

Investment Overview and Highlights

Luzern Associates, LLC (“Luzern”) has agreed to purchase 90 and 104 John W Murphy Drive in New Haven, Connecticut (the “Project”), two (2) single story industrial manufacturing buildings encompassing a total of 64,722 SF located in New Haven, CT for \$7.4MM (\$114/SF). The Seller, Industrial Flow Solutions, will lease-back 100% of the Project for an initial term of twelve (12) years with a starting rent of \$7.50/SF NNN and annual increases of 2.5%.

The investment offers the opportunity to acquire two (2) fully renovated manufacturing buildings in a strong urban in-fill location. Majority of the yield will be generated by cash flow from a new long-term lease to a well capitalized company with a strong operating history and high growth potential. The tenant has identified this property as their executive offices, engineering, testing and manufacturing headquarters and invested \$2MM of capital into the facility since acquiring the property in December 2019. The company is owned by a private equity firm whose business strategy is to create a world class manufacturing platform through acquisition and integration of additional companies. Since its acquisition the private equity firm has installed a best-in-class executive team with extensive experience in the industry and acquired two additional companies now operating under the IFS brand. The property is a key component of the business strategy. The annual average dividend yield after loan amortization is projected to be 8.81% (12.49% before amortization) over the seven (7) year hold period. The balance of the yield is expected to be generated by enhanced market value of the property resulting from in place rental rate increases over the initial term of the lease and improved credit worthiness of the tenant.

The investment will be fully owned by Luzern Realty Fund III LP (“Fund III”) requiring total projected equity of \$2,702,389 and \$5,018,722 of debt. The capital call date is set for December 2nd and a full share (3.33% ownership) contribution amount will be approximately \$90,000.

Over a seven (7) year hold period the Project will yield a 13.80% Gross IRR (total annualized yield) and 2.13X Equity Multiple.

Project and Return Summary

Project Summary	
Type	Industrial
Address	90 & 104 John Murphy Drive
City and State	New Haven, CT
Rentable SF	64,722
Expansion SF	0
Total GSF	64,722
Clear Heights	14'2" - 17'2"
Column Spacing	40' x 40'
Number of Docks Doors	4
Year Built	1991 & 2001
Parking Ratio	2.3/1,000 SF
No. of Buildings	2

Property Assumptions	
Total Tenants at Closing	1
Stabilized Vacancy	0.00%
Occupancy at Closing	100.00%
Renewal Prob	85.00%
Expense Growth	2.50%
Rent Growth (Avg for Hold)	2.50%

Hold Period (months)	84
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Market Leasing Assumptions	
	New Lease
Market Rent (\$/SF)	\$8.00
Annual Increases	2.50%
Tenant Improvement (\$/SF)	\$5.00
Leasing Commission	6.00%
Free Rent (Months)	0
Downtime (Months)	8

Uses			
Categories		\$GSF	\$ Amount
Purchase Price		\$114.34	\$7,400,000
Closing Costs		\$0.99	\$63,924
Financing Costs		\$1.12	\$72,187
Luzern Acq Fee	2.50%	\$2.86	\$185,000
Total Uses		\$119.30	\$7,721,111

Sources			
Categories		\$GSF	\$ Amount
Equity	35.00%	\$41.75	\$2,702,389
Debt	65.00%	\$77.54	\$5,018,722
Total Sources		100.00%	\$7,721,111

Financing Assumptions	
Initial Loan Amount	\$5,018,722
Interest Reserve (Funded at Closing)	\$0
Additional Proceeds	\$0
Total Proceeds	\$5,018,722
Interest Rate (Avg over Hold Period)	3.50%
Interest Only Period (Months)	0
Amortization (Years)	28
Term (Months)	84

Funding Schedule				
	At Closing	Additional	Total Funding	Share
Luzern Fund III	\$2,702,389	\$0	\$2,702,389	100.0%
Co-Invest	\$0	\$0	\$0	0.0%
Total Equity	\$2,702,389	\$0	\$2,702,389	35.0%
Lender	\$5,018,722	\$0	\$5,018,722	65.0%
Total	\$7,721,111	\$0	\$7,721,111	100.0%

