

Project Supplement No. 7
(Dated October 23, 2023)
to the Supplement
of TEI Diversified Income & Opportunity Fund VI, LLC,
dated March 1, 2022

This Project Supplement No. 7 (this “**Supplement**”) dated October 23, 2023 modifies and supplements the Confidential Private Placement Memorandum of TEI Diversified Income & Opportunity Fund VI, LLC dated March 1, 2022, and should be read only in conjunction with the Memorandum and the other Supplements Number 1 through 6 previously issued. Terms with initial capitals not otherwise defined in this Supplement have the meanings set forth in the Memorandum.

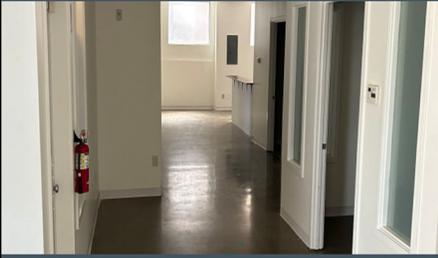


Supplement

This Project Supplement pertains to the acquisition of the Mirabella Apartments located at 4250 Aurora Ave N, Seattle, Washington (the “**Property**”)

Pre Renovation:

PRE-RENOVATION COMMON AREAS



PRE-RENOVATION APARTMENT UNIT INTERIORS



Post Renovation:

RENOVATION PROGRAM

REPOSITIONING STRATEGY

The Mirabella is currently 100% un-renovated with interior finishes, common areas, and an amenity package that reflects its original late 1990's finishes. We have already received preliminary estimates for a complete repositioning strategy from our general contracting partner. We plan to completely re-activate interior spaces with open island kitchen designs and to unlock under utilized common area spaces by completely re-activating the rooftop amenity at the property. We also plan on re-designing the building exterior and replacing all damaged EIFS siding with modern "Hardie-siding" (fiber cement panels).

With just under \$4 million in combined common area and interior renovations budgeted, the Mirabella will be transformed into a property that competes with new construction, at a tremendous basis / value proposition.

UNIT INTERIORS

All apartments at the Mirabella will undergo significant renovations. This includes but is not limited to removing dated cabinets, surfaces, flooring, trim and fixtures. We will be replacing all surfaces with high quality 3cm Calcutta quartz. Updating sink basins adding garbage disposals and goose-neck faucets. All appliances will be upgraded with high-end stainless steel finishes. New LVP flooring will be installed and all lighting fixtures will be upgraded. The Mirabella already has in-unit laundry and lighting in bedrooms, making high end finishes at this project inexpensive relative to our prior projects.

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Modern Two-Toned Cabinetry with Pull Bars

Single Level, Quarts, Open Island Kitchens

Neutral Wood Plank Flooring

Under-mount Sinks & Modern Fixtures

Modern Stainless Steel Appliances

RENOVATION PROGRAM

THE BEST ROOFTOP IN WALLINGFORD

The Mirabella has an elevator accessible 3,000+ sf rooftop space with expansive views of Lake Union and the downtown Seattle skyline. We aim to make this the best amenitized & most exclusive multifamily rooftop deck amenity in Wallingford. To do this, we have planned to add an outdoor BBQ & kitchen-prep island, outdoor couches, a large outdoor dining table, propane heat lamps & fire table, chaise lounges, and a lawn games / yoga platform. Our goal is to deliver a rooftop deck amenity that is superior to properties with 150+ apartments. This space will be available to residents living in a 44-unit building making it one of the most exclusive and best amenitized rooftops in Seattle.

FULL EXTERIOR REPLACEMENT

The Mirabella's current exterior siding is composed of EIFS & vinyl. The EIFS is currently failing and there is water intrusion in spots on the East-facing vinyl side. We have negotiated a full-residing cost credit of \$2.25 million into our purchase price and plan to re-side 75-100% of the building with modern "Hardie-board" fiber cement panel siding. Permits have already been issued and are currently in the process of being transferred to us by the seller.

We believe this is more than just an opportunity to restore the building envelope. This is an opportunity to completely modernize the exterior look of the property which will better align with re-programming our residential product offering.

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Kitchen Prep Island Concept

Rooftop Synthetic Lawn Concept

Rooftop Furniture Concept

Exterior Siding Concept

Acquisition and Business Plan

The Property consists of a two building apartment complex totaling 35,298 square feet located in Seattle, Washington, that is currently 93% occupied. The Property contains 44 apartments, consisting of 19 one-bedroom one-bathroom units, 13 two-bedroom one-bath units, and 12 two-bedroom one-and-a-half-bath units. The average unit size is 802 square feet and the Property has 53 covered parking spaces.

The purchase price for the Property is **\$12,064,000**. This purchase price reflects a cost of **\$341.78 PSF** of rentable square feet or **\$274,182 per unit**. The Purchase & Sale Agreement (“PSA”) was entered into as of July 19th, 2023.

The closing for the acquisition of the Property will occur on November 6th, 2023.

The total Invested Capital being raised pursuant to this offering is **\$6,930,809**. The Fund invested \$586,287 of the total Invested Capital for an 8.4591% membership interest in one of the tenants in common that comprise the Owner, as described below.

The Property was purchased by Mirabella Equities LLC, Mirabella Allen Park Equities LLC, and GKI Mirabella Owner LLC as a tenancy in common (“TIC”) (collectively, the “Owner”). The managing entity of each Owner will be TEI GKI Mirabella Manager LLC (the “Managing Entity”), with Francis Greenburger, Robert Kantor, and GKI LLC, a Washington Limited Liability Company (the “Knot Manager”) as the “Managers”. The managers of the Knot Manager are Matt Ricci and Debra Ricci.

