

Project Supplement No. 1
(Dated July 26, 2022)
to the Supplement
of TEI Diversified Income & Opportunity Fund VI, LLC,
dated March 1, 2022

This Project Supplement No. 1 modifies and supplements the Supplement of TEI Diversified Income & Opportunity Fund VI, LLC, dated March 1, 2022 (the “**Memorandum**”), which should be read in conjunction with the Memorandum (including but not limited to the Special Risk Section in the Memorandum). Terms with initial capitals, not otherwise defined in this Project Supplement No. 1, have the meanings set forth in the Memorandum.



This Project Supplement pertains to the acquisition of the **PARADISE VILLAGE OFFICE PARK** located at **11811 N. Tatum Blvd, Phoenix, Arizona** (the “**Property**”) as well as an amendment to the manner in which fees may be allocated amongst the managing broker/dealer and selling group members to give the Managing Broker Dealer discretion as to the allocation of commissions and fees.

Acquisition and Business Plan

The property is a Class A office building located in Paradise Valley, a submarket of Phoenix. It was built in 1986 with further renovations in 2018. The leasable area is approximately 268,516 square feet with an in-place occupancy of 75% as of the Closing Date. The Property is comprised of five floors and has 945 total parking spaces with 487 in a covered below grade parking deck. The Property is well located within one of Phoenix's premier submarkets and has direct access to State Route 51 and Loop 101. In addition, the Property is located across the street from the proposed 6.5 million square foot redevelopment of the Paradise Valley Mall, which is projected to include approximately 2,500 multifamily apartments, a new Whole Foods and a variety of other "Town Center" oriented retail.

The Seller of the Property is an affiliate of Sterling Equities and this is their only asset in the Phoenix market. During their ownership, they did not upgrade the common areas, including the lobby, to make the Property competitive with other Class A office space in the area. The building has not undergone a fully cosmetic renovation, and has fallen behind the market on rents and occupancy as verified by multiple leasing agents. However, over the last 12 months, the seller built out spec suites in approximately 50% of the remaining vacant units. Current rents at the Property generally range between \$24-29 per square foot, and market rents in the \$28-31/sf range may be achievable following completion of certain improvements to the common areas.

The business plan is to implement a value add program to upgrade the atrium, corridors, restrooms, lighting, and branding of the Property. Once the value-add program is completed, an enhanced marketing plan will be undertaken to attempt to lease vacant space at projected market rental rates between \$28.50 to \$31.00 per square foot, as set forth in the attached Financial Forecast.

The purchase price for the Property reflects a cost of \$160 per square foot, and a projected going-in cap rate on the purchase price of 5.91%, based on a year 1 projected net operating income. The Seller purchased the Property in May of 2007 for a purchase price of \$240 per square foot or \$64,400,000.

The Property was purchased for purchase price of \$43,000,000 on May 10, 2022 by an eleven (11) entity tenancy-in-common consisting of Paradise Village Office Equities I LLC, Paradise Village Office Equities II LLC, Paradise Village Office Equities III LLC, Paradise Village Office Equities IV LLC, Paradise Village Office Equities V LLC, Paradise Village Office Equities VI LLC, Paradise Village Office Equities VII LLC, Paradise Village Office Equities VIII LLC, Paradise Village Office Equities IX LLC, Paradise Village Office Equities X LLC, and Paradise Village Office Equities XI LLC, each an Arizona liability company (such tenancy in common is referred to the "Paradise TIC"). The Managers of each of the tenant in common owners are Francis Greenburger and Robert Kantor (collectively the "Managers"). Each tenant in common owner is also referred to as a "Co-Owner".

The total Invested Capital raised through this offering was \$16,710,000. The Invested Capital at closing was used to fund the purchase price for the Property, closing costs, working capital, tenant improvements, leasing commissions, and the first year's capital expense budget. The Paradise TIC obtained a \$38,000,000 loan at closing with City National Bank. \$29,000,000 of the loan was

funded at closing which was used to fund the purchase price for the property, closing costs, and working capital. \$9,000,000 of the loan proceeds are to be advanced in the future for tenant improvements, capital improvements and leasing commissions. The property was purchased by the Paradise TIC earlier in 2022 and the Fund is obtaining its interest from an affiliate of TEI at such affiliates purchase price, with no additional compensation being paid to the affiliate. The Fund will purchase such interest in the amount of \$1,000,000 and become a member of Paradise Village Office Equities I LLC (a TEI affiliate). Such \$1,000,000 investment represents approximately 6.1294% of the Invested Capital and 10.8799% of the membership interests in Paradise Village Office Equities I LLC.

The attached Financial Forecast projects a refinancing of the City National Bank loan in the beginning of 4th year of operations, and further projects a return of a significant amount of Invested Capital back to the Investors (estimated at \$5,905,694), although there is no guaranty as to such result.

Actual returns may vary greatly and will probably be less than those shown on the Financial Forecast if the **Paradise TIC** is unsuccessful in maintaining and/or growing the occupancy level at the Property as set forth in the Financial Forecast. At closing the occupancy is projected to be approximately 75%, which is further projected to drop to 69% at the end of the first year of operations. The Financial Forecast shows the growth of such occupancy level to approximately 90% as of the end of the third year of operation.

Building Description:

EXTERIOR: Glass curtain wall, black polished granite veneer, and mirrored stainless steel embellishments

SUPERSTRUCTURE: Structural steel and concrete

ROOFING SYSTEM: 3-ply smooth surfaced asphalt built-up roof attached to an insulating concrete structural steel deck. Multiple storm water drains discharge to the grass retention areas.

HVAC: Four 215-ton Evapco rooftop cooling towers. 340 individual heat pump units located on each floor, served by a closed circuit condenser water system utilizing rooftop cooling towers. Cooling towers serve a two-pipe distribution system consisting of two spate networks each serving half of the building.

SECURITY FIRE & SAFETY: A new fire alarm control panel was installed in 2022. The panel monitors the pull stations, smoke detectors, flow switches and tamper switches. The system is provided with a dual telephone modem and automatically notifies the off-site monitoring service in the event of fire.

ELEVATORS: (6) total 3,000lb. capacity MCE-type hydraulic elevators. (1) MCCE-type freight elevator.

ELECTRICAL: Two, 3000-ampere, 277/480 volt, 3-phase,4-wire. Underground pad mounted transformer located on east side of the building. Step-down dry type transformers: 120/209 volts.

PARKING: 945 spaces split into grade level and below grades parking.

Overall ratio for Property is +3.5 per 1,000 SF. 487 spaces are located in the garage contained in the building, with a ratio of +1.8 per 1,000 SF.

UTILITIES: Electric: Arizona Public Service (APS)
Water: City of Phoenix
Gas: Southwest Gas
Sewer: City of Phoenix
Telecommunications: Cox Communications

AERIAL VIEW OF PROPERTY



Regional Description and Property Location



The Property is located in Paradise Valley, about 15 miles north of downtown Phoenix. The Property is accessible to major freeways since it is within 2.5 miles of the SR-51 freeway and five miles from the Loop 101/ Cactus Road interchange. Tenants at Paradise Valley Office Park are also within a 15-minute drive to Sky Harbor International Airport.

The Property is surrounded by the highest demographic population in the metropolitan Phoenix area. The surrounding communities of Paradise Valley, Arcadia, Scottsdale, and the Biltmore give the Property immediate access to the most affluent and well-educated people in metro Phoenix. In addition, please see below notable highlights for Phoenix and the Paradise Valley submarket:

- At 88% occupancy, the Desert Ridge/Paradise Valley submarket, where the Property is located, boasts the 4th highest occupancy level across the 25 Metro Phoenix Submarkets.
- The surrounding neighborhoods of Paradise Valley and Scottsdale, as of Q3 2021, have an average household income of \$169,654 and an average housing value of \$817,538, both of which are some of the highest in metro Phoenix.
- Phoenix Ranks #1 in the Nation for monthly rent growth.
- Phoenix is the 5th largest city in the Nation (U.S. Census, 2020).
- Notable high-tech companies that have relocated or expanded in the Phoenix metro area in the last three years, include Viavi Solutions, DoorDash, Align Technology Orbital ATK, Intel, Amazon, Uber, Groupon, Galvanize, Indeed, Ingenu, Clearlink, Freshly, Houzz, Link-Systems, Zenreach, Zip Recruiter, SAP, Sitelock, Open Door, and Moov Technologies.
- Fortune 500 companies in this area include: AVNET, Freeport, McMoRan Copper & Gold, Republic Services, Insight, Magellan Health, Sprouts, Taylor Morrison, and Carvana.