Exit Analysis			
	\$/GSF	Avg. Appreciation	
Residual Cap Rate			6.75%
Residual NOI			\$576,996
Gross Sale Price	\$132	2.22%	\$8,548,089
Sale Cost	2.00%		-\$170,962
Net Sale Proceeds	\$129		\$8,377,127

Deal Level Returns (net of fees)	
Total Profit	\$3,041,740
Peak Equity	\$2,702,389
Total Return	\$5,744,129
IRR	13.80%
Equity Multiple	2.13
Avg Hold Period Cash on Cash (with Amortization)	8.81%

Limited Partner Returns	
Total Profit	\$2,520,879
Total Return	\$5,220,566
IRR	11.70%
Equity Multiple	1.93

¹Net returns to Limited Partner after Profit Sharing to GP

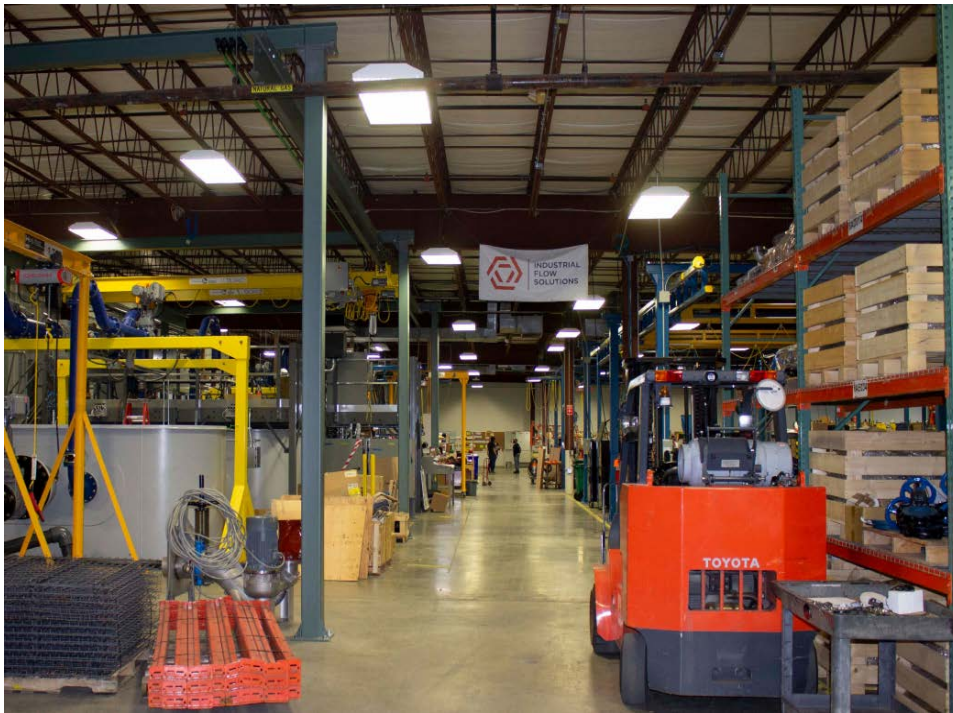
Pro-Forma Cash Flow

Year Ending	Holding Period Total	Month 0 Dec-20	Year 1 Dec-21	Year 2 Dec-22	Year 3 Dec-23	Year 4 Dec-24	Year 5 Dec-25	Year 6 Dec-26	Year 7 Dec-27	Year 8 Dec-28
Rental Revenue										
Potential Base Rent	2,551,512	-	485,412	497,556	509,988	522,744	535,812	549,204	562,932	577,008
Scheduled Base Rent	2,551,512	-	485,412	497,556	509,988	522,744	535,812	549,204	562,932	577,008
Other Revenue										
Total Expense Recoveries	2,451,612	-	324,828	332,952	341,268	349,800	358,548	367,512	376,704	386,112
Total Potential Revenue	5,003,124	-	810,240	830,508	851,256	872,544	894,360	916,716	939,636	963,120
Operating Expenses										
Operating Expenses	1,465,464	-	194,172	199,020	204,000	209,100	214,320	219,684	225,168	230,808
Property Taxes	802,692	-	106,356	109,008	111,744	114,528	117,396	120,324	123,336	126,420
Mgmt Fee	183,456	-	24,312	24,912	25,536	26,172	26,832	27,504	28,188	28,896
Total Operating Expenses	2,451,612	-	324,840	332,940	341,280	349,800	358,548	367,512	376,692	386,124
Net Operating Income	3,663,648	-	485,400	497,568	509,976	522,744	535,812	549,204	562,944	576,996
Capital Expenditures										
Leasing Make Ready Work	-	-	-	-	-	-	-	-	-	-
Capital Improvement Work	-	-	-	-	-	-	-	-	-	-
Capital Reserve	48,840	-	6,468	6,636	6,804	6,972	7,140	7,320	7,500	-
Total Capital Expenditures	48,840	-	6,468	6,636	6,804	6,972	7,140	7,320	7,500	