The business plan calls for the renovation of the building exterior, re-furbishing interior spaces and adding amenities to the roof deck for tenant use. The interior renovation plan includes the installation of new cabinets, replacing all surfaces with quartz, new wood flooring and adding all stainless-steel appliances in each unit. Once renovated, the units will be marked to market and on average will receive a premium of around 50% above current in-place rents which is in line with the market.

The renovation is estimated to begin in November 2023 with the exterior and façade work, which will then be followed by the interior renovations of two units starting in January 2024. Thereafter, Units will be renovated upon lease expiration. It is projected that all work will be completed by June 2025.

Upon closing, Lasalle Investment Management (“Lasalle”) provided a first mortgage loan in the amount of \$11,500,000 for the acquisition and renovation of the Property. Upon projected stabilization, once the renovation plan is completed and the occupancy level (as projected, but not guaranteed) reaches approximately 95%, the business plan is to refinance the acquisition mortgage with a permanent loan. The projected amount of such permanent loan is \$14,715,670.

Joint Venture

This acquisition is a joint venture with Gordian Knot Investments (“Gordian Knot”). This will be Time Equities, Inc.’s second joint venture with Gordian Knot. Gordian Knot is a real estate investment syndication and asset management firm that specializes in multifamily buildings in the greater Seattle area. Owned, operated, and managed by Debra and Matt Ricci, Gordian Knot brings over 50 years of combined real estate and investment management experience to the Mirabella Apartments project. An affiliate of Gordian Knot, GKI Mirabella, LLC (“GKI Mirabella”), invested 17.0077% of the total Invested Capital for a 17.0077% undivided tenant in common interest in one of the TIC owners of the property. Under the Operating Agreement for the GKI Mirabella, GKI Mirabella’s rate or percentage for payment of distributions is increased from 17.0077% to 26.7577% when either of the following occurs:

- As to Distributions of Net Cash Flow: After all members have received a 9% cumulative preferred return on their unreturned Invested Capital; and

- Distributions of Net Proceeds from a Capital Transaction (sale or refinancing): After the members receive a cumulative 9% preferred return and the return or repayment of 100% of their Invested Capital.

The Distributions percentages for the remaining members, including the Fund, are reduced on a pro rata basis to account for the above increase in the distribution rate for GKI Mirabella, to the extent either of above thresholds are achieved. For example, the Fund’s distribution rate, as to its residual membership interest, would be reduced from 8.4591% to 7.4653%.

The Distributions in the Financial Forecast are at the Property level and do not reflect any increase in GKI Mirabella LLC’s distribution rate as set forth above.

Building Description:

OF BUILDINGS: 2 Connected Apartment Buildings

OF UNITS: 44

CONSTRUCTION COMPLETED: 1997

EXTERIOR: Clad with EIFS and vinyl siding

SUPERSTRUCTURE: Concrete Foundation

ROOFING SYSTEM: Flat and are surfaced with a combination of modified-bitumen roof surfacing coated with silicon on the north tower, and TPO roof surfacing on the south tower.

PARKING 53-stall covered parking Garage

Unit Mix and Amenities

The following is the unit mix at the Property:

Commercial:

Unit Type	Number of Units	Average SF	Occupied/Vacant
Ground Floor Retail	1	1,650	Vacant
Ground Floor Retail	1	850	Vacant
Ground Floor Retail	1	750	Occupied
Ground Floor Retail	1	1,850	Occupied
TOTAL	4	5,100	

Residential:

Unit Type	Number of Units	Average SF
1 bedroom/1 bath	19	647 sf
2 bedrooms/1 baths	13	820 sf
2 bedrooms/1.5 baths	12	880 sf
TOTAL	44	802 sf

The apartments will feature the following once the renovation is completed:

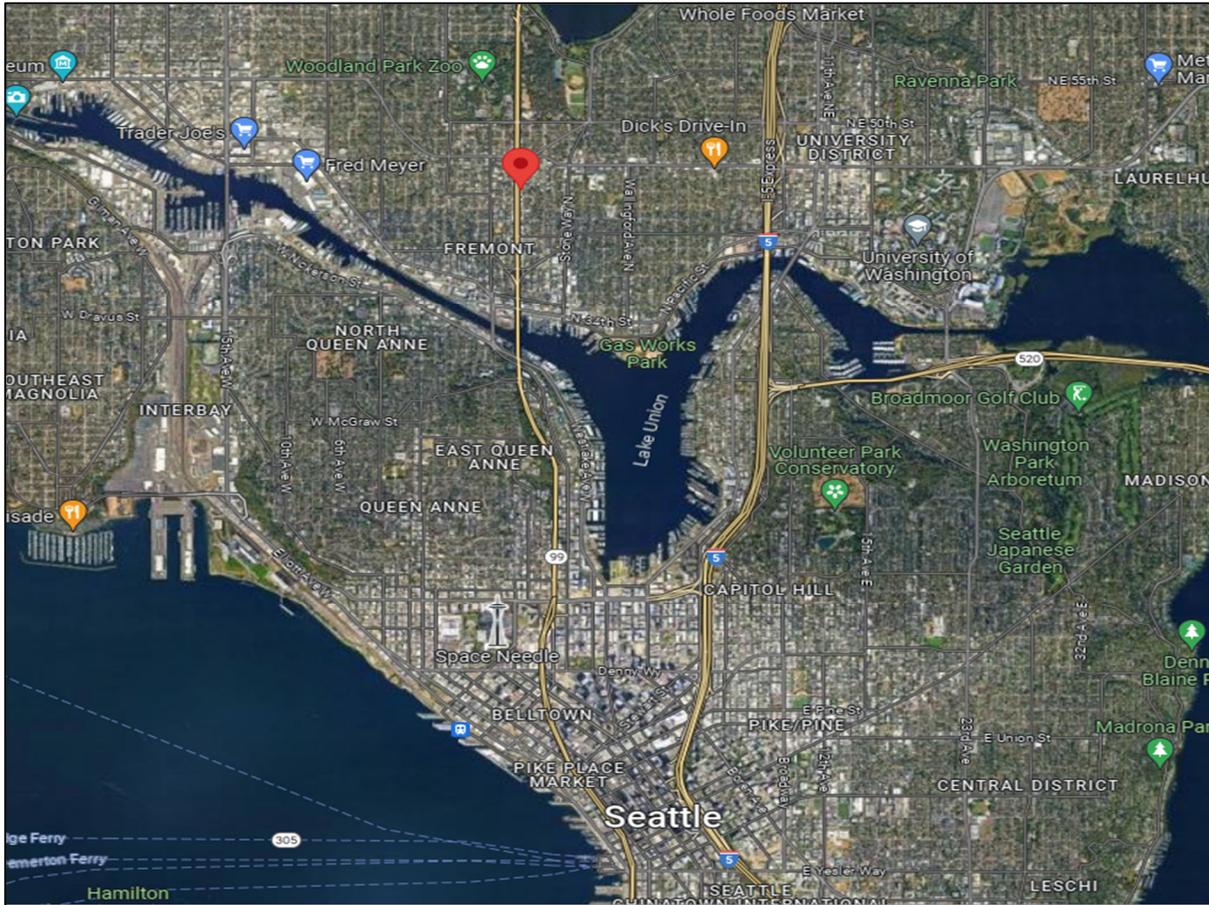
- Quartz counter tops and an open island kitchen;
- Under-mount sink & goose-neck faucet;
- Fully equipped kitchen with stainless steel appliances; and Stainless-Steel pull cabinets;
- Neutral wood plank flooring; and
- Upgraded lighting fixtures.