Top 10 Employers in Phoenix (2020) are as follows:

<u>Company</u>	<u>Product / Service</u>	<u>Local Employees</u>
Banner Health	Healthcare	10,728
American Express	Financial Services	9,213
Amazon	Retail	6,457
Honeywell	Aerospace/High-tech Mftg	6,171
Walmart	Retail	5,419
Frys Food Stores	Retail	5,229
U Haul	Advanced Business Svcs	5,133
Bank of America	Advanced Business Svcs	5,012
Phoenix Children's Hospital	Healthcare	4,826
Dignity Health	Healthcare	4,754

Market and Submarket

The Property is part of the Phoenix office market and is located within the Desert Ridge/Paradise Valley submarket. Within the Desert Ridge/Paradise Valley submarket there are currently 40 multi-tenant office buildings totaling ±1.9 million square feet, with an overall occupancy of 89% according to a CBRE Q3 2021 report. Over the past 10 years, CBRE in such report indicated the submarket has averaged ±140,500 SF of gross leasing activity annually. According to Cushman & Wakefield's Q4 2021 Market Report the average asking rate across all classes for office space was \$32.76/SF and according to CBRE Q3 2021 report the average asking rate for Class A space in the Northeast Valley/Scottsdale was \$35.00/SF.

Based on the 2020 Census, the total population of the city of Paradise Valley, AZ has grown 13.12% since 2010. As of 2021, the population was 15,003. The median household income of the Paradise Valley was \$204,145, which is 238.59% higher than the national average for that year.

Paradise Valley Mall Development ("PVOP")

The redevelopment of the mall is located directly across the street from the Property. RED Development recently acquired the 92-acre, former 1970's era regional mall site for \$126.5 million. RED has since demolished the mall, and is moving forward with a 6.5 million square foot redevelopment to create a lifestyle live-work-play destination with parks and pedestrian walkways throughout. To the extent completed, it could create an urban core for northeast Phoenix, Paradise Valley submarket. The development will include a mix of high street Class A retail shops and restaurants, a Whole Foods grocery, ±2,500 multi-family residential units, entertainment venue, office, self-storage, and other uses. The site has zoning that will allow vertical construction up to 120' in height. Construction for the first phase of this project has been announced to commence in 2022. The first phase will consist of 400 residential units, a Whole Foods Market, a dine in theatre and three restaurants. The first phase is scheduled to open by mid-2024. There is no guaranty as to the completion of the redevelopment of the Paradise Valley Mall site and its time frame for completion. To the extent completed, although not guaranteed, this redevelopment is likely to have a significant positive impact on the value of the Property and its ability to lease up and maintain occupancy levels

RENDERINGS OF PROPOSED REDEVELOPMENT OF THE PVOP SITE





Tenants

Below is a list of all the existing tenants, including the square footage, lease expiration dates and rent per square foot for each such tenant:

<i>Tenant</i>	<i>Sqft</i>	<i>% of Property</i>	<i>Rent (\$/Sqft)</i>	<i>Annual Rent</i>	<i>Expiration</i>
System4 of Phoenix	1,359	0.51%	\$ 26.50	\$ 36,014	06/30/2023
Dytek Solutions, LLC	533	0.20%	\$ 26.25	\$ 13,991	06/30/2024
RJEckhott CPA, LLC	786	0.29%	\$ 27.75	\$ 21,812	04/30/2024
Gainey Hotel Management, Inc.	1,114	0.41%	\$ 27.00	\$ 30,078	11/30/2022
Garland Insurance & Financial Services, LLC	655	0.24%	\$ 27.50	\$ 18,012	12/31/2021
ISSquared, Inc.	1,700	0.63%	\$ 26.75	\$ 45,475	03/31/2024
Edward Jones	954	0.36%	\$ 27.71	\$ 26,438	12/31/2026
Leonard Rice Consulting Water Engineers	3,619	1.35%	\$ 27.50	\$ 99,522	02/28/2025
FCA US LLC	16,212	6.04%	\$ 23.50	\$ 380,982	06/01/2022
Matthew Seibert, Amy Jorgenson, D'Andre	1,374	0.51%	\$ 24.50	\$ 33,663	04/30/2023
Tatum Road Partners, LLC	6,678	2.49%	\$ 25.00	\$ 166,950	02/29/2024
Urke & Stoller	5,817	2.17%	\$ 28.00	\$ 162,876	11/30/2025
RRM-CLM Services, LLC	1,295	0.48%	\$ 26.75	\$ 34,641	04/30/2026
Jeffrey L. Galitz., M.D., P.C.	1,755	0.65%	\$ 26.50	\$ 46,508	08/31/2024
Reflexive Media, LLC	744	0.28%	\$ 28.50	\$ 21,204	12/31/2021
Banker's Life and Casualty Company	5,692	2.12%	\$ 27.75	\$ 157,953	08/31/2024
Montini and Co Tax Advisory Group, LLC	1,003	0.37%	\$ 27.00	\$ 27,081	01/31/2025

Cholla Livestock Limited Liability Company	1,302	0.48%	\$ 25.00	\$ 32,550	04/30/2022
Gaylor Tax Services & GAMMI	2,686	1.00%	\$ 22.33	\$ 59,970	02/28/2023
LeaderOne Financial Corporation	2,142	0.80%	\$ 2.29	\$ 4,909	03/31/2022
Anasazi Investment Group, Inc.	1,829	0.68%	\$ 27.50	\$ 50,298	09/30/2024
Prevalent, Inc	5,808	2.16%	\$ 27.50	\$ 159,720	06/30/2023
Chris D' Annunzio and Ashlee D' Annunzio	1,284	0.48%	\$ 26.50	\$ 34,026	06/30/2024
AVALON STAFFING, LLC	1,268	0.47%	\$ 27.50	\$ 34,870	08/31/2024
Fairway Independent Mortgage Corporatio	4,774	1.78%	\$ 26.00	\$ 124,124	02/28/2023
Fairway Independent Mortgage Company	2,527	0.94%	\$ 26.00	\$ 65,702	02/28/2023
Kramer Public Accounting	2,157	0.80%	\$ 26.75	\$ 57,700	08/31/2023
Zia Trust, Inc	1,906	0.71%	\$ 27.25	\$ 51,939	08/31/2025
CDM Smith Inc	8,379	3.12%	\$ 25.50	\$ 213,665	09/30/2022
RGN-Phoenix VI, LLC	21,285	7.93%	\$ 26.50	\$ 564,053	08/31/2024
Civil & Environmental Consultants, Inc	1,486	0.55%	\$ 29.18	\$ 43,362	07/31/2024
Civil & Environmental Consultants, Inc	2,263	0.84%	\$ 34.48	\$ 78,034	07/31/2024
Civil & Environmental Consultants, Inc	4,769	1.78%	\$ 29.18	\$ 139,159	07/31/2024
Black Diamond Networks, INC	3,031	1.13%	\$ 27.00	\$ 81,837	10/31/2023
Black Diamond Networks, Inc	2,208	0.82%	\$ 27.00	\$ 59,616	10/31/2023
Partners Managing General Underwriters, L	9,771	3.64%	\$ 24.50	\$ 239,390	01/31/2024
Atlantic Specialty Insurance Company	1,968	0.73%	\$ 26.75	\$ 52,644	10/31/2024
All Risks, LTD	2,043	0.76%	\$ 29.18	\$ 59,615	05/31/2024
All Risks, Ltd	8,829	3.29%	\$ 29.18	\$ 257,630	05/31/2024
WILLJH, LLC	1,183	0.44%	\$ 27.00	\$ 31,941	12/31/2024
Lynn Hoyland, and Cora Bruno, LCSW, LL	841	0.31%	\$ 27.50	\$ 23,127	02/28/2022
Carefree Partners, LLC	1,450	0.54%	\$ 26.75	\$ 38,787	10/31/2022
The Lincoln National Life Insurance Co	5,551	2.07%	\$ 26.50	\$ 147,102	12/31/2022
Lin and Associates, Inc	6,091	2.27%	\$ 26.50	\$ 161,411	02/28/2026
Lin and Associates	2,667	0.99%	\$ 26.50	\$ 70,676	02/28/2026

RRM-CLM Services, LLC	649	0.24%	\$ 26.75	\$ 17,361	01/31/2023
Lin & Associates, INC	3,228	1.20%	\$ 26.50	\$ 85,542	02/28/2026
Paradise Conference Room	392	0.15%	\$ 25.00	\$ 9,800	
Tenant Lounge	945	0.35%	\$ 25.00	\$ 23,625	
Yoga Fitness Studio	1,966	0.73%	\$ 25.00	\$ 49,150	
Property Management Office	856	0.32%	\$ 25.00	\$ 21,400	
Lisa Kurtz Keylon, PLC Lisa Kurtz Keylon,	636	0.24%	\$ 26.50	\$ 16,854	10/31/2023
Centre Point Real Estate, LLC	817	0.30%	\$ 27.00	\$ 22,059	02/28/2022
Martin and Deanna LaPrade	516	0.19%	\$ 27.50	\$ 14,190	04/30/2024
OLD WORLD COMMUNITIES, LLC	1,024	0.38%	\$ 26.52	\$ 27,156	10/31/2023
Tatum Conference Room	2,157	0.80%	\$ 25.00	\$ 53,925	
WELSH LAW GROUP, PLC	1,730	0.64%	\$ 27.50	\$ 47,575	01/31/2026
Blue Spire, Inc	2,130	0.79%	\$ 26.75	\$ 56,978	07/31/2023
PPH Franchise Holdings, LLC	582	0.22%	\$ 27.25	\$ 15,860	08/31/2024
Sprint/United Management Co	239	0.09%	\$ 17.51	\$ 4,185	07/31/2022
McCabe O'Donnell, P.A.	1,397	0.52%	\$ 29.00	\$ 40,513	02/28/2022
ORCHARD MEDICAL CONSULTING, LLC	1,939	0.72%	\$ 26.50	\$ 51,383	01/31/2024
Building Engineers Office	1,527	0.57%	\$ -		
Sprint United Management Co	7,494	2.79%	\$ 25.50	\$ 191,097	07/31/2022
Rincon Partners, LLC	1,254	0.47%	\$ 27.25	\$ 34,172	11/30/2022
Rincon Partners	2,379	0.89%	\$ 27.25	\$ 64,828	11/30/2022
Streets of New York	2,760	1.03%	\$ 27.00	\$ 74,520	10/31/2022
Ameritas Life Insurance Corp.	2,033	0.76%	\$ 26.00	\$ 52,858	12/31/2021
Geosyntec Consultants, Inc.	3,258	1.21%	\$ 27.00	\$ 87,966	07/31/2023
Verizon Wireless	1,148	0.43%	\$ 45.28	\$ 51,978	11/30/2024
Arizona Small Business Association	1,723	0.64%	\$ 23.00	\$ 39,629	02/28/2025
Lisa Wheeler, CPA	1,111	0.41%	\$ 27.00	\$ 29,997	05/31/2023
Total	208,678			\$ 5,445,653	