Total Leasing & Capital Costs	48,840	-	6,468	6,636	6,804	6,972	7,140	7,320	7,500	
Cash Flow Before Debt Service	3,614,808	-	478,932	490,932	503,172	515,772	528,672	541,884	555,444	
Purchase Price	(7,400,000)	(7,400,000)	-	-	-	-	-	-	-	-
Closing Costs	(63,924)	(63,924)	-	-	-	-	-	-	-	-
Acquisition Fee	(185,000)	(185,000)	-	-	-	-	-	-	-	-
Total Sales Value	8,548,089	-	-	-	-	-	-	-	8,548,089	-
Sales Costs	(170,962)	-	-	-	-	-	-	-	(170,962)	-
Capital Event Fee	(85,481)	-	-	-	-	-	-	-	(85,481)	-
Unlevered Cash Flow	4,257,530	(7,648,924)	478,932	490,932	503,172	515,772	528,672	541,884	8,847,090	
Loan Proceeds	5,018,722	5,018,722	-	-	-	-	-	-	-	-
Financing Costs	(72,187)	(72,187)	-	-	-	-	-	-	-	-
Principal	(849,858)	-	(107,488)	(111,311)	(115,270)	(119,370)	(123,615)	(128,012)	(144,793)	-
Interest Expense	(1,120,150)	-	(173,942)	(170,119)	(166,160)	(162,060)	(157,814)	(153,418)	(136,637)	-
Loan Repayment	(4,192,317)	-	-	-	-	-	-	-	(4,192,317)	-
Total Debt Service	(1,215,790)	4,946,535	(281,430)	(281,430)	(281,430)	(281,430)	(281,430)	(281,430)	(4,473,746)	
Levered Cash Flow	3,041,740	(2,702,389)	197,502	209,502	221,742	234,342	247,242	260,454	4,373,344	
Fund III Cash Flow	3,041,740	(2,702,389)	197,502	209,502	221,742	234,342	247,242	260,454	4,373,344	
Co-Invest Cash Flow	-	-	-	-	-	-	-	-	-	
Cash on Cash	8.81%		7.31%	7.75%	8.21%	8.67%	9.15%	9.64%	10.94%	10.65%
Cash on Cash before Amortization	12.49%		11.29%	11.87%	12.47%	13.09%	13.72%	14.37%	15.50%	10.94%
Debt Service Coverage Ratio			1.72	1.77	1.81	1.86	1.90	1.95	2.00	2.05
Debt Yield	NOI / Loan		9.87%	10.35%	10.86%	11.43%	12.03%	12.70%		

Building Specifications

90 John W Murphy Drive

- 24,960 SF – 4,000 SF of Office and 20,690 SF of Manufacturing
- Built-in: 2001
- Lot Size: 3.07 acres
- Clear Height: 14'2" – 17'2"
- Column Spacing: 40' x 40'
- LED Lighting
- Power: 480/277V, 3 phase, 800 amps
- Parking: 151 Spaces – 2.3/1,000 SF
- Loading: 2 Loading Docks