Amenities and community features for the Property post-construction will consist of the following:

- Upgrade to the rooftop to include:
 - Kitchen prep and island concept;
 - Outdoor couches;
 - Outdoor dining area;
 - Heat lamps and fire pit;
 - Chaise lounges; and
 - Lawn games/ yoga platform.



Property Location



Information about Seattle, Washington

According to the July 2022 United States Census, the City of Seattle had a population of 749,256 with most of its population falling between the ages of 18-65 years old, with a median age of 35.2. The city has an owner-occupied housing rate of 45.2% with those houses having a median value of \$767,500 based on data from 2017-2021. This indicates that 55% of the Seattle population are renters, which is higher than the national average. 65% of the population has a bachelor's degree or higher for people that are 25+ years old, with 95% having a high school graduate degree or higher. The median household income is \$105,391 (2017-2021), with per capita income at \$68,836 and a poverty rate equal to 10%.

There are currently over 450,000 people employed within the City of Seattle, with the largest industries being Professional, Scientific and Technical Services, Health Care & Social Assistance, and Retail Trades. Occupations are primarily made up of management, computer and mathematical, business and financial operations, and education instruction. Seattle's largest employers in order are Boeing, Amazon, and Microsoft. Companies such as Amazon, Starbucks, and Nordstrom are all headquartered in Seattle. In addition, Seattle is home to seven different universities within the city limits with, the largest by degrees awarded being the University of Washington – Seattle Campus, Seattle University, and Seattle Central College.

According to Data USA, Seattle in 2020 had total outbound trade of \$416 billion. This number is expected to increase by 136% to 982 billion by 2050. Seattle’s most common trade partners are Oregon, California, and Illinois. The largest exports by volume were transportation equipment, mixed freight, and electronics.

Location and Wallingford Description:

The Mirabella is located in one of the most in-demand, lifestyle oriented, urban sub-markets in Seattle. Wallingford is a neighborhood located in north central Seattle that lies on a hill above the north shore of Lake Union Described as a “streetcar suburb”, Wallingford is typified by 1920’s era box houses, bungalows, single family residences, outdoor green spaces, and lifestyle retailers. With expansive views of South Lake Union & the downtown Seattle skyline, proximity to top employers, and immediate access to the best parks and green spaces in Seattle, Wallingford is one of the most desirable urban neighborhoods for homebuyers and renters in the Puget Sound region.

As of June 2023, per Redfin.com the median home sale price in Wallingford was \$1,110,000 reflecting a 6.2% year over year increase in home values. Redfin gives Wallingford a housing market score of 86 qualifying it as “very competitive” with the average home selling above list price and going pending in under six days. The Mirabella sits three blocks west of Stone Way which acts as a north-south arterial connecting 45th street with the employment nodes in South Wallingford and Fremont. Residents at the Mirabella will be located minutes away from premium grocers, some of the best parks & green spaces in all of Seattle, in-demand restaurants, bars, and lifestyle recreation centers including climbing wall gyms, yoga studios, and live performance venues.

North Lake Union is home to many of Seattle’s top employers including Googles, Park View Campus, Tableau’s (Salesforce) Data 1 campus, The Allen Institute for AI, Adobe, Getty Images, and Brooks (shoes) global headquarters. The Mirabella is located less than 15 blocks / 1.5 miles away from all of these employers and is less than 10 minutes by bike from Googles Park View campus and Tableau’s Data 1 campus.

Seattle Rental Market

According to a Q2 2023 market report by Kidder Matthews vacancy rates have increased and rental rates have stayed flat year over year. The residential vacancy rate is currently 6.3%, which represents a 100-basis point increase year over year. Rental rates have seen been pretty flat since the Q2 2022, with the average monthly rate at \$1,903/month. New construction deliveries are down 53% year over year with 2,300 units delivered in Q2 2023, and an additional 35,000 under construction. Lastly net absorption has decreased about 5% year over year.