There are no Covid-19 related rental reductions which are anticipated to be in effect as of the closing date. The current arrears in rent, as of January 31, 2022, is approximately \$38,514.19. \$12,238.89 of such arrears are owed by Avalon Staffing, LLC. It should be noted that \$12,995.10 of the total arrears amount are for rent past due within the last 30 days and the current managing agent expects to collect such arrears.

Lease Rollovers

The following is a listing of the square footage of leased space that expires during calendar years 2022-2026:

<u>Calendar Year</u>	<u>Square Footage that Expires During the Calendar Year</u>	<u>% of Total Rentable SF</u>
2022	42,571	15.86%
2023	34,732	12.93%
2024	79,307	29.54%
2025	14,068	5.24%
2026	15,965	5.94%

Of the 17 tenants whose leases expire in 2022, two of them, Sprint/United Management Co (7,494 sf) and CDM Smith (8,379 sf) are the ones with the largest square footage. CDM Smith has notified the current owner that they are looking to downsize and have agreed to the following terms for their new lease

Term	5 Years and 5 Months
Suite	2500
Leased Space	5,198 Sqft
Rent Abatement	5 months
Rental Rate	\$28.50/SF with \$0.50 annual escalations

Estimated Sources and Uses for the Invested Capital and the Acquisition and Draw Loan

The following is the projected sources and uses for the capitalization of the acquisition of the Property.

SOURCES	
Invested Capital	<u>\$16,710,000</u>
Acquisition Loan	<u>\$29,000,000</u>
Draw Loan	<u>\$9,000,000</u>
Total	<u>\$54,710,000</u>

USES	
Purchase Price	\$ 43,000,000
Acquisition Fee	\$ 860,000
Mortgage Costs[1]	\$ 437,500
Title and Survey Costs[2]	\$ 15,000
Due Diligence Costs[3]	\$ 38,620
Legal Fees (including lender legal)	\$ 100,000
Commissions	\$ 1,237,778
Tenant Improvement and Leasing Commissions for years 1-3	\$ 5,162,087
Capital Improvements for years 1-3	\$ 3,837,913
Miscellaneous Costs[4]	\$ 21,102
TOTAL PROJECT COSTS	\$ 54,710,000

[1] Mortgages costs consists of the estimated commitment and/or application fees, the cost of an appraisal and mortgage brokerage fee payable to Time Equities Inc. in the estimated amount of \$237,500.

[2] Title and Survey consists of the cost of the title search, title insurance premiums, survey cost and recording fees.

[3] Due diligence costs includes costs for the property condition report, environmental assessment, travel costs, interest on the loan, at 5% per annum, to fund the deposits under the purchase and sale agreement and other due diligence costs paid prior to the closing.

[4] Miscellaneous costs includes the cost for a due diligence report.

Capital Expense Budget Uses

Capital improvements that may be undertaken for building upgrades in the first year of operations are anticipated to consist of the following:

- Renovation of the atrium, lobby, and gym/yoga room;
- Upgrades to the lighting and hallways/corridors;
- Modernization of the bathrooms;
- Replacement of the roof;
- Repair and maintenance of heat pumps; and
- Implementation of a new building management system.

Since plans and specifications have not yet been completed and the work has not been bid out, the actual construction costs for such planned repairs/improvements may be higher or lower than projected.

Acquisition and Bridge Loans

Paradise TIC has received a loan at Closing from City National Bank (the “**Lender**”) for an acquisition loan of \$29,000,000 and a Draw Loan of up to \$9,000,000. The Acquisition Loan was funded by the Lender at the closing and the Draw Loan will be funded after the closing in multi-advances for capital improvements and leasing costs (consisting of tenant improvements and leasing commissions), based on a budget approved by the Lender. The Draw Loan is also referred to as a “**Bridge Loan**”. The terms of such Acquisition and Draw Loans, consist of the following:

Amount of Acquisition Loan	\$29,000,000
-----------------------------------	--------------

Draw Loan	\$9,000,000
------------------	-------------

Total Loan Amount For both Loans:	38,000,000;
--	-------------

Draw Loan Funding Requirements:	
--	--

Prior to funding:

- | | |
|----|--|
| a. | The Borrower must have a lender approved plan and budget for capital expenditures, tenant improvements and leasing commissions; and |
| b. | Borrower’s equity must fund sufficient capital expenditures, tenant improvements and/or leasing commissions to leave no more than \$9,000,000 in such approved budgeted costs to be completed. |

Interest Rate:	
-----------------------	--

	Based on daily SOFR and margin of 2.15%. The margin is reduced to 1.85% upon Borrower
--	---

satisfying the extension/stabilization qualifications for DSCR and occupancy. The Financial Forecast estimates the interest rate for both loans at 4.00% per annum for the entire 3-year term.

Monthly Debt Service Payments: Interest Only

Term for both Loans: 3 years

Extension Option Two 12 month extensions.
The Financial Forecast estimates that such extensions will not be exercised since it estimates a refinancing upon the initial maturity date of the loans.

Upfront Loan and Extension Fees Upfront Fee of 0.5% of the commitment amount or

Payable to Lender: \$190,000.
Extension Fee of 0.25% of commitment amount or \$90,000.

Collateral: A first mortgage to secure both loans.

Prepayment: There is no prepayment penalty for any prepayment of the Loan.

Guarantees and Environmental Indemnification: Francis J. Greenburger (one of the Managers) shall provide the following:

- a. Guaranty of all scheduled principal and interest payments until payment in full of the Loans or until such time as Property is eligible for the burn off of such Guaranty. Such Guaranty shall be limited to the extent the outstanding loan balances of both loans exceed 50% of the as is appraised value.
 - (i) Such Guaranty shall burn off fully if the Borrower satisfies the stabilization criteria for DSCR and occupancy levels are achieved, as determined by the Lender.
- b. Non-Recourse Carve Out Guaranty indemnifying the Lender from any loss

incurred as a result of, among other things, any fraud, misrepresentation, misapplication of insurance proceeds, intentional waste or abandonment of the Property, or violations alleging noncompliance with the Americans with Disabilities Act; and

c. Environmental Indemnity Agreement.

1st Extension Requirements:

To be eligible for the first 12-month extension:

(i) Debt Yield (“**DY**”) must be 8.75%, based on the full commitment amount of \$38,000,000. Borrower may repay or post additional collateral in the form of cash or a letter of credit in an amount equivalent to provide the principal repayment necessary to achieve the above required debt yield. Such additional collateral may be released if required DY is subsequently achieved.

2nd Extension Requirements:

To be eligible for second 12-month extension:

- a. The DSCR must be 1.35X, based on interest and principal payments on 25-year amortization schedule and using an interest rate equal to 6.5% or the actual rate, whichever is higher.
- b. In place, third-party occupancy must exceed 80% of rentable square feet at the Property.

Assumability:

The Loan is not assumable.

Guarantor’s Required Financial Covenants:

- a. Minimum liquid assets of \$35 million to be maintained at all times in cash or unpledged marketable securities.
- b. Minimum net worth of \$500 million.
- c. Contingent liability limits per Lender’s parameters

Depository Relationship with the Lender: Borrower to maintain the operating account for the Property with the Lender.

Financial Forecast

Attached hereto as **Exhibit 1** is the ten (10) year Financial Forecast for the Property. The Financial Forecast contains projections for a ten (10) year period. There can be no assurance the Property will perform at the levels assumed in the Projections. It is likely that actual results will vary from the amount shown in the projections.

Under the Financial Forecast, the following is the estimated return on the amount of the Invested Capital, without regard to the profit participation payable to the Managers.

PROJECTED RETURNS AT THE PROPERTY LEVEL

The following are the projected property level returns on Invested Capital on a leveraged basis:

Returns on Invested Capital	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
	8.96%	10.03%	12.41%	8.87%	8.89%	11.85%	11.45%	8.62%	7.85%	14.86%

The Financial Forecast for the Property projects an average annual levered return over 10 years from net cash flow at 10.38%.

