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TRINITY S2C REIT INVESTORS LLC

January 2026 Capital Call - Frequently Asked Questions (FAQ)

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**TRINITY
INVESTORS**

FAQ

Q | Why is S2 seeking additional capital for the REIT at this time?

A | S2 is seeking additional capital to address near-term liquidity needs created by a combination of sustained operating cash burn, accrued liabilities, and financing-related obligations that have accumulated during an unusually prolonged multifamily downturn. While operating performance has stabilized and occupancy has improved across much of the portfolio, rent levels remain below expectations due to elevated supply in several key markets.

As a result, the REIT continues to generate negative free cash flow after debt service, escrows, and capital requirements. In addition, the REIT must address a maturing line of credit, upcoming interest rate cap and escrow obligations, deferred maintenance needs, and other accrued payables that cannot be deferred indefinitely.

This capital raise is intended to provide sufficient runway to meet these obligations, avoid distressed asset sales in a soft market, and allow the portfolio time to benefit from an improving supply-demand backdrop over the next several years.

Q | How will the proceeds of the capital raise be used across the portfolio?

A | The proceeds are intended to be used for clearly defined balance sheet and operating needs at the REIT level, including:

- \$20MM: Repayment of the REIT's line of credit that was originally used to bridge refinancing shortfalls
- \$16MM: Settlement of accrued accounts payable to vendors and service providers
- \$13MM: Repurchase or extension of interest rate caps and lender-required reserves
- \$9MM: Targeted capital expenditures and deferred maintenance necessary to preserve asset value
- \$7MM: Lender required principal repayment to extend select loan maturities
- \$5MM: Funding of required property tax, insurance, and lender escrows

Importantly, this capital is not intended to fund new acquisitions or growth initiatives. The focus is stabilization, liquidity, and preservation of existing value rather than expansion.

Q | What is the structure of the capital call? How do the equity warrants work?

A | The capital call is structured as a senior preferred investment at the REIT level with an 18% annual compounded preferred return, coupled with equity warrants that provide participating investors with meaningful upside participation if the REIT's equity value recovers. This structure is intended to balance downside protection with incremental upside for investors willing to provide capital at a time of elevated risk. The preferred investment is senior to all existing equity and mezzanine capital and is designed to be repaid in cash prior to any distributions to common equity. In addition to the preferred return, participating investors will receive penny warrants, which are warrants to purchase REIT equity at a nominal exercise price of \$0.01 per share upon a future liquidity event, such as a full portfolio sale. The warrants only become exercisable after the new preferred capital has been repaid principal plus the 18% compounded preferred return in cash. As a result, the warrants do not dilute recovery of the preferred capital and are only valuable if there is cash to distribute after repaying the converted mezzanine.

Under this structure, the warrants are sized such that participating investors collectively have the right to acquire approximately 75% of the fully diluted equity at liquidation. In practical terms, this means that for approximately every \$0.73 invested, a participating investor receives one equity warrant exercisable at \$0.01 once the preferred capital has been fully repaid. This structure materially shifts equity ownership toward participating investors while significantly diluting non-participating investors by approximately 75%.

Q | What will the waterfall structure look like post-closing of this capital call?

A | Proceeds from an eventual sale, after repaying senior debt and any partner loans or other REIT debt obligations, will be distributed in the following order:

- First, to repay the principal and 18% interest associated with this capital call;
- Then, to repay the principal and 10% interest associated with the converted mezzanine debt from the individual, original partnerships;
- Finally, ~75% of any remaining proceeds will be distributed to the warrant holders (those who participate in this capital call), and the remaining ~25% will be distributed pro-rata to the non-participating, converted equity and Founder's Shares investors. Investors should note this split is subject to change based upon ultimate capital raised. The splits presented herein assume the full \$70MM capital call is contributed.

Q | As an example, if I had invested \$100k of equity into an original Trinity/S2 partnership, which was converted to the REIT at \$0.50 on the dollar (representing \$50k of OP Units in the REIT), what is the amount being called today?