Estimated Sources and Uses for the Invested Capital

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

Sources

• Invested Capital	\$ 6,930,809
• Acquisition Mortgage	\$ 11,500,000
TOTAL	\$ 18,430,809

Uses of Invested Capital

Estimated Uses for Invested Capital and loan proceeds at closing consisted of:

Purchase Price	\$ 12,064,000
Acquisition Fee TEI	\$ 150,800
Acquisition Fee GK	\$ 211,120
Closing Costs	\$ 236,727
Financing Costs	\$ 200,079

Capex/Renovation Costs	\$	5,404,770
Working Capital	\$	163,313
Total	\$	18,430,809

The breakdown for capex/renovation costs, listed above, are estimated as follows:

Soft Costs	\$1,471,204
Hard Costs	\$3,933,575
Construction Contingency	<u>\$537,477</u>
TOTAL	\$5,404,770

The Construction Contract with Belfor Property Restoration contains a guaranteed maximum price of \$3,733,076. This amount differs from the capex/renovation amount above because it does not include the roof work, hard cost contingency, construction management fees, and A&E fees.

Tenancy

The Property is currently 95% occupied. For the first year of operation, the current average monthly rents are projected for a 1-bedroom apartment to be \$1,473 per unit for a unrenovated unit and \$2,195 for a renovated unit. For a 2-bedroom unrenovated unit monthly rates will be \$1,975 and \$3,195 for a 2-bedroom renovated unit.

The average rent per rentable square foot is \$2.34 for an unrenovated unit and \$3.56 for a renovated unit. The above rental projections are consistent with current rents for new leases.

In the third year of operation, the occupancy level is projected to stabilize at 95% once all units are renovated and leased. Such 95% occupancy is projected to be retained during the balance of the 10-year forecast period.

Rent Roll and Current Arrears in Rent

The current annual rent roll for the buildings totals \$1,081,595. As of the August 2023 Rent Roll, none of the existing tenants are in arrears.

Renovation Schedule

The plan is to begin exterior siding and amenity upgrades immediately after closing. The interior renovations will happen as units turn and we anticipate it to take 17 months to renovate and lease up all of the units. This would result in the property stabilizing in August 2025.

Projected Renovation Schedule

Phase	# Of Units	Reno Dates
1	2	1/10/2024-3/10/2024
2	9	5/15/2024-7/15/2024
3	5	7/15/2024-9/15/2024
4	8	9/15/2024-11/15/2024
5	8	11/15/2024-2/1/2025
6	9	2/1/2025-4/01/2025
7	3	4/01/2025-6/1/2025
TOTAL	44	

Terms of the Acquisition Mortgage

Therefore provided financing for the acquisition of the Property. The terms of such acquisition mortgage are as follows:

Lender:	Lasalle Investment Management
Loan Amount:	\$11,500,000, consisting of \$6,600,000 funded at closing to pay part of the purchase price for the Property, and a \$4,400,000 construction reserve holdback to be used for the renovations at the Property.
Maturity Date:	10/15/2026, with a one-time right to extend the Loan for a twelve (12) month period.
Interest Rate:	The interest rate is a floating rate, based on one-month term SOFR, plus 350 basis points (the “ Index ”). Based on the current rate for one-month SOFR, the rate, as of the date of this Amended Supplement, would be approximately 8.6% per annum. In the Financial Forecast the interest rate is projected to be 8.6% per annum for the entire term of this Loan.
Monthly Debt Service Payment:	Interest only
Monthly Escrows	The loan provides monthly escrows for real estate taxes and insurance. The real estate taxes and insurance are based on one-twelfth of the Taxes that Lender reasonably estimates will be payable during the next ensuing twelve (12) months to accumulate with Lender sufficient funds to pay all such Taxes and insurance at least thirty (30) days prior to their respective due dates.

Replacement Reserve for the completion of Replacements will be established at closing. The Replacement Reserve Account shall be funded from monthly deposits to be made by the Borrower beginning in month 19. The projected amount of the monthly deposits to the Replacement Reserve Account is \$250 per unit, per year - but the final amount of the monthly deposits to the Replacement Reserve Account shall be determined by Lender based upon the engineering report and Lender’s other due diligence. The Replacement Reserve Funds will be disbursed to Borrower subject to customary construction disbursement conditions and in minimum amounts equal to \$5,000 per disbursement, but no more frequently than once per month. The Borrower will pay Lender’s costs and customary fees associated with each draw from the Replacement Reserve Account.

A Renovation Reserve Account (plus 125% of the estimated cost of any immediate repairs as specified in the property condition reports, and any additional amounts for improvements to the Property which, in Lender’s opinion, are necessary to achieve Borrower’s Business Plan) for the renovations at the Property will

There is no guaranty as to the ability of the Owner to refinance the existing mortgage loan, based on the above projected terms and any substantial change in such terms could have a material impact on the distributions to be made to Investors, either positively or negatively.

Projected Reduction in Invested Capital

It is projected that there will be a reduction in invested capital from \$6,930,809 to \$3,862,296 from the proceeds of the refinance.

Financial Forecast

Attached hereto 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 Forecasts, the following is the estimated return on the amount of the Invested Capital, without regard to profit participation that would be payable to the Managers.

PROJECTED RETURNS AT THE PROPERTY LEVEL

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

Year	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Leveraged Returns on Invested Capital	0.00%	0.55%	6.56%	7.71%	9.42%	10.53%	11.68%	12.86%	14.08%	15.33%

During the first year of operating there is a projected operating deficit, after payment of debt service, of \$128,236. Such operating deficit will be covered by the interest and working capital reserve that are being capitalized at acquisition. The interest reserve is included in the capex/renovation cost line item and totals \$250,000. Total, the interest reserve and working capital equate to \$413,313.