The above projected returns are at the Property level and do not reflect the distribution formula for cash available for distribution in the Operating Agreement for the Fund.

PLEASE NOTE THAT THE PERCENTAGE RETURNS SET FORTH IN THIS FINANCIAL FORECAST ILLUSTRATES THE RETURNS INVESTORS WOULD RECEIVE BASED ON THE RESULTS OF THE PROPERTY WITHOUT TAKING INTO CONSIDERATION THE CUMULATIVE RESULTS OF ALL OF THE PROPERTIES OWNED BY THE FUND. THE ACTUAL CUMULATIVE RESULTS WILL VARY AND COULD BE SIGNIFICANTLY LESS THAN THE RETURNS SET FORTH IN THIS FINANCIAL FORECAST.

Such projections do not include a hypothetical sale of the Property at the end of the ten (10) year forecast period.

The Financial Forecasts are provided only for the purpose of illustrating how the Property might perform provided all of the assumptions are realized. There is no assurance that the assumptions utilized in the Financial Forecasts are accurate and it is highly likely that the actual results will vary greatly (better or worse) from the projections.

THERE IS NO GUARANTEE THAT THIS INVESTMENT WILL GENERATE THE ABOVE RETURNS OR RESULT IN THE PROJECTED RETURN ON THE INVESTED CAPITAL. DUE TO THE LASTING IMPACT OF COVID, OFFICE DEMAND COULD BE GREATLY REDUCED AND PROJECTED RETURNS COULD BE NEGATIVELY IMPACTED CAUSING A LOSS OF INVESTED CAPITAL.

Year 4 Projected Mortgage Refinancing

The Financial Forecast includes a projected refinancing in the beginning of the 4th year of operation and assumes that the loan proceeds will be used to pay off the Acquisition and Bridge Loans in the projected aggregate amount of \$38,000,000. After the closing of such refinancing, Invested Capital is projected to be reduced to **\$10,804,306**. Below is a schedule of the estimated Invested Capital in the **Paradise TIC** over the 10-year Financial Forecast.

Year	Invested Capital	Return of Invested Capital	Total Invested Capital
Years 1 – 3	\$16,710,000	\$0	\$16,710,000
Year 4-10	\$16,710,000	\$5,905,694	\$10,804,306

The projected terms of such refinancing, beginning of the 4th year of operations, are as follows.

Loan Amount:	\$44,349,186
Loan to Value Ratio:	65%
Debt Service Coverage Ratio:	1.89x
Interest Rate:	4.25% per annum
Monthly Payments:	Principal and interest based on 30-year amortization schedule
Term:	10 Years
Closing Costs:	\$443,492
Existing Loan Payoffs:	\$38,000,000
Net Loan Proceeds:	\$5,905,694
Use of Loan Proceeds:	Loan proceeds are projected to be used to pay off the principal balances of the Acquisition and Bridge Loans in the projected amount of \$38,000,000 and refinancing costs. The remainder of loan proceeds are projected to reduce Invested Capital from \$16,710,000 to \$10,804,306 .

No Guaranty as to the Mortgage Financings

There is no guaranty as to the ability of the **Paradise TIC** to obtain the mortgage loans as projected in the Financial Forecast. Any change in the loan amount and/or terms of any such loan could have a material impact on the distributions to be made to Investors, either positively or negatively.

Projected Reductions in Invested Capital

The total Invested Capital of \$16,710,000 is estimated to be reduced to \$10,804,306 from the proceeds of projected mortgage refinancing in the beginning of the 4th year of operations. There is no guaranty as to whether or not the **Paradise TIC** will be able to obtain sufficient loan proceeds to produce such projected reductions in Invested Capital.

Projected Increases in Occupancy Levels

In the Financial Forecast, the average annual physical occupancy rates are projected below.

Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
69.22%	74.81%	82.94%	90.33%	89.22%	89.75%	89.62%	87.57%	86.92%	89.45%

There is no guaranty as to the ability to obtain such increased occupancy levels as stated above.

Additional Reserves for Capital Improvements, Tenant Improvements and Leasing Commissions

Tenant improvements and leasing costs are projected to be funded from advances under the Bridge Loan in the total amount of \$5,162,087 during the first 3 years of operations. Additionally, the Financial Forecast estimates advances under the Bridge Loan, in the total amount of \$1,337,913, will be used for capital improvements in the first year of operations.

The Financial Forecast also includes an annual capital reserve of \$86,406 (\$0.32 PSF) in years 1 to 10. In addition, the Financial Forecast projects aggregate reserves for tenant improvements in years 4-10 at \$844,144 (\$3.14 PSF) and aggregate reserves for leasing commissions at \$437,145 (\$1.63) in years 4-10. All of such reserves are projected to be funded from the operating income of the Property.

Working Capital

The Financial Forecast does not include any working capital as a result of capital improvements and leasing costs for first three years of operating being projected to be totally funded under the Bridge Loan.

Management and Leasing of the Property

The Property will be managed by Lincoln Property Company at market rate fee, currently under negotiations. Time Equities, Inc. will be the asset manager for a fee equal to 1.5% of total revenue collections.

The leasing agent for the Property has not yet been selected.

Property Condition Report

A Property Condition Report was prepared by EBI for the Property in February of 2022. The purpose of the report was to understand the current condition of the Property and to budget required repairs and improvements that may have to be completed over the next 10 years. The budget for the Property is divided into the estimated of immediate, short term, and the remaining repairs and improvements that may have to be completed over the ten (10) year period. The following is a chart in which EBI aggregated the estimated costs and projected time periods for completion:

<i>Description</i>	<i>Immediate Repairs</i>	<i>Short Term Repairs</i>	<i>Year 1</i>	<i>Year 2</i>	<i>Year 3</i>	<i>Year 4</i>	<i>Year 5</i>	<i>Year 6</i>	<i>Year 7</i>	<i>Year 8</i>	<i>Year 9</i>	<i>Year 10</i>	<i>Grand Total</i>
Site Conditions	-	55,262	-	816,000	274,000	10,000	61,672	55,666	55,666	55,667	55,667	61,672	1,501,272
Structure	-	-	-	-	-	-	-	-	-	-	-	-	-
Building Envelope	3,495	592,850	-	73,238	213	97,008	213	213	213	213	213	213	768,082
Building Interiors	-	-	-	-	-	-	-	-	-	-	-	-	-
Accessibility	-	1,000	-	-	-	-	-	-	-	-	-	-	1,000
Building Systems	103,684	952,258	-	7,249	15,537	251,479	84,130	10,991	19,426	19,426	8,288	76,125	1,548,592
Natural Hazards	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL	107,179	1,601,370	-	896,487	289,750	358,487	146,015	66,870	75,305	75,306	64,168	138,010	3,818,947

The total amount projected by EBI over the next ten (10) years is \$3,818,947 on an uninflated basis.

Since plans and specifications have not yet been completed and the work has not been bid out, the actual construction costs for such planned repairs/improvements may be higher or lower than projected in the Property Condition Report. Also, certain work that is not planned for completion in the immediate or medium terms, may, in fact, be required to be completed sooner than projected.

The Financial Forecast includes \$1,337,913 for capital expenditures to be spent in the first year of operation. This amount is projected to be funded from the Bridge Loan.

The Financial Forecast also includes an annual reserve for capital improvements for years 1-10 in the amount of **\$86,406** for a total of **\$864,062**. Such annual reserve will be funded from operating income.

The total estimated amount to be funded for capital improvements in the Financial Forecast, over the next ten (10) years, is **\$4,701,975** from the following funding sources:

• Bridge Loan (Year 1-3)	\$ 3,837,913
• Operating Income (Years 1-10)	\$ 864,062
TOTAL	\$ 4,701,975

Environmental Condition

A Phase 1 ESA was prepared by EBI for the Property in January 2022. In the Phase 1, EBI concluded that there is no evidence of recognized environmental conditions (RECs), historical recognized environmental conditions (HRECs), and/or controlled recognized environmental conditions (CRECs) for the Property.

EBI conducted a limited visual screening survey for the presence of asbestos-containing materials (**ACM**) at the Property. EBI identified suspect ACM in the form of acoustical ceiling tiles and structural spray-on fireproofing and non-friable suspect ACM in the vinyl floor tiles and associated mastic, ceramic floor tile systems, terrazzo, carpeting mastic, various other construction mastics and caulking and roofing materials. Based on the observed condition of such suspect ACM, EBI stated these materials do not currently pose a significant environmental threat to the occupants of the Property. EBI indicated that suspect ACM do not present a problem when maintained in good condition. However, EBI concluded that additional sampling, removal, and disposal arrangement may be necessary should building construction or renovation activities be conducted which would affect such suspect ACM. The **Paradise TIC** will prepare an O&M plan to manage and maintain in good condition such suspect ACM in the Building.