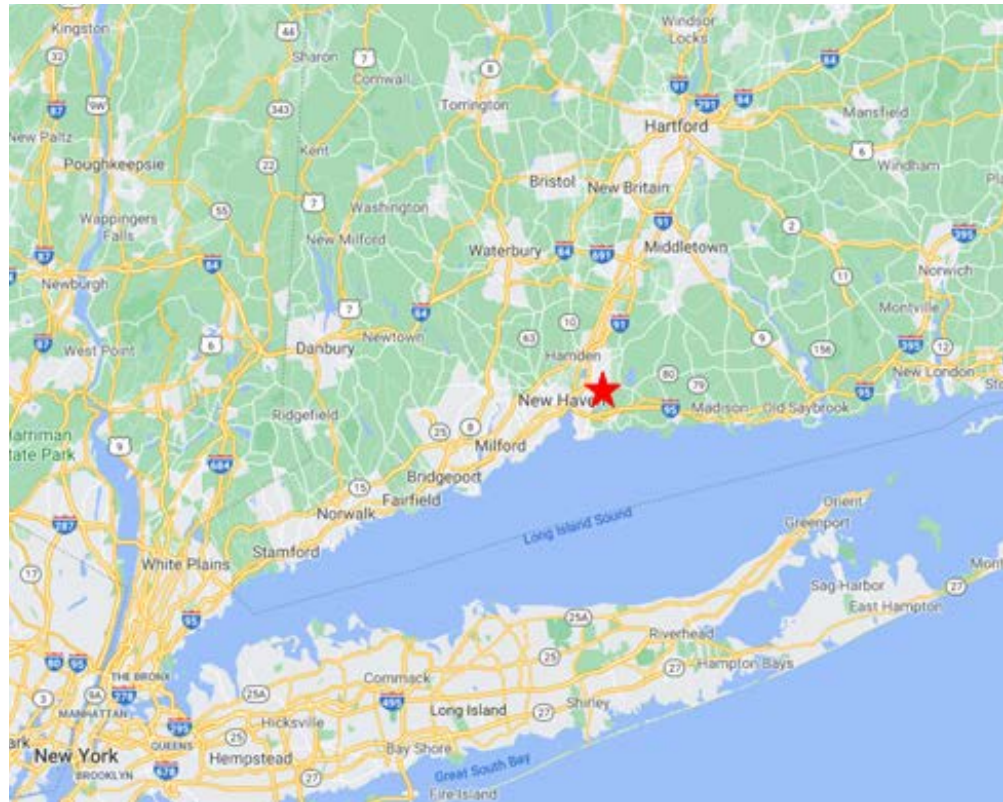
104 John W Murphy Drive

- 39,762 SF – 11,000 SF of Office and 28,762 SF of Manufacturing
- Built-in: 1991
- Lot Size: 2.09 acres
- Clear Height: 14'2" – 17'2"
- Column Spacing: 40' x 40'
- LED Lighting
- Power: 480/277V, 3 phase, 1200 amps, with 400 & 800 amp breakers
- Parking: 151 Spaces – 2.3/1,000 SF
- Loading: 2 Loading Docks both Drive-in