The Financial Forecast for the Property projects an average annual unlevered return over 10 years from net cashflow of 7.27% and a levered 10-year average return of 8.87%.

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 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.

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.

Additional Reserve for Capital Improvements

The Financial Forecast projections include an annual capital reserve in the amount of \$11,000 (\$250/unit). Such additional reserve for capital improvements is projected to be funded from the operating income of the Property.

Management of the Property

The Property will be managed by Gordian Knot Property Solutions LLC, an affiliate of Gordian Knot, at a fee equal to 5.00% of the total collected gross revenues. In addition, Time Equities, Inc., an affiliate of the Managers, will provide asset management services at a fee of a 1.50% of total collected revenues.

Property Condition Assessment

Samdal & Associates performed a property condition (“PCA”) for the Property in July of 2023. Samdal & Associates indicated the overall physical condition of the Property was in good to fair condition. Samdal & Associates included \$2,866,927 of immediate repairs to be undertaken at the Property. 95% of this estimate is for the work related to the exterior of the building, which is recladding the sides of the building that are currently cladded with EIFS (Exterior Insulation Finishing Systems). The sponsor has already received quotes from a general contractor for this work in the amount of \$762,000. The total improvement reserves, for a 12-year period, as set forth in the PCA, other than the immediate repairs were estimated by Samdal & Associates, on an uninflated basis, in the amount of \$4,741,579. Of the mentioned \$4.7mm of work \$3.5mm relates to a full removal and replacement of the vinyl siding in year 12 of the hold period. Based on other third party reports that TEI received independently, the sponsor believes we will be able to remediate any problem areas during the renovation of the exterior mentioned above, within the GMP budget.

The items and estimated improvement costs to be incurred over a 12-year period in the PCA were as follows:

<i>Action Required</i>	<i>Immediate</i>	<i>Years 2-12</i>
Site	\$ -	\$ 40,557
Roof Systems	\$ 141,727	\$ -
Exterior	\$ 2,725,200	\$ 3,762,552
Plumbing Systems	\$ -	\$ 71,070
HVAC Systems	\$ -	\$ 54,384
Elevators	\$ -	\$ 371,418
Fire Detection and Suppression	\$ -	\$ 56,275
Interior Finishes	\$ -	\$ 325,834
Misc. Mechanical	\$ -	\$ 59,489
TOTAL	\$ 2,866,927	\$ 4,741,579

The Owner, as part of its renovation budget, plans to address various deferred maintenance items, including the exterior and interior finishes. As mentioned above the largest issues are the EIFS and Vinyl siding. These items will be under the Construction Contract, discussed below with the Belfor Property Restoration.

GMP Contract:

The Owner entered into a construction contract with Belfor Property Restoration (“**Belfor**”) for a guaranteed maximum price of \$3,733,076 to perform apartment and other renovations set forth below. Such construction contract will cover the following items to be funded under the acquisition loan and/or Invested Capital

<i>Work</i>	<i>Amount</i>
Site Work	\$ 202,664
Base Building	\$ 1,031,133
Common Areas	\$ 26,696
Interior Renovations	\$ 1,608,037
General Conditions	\$ 272,510
Fees	\$ 172,757
Insurance	\$ 55,904
B&O Taxes	\$ 16,309
Washing State Sales Tax	\$ 347,066
TOTAL	\$ 3,733,076

Environmental Assessment

A Phase 1 from Environmental Associated, Inc. dated August 1st, 2023 concluded that given the year of construction for this building (1997), the Property is not likely to contain asbestos.

Additionally, Environmental Associated, Inc. concluded that there was no potential soil threatening activities at the Property and no further action was necessary based on the current use of the Property.

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 Supplement 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, when available or completed, include, but are not limited to, the Purchase and Sale Agreement, the organizational documents for the Owner and the TEI Manager, the existing leases, property condition report, environmental site assessments, construction agreement with Belfor, the 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. Prospective Investors should carefully consider the following additional risk factors:

- 1) **Variances from the Financial Forecast.** The Financial Forecast presents, to the best of the Managers' knowledge and belief, the Managers' estimate of the expected operating results of the Property for the 10-year forecast periods. It is based upon the Managers' assumptions reflecting conditions they expect to exist and the course of action they expect to take during the forecast period. 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 Supplement, the actual results of the Property can be expected to be different than those projected and the differences may be material and adverse. 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, nor the Owner, 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.
- 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 Supplement. 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 Supplement 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. Investors are advised to consult with their tax, financial and business advisors concerning the validity and reasonableness of any assumptions. Neither the Managers nor any other person or entity makes any representation or warranty as to the future profitability of the Owner.
- 3) **Mortgage Risk.** The Financial Forecast includes acquisition financing in the beginning of 1st year of operation in the projected amount of \$11,500,000. The Financial Forecast estimates the interest rate for the entire term of the Loan at 8.82% per annum. The actual rate may be higher or lower than this estimated interest rate. Interest only payments are projected to be paid for the first two years. In the 3rd year of operation there is an anticipated refinancing in the amount of \$14,715,670. Annual debt service payments are estimated to be \$1,058,734 which consist of interest and amortization based on a 30-year schedule. There is no guaranty as to the amount and terms of such anticipated refinancing. Any change in the actual payment terms from those used in the Financial Forecast will affect the net cash flow, after debt service, either positively or negatively.
- 4) **Risk as to Reserves for Improvements.** The Financial Forecast includes an annual reserve for capital improvements, starting at \$11,000 for the first year of operation, based on \$250 per unit. There is no guaranty as to the adequacy of the reserves to be funded, on an annual basis, from operating income.
- 5) **Risk as to Occupancy Levels.** The Managers and the managing agent will strive to maintain the current occupancy level for the Property, as set forth in the Financial Forecast. In the Financial Forecast it was assumed that the average physical occupancy level after the first year of operation, during the remainder of the 10-year forecast period, will be 95.00%. The Financial Forecast contains a 5% deduction for vacancy