Documents Available

Statements made in the Private Investment Memorandum as to the contents of any contract or other document referred to are not necessarily complete, each such statement being qualified in all respects by such reference. Documents described or referred to in this Private Investment Memorandum or those relating to the Property are available for inspection by a prospective investor or his or her representative in the offices of the Managers and/or the representatives of Time Equities, Inc., 55 Fifth Avenue, 15th Floor, New York, New York 10003. Such documents include, but are not limited to, the Purchase and Sale Agreement, the organizational documents for the tenant in common purchasers, the existing leases, property condition report, environmental site assessment, loan documents, when available, for the Acquisition and Bridge Loans, title report and survey for the Property. Prospective investors or their representatives desiring to examine any and all of these documents should contact the Managers.

SOME RISK FACTORS TO BE CONSIDERED

This involves certain risks and is suitable only for persons of substantial financial means who have no need for liquidity in such investment and who are able to afford the risk of the investment. Reference in this special Risk Section to the terms: (i) “**Company**” or “**Co-Owner**” shall mean the Company or Co-Owner in which an Investor will become a Member or the sole Member as to those Investors who want to use their investment to undertake a 1031 or 1033 like kind exchange; (ii) “**Member**” or “**Members**” shall mean the Member(s) in a Company or Co-Owner; (iii) “**Membership Interests**” shall mean the Membership Interests to be acquired by an Investor in a Co-Owner, which may include a sole membership interest for those Investors looking to use the Property to complete a 1031 or 1033 like kind exchange; (iv) “**Rollup Entity**” shall mean the limited liability company to which the **Paradise TIC** is ultimately Rollup into as the owner of the Property; and (v) any reference to the **Paradise TIC** or the Company shall mean the Rollup Entity

after the roll up of the **Paradise TIC** into the Rollup Entity. Prospective Investors should carefully consider the following additional risk factors:

- 1) **Variances from the Financial Forecast.** The Financial Forecast presents the Managers' estimate of the expected operating results of the Property for the 10 year forecast periods. The Financial Forecast is based upon assumptions as to future events and conditions which the Managers believes to be reasonable but which are inherently uncertain and unpredictable. The assumptions may prove to be incomplete or incorrect and unanticipated events and circumstances may occur. Because of these uncertainties and the other risks outlined in this Memorandum, the actual results of the Property can be expected to be different than those projected and the differences may be material and adverse. Potential Investors should consider the projections in light of the underlying assumptions to reach their own conclusions as to the reasonableness of those assumptions and to evaluate the projections on the basis of that analysis. Neither the Managers, the Co-Owners, nor their attorneys or accountants make any representation or warranty as to the accuracy or completeness of the projections in the Financial Forecast or their underlying assumptions. **DUE TO THE LASTING IMPACT OF COVID-19, OFFICE DEMAND COULD BE GREATLY REDUCED AND PROJECTED RETURNS COULD BE NEGATIVELY IMPACTED CAUSING A LOSS OF INVESTED CAPITAL.**
- 2) **Projected Cash Flow.** Any projected cash flow or forward-looking statements included in this Private Investment Memorandum and all other materials or documents supplied by the Managers should be considered speculative and are qualified in their entirety by the assumptions, information and risks disclosed in this Memorandum. The assumptions and facts upon which such projections are based are subject to variations that may arise as future events actually occur. The anticipated cash flows and returns described herein are based upon assumptions made by the Managers regarding future events. There is no assurance that actual events will correspond with these assumptions. This Memorandum contains forward-looking statements that involve risks and uncertainties. The Property's actual results may differ significantly from the results anticipated or discussed in the forward-looking statements. Prospective Investors are advised to consult with their tax, financial and business advisors concerning the validity and reasonableness of any assumptions. Neither the Managers, the Co-Owners nor any other person or entity makes any representation or warranty as to the future profitability of the **Paradise TIC**.
- 3) **Mortgage Risk.** The Financial Forecast includes an Acquisition and Bridge Loans in the estimated aggregate amount of \$38,000,000. Such loans are projected to each have a term of three (3) years. The Financial Forecast estimates the interest rate for the entire term of such Loans at 4.00% per annum. The actual rate has not yet been fixed and may be higher or lower than this estimated interest rate. Both of these loans are anticipated to be interest only for the entire 3-year term.

The Financial Forecast also includes a refinancing in the beginning of the 4th year of operations.

The projected interest rate is for this mortgage loan is 4.25%. The amortization schedule for this mortgage loan is projected to be thirty years and annual debt payments are estimated to be \$2,618,056. Loan proceeds from such refinancing are projected to be used to pay off the Acquisition and Bridge Loans in the aggregate amount of \$38,000,000 and to reduce Invested Capital to \$10,804,306. There is no guaranty as to the amount and terms of such financings and/or the ability to reduce Invested Capital, as projected from such projected financing in the beginning of the 4th year of operations. Any change in the loan amounts, interest rate, and/or actual payment terms from those used in the Financial Forecast will have an effect on the net cash flow, after debt service, either positively or negatively.

- 4) **Risk as to Capital Improvements and Repairs** Based on the Property Condition Report prepared by EBI for the Property, it is projected that \$3,818,947 will be utilized to complete repairs/capital improvements for the Property over the 10-year forecast period. The total estimated amount to be funded for capital improvements in the Financial Forecast, over the next ten (10) years, is **\$4,701,975**, of which \$3,837,913 is estimated to be funded from loan proceeds under the Bridge Loan and the remainder from operating income. There is no guaranty as to the adequacy of the Bridge Loan and/or operating income to cover required capital improvements over the ten (10) years forecast period.
- 5) **Risk as to Occupancy Levels.** The Managers and the managing agent will strive to increase the current occupancy level for the Property, as set forth in the Financial Forecast. In the Financial Forecast it was assumed that the average economic occupancy level, during the 10 year forecast period, will be 84.98%. During the first three years of operation, the occupancy level is projected to be increased from approximately 69% to 90% as of the end of the third year of operations. There is no guaranty as to the actual and/or economic occupancy levels that can be achieved for the Property. Lower occupancy levels could cause the net cash flow to drop and this could reduce distributions paid to Investors. **DUE TO THE LASTING IMPACT OF COVID-19, OFFICE DEMAND COULD BE GREATLY REDUCED AND PROJECTED RETURNS COULD BE NEGATIVELY IMPACTED CAUSING A LOSS OF INVESTED CAPITAL.**
- 6) **Leasing Risks.** There are many leasing risks to consider in operating the Property which could adversely affect the performance of the Property. Some of these leasing risks, include but are not limited to, tenants may not renew their leases as anticipated, tenants may experience economic difficulties, which may necessitate a reduction or deferral in rent or a reduction of their space to retain any such tenant, a tenant may file for bankruptcy and reject their lease, it may take long to release space or to lease vacant space than projected and the **Paradise TIC** may have to give more tenant concessions to attract or retain tenants than estimated, including those for free rent periods and tenant allowances for improvements. All of these leasing risks could ultimately affect the cash available for distribution to Investors. In addition, due to lasting impacts of COVID demand for office space in the future could be greatly reduced. In such case it may be impossible to maintain or grow occupancy rates and returns to Investors would be much lower than set forth in the Financial Forecast.

- 7) **COVID Risk.** The COVID 19 Pandemic or any variant (collectively “Covid”) may have a serious negative impact on the demand for office space long after it is over. It is uncertain at this time, as to what extent people will continue to work from home. Companies have learned to adopt to a home workforce. It is unclear as to what will be the future combination, that companies will evolve to in terms of working from home and being in the office or to what extent companies will look to downsize their office space needs. Alternatively, COVID could create more demand for suburban office space as people desire to move away from the City. In the process of working from home, companies and their employees continue to recognize the benefits of everyone working in one location, in terms of obtaining better employee communications, promoting more efficient and productive employees and creating a more cohesive company culture and environment. Companies may, to some extent, move away from everyone working in open areas with close proximity to their fellow workers to a more spread out working environment within their office space.

The employees for the tenants at the Property have resumed utilization (although not at full capacity) of their respective leased spaces. Upon closing, it is anticipated that there will not be any rent reductions and/or deferrals in effect for any of the existing tenants due to COVID. The current arrears in rent, as of January 31, 2022 is approximately \$38,514.19

Under the Financial Forecast, it is assumed that occupancy levels will be increased to 90.33% by the fourth year of operations. The achievement of such occupancy levels become more uncertain when it is unclear at this time, as to how the office market will evolve and change once the COVID Pandemic subsides or has been contained, without restrictions.

To the extent the COVID persists and continues and/or another Pandemic or variant of Covid occurs, this could adversely impact the lease up of the Property and/or the ability to retain existing tenants. This could require further increases in free rent periods, additional tenant improvements or allowances, rent reductions or deferrals, all beyond those contained in the Financial Forecast and/or could adversely affect rent collections.

It is difficult to predict the likely impact of COVID on the economic conditions and the operation of the Property. As a result, there can be no assurance that the Property will achieve anticipated cash flow levels. Right now while the COVID Pandemic still exists, it is almost impossible to accurately predict the long-term economic impact that it will have on the Property.

- 8) **Difficulty Attracting New Tenants.** There can be no assurance that the Company will be able to increase and maintain the occupancy level as projected in the Financial Forecast. In addition, it may be necessary to make substantial concessions, in terms of rent and lease incentives, and to construct tenant improvements to attract new tenants at the Property. If these expenditures and concessions are necessary to maintain or achieve lease-up at the Property and such expenditures exceed projections and/or the amount of reserves for the Property, (including loan proceeds to the extent funded pursuant to loan for the Property)

then, this could affect the distributions to be made to the Investors. In addition, due to lasting impacts of COVID, demand for office space in the future could be greatly reduced. In such case it may be impossible to attract new tenants and returns to investors would be much lower than set forth in the Financial Forecast.

