Sale: 16% to 22%
- ▶ Avg Excluding Sale: 8% to 10%
- ▶ Levered IRR (Net): 15% to 20%
- ▶ Equity Multiple (Net): 1.75x to 2.25x

AVERAGE HOLD PERIOD PER PROPERTY

- ▶ 3-5 Years



**CLICK
HERE**

To access
the AMFI
website



OUR TRACK RECORD

\$31 Million
Equity Invested¹

1,000+
Total Units
Acquired²

31
Apartment
Communities³

30.8%
Avg. Net LP IRR⁴

2.51x
Avg. LP Equity
Multiple⁴

10%
Avg. Cash-on-
Cash Return
(Pre-Sale)

¹ Represents total equity invested by Arrowpoint Principals and LP investors in active and sold assets of Arrowpoint Properties.

² Total units include all units acquired and sold by Arrowpoint and its Principals. Currently, Arrowpoint and its Principals have close to 700 units under management with a total market value of approximately \$159 Million

³ A total of 31 individual apartment communities have been acquired and sold by Arrowpoint and its Principals since 2004.

⁴ Arrowpoint has taken 8 assets full-cycle as of the end of 2021 resulting in an average net LP IRR of 30.8% and equity multiple of 2.51x. This does not include 4 additional assets that were sold as a part of the Principals' personal RE portfolio.

**Any prior investment results and returns are provided for illustrative purposes only and are not necessarily indicative of the Partnership's potential investment results or future performance.*

GETTING STARTED

1. How do I get started?

For existing Arrowpoint investors, you will be able to log into your investor portal via Appfolio to review investment materials. If you do not have access yet, please email David@arrowpointproperties.com

For investors that are new to Arrowpoint, [Click Here](#) to sign up. Please note that new investors must be approved before the investment process can begin, which can take up to one business day.

2. What do I need to complete my investment in the AMFI?

1. An investor portal account;
2. Executed subscription documents;
3. A third-party accredited investor verification letter; and
4. Commitment funding.

3. What is the minimum investment? And do I need to fund it all at once?

\$250,000 is the minimum commitment per investor (individual or LLC if you want to build a group). However, we would not need your entire commitment funded day 1. It will be called in increments over the four-year investment period.

4. Can I invest with my retirement account? Self-directed IRA, Solo 401k, etc?

Yes. As long as your retirement funds are in an account that allows for your investment discretion, i.e. Self-directed IRA, we can accept these investments.

5. Will there be capital calls?

Yes. We anticipate making our first call of capital in June of 2022 and further capital calls as needed until the expiration of the Investment Period (4 years from the Initial Closing). Further details regarding capital calls may be found in our Fund's legal documents.

6. Am I able to commit a larger amount now, but fund as needed?

Yes. You will be able to commit an amount above the minimum investment, keeping in mind that the capital will be called throughout the 4-year Investment Period.

7. Can I increase my commitment throughout the AMFI?

Yes, if it is still open, you may increase your investment amount up until the one-year anniversary of the Initial Closing (capital raise period). You will simply sign another subscription agreement,

provide an updated verification letter if needed, and fund the increased amount. Your increase will become effective on the 1st of the following month upon completion of all requirements.

8. Do I have to invest more each time you send out a new deal?

No. You can make a single investment and continue to receive the benefits of exposure to every asset in the AMFI. However, you are always welcome to increase your investment at any time throughout the capital raise period.

DISTRIBUTIONS/RETURNS

1. How will returns be structured?

First, 100% to the Partners on a pro rata basis, until each Partner has received an amount equal to an annualized investment return of 8% (the "Preferred Return") on its unreturned invested capital.

Second, 100% to the Partners on a pro rata basis until each Partner has received an amount equal to the sum of its unreturned Capital Contributions.

Third, 100% to the General Partner (GP) until the GP has received a cumulative distribution of an amount equal to 25% of the amounts distributed to the Partners.

Fourth, (i) 75% to the Limited Partners on a pro rata basis, and (ii) 25% to the General Partner (please see Fund legal documents for more information on the full waterfall).

2. When will I receive my first distribution and how frequently will I be paid?

The Fund's First Closing Date will be the day the first asset is acquired. Distributions will be paid quarterly towards the middle of the month starting with the quarter that the first asset is acquired. For example, if the First Closing Date is August 15, the first distribution will be paid by mid-October, to cover the First Closing Date through the end of the 3rd quarter.



DISTRIBUTIONS/RETURNS (CONT.)

After the First Closing Date, distributions will occur in the next quarter following the General Partner's acceptance of an investment, with the first distribution occurring towards the middle of the month following the close of the previous quarter. For example, if a Limited Partner's investment is accepted on May 14, the investment Start Date will be June 1 and the first distribution is anticipated to be sent by the middle of July to cover second quarter.