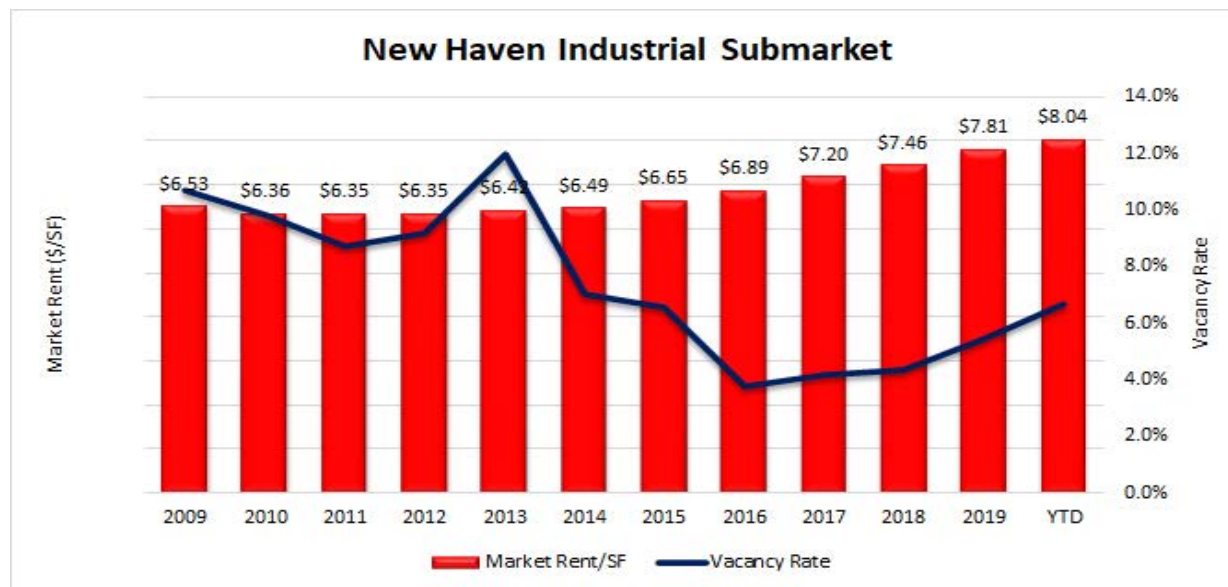


Strong In-Fill Location

- The Greater New Haven industrial market features over 80.5MM SF of inventory and includes 19 municipalities that stretch along I-91 and I-95, with the largest concentrations being in Waterbury, Wallingford, North Haven, New Haven and Milford. Overall the market features approximately 50% warehouse and logistics, 35% specialized industrial and 15% industrial-flex space.
- Ideally located a ¼ mile from I-91 and 1-mile from the junction with I-95 in New Haven, the properties in-fill location offers easy access for transportation of materials by water, air and ground.
- Impressive 5-mile radius demographics with an estimated population of 265K, average household-income of \$77,547, median age of 36.4 and 166.7K total employees. In addition, the proximity to Yale University and other surrounding academic institutions helps to support a skilled manufacturing labor pool which is important to manufacturing companies looking to locate in the Greater New Haven area.



Leasing Market Snapshot



	Forecast			
	2021	2022	2023	2024
Rent Growth	4.8%	7.7%	4.5%	2.3%
Vacancy Rate	7.4%	7.2%	7.3%	7.4%



Summary of Projected Debt Terms

Projected Debt Terms	
Proceeds:	\$5,018,722
LTV:	65%
Term:	5 Years or 7 Years
Interest Only Period:	To be determined
Rate:	3.50% Fixed
Amortization Period:	28 Years
Annual Amortization:	\$174,083
Total Annual Debt Payment:	\$281,658
DSCR:	To be determined
Recourse:	To be determined

Luzern has engaged the financing team with Avison Young to source debt for the Project.

Estimated Transaction Timeline

- Due Diligence Period: **30 days** from receipt of all requested diligence materials
- Expiration of Due Diligence: Estimated to be around **November 30th**
- Capital Call: Estimated to be on **December 2nd**
- Closing Date: **December 18th**

Tenant Profile



**INDUSTRIAL FLOW
SOLUTIONS**

www.flowsolutions.com

INDUSTRIAL FLOW SOLUTIONS (“IFS”)

Headquartered in New Haven, Connecticut, Industrial Flow Solutions is a leading designer and manufacturer of submersible pumps and fluid maps and fluid management solutions for harsh environments, including extreme temperatures and caustic material applications. Through its BJM, Stanco, OilMinder and OverWatch trade brands, IFS specializes in highly engineered pumps to address custom needs. The electric submersible pumps and controls are used for service applications across a variety of industries, such as industrial wastewater, building trades, and food & beverage processing. IFS is backed by May River Capital (“May River”) a Chicago-based private equity investment firm focused on acquiring and scaling high-caliber lower middle market industrial products and services companies such as IFS. IFS has demonstrated consistency and resiliency through economic cycles due to mission critical environments in which its products are utilized. Over the past twelve years through organic growth and acquisitions, IFS has seen revenue grow from \$19.0MM in 2008 to \$35.4MM in 2019, a 6% annual growth rate.