- 9) **Risks of Competition.** The Property will be operating in a competitive market. In the event that any of the tenants vacate their respective spaces on or prior to the expiration of their respective leases, the **Paradise TIC** will be competing for tenants on the basis of location, access, rental rates, size and layouts of space, improvements offered or completed by the **Paradise TIC**, amenities within leased space, the quality of the surrounding area and a variety of other factors. The success of the **Paradise TIC** will depend to a large degree upon its ability to compete with other similar industrial properties, which in turn depends upon its ability to be competitive as to the foregoing factors. The failure of the **Paradise TIC** to establish and maintain a favorable market position could have a material adverse effect on its profitability.
- 10) **Risks of Ownership.** The profitability of the Property is subject to general economic conditions, the management abilities of the managing agent, competition, desirability of the location of the Property, the structural and operating conditions of the Property, the physical appearance of the Property, and other factors. To remain competitive, continuing expenditures must be made to modernize, refurbish and maintain existing facilities. This increases the need for capital funds (whether from reserves, current cash flow or debt financing) and thereby increases the sensitivity of the investment to the cost and availability of such funds, while decreasing operating revenues to the extent that space at the Property remains vacant. The Financial Forecast includes a projected Capital Expense Budget funded by advances from the Bridge Loan to pay for capital improvements, tenant improvements and leasing commissions during the first three years of operation. There is no guaranty that such Bridge Loan advances will be adequate to cover such expenditures. In addition, inflationary pressures could increase operating expenses above expected levels, thereby decreasing profitability to the extent rents cannot be raised by corresponding amounts.
- 11) **Risk as to Economic Conditions.** Period of economic slowdown or recession, rising interest rates or declining demand for real estate, or the public perception that any of these events may occur, could result in a general decline in real estate values, which could adversely affect the operation, financial position, cash flow and/or ability to satisfy debt obligations and to make distributions to the Investors.
- 12) **Uninsured Losses.** The **Paradise TIC** will try to maintain adequate insurance coverage against liability for personal injury and property damage. However, there can be no assurance that insurance will be sufficient to cover any such liabilities. Furthermore, insurance against certain risks, such as earthquakes, floods and/or terrorism, may be unavailable or available at commercially unreasonable rates or in amounts that are less than the full market value or replacement cost of the Property. In addition, there can be no assurance that particular risks that are currently insurable will continue to be insurable on an economical basis or that current levels of coverage will continue to be available. If a

loss occurs that is partially or completely uninsured, the **Paradise TIC** may lose all or part of its investment. The **Paradise TIC** may be liable for any uninsured or underinsured personal injury, death or property damage claims. Liability in such cases may be unlimited but Investors will not be personally liable.

- 13) **Risks as to Conflicts of Interest.** There are various conflicts of interest that may occur between the Managers and/or Time Equities, Inc. (“**TEI**”) as the asset manager for the Property and the tenant in common purchasers and their respective companies and/or members comprising tenant in common purchasers. These conflicts of interest include, but are not limited to, the following:

a. Competition by the Co-Owners with the Other Entities for Management Services

The Managers and/or TEI may encounter conflicts of interest in allocating management time, services and functions between the tenant in common purchasers and various other existing and future entities that own and operate real estate, as well as other business ventures, in which they are involved. Because of their management responsibilities for other properties, TEI, as the asset manager for the Property, and the Managers, will devote only so much of its time to the Property, as in its judgment is reasonably required.

b. No Limit on Managers’ and/or TEI’s Other Activities

The Managers, TEI, and their respective Affiliates may engage in other business ventures, real estate or otherwise, and the tenant in common purchasers and the Members of companies comprising the tenant in common purchasers shall not be entitled, as of right, to participate in such other business ventures. The Managers and their Affiliates intend to form other real estate ventures in the future, some of which may have the same investment objectives as the tenant in common purchasers. Accordingly, there may be conflicts of interest on the part of the Managers and their Affiliates (including TEI) between the tenant in common purchasers and other entities and real estate investments or properties which they are involved.

c. Tax Partnership Representative

Pursuant to the operating agreement for each Co-Owner or the Rollup Entity, the Managers will be the “**partnership representative**” and as a result may make various determinations which would be binding on all of the Investors. It is possible that issues could arise on tax matters where the decision of the Managers may have a different effect or consequence on the Managers and the Investors. Because the impact of such determinations on the Managers and their Affiliates may be substantially different in circumstances from the impact on the Investors, the Managers may be subject to a conflict of interest in acting as the partnership representative.

d. Lack of Separate Representation

Certain of the attorneys, involved in the acquisition and/or financing of the Property and preparation of this Private Placement Memorandum, are also employees of TEI. This could result in a conflict of interest if there is a dispute between the Managers and an Investor and/or if decisions as to legal matters may have different consequences or effect on the Managers and the Investors.

e. Affiliation of the Managers and the Placement Agent

The Placement Agent (Time Equities Securities LLC) is owned by TEI and as a result it may be expected that the Placement Agent may face conflicts of interest in undertaking due diligence that would normally be exercised by the placement agent if it were independent of the Co-Owners and the Managers.

f. Financing and/or Sale of the Property

A conflict of interest could occur in connection with any financing for the Property where certain Members may desire that more of the net proceeds from such financing be distributed to reduce the amount of Invested Capital and the Managers may, alternatively, desire to retain more net proceeds for reserves to cover future or anticipated leasing costs, capital improvements and/or other non-budgeted operating expenses.

After the roll up of the Property, the Managers are entitled to receive a certain portion of net proceeds from the sale of the Property as will be provided in the operating agreement for Rollup Entity. A conflict of interest could arise because it may be beneficial for the Managers to sell the Property at a time when it may be in the best interest of the Investors to hold onto the Property or alternatively, because it may be beneficial for the Managers to delay a sale of the Property, when a sale would be more advantageous to the Investors. For example, the Managers might not wish to receive taxable income in a particular year for reasons unrelated to the Rollup. The Managers may have an interest in retaining, instead of selling, the Property in order to continue the distributions and any other fees payable to the Managers and/or their Affiliates. Accordingly, the Managers may be subject to various conflicts of interest with respect to the potential sale of the Property that may have different consequences or effect on the Managers and the Members of the Rollup Entity.

A conflict of interest could arise between the Members that wish to sell the Property and the Members that do not desire to sell the Property or if the Managers have a contrary desire as to the sale of the Property from those maintained by a Member. In any event, once the Property is rolled up, the decision as to whether or not to sell the Property and the terms to be accepted for any such sale of the Property shall be at the sole discretion of the Managers.

A conflict of interest also could arise if the Property is sold after the roll up of the tenant in common purchaser, where the Managers may desire to undertake a 1031 like kind exchange and invest net sale proceeds in the acquisition of a replacement Property and certain of the Members alternatively may not want to use the net proceeds from the sale of the Property to implement a 1031 like kind exchange or do not want to use such net sales proceeds for the replacement property selected by the Managers.

g. Conflicts as to Obligations under Loan Documents (including those between Guarantor and the Members of each Co-Owner constituting the tenant in common purchasers) and/or the Rollup Entity.

There may be occasions where some of the Members may wish the Managers (as a guarantor or otherwise) to take certain actions that might be in the best interests of the tenant in common purchasers but that might expose a Manager to personal liability as a result of the actions that might be taken. As an example, the Members might desire that the tenant in common purchasers violate a condition of a loan agreement that would be advantageous to the tenant in common purchasers but would result in a Manager, as guarantor under the terms of the loan documents, to be personally liable for some or all of the obligations of the tenant in common purchasers. Due to the fact that such actions, while potentially favorable to the Members or the tenant in common purchasers, might be personally detrimental to a Manager, the following provisions shall be included in the operating agreement for each company comprising the tenant in common purchasers and/or the Rollup Entity and pertain to any actions that might be taken in connection with the ownership and operation of the Property by the tenant in common purchasers or the Rollup Entity and the administration of the loans and/or other obligations of the tenant in common purchasers or the Rollup Entity.

- (i) The Managers and/or any guarantor of any loans shall not be obligated to take any action which would result in a Manager or guarantor becoming personally liable for any liabilities of the tenant in common purchasers' or the Rollup Entity arising under any loan documents, notwithstanding that the failure to take any such action might result in the total or partial loss of the tenant in common purchasers' or the Rollup Entity's interest in some or all of its assets; or
- (ii) The Managers and/or any guarantor of any such loans may take any action which would result in any such guarantor avoiding becoming personally liable for any liabilities of the tenant in common purchasers or the Rollup Entity arising under any such loan documents, notwithstanding that the taking of any such action might result in the total or partial loss of the tenant in common purchasers' or Rollup Entity's interest in some or all of its assets. Such actions may include transferring the Property to a lender in lieu of foreclosure.

h. Resolutions of Conflicts of Interest

The Managers have not developed, and do not expect to develop, any formal process for resolving conflicts of interest. However, the Managers are required to exercise good faith and integrity in handling the affairs of the tenant in common purchasers or the Rollup Entity, which duty will govern their actions in all such matters. While the foregoing conflicts of interest could materially and adversely affect the tenant in common purchasers or the Rollup Entity, except as otherwise provided in this special risk as to conflicts of interest, the Managers in their sole judgment and discretion, will attempt to mitigate such potential adversity by the exercise of its business judgment in an attempt to fulfill their fiduciary obligations. There can be no assurance that any such attempt will prevent the adverse consequences that may result from the numerous conflicts of interest.