3. What happens if I invest "today" but your next property doesn't close for a few months?

LP Investments made in the AMFI are not tied to the acquisition of new assets, but rather the Closing Dates defined in the subscription documents and summarized above. If a Limited Partner invests after the closing of the Initial Property, the investment will begin on the first day of the following month from when the subscription is completed and accepted by the GP. Distributions will then follow the same process as described above.

4. How will distributions occur as assets are sold off?

We will distribute the sale proceeds of each asset in accordance with the waterfall outlined in the private placement memorandum. For practical purposes, investors are anticipated to receive their share of the proceeds from the sale of each asset, as they occur.

5. Is the carried interest calculated at the fund or asset level?

All carried interest/waterfall distributions will be calculated based on the overall returns of the Fund. General Partners will not take a promote until the Class B equity hits certain thresholds of the waterfall. Please see the private placement memorandum for a more detailed explanation.

6. How are you benchmarking distributions/ returns?

We will have a set of return parameters outlined for the AMFI and a Fund investment summary package that aligns with the asset types we have historically purchased and are continuing to seek for the AMFI.

FUND OPERATIONS

1. What is the life of the AMFI?

We anticipate divesting of all Fund assets within the 10 years fund life. However, we also anticipate several capital events happening much earlier, such as individual property refinances and dispositions in year 3 and beyond. We did not underwrite this in our initial projections for conservatism. However, a capital event could return significant capital back to investors early in the life of the AMFI.

2. What happens if you cannot sell all of the assets before the AMFI ends?

Our goal is to make sure that we sell our properties during the best possible time of a real estate cycle. Therefore, we have a defined life of the AMFI of 10 years plus two, one-year extensions. This allows adequate time, nearly twice our anticipated hold period, while also giving surety of a defined end date.

3. What are the fees? Are these different than single asset deals?

The Fees paid to the General Partner and the Sponsor are as follows:

- Acquisition Fee: up to 2.50% of purchase price of the asset
- Disposition Fee: up to 1% of sale price of the asset

- Re-Financing Fee: up to .50% of the principal loan amount, so long as no origination fee is paid to an outside mortgage broker for the same loan
- Asset Management Fee: 1% (annually) of unfunded Capital Commitments and 2% (annually) of Unreturned Capital Contributions

4. How much is Arrowpoint investing in the AMFI?

The General Partner and Arrowpoint Principals will contribute a minimum of \$1,000,000 to the AMFI.

5. Will the loans be cross-collateralized within the AMFI?

No

6. What type of reporting will I receive?

You will receive progress updates via email as the Fund acquires assets with full details, photos, etc. on those assets. You will also have access to an investor portal where you will receive quarterly financial reports and annual K-1 statements.

7. How long will you be raising capital?

We will keep the AMFI open for 12 months plus one, six month extension if needed, or until we achieve our equity goal, whichever comes first. We anticipate achieving our goal within the initial 12 month period, and can close the capital raise period at any point.

FUND OPERATIONS (CONT.)

We recommend making your investment commitment as soon as you are comfortable to make sure you have a spot.

8. How long will you be placing the capital?

We anticipate allocating all of the capital within 4 years (the Investment Period) of opening the AMFI.

9. What is my liability as an investor?

Your liability will be limited to the capital you have invested in the AMFI.

10. Is this an evergreen fund or open-ended fund?

No. This is a closed end fund.

TAX MATTERS

1. How are taxes treated?

Arrowpoint is not a tax advisor and we recommend you reach out to your tax advisor for further advise. You will receive a single federal K-1 and a single state K-1 for each income tax state we own assets in. We will continue to operate the assets in the most tax advantageous way possible, including the use of Cost Segregation Studies.

2. How will you handle states with income tax?

A. AMFI will file composite tax returns at the partnership level on behalf of any out-of-state investors, relative to those respective states. Composite filings apply

to certain types of individuals and business structures. Arrowpoint cannot advise investors on the specific application of these filings. Therefore, we encourage you to consult with your own tax, legal and/or accounting advisor(s) on whether this applies to you.

B. We understand that our investors all have different financial situations. Therefore, investors have the option to opt out of composite filings by providing us with written notification.

LIQUIDITY/DISPOSITIONS

1. Will I be able to get my money out before you sell all the assets?

Your investment will be considered illiquid, so you should anticipate that your capital will be committed throughout the life of the AMFI. However, we will be distributing proceeds from sales and refinances according to the waterfall, and we anticipate achieving both throughout the AMFI, likely creating early capital events.

2. Can I 1031 exchange my investment?

We cannot accept 1031 proceeds into the AMFI. Our goal is to offer investors the opportunity to 1031 their portion of proceeds out of the AMFI into another Arrowpoint investment, which may defer realization of gains. If Arrowpoint offers its Limited Partners the opportunity to participate in a 1031 or similar exchange, this election will take place at the time of disposition of any single asset within the AMFI.

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