and credit losses to bring down the effective occupancy level to 95%, even if the actual occupancy level is greater. In such case, total rental income is based on such 95% occupancy level. 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 the return paid to Investors on their 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, which may necessitate a reduction in rent, it may take longer to release space or to lease vacant space than projected and the Owner may have to give more tenant concessions to attract or retain tenants than estimated, including those for free rent periods. All of these leasing risks could ultimately affect the cash available for distribution to Investors.
- 7) **Risks of Competition.** The Property will be operating in a competitive market. If any of the tenants vacate their respective spaces on or prior to the expiration of their respective leases, the Owner will be competing for tenants on the basis of location, access, rental rates, size and layouts of space, amenities offered by the Property, the quality of the surrounding area and a variety of other factors. The success of the Owner will depend to a large degree upon its ability to compete with other similar properties, which in turn depends upon its ability to be competitive as to the foregoing factors. The failure of the Owner and/or the Managers to establish and maintain a favorable market position could have a material adverse effect on its profitability.
- 8) **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 apartments at the Property remains vacant.
- 9) **Risk as to COVID-19.** The economic downturn caused by COVID-19 (including any resurgence or spiking of its outbreak) could materially adversely impact the ability of the Co-Owners to maintain current occupancy levels and/or could adversely affect rental collections. The current rent arrears at the Property are not material and are far less than utilized in the Financial Forecast. Another potential risk due to COVID-19 is the possibility that free rent may have to be granted to attract new tenants and/or retain existing tenants. There is no guaranty as to the appropriateness of such deductions if COVID-19 in Seattle dramatically increases from current levels. It is difficult to predict the likely impact of COVID-19 on the economic conditions in Seattle and the operation of the Property. As a result, there can be no assurance that the Property will achieve anticipated cash flow levels. The Managers will attempt to account for the current weakness of the economy created by COVID-19 and its likelihood for recovery in its investment strategy for the Property, but there is no guaranty as to the success or accuracy of such investment strategy. Right now while the COVID-19 Pandemic still exists, it is almost impossible to accurately predict the long-term economic impact that it will have on the Property.
- 10) **Risk as to Joint Venture**

Under the Operating Agreement for the manager of the Owner, there are three (3) managers, consisting of Francis Greenburger and Robert Kantor (collectively, the “**TEI Managers**”), and the third manager, which is a limited liability company that is an affiliate of Gordian Knot (the “**Knot Manager**”).

This is the second joint venture with Gordian Knot. The Operating Agreement for the Owner requires unanimous approval of three (3) managers as to Fundamental Decisions (as defined below). “**Fundamental Decisions**” shall include the following matters:

- i) the transfer of all or any material part of the Owner’s interest in the Property;
- ii) the terms of any loan to be made to the Owner to the extent the Guarantors (Francis Greenburger and Matt & Debra Ricci) are required to provide a Loan Guaranty in connection with such loan;
- iii) the terms of any material modification or amendment of any existing loan (including the terms of any workout with any existing lender for the Property) to the extent such a modification or amendment could affect the liability of any Guarantor under a Loan Guaranty;
- iv) the commencement by the Owner of any federal or state bankruptcy, insolvency, reorganization or liquidation proceeding or the consent to the appointment of a receiver, liquidator, trustee, conservator (or other similar official) of the Owner for all or a substantial part of its assets or the consent to an order for relief in any involuntary proceeding under the Federal Bankruptcy Laws;
- v) the engagement by the Owner in any business other than set forth in Section 2.5 of the Operating Agreement;
- vi) any dissolution of the Owner;
- vii) causing or permitting the Owner to be merged with any other entity or to be converted to any form of organization other than a limited liability company; and
- viii) the taking of any action (including making any election) that would result in the Owner being treated as other than a partnership for U.S. federal income tax purposes.

In addition, TEI Managers will have final decision-making authority over all Major Decisions, and these decisions only require consultation with the Knot Manager. “**Major Decisions**” shall include any of the following matters as to the operation of the Property by the Owner:

- i. the terms of any: (i) new acquisition by the Owner; (ii) sale of all or any part of the Property and/or any other Property Interests and/or assets of the Owner; (iii) transfer of all or any part of the Owner’s interest in a Property and/or any asset owned, leased and/or licensed by the Owner; or (iv) lease or license of the use of all or any part of the Property and/or telecommunication towers, solar panels or energy systems at the Property;
- ii. the terms of any loan to be made to the Owner and/or an Affiliate of the Owner (including revolving lines of credit), which is unsecured or secured by all or any part of a Property and/or other Property Interests and/or assets of the Owner, and/or any pledge of membership interests, or which involves the issuance of any letter of credit;
- iii. the terms of any material modification or amendment of any existing loan (including the terms of any workout with any existing lender for the Property);
- iv. the approval of the annual operating budget for the Owner and/or the Property and/or of any development budget for the Property and material changes (10% or more) to any such approved budget;
- v. the selection of the managing agent for the Property and any amendments, assignments, modifications or termination of the initial Property Management Agreement with Gordian Knot Property Solutions LLC;
- vi. Capital Calls pursuant to Section 3.2 of the Operating Agreement for the Owner;
- vii. the amount of Reserves to be retained by the Owner for the Property;
- viii. the distribution to be made to the Members, pursuant to Article 4 of the Operating Agreement;