- 14) **Environmental Liabilities Are Possible and Can Be Costly.** Federal law imposes liability on a landowner for the presence on a property of improperly disposed or released hazardous substances and wastes. This liability is without regard to fault for or knowledge of the presence or release of such substances and may be imposed jointly and severally upon all succeeding landowners from the date of the first improper disposal or release. Neither the Co-Owners, nor the Managers can guaranty that hazardous substances and/or wastes will not be discovered on the Property during the tenant in common purchasers' or the Rollup Entity's ownership or after sale to a third party. If such hazardous substances or wastes are discovered on the Property, the tenant in common purchasers may be required to remove those hazardous substances and clean up the Property, and the tenant in common purchasers, may incur full recourse liability for the entire cost of any such removal and cleanup. The tenant in common purchasers cannot guaranty that the cost of any such removal and cleanup would not exceed the value of the Property or that the tenant in common purchasers could recoup any such costs from a third party. The tenant in common purchasers or the Rollup Entity may also be liable to tenants and other users of the Property and to owners, tenants or users of neighboring properties, and it may find it difficult or impossible to sell the Property prior to the completion of such remediation or clean up. Obtaining financing for any such Property prior to the completion of such clean-up or remediation may be more difficult or costly. Without undertaking any further due diligence and except as otherwise disclosed in this Memorandum (including the existence of potential asbestos containing materials) and/or environmental reports, the Managers are not aware of and have not received any written notice from any governmental authority pertaining to any required cleanup or remediation of hazardous substances and wastes at the Property, but there is no guaranty of such result. The Financial Forecasts for the Property does not contain any expenses for any such environmental cleanup of hazardous substances and wastes. To the extent this would be required, such additional costs could affect or reduce distributions to Investors.
- 15) **Toxic Mold.** Litigation and concern about indoor exposure to certain types of toxic molds has been increasing as the public becomes aware that exposure to mold can cause a variety of health effects and symptoms, including allergic reactions. Toxic molds can be found

almost anywhere; they can grow on virtually any organic substance, as long as moisture and oxygen are present. There are molds that can grow on wood, paper, carpet, foods, and insulation. When excessive moisture accumulates in buildings or on building materials, mold growth will often occur, particularly if the moisture problem remains undiscovered or unaddressed. It is impossible to eliminate all mold and mold spores in the indoor environment. The difficulty in discovering indoor toxic-mold growth could lead to an increased risk of lawsuits by affected persons, and the risk that the cost to remediate toxic mold will exceed the value of the property. Because of attempts to exclude damage caused by toxic mold growth from certain liability provisions in insurance policies, there is no guarantee that insurance coverage for toxic mold will be available now or in the future.

- 16) **Compliance with the Americans with Disabilities Act.** Under the Americans with Disabilities Act of 1990 (the “ADA”), public accommodations must meet certain federal requirements related to access and use by disabled persons. Facilities initially occupied after January 26, 1992 must comply with the ADA. When a building is being renovated, the area renovated, and the path of travel accessing the renovated area, must comply with the ADA. Further, owners of buildings occupied prior to January 26, 1992 must expend *reasonable* sums, and must make *reasonable efforts*, to make practicable or readily achievable modifications to remove barriers, unless the modification would create an undue burden. This means that so long as owners are financially able, they have an ongoing duty to make their property accessible. The definitions of “**reasonable**”, “**reasonable efforts**”, “**practicable**” or “**readily achievable**” are site-dependent and vary based on the owner’s financial status. The ADA requirements could require removal of access barriers at significant cost, and could result in the imposition of fines by the federal government or an award of damages to private litigants. Attorneys’ fees may be awarded to a plaintiff claiming ADA violations. State and federal laws in this area are constantly evolving, and could evolve to place a greater cost or burden on the tenant in common purchasers or the Rollup Entity. While the Managers will attempt to obtain information with respect to compliance with the ADA, there can be no assurance that ADA violations do not or will not exist at the Property. If other violations do exist, there can be no assurance that there will be funds to pay for any necessary repairs.

THE ABOVE POTENTIAL RISKS ARE NOT INTENDED TO BE AN EXHAUSTIVE LIST OF POTENTIAL AREAS OF RISK AND MEMBERS OF THE FUND ARE URGED TO CONSIDER SUCH RISKS ALONG WITH THOSE CONTAINED IN THE MEMORANDUM

PURCHASE ANALYSIS				
	Purchase Price		\$ 43,000,000	\$160.14 S/F
2.00%	Acquisition Fee		\$ 860,000	
	Mortgage Brokerage		\$ 437,500	
	Closing Costs		\$ 174,722	
	TVLC Years 1-4		\$ 5,162,087	\$19.22 S/F
	CapEx Years 1-4		\$ 3,837,913	
	Equity Fee		\$ 1,237,778	
Total Project Costs			\$ 54,710,000	\$203.75 S/F

MARKET LEASING ASSUMPTIONS				
	Office			
Renewal Prob	75.00%			
Market Rent	\$28.50/SF or \$31.00/SF			
Months Vacant	9 Months			
Tenant Improvements	\$30/SF and 10/SF			
Leasing Commissions	7.5% and 5%			
Rent Abatements	3 - 5 Months			
Reimbursements	Base Year Stop			
Term Length	3 and 5 (Free rent outside of Term)			

DEBT ASSUMPTIONS		
	<u>Short-Term Debt</u>	
Loan Amount	38,000,000	70% LTC
Rate	4.00%	
Amort	VO	
Debt Service	1,520,000	
	<u>Refi Debt</u>	
Loan Amount	44,349,186	
Rate	4.25%	5.90% Constant
Amort	30	
Debt Service	2,618,056	

		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Potential Base Rent		7,360,542	7,686,082	8,052,543	8,294,107	8,537,287	8,723,471	8,912,552	9,139,720	9,429,514	9,644,085
Absorption & Turnover Vacancy		(2,492,450)	(2,064,708)	(1,452,110)	(846,557)	(967,774)	(934,233)	(978,101)	(1,203,348)	(1,293,308)	(1,067,902)
Free Rent		(128,790)	(521,191)	(831,942)	(265,573)	(332,190)	(174,806)	(314,268)	(560,670)	(718,691)	(301,277)
Expense Recoveries		153,615	164,389	142,928	163,242	168,223	195,633	213,560	193,429	132,354	162,332
Other Revenue		335,742	397,159	441,887	455,143	468,798	482,862	497,348	512,268	527,636	543,465
Parking Revenue		-	-	-	-	-	-	-	-	-	-
Effective Gross Income		5,228,659	5,661,731	6,353,306	7,800,362	7,874,344	8,292,927	8,331,091	8,081,399	8,077,505	8,980,703
RE Taxes		585,263	602,820	620,905	639,532	658,718	678,480	698,834	719,799	741,393	763,635
Operating Expenses		1,816,861	1,918,905	2,052,060	2,216,958	2,268,986	2,348,637	2,409,222	2,444,606	2,502,385	2,625,946
Total Operating Expenses		2,402,124	2,521,725	2,672,965	2,856,490	2,927,704	3,027,117	3,108,056	3,164,405	3,243,778	3,389,581
		45.94%	44.54%	42.07%	36.62%	37.18%	36.50%	37.31%	39.16%	40.16%	37.74%
NOI		2,826,535	3,140,006	3,680,341	4,943,872	4,946,640	5,265,810	5,223,035	4,916,994	4,833,727	5,591,122
Cap Rate / Total Proj. Costs	8.41%	5.91%	6.14%	6.73%	9.04%	9.04%	9.62%	9.55%	8.99%	8.84%	10.22%
Averaged Capital Costs											
\$ 0.32 Capital Improvement Reserves		\$ 86,406	\$ 86,406	\$ 86,406	\$ 86,406	\$ 86,406	\$ 86,406	\$ 86,406	\$ 86,406	\$ 86,406	\$ 86,406
\$ 3.14 Tenant Improvements		\$ -	\$ -	\$ -	\$ 844,144	\$ 844,144	\$ 844,144	\$ 844,144	\$ 844,144	\$ 844,144	\$ 844,144
\$ 1.63 Leasing Commissions		\$ -	\$ -	\$ -	\$ 437,145	\$ 437,145	\$ 437,145	\$ 437,145	\$ 437,145	\$ 437,145	\$ 437,145
Unlevered Cash Flows		2,740,129	3,053,600	3,593,935	3,576,176	3,578,944	3,898,114	3,855,339	3,549,298	3,466,031	4,223,426
Unlevered Returns	6.61%	5.73%	5.97%	6.57%	6.54%	6.54%	7.13%	7.05%	6.49%	6.34%	7.72%
		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
		I/O	I/O	I/O	Amort	Amort	Amort	Amort	Amort	Amort	Amort
Cash Flow		Short-Term Debt	Short-Term Debt	Short-Term Debt	Re-Fi	Re-Fi	Re-Fi	Re-Fi	Re-Fi	Re-Fi	Re-Fi
Debt Service		\$ 1,243,369	\$ 1,378,329	\$ 1,520,000	\$ 2,618,056	\$ 2,618,056	\$ 2,618,056	\$ 2,618,056	\$ 2,618,056	\$ 2,618,056	\$ 2,618,056
Levered Cash Flow		\$ 1,496,760	\$ 1,675,271	\$ 2,073,935	\$ 958,120	\$ 960,888	\$ 1,280,058	\$ 1,237,283	\$ 931,242	\$ 847,975	\$ 1,605,370
DSCR		2.27 DSCR	2.28 DSCR	2.42 DSCR	1.89 DSCR	1.89 DSCR	2.01 DSCR	2.00 DSCR	1.88 DSCR	1.85 DSCR	2.14 DSCR
Levered Returns	10.38%	8.96%	10.03%	12.41%	8.87%	8.89%	11.85%	11.45%	8.62%	7.85%	14.86%
		\$ 1,496,760	\$ 1,675,271	\$ 2,073,935	\$ 958,120	\$ 960,888	\$ 1,280,058	\$ 1,237,283	\$ 931,242	\$ 847,975	\$ 2,618,056
Cash Flow		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Residual Value		\$ -	\$ -	\$ -	\$ 5,905,694	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Re-Fi Proceeds		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Leveraged Deal Cash Flows		\$ 1,496,760	\$ 1,675,271	\$ 2,073,935	\$ 6,863,815	\$ 960,888	\$ 1,280,058	\$ 1,237,283	\$ 931,242	\$ 847,975	\$ 2,618,056
Equity Remaining in Deal		\$ 16,710,000	\$ 16,710,000	\$ 16,710,000	\$ 10,804,306	\$ 10,804,306	\$ 10,804,306	\$ 10,804,306	\$ 10,804,306	\$ 10,804,306	\$ 10,804,306