REPRESENTATIVE PRODUCTS



 **BJM Pumps**

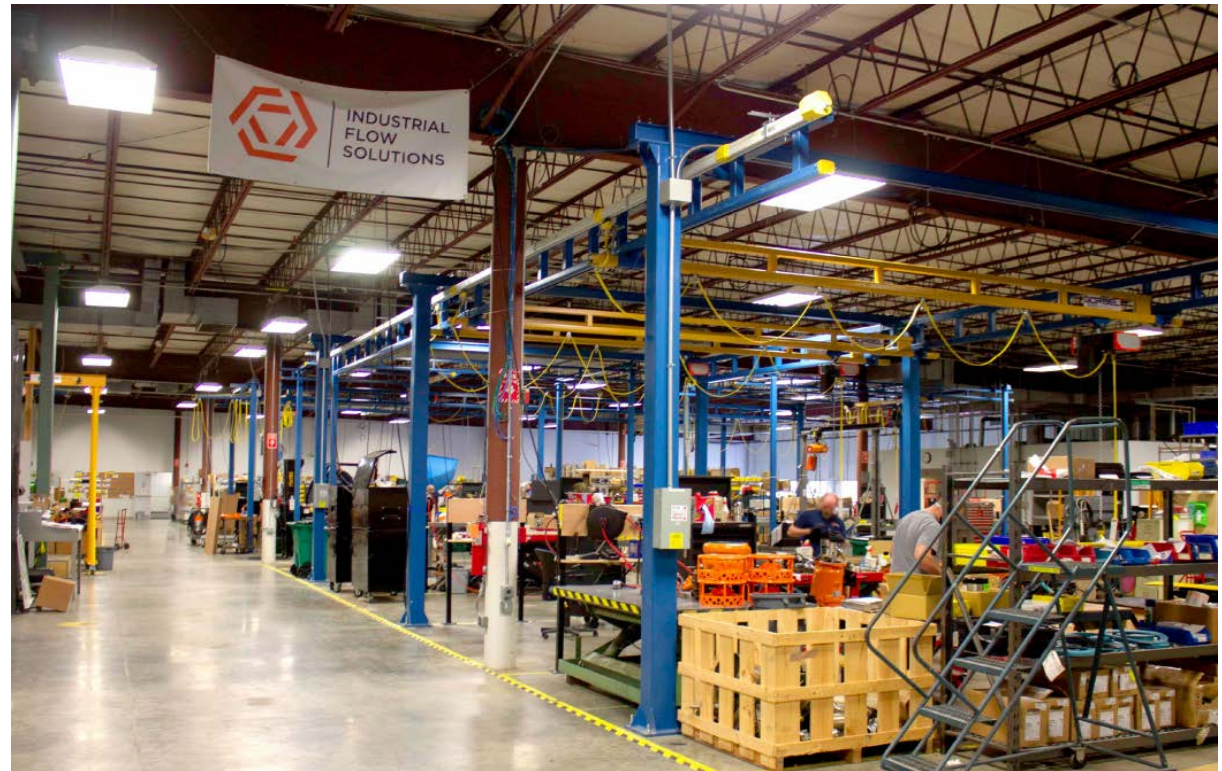
 **STANCO**
Pump & Control Solutions



 **OILMinder**



 **OverWatch**
Direct In-Line Pumping Technology



**INDUSTRIAL FLOW**
SOLUTIONS

WWW.FLOWSOLUTIONS.COM

Tenant Profile – Lease Abstract

Tenant:	Industrial Flow Solutions
Premises:	64,722 SF of Warehouse, Manufacturing and Office Space
Term:	Twelve (12) Years
Starting Rent:	\$7.50/SF
Annual Escalations:	2.5%
Lease Structure:	Absolute Net (tenant pays for all operating and capital expenses)
Extension Options:	Four (4) five-year extension options. Rent during the first year of the first renewal term will be \$11.00/SF and will escalate at 2.5% each year. Rent for the first year of each of the second through fourth renewal terms will be the then current FMV with 2.5% escalations for the subsequent years.