- ix. any major capital improvements that are (i) not otherwise included in the annual budget for the Property; or (ii) cost ten (10%) percent or more than the approved budgeted amount in the acquisition capitalization or annual budget;
- x. the terms of any new commercial or parking lease with an operator for the parking spaces at the Property; and the general rental rates to be charged for new or renewal residential leases and/or the terms of the modification or amendment of any existing commercial lease;
- xi. Admission of new members, other than for the transfer of membership interests to a Permissible Transferee or the transfer of Membership Interests to a third party pursuant to Section 12.3 of the Operating Agreement;
- xii. the restoration of the Property after a major casualty, fire, except where the Property is required to be restored under any loan and/or to comply with applicable laws and codes;
- xiii. settling any insurance claim or condemnation action for the Property;
- xiv. the commencement of any major litigation by the Owner and/or the settlement of any litigation, mediation and/or arbitration, where the settlement to be paid or received by the Owner would be in excess of \$25,000;
- xv. contracts or fees paid to Affiliates of a Manager;
- xvi. the commencement by the Owner of any federal or state bankruptcy, insolvency, reorganization or liquidation proceeding or the consent to the appointment of a receiver, liquidator, trustee, conservator (or other similar official) of the Owner for all or a substantial part of its assets or the consent to an order for relief in any involuntary proceeding under the Federal Bankruptcy Laws;
- xvii. the engagement by the Owner in any business other than set forth in Section 2.3 of the Operating Agreement;
- xviii. confessing a judgment against the Owner in excess of \$25,000;
- xix. making a loan of funds of the Owner or an Affiliate to any person or entity; and
- xx. causing or permitting the Owner and/or any Affiliate of the Owner to be merged with any other entity or to be converted to any form of organization other than a limited liability company;

Furthermore, the Operating Agreement contains a Buy/Sell provision which allows either the TEI Managers or the Knot Manager to initiate a sale of the Property after the first year of operations. Either the TEI Manager or the Knot Manager may provide the other Manager with written notification that it desires to sell the Property and liquidate the Owner (the “**Notice to Sell**”). Upon receipt of such Notice to Sell, the Managers shall have fifteen (15) days to elect to have the Owner engage a real estate broker or appraiser familiar with the market in which the Property is located to perform a sales valuation of the Property, which valuation shall fix the listing price of the Property, unless the Managers, in the interim, agree on the listing price despite their engagement of such broker or appraiser. The Owner shall enter into a listing agreement to list the Property for sale at such price for a period no less than six months. During such listing period, the Owner shall be obligated to accept the largest offer (with no contingencies whereby the purchaser would have the right to terminate the contract of sale, at its sole discretion, other than during the due diligence period, if required) that is made during the listing period at or above a sales price from an unrelated third party, which results in the net proceeds (after the payment of all commissions, market closing costs and the disposition fee pursuant to the Operating Agreement), to the Owner (“**Net Sales Price**”) in an amount equal to or greater than the sum of (i) unreturned capital contribution, (ii) the payoff of all loans made to the Owner or for the Property, and (iii) the unpaid preferred return (“**Minimum Net Sales Price**”). In the event the Net Sales Price is less than the Minimum Net Sales Price, then the Owner shall only be obligated to accept such offer upon the unanimous consent of all of the Managers. The members and Managers shall cooperate in good faith to complete the sale of the Property in accordance with any offer that is accepted by the Owner. A Manager may not send a Notice to Sell if the Property is not sold, based on the above required listing period, more than once in any calendar year. Notwithstanding the above provisions, in no event shall the listing price and/or the actual sales price, unless otherwise agreed to by all three (3)

Managers, generate sale proceeds which are not sufficient to discharge all liabilities of the Owner (including any mortgage loan and/or any guarantees on behalf of the Owner).

(1.1) (a) After the Lock Out Period, in the event of a material dispute between the TEI Manager and the Knot Manager over a Fundamental Decision, any Manager through the Owner Member which it controls (the “Requesting Owner”) shall have the option to notify the other Manager’s Owner Member(s) (the “Non-Requesting Owner”) that the Requesting Owner desires either to sell the tenant in common interest of the Requesting Owner and its Affiliates or to purchase the tenant in common interest of the Non-Requesting Member and its Affiliates (the “Dispute Notice”). In such Dispute Notice, the Requesting Owner shall indicate the Price, on an all cash basis, that the Requesting Member is willing to pay for or sell the Property (the “Offered Price”). The Non-Requesting Owner shall then have thirty days to notify the Requesting Owner as to whether or not it will buy or sell its tenant in common interest (including the tenant in common interests of its Affiliates) for an amount based on the Offered Price (the “Notification Period”). If the Non-Requesting Owner fails to notify the Requesting Owner of its election within the Notification Period, then the Non-Requesting Owner shall be deemed to have elected to sell its entire tenant in common interest (including those of its Affiliates) to the Requesting Owner for an amount based on the Offered Price. The Owner who elected or is deemed to have elected to purchase are hereinafter referred to as the “Purchasing Owner” and the Owner who elected to sell or are deemed to have elected to sell are hereinafter referred to as collectively the “Selling Owner”. In each purchase or sale by the Requesting Owner or the Non-Requesting Owner, it shall include all of the applicable Owner’s Affiliates, which shall include all of the Owner Members that are Affiliates of TEI and their tenants in common interests if the Knot Manager is the Purchasing Owner. In connection therewith, any reference to the Selling Owner, if an Affiliate of TEI is a Selling Owner, shall include all TEI Affiliated tenant in common owners.

(b) Within five (5) business days after the expiration of the Notification Period, the Purchasing Owner shall deposit (the “Deposit”) five percent (5%) of the Offered Price (the “Deposit”) with a title company selected by the Selling Owner and reasonably accepted to the Purchasing Owner (the “Title Company”).