**GENERAL METHODOLOGY USED FOR FINANCIAL FORECASTS OF OPERATION
OF
PARADISE VALLEY OFFICE PARK FOR THE PERIOD FROM
MAY 1, 2022 THROUGH APRIL 30, 2032**

The Financial Forecasts are provided only for the purpose of illustrating how the Property might perform provided that all assumptions are realized. The projections and calculation of returns to investors contained herein do not constitute any representation, warranty or guaranty as to the performance of the Property. The assumptions are as follows:

Forecast Periods: Operations are projected for a ten (10) year period, commencing in May 2022. The annual periods in the forecasts are from May through April.

Acquisition: The purchase price for the Property is \$43,000,000. The closing date is expected to be on or about May 10, 2022.

**Acquisition of the
Loans:**

The total Invested Capital is **\$16,710,000** and will be funded at closing.

City National Bank will provide two loans to fund an acquisition loan in the projected amount of \$29,000,000 and a Bridge Loan in the projected amount of \$9,000,000. The Bridge Loan will be advanced, after the closing to fund capital improvements, tenant improvements and leasing commissions. Such loan proceeds will be funded on an as needed basis when such costs are incurred.

The interest rate for both the Acquisition and Bridge Loans are projected to be 4.00% per annum and such loans will provide for monthly interest only payments. The project term for such loans are three (3) years. Such Acquisition and Bridge Loans are projected to be paid off from the projected refinancing in the beginning of Year 4 of operations.

Year 4 Refinancing: The Property is anticipated to be refinanced in the beginning of the 4th year of operations. The loan amount is estimated to be \$44,349,186 with an interest rate of 4.25% and debt service payments consisting of interest and principal based on an amortization schedule of 30 years. The LTV for this loan is projected to be 65%. Loan proceeds are projected to be used to pay off the Acquisition and Bridge Loans in the projected amount of \$38,000,000. Net loan proceeds from such refinancing are projected to reduce Invested Capital to \$10,804,306.

Income: The Property is currently approximately 75% occupied and leased to 58 tenants. The leases from these tenants are projected in the first year of operation to generate a net cash flow, before reserves, of approximately \$2,826,535.

**Occupancy and
Vacancy Factor:**

The going-in occupancy rate upon closing is projected to be 75% and thereafter decreasing to 69% as of at the end of the first year of operation. The occupancy then increases to approximately 75% in Year 2. In the Financial Forecast, it is assumed that the Property achieves a maximum physical and economic occupancy rate of 90.33% in Year 4. Thereafter, where occupancy levels are projected to exceed 90%, the Financial Forecast applies a 10.00% vacancy factor to provide effective gross income at a 90% occupancy level.

**Management and
Asset Management**

Fees:

Lincoln Property Company will be paid a market rate property management fee that has not yet been finalized. For purposes of the Financial Forecast such property management fee is projected 2.75% of rent collections. Time Equities, Inc. will be paid a 1.5% asset management fee.

Market Leasing and Rent Assumptions:

Below are the rent assumptions utilized in the Financial Forecast.

Tenant	Rent Assumptions	
	Market Rent	Downtime
Interior Facing Suites	\$28.50	9 Months
All Other Suites	\$31.00	9 Months

In addition, each of the tenants under new or renewal leases are projected to pay their pro rata share of operating expenses, including real estate taxes and insurance over a base year amount.

The following are the assumptions utilized for new and renewal leases, as to their term, tenant improvements and leasing commissions, rent abatements and renewal probability.

Leases	Term	Tenant Improvements	Leasing Commissions New/Renew	Rent Abatements	Renewal Probability
New Leases	5 Years 5 Months (additional 5 months to cover projected rent abatement period)	\$30/SF for New Deals \$10/SF for Renewal Deals	7.5%/5.0%	5 Months	75%
Renewals	3 Years 3 Months (additional 3 months to cover projected rent abatement period)	\$30/SF for New Deals \$10/SF for Renewal Deals	7.5%/5.0%	3 Months	75%

Selling Commissions, Placement Fee and Marketing and Due Diligence Allowance:

The Memorandum shall be amended to state the following:

“Offers and sales of Units will be made on a best-efforts basis, by broker-subscription payments (each a “Selling Group Member,” and collectively, the “Selling Group” or “Selling Group Members”) who are members of FINRA. The maximum aggregate amount of selling commissions and expenses organization and offering expenses paid from the proceeds of this Offering is 12% of the total subscription payments made by Investors. Time Equities Securities LLC, a New York limited liability company, an Affiliate of the Manager and a member of FINRA (“TEI Securities”), will act as the “Managing Broker-Dealer” and will receive selling commissions (the “Selling Commissions”) in an amount up to 7% of the purchase price of the Units sold by the Selling Group, including the Managing Broker-Dealer (the “Total Sales”), which will be paid by TEI Securities to the Selling Group Members upon receipt of such Selling Commissions from the Fund; provided, however, that this amount may be reduced to the extent the Fund negotiates a lower commission rate with a Selling Group Member and the commission rate will then be the lower agreed upon rate. Units may also be sold by registered investment advisors and such Unit sales often do not include selling commissions. As a result, certain Investors may acquire their Units net of Selling Commissions on a grossed up basis. The maximum Selling Commissions is \$7,000,000. However, the maximum amount of Selling Commissions and Expenses is subject to further reduction since there will be no Selling Commissions and Expenses on any Units purchased by the Manager and its Affiliates.

As part of the Selling Commissions and Expenses, as defined below, TEI Securities will also receive (i) a non-accountable marketing and due diligence allowance of up to 1% of the Total Sales, which TEI Securities will share, in whole or in part, with the Selling Group; (ii) a placement fee equal to 1% of the Total Sales, which TEI Securities may share, in whole or in part, with the Selling Group; and (iii) a wholesaler fee up to 1% of the Total Sales, which may be shared, in whole or in part, with certain wholesalers, (some of which are internal to TEI Securities) or Selling Group Members.

The total aggregate amount of commissions, allowances, expense reimbursements, Wholesaler Fee and placement fees (the “Selling Commissions and Expenses”) will not exceed 10.00% of the Total Sales. The Fund will be responsible for paying all Selling Commissions and Expenses. The above amounts under the column entitled “Selling Commissions and Expenses” do not include costs for Organization and Offering Expenses. For purposes of calculating Total Sales, each Unit will be deemed to have a sales price of \$5,000 and any discount provided to the purchaser of a Unit will be disregarded.

Amounts shown are proceeds after deducting Selling Commissions and Expenses, but before deducting other expenses incurred in connection with the Offering and the Organization of the Fund (the “Organization and Offering Expenses”), including legal, marketing, accounting, printing and other costs and expenses directly related to the Offering. Organization and Offering Expenses will be limited to 2% of the Offering Proceeds raised by the Fund. If the actual Offering and Organizational Expenses exceed 2% of the total Offering Proceeds, the Manager will be responsible for paying any additional amounts. TEI Securities may share such Organization and Offering Expenses, in whole or in part, with the Selling Group”