

Re: BlueSpruce Holdings' Investment Criteria

This memorandum sets out BlueSpruce Holdings' MFRE search criteria.

1. Community Characteristics

Required Community Characteristics

- MSA has at least 100,000 population
- Past consistent population growth 2012-2017
- Predicted future population growth
- Easy access to Interstate highway and other transportation
- Regional governmental, health-care, educational, business, or shopping “hub”; largest or most desirable town/city in MSA

Preferred Community Characteristics

- Town/city itself has 50,000 population
- Good growth potential but currently off most investors' radar (ex: gentrification occurring but not yet noticed by most investors)
- Legal or other impediments to new multifamily construction
- Median home price above \$80,000

2. Property Characteristics

Required Physical Characteristics

- Up to \$10 mm sale price
- 20 units or more
- Apartment mix weighted towards 1BR and 2BR
- Built 1974 or later
- Outside FEMA flood zones
- On or easily visible from high-traffic roadway
- Individually metered utilities or opportunity to convert
- No aluminum wiring

Preferred Physical Characteristics

- Pitched roof
- Near public transportation
- If community has light rail or streetcar line, close to station.
- Near major employer – factories, hospitals, malls, etc.

3. Required Underwriting Characteristics

- All financial criteria need to be met with assumption of third-party management
- At least two years consistent 85% occupancy
- Expense ratio below 60%

4. Preferred Underwriting Characteristics

Value-add component such as

- poor management
- below-market rents
- deferred maintenance
- opportunity to reposition

5. Required Initial Underwriting Information (Pre-Offer)

- Year-to-date operating statements and/or 12 months' trailing operating statement
- Annual operating statements for two most recent full years
- Last 12 months' (minimum) or 24 months' (preferable) **monthly** operating statements
- Current and prior two years' rent rolls
- Property layout map

6. Contact

info@realbluespruce.com

DJ Scruggs 303-808-6614

Adam Adams 720-579-1169

Manny Perez 303-526-8399