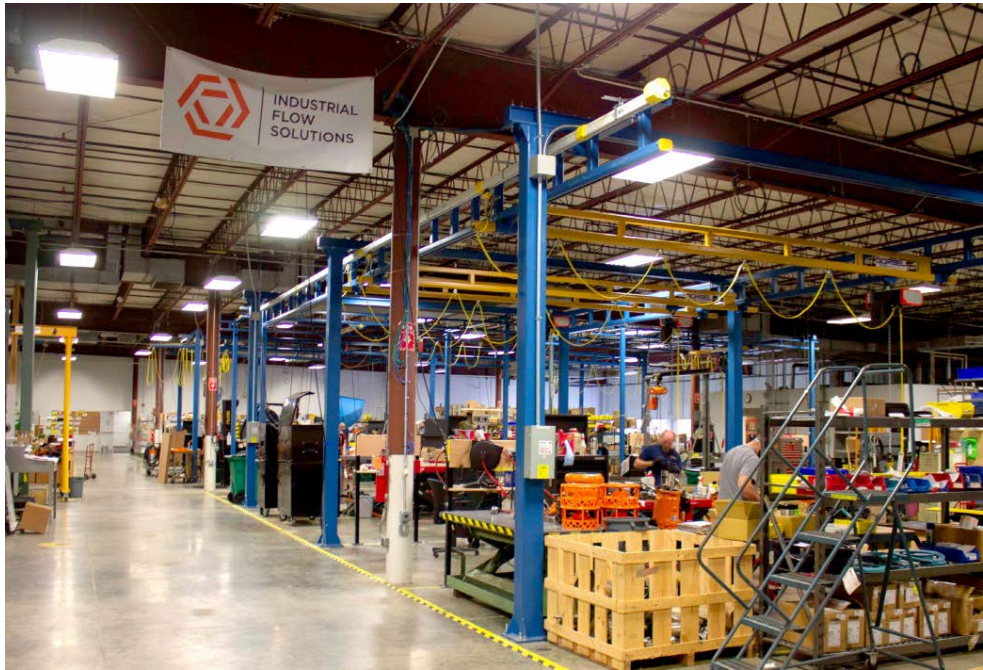
Tenant Profile – Private Equity Ownership Summary

MAY RIVER CAPITAL



Industrial Flow Solutions is a portfolio company of May River Capital, a Chicago-based private equity investment firm focused on small, high-caliber, industrial growth businesses that have the potential to be transformed into larger, more valuable enterprises. May River Capital was founded by three partners seeking to acquire lower middle-market, high-caliber industrial businesses grow and thrive. With roots in family-owned industrial companies and over fifty (50) years of combined industry experience to draw upon, our specific industry focus creates value for all constituencies – employees, investors, customers, and suppliers. May River is often one of the first institutional investors in our portfolio companies, we work closely with management to make fundamental operational and strategic changes that catalyze future growth. These initiatives may involve implementing new technology, modernizing and optimizing operations, and/or considering add-on acquisitions to augment organic growth. Since 2012, May River Capital has raised approximately \$500M in committed capital and has invested in eight (8) platform companies, as well as completed eleven (11) add-on acquisitions.

May River is investing out of their second investment fund with approximately \$315MM of equity, targeting high-value manufacturing, engineered products, specialty industrial services and value-add distribution businesses with \$20MM to \$150MM enterprise value and a minimum EBITDA of \$3MM to \$10MM. The targeted equity investment size ranges from \$15MM to \$75MM with a geographic focus on North America, at least for the headquarter locations. The current investments alongside ISF are: NSL Analytical Services, Advanced Material Processing, Hunt Value, Dickson and Precision Roll Solutions.



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