A | Trinity is requesting 20-50% of the original converted amount (not the current value of the OP Units, which have been changing since inception). Therefore, the request is for 20-50% x \$50k, or \$10-25k. Please reach out to your Strategic Partner at Trinity to discuss your final investment size and decision.

Q | What assumptions is S2 using in its base-case projections? What returns does that yield to each class of investors?

A | S2's base-case outlook assumes the REIT is able to fund near-term liquidity needs and continue operating the portfolio for an incremental five-year hold period, culminating in a full portfolio sale in 2030. The base case assumes cumulative rent growth of approximately 16% over the hold period, driven by 3% compounded annual rent growth, alongside 2% annual operating expense growth. Exit valuations assume portfolio-level sale cap rates at 5.0%.

Based on S2's assumptions, the projected outcomes by tranche are approximately:

- New Preferred Capital: ~2.26x MOIC
- Converted Mezzanine: ~1.85x MOIC
- Participating Converted Equity or Founder's Shares (w/ Warrants, at 20% participation): ~0.82x MOIC
- Non-Participating Converted Equity or Founder's Shares (w/o Warrants): ~0.22x MOIC
- Blended Equity or Founder's Shares + New Capital w/ Warrants @ 20% participation: ~1.05x MOIC
- Blended Mezzanine + New Capital & Warrants @ 20% participation: ~2.41x MOIC

These outcomes are highly sensitive to rent growth and exit valuation assumptions and should be viewed as directional rather than guaranteed.

Q | Has Trinity conducted a sensitivity analysis? Under what scenario does this new capital become impaired?

A | Yes. Trinity has independently reviewed S2's assumptions and prepared multiple sensitivity cases to evaluate downside risk. These include:

- A **moderate recovery** case with muted near-term rent growth and stabilization thereafter.
- A **stagnant market** case with limited rent growth over the next several years and higher exit cap rates
- A **declining market** case in which rents decline further in the near term, recovery is delayed, and exit pricing remains elevated

Below is a matrix listing key assumptions and resulting investor returns for each scenario detailed above.

Trinity S2C REIT Investors LLC - January 2026 Capital Call Return Sensitivity Analysis				
	S2 Base Case		Moderate Recovery	
	Non-Participating	20% Participating	Non-Participating	20% Participating
Year 1 Rent Growth		3.0%		1.0%
Year 2 Rent Growth		3.0%		3.0%
Years 3-5 Rent Growth		3.0%		3.0%
Blended Exit Cap Rates		5.00%		5.75%
New Preferred Capital	N/A	2.26x	N/A	2.26x
Converted Mezzanine + Warrants	1.85x	2.45x	1.85x	1.94x
Common Equity / Founder's Shares + Warrants	0.22x	0.82x	0.03x	0.12x

	Stagnant Market		Declining Market	
	Non-Participating	20% Participating	Non-Participating	20% Participating
Year 1 Rent Growth		0.0%		-2.0%
Year 2 Rent Growth		0.0%		0.0%
Years 3-5 Rent Growth		3.0%		2.0%
Blended Exit Cap Rates		6.00%		6.00%
New Preferred Capital	N/A	2.12x	N/A	0.96x
Converted Mezzanine + Warrants	0.00x	0.00x	0.00x	0.00x
Common Equity / Founder's Shares + Warrants	0.00x	0.00x	0.00x	0.00x

Q | What does Trinity expect to occur if the full \$70 million is raised?

A | If the full \$70 million is raised, Trinity expects the REIT to:

- Fully address near-term liquidity and balance-sheet obligations
- Eliminate the risk of forced or distressed asset sales in the near term
- Maintain operational continuity across the portfolio
- Provide sufficient time for market fundamentals to improve as new supply declines

In this scenario, Trinity believes the REIT has a viable path to preserving a meaningful portion of current NAV and improving long-term outcomes for all investor classes relative to liquidation today.

