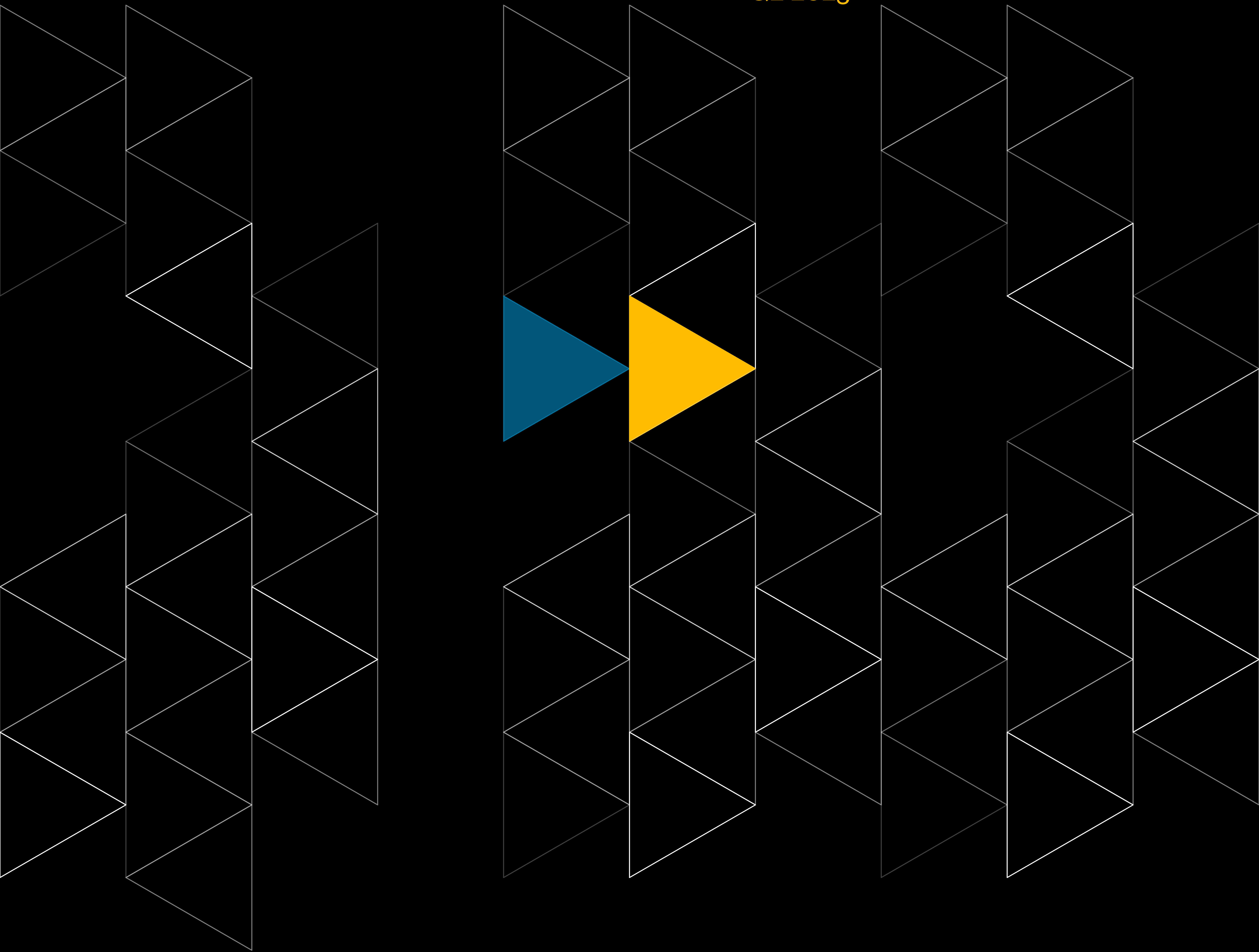




# Divergent Capital Fund II

## QUARTERLY REPORT

Q2 2023



PREPARED BY

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## ► Acquisition Efforts

### Our Process for Acquisitions

Our team has a four step process in placing deals under contract. First, our team will review all potential deals as they come in. The deals that pass the preliminary analysis are then thoroughly analyzed. Secondly, our team initiates an in depth analysis of sale & rent comps, renovation budget, operational expenses, current income, target market rents, and how long the value-add process will take. All of the deals that meet this criteria are then moved on to the third step, creating and sending out an “LOI” to present to the potential seller. Lastly, we negotiate throughout a period of time with any sellers who entertain or counter our offer and do our best to strike a deal.

### Deals Pursued

Last quarter, in this report we reviewed how many deals have been offered on and analyzed. We also discussed our belief we would put a specific property under contract shortly, and we did! In the first few weeks of Q2 we successfully negotiated a PSA for Stony Creek Apartments and put it under contract.

Since then, our team has been hard at work performing physical and economic due diligence of the property, undergoing underwriting of the property by the lender, and supplying all the required documents, analysis, and information needed by all parties to get this deal closed.

In the next section, our plans for the property will be discussed in more detail.

## ► Acquisition Efforts Continued

### Stony Creek Apartments – UNDER CONTRACT

This property is 202 units located in Washington Twp, MI. It also comes with 2 fully occupied and performing commercial units. Our team has been working this deal for 4+ years and staying in contact regularly in order to put ourselves in the best position to acquire this superbly located asset.

We are purchasing the property for \$17 million and have a \$6.5 million construction budget. The renovations consist of extensive exterior work including: new roofs on every building, new windows throughout, new siding and gutters, landscaping overhaul, 1 pool renovation, 1 pool being eliminated and repurposed, parking lot overhaul, and new signage. For the project we have also budgeted \$15,000 per unit to renovate every apartment as they come available. This budget includes: new cabinets, granite countertops, lighting, LVP flooring throughout, hardware, and bathroom renovations. Our intent is to totally overhaul the look, feel, and functionality of this community. By doing so we will reposition this property in the marketplace and command rent premiums \$400+ on units as we turn them.

### Moving Forward

In closing, the team at Divergent Capital Partners is still working hard to acquire assets that will exceed our return expectations and perform well in the face of possible economic turbulence. We are experiencing a market that we believe will produce great opportunities for us to capitalize on with the team and infrastructure we have in place. Our firm is very excited for the value we will be able to add at Stony Creek Apartments, as well as other opportunities we will be adding to this Fund going forward.