Q | What is the minimum amount of capital needed? What does Trinity expect to occur if only the minimum amount is raised?

A | The minimum raise required to close is \$30 million. At this level, Trinity expects the REIT will be able to address its most immediate liquidity needs, including clearing near-term liabilities and reducing the risk of a forced or accelerated wind-down in the near term. This level of funding would provide additional runway through the current operating environment and mitigate the most acute risks facing the portfolio today.

However, raising only the minimum amount does **not** fully resolve the REIT's underlying capital structure challenges. With limited excess liquidity, the portfolio would remain vulnerable to continued operating volatility, and Trinity believes it is likely that additional capital would be required in the future if market recovery is delayed or operating performance underperforms expectations. Under this scenario, flexibility would remain constrained, execution risk would increase, and the potential for meaningful recovery to common equity would be further narrowed.

Q | What are the likely outcomes if the capital raise is unsuccessful?

A | If the capital raise is unsuccessful, Trinity believes the REIT will be forced to pursue an accelerated wind-down (portfolio sale). At this point, S2 has stated they can no longer support the portfolio solely through sponsor capital, and without investor support, the REIT will lack the liquidity required to continue operating the assets and meeting ongoing obligations. In that scenario, assets would need to be sold on an accelerated basis to satisfy lenders and other liabilities.

Given the current scale of the portfolio, its leverage profile, and prevailing market conditions, Trinity and S2 believe a wind-down would likely result in sales at distressed pricing. While certain assets may be operationally stable, the portfolio as a whole does not generate sufficient cash flow to support a gradual, value-maximizing liquidation. As a result, **Trinity believes an accelerated wind-down scenario would most likely lead to a full loss of capital for all investor classes, including common equity, converted mezzanine investors, and Founder's Shares.** Additionally, investors would forgo any opportunity to benefit from a recovery in market fundamentals, as long-term optionality would be sacrificed in exchange for near-term liquidity and resolution.

Q | What considerations should each class of investor be aware of?

A | Converted mezzanine investors retain structural seniority to common equity and, under base case operating and recovery scenarios, are expected to support a return of invested capital through repayment of principal and accrued return. Their position in the capital stack provides meaningful downside protection relative to equity, particularly in scenarios where the portfolio continues operating through the cycle and avoids a forced liquidation. For converted mezzanine investors who participate in the capital raise, the addition of penny warrants provides incremental upside participation in recovery scenarios, improving outcomes relative to non-participating investors. However, mezzanine recovery is not guaranteed. In a wind-down scenario or a materially distressed sale environment, mezzanine capital remains at risk, and outcomes would ultimately depend on the timing and pricing of asset dispositions.

Equity and Founder's Share investors face more variable outcomes and remain in a first-loss position. Under the proposed structure, equity will be diluted by the introduction of new senior capital, and non-participating investors will experience substantial dilution as a result of the warrant issuance to participating investors. Recovery for equity is highly sensitive to both participation in the capital raise and the pace and magnitude of market recovery. In several downside scenarios analyzed by Trinity, equity recovery remains limited, and in certain cases may be fully impaired. While participation, including receipt of warrants, may improve relative positioning in recovery scenarios, it does not eliminate risk, and equity investors should evaluate this decision with the understanding that outcomes are asymmetric and materially dependent on execution and market conditions.

Q | What does Trinity recommend for each investor class?

A | Trinity does not provide individualized investment advice but offers the following general guidance:

- **Converted Mezzanine Investors:** Participation in the range of 20-50% of invested capital should be strongly considered to avoid a likely loss of capital in the event the REIT needs to be sold off quickly due to lack of funding.
- **Common Equity / Founder's Share Investors:** Participation in the range of 20-50% of invested capital may improve relative outcomes but should be evaluated cautiously, as equity remains at risk under most scenarios.

Each investor should assess participation in light of their broader portfolio, risk tolerance, and liquidity position.