(c) The purchase price shall paid by the Purchasing Owner at the closing by bank check or wire transfer of funds. The Selling Owner, at the closing, shall be paid the amount the Selling Owner would have received for the tenant in common interest of the Selling Owner had the Property been sold at the Offered Price on an all cash basis, all liabilities of each of the tenant in common Owners satisfied and the tenant in common Owners were then liquidated in accordance with the terms of this Agreement. In determining the amount due the Selling Owner, the amount to be distributed to the Selling Owner shall be calculated taking into consideration any reserve accounts held by or on behalf of the tenant in common Owners, (e.g., escrows for real estate taxes, insurance, tenant improvements, leasing commissions and/or capital improvements), but without regard to establishing any new reserves for unforeseeable liabilities. The amount to be distributed to the Selling Owner shall also take into account the actual transfer taxes, and other closing costs paid by the Selling Owner pursuant to subparagraph (f) below. The amount to be distributed to the Selling Owner shall be determined, without audit or certification, from the books and records of the Property.

(d) The closing of such purchase and sale shall occur on the date and time mutually agreeable to the Purchasing Owner and Selling Owner, but no later than the first business day occurring after the 60th day following the election (the “Closing Date”). The closing shall occur at such place mutually agreeable to the Purchasing Owner and the Selling Owner or upon the failure to agree at the Company’s principal offices. The Purchasing Owner may designate one or more third party Affiliate to be the purchaser at the closing.

(e) The Selling Owner and the Purchasing Owner shall execute any and all documents reasonably necessary or appropriate to consummate the transactions contemplated hereunder. At the Closing, the Selling Owner and the Purchasing Owner shall complete adjustments that would typically apply to the sale and purchase of such tenant in common interests.

(f) The Purchasing Owner, to the extent required, shall be responsible to obtain the approval by the Lender of the sale of the Selling Owner's tenant in common interests. If the Lender refuses to approve such sale (hereinafter referred to as a "Non-Approving Lender"), then the Purchasing Owner shall be responsible to arrange, at the closing, for the payoff of such Loan held by the Non-Approving Lender. Any state transfer taxes, if any, due in connection with such sale shall be paid by the Selling Owner. Any assumption fees, closing costs and/or legal fees required to be paid to the Lender in order to obtain their consent to this transaction shall be paid by the Purchasing Owner and its Affiliates. In the case of a Non-Approving Lender, any Lender legal fee or Lender exit fees required to pay off the Loan, shall be split by the Selling Owner and the Purchasing Owner, and any prepayment penalties yield maintenance costs, defeasance costs, and other Lender fees, shall be paid pro rata in accordance with the respective tenancy in common percentage interests of the Selling Owner and the Purchasing Owner.

(g) If the Purchasing Owner fails to pay to the Title Company the Deposit within the time period stipulated above, then the Purchasing Owner shall be deemed to be in default of this Agreement. If the Purchasing Owner makes the required Deposit but fails to close on or before the closing date, unless such failure is caused by the default of the Selling Owner, the Purchasing Owner shall be deemed to be in default of this Agreement and the Deposit plus accrued interest thereon shall be released by the Title Company to the Selling Owner as liquidated damages and as the Selling Owner's sole and exclusive remedy against the Purchasing Owner (except as stated below). If the Selling Owner fails to execute and deliver the documents and/or agreement required to effectuate such transfer, then the Purchasing Owner (provided it is not otherwise in default) shall have the right to seek specific performance of the Selling Owner's obligations hereunder.

(h) If the Purchasing Owner is deemed to be in default of this Agreement pursuant to the provisions of sub-paragraph (g) above (hereinafter, the "Defaulting Owner") then, in addition to all other rights that the Selling Owner has under this Section, the Selling Owner ("Non-Defaulting Owner") shall have the right to purchase the Defaulting Owner's tenant in common interests in the same manner as if the Defaulting Owner had initially agreed to sell at the Offered Price. Notwithstanding the above provisions, the Non-Defaulting Owner shall not be obligated to purchase the tenant in common interest of the Defaulting Owner. In addition, upon such default by the Purchasing Owner, due to its failure to timely pay the Deposit or close as required above, the Non-Defaulting Owners shall thereafter be authorized and empowered to make all Decisions, on behalf of the Tenancy, as to the operation and management of the tenancy in common and/or the Property without the consent of the Defaulting Owner. For the purposes herein, if an Affiliate of TEI is a Defaulting Owner, then all of the Affiliates of TEI shall be deemed a Defaulting Owner.

(i) In connection with any sale of the Selling Owner's tenant in common interests, pursuant to this Section whereby the Selling Owner or its principals have made a loan guarantee (including but not limited to a payment guaranty, guaranty of the non-recourse carveouts and/or completion guaranty) and/or an environmental indemnification (collectively, the "Loan Guarantees") as to any Loan for the Property, then as a condition precedent to the Selling Owner's obligation to close the sale contemplated in this Agreement, the Selling Owner and all principals of the Selling Owner who have made Loan Guarantees, shall be released by the Lender as to any and all obligations and/or liabilities arising thereunder under the Loan Guarantees from and after the closing date for any such transfer.

- 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 Managers 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 Owner may lose all or part of its investment. The Owner 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) **Risk regarding not funding a Capital Call.** In the event a member of the Owner fails to contribute to a capital call, such non-contributing member is subject to a dilution of their membership percentage interest (priority and residual interests) equal to 130% of the amount such non-contributing member failed to contribute.

14) **Risks as to Conflicts of Interest.** There are various conflicts of interest that may occur between the Owner and/or its member and the Managers, Time Equities, Inc. (“TEI”) as the asset manager and/or Gordian Knot Property Solutions LLC (“**Gordian Knot Property Solutions**”), as the managing agent for the Property. These conflicts of interest include, but are not limited to, the following:

a. Competition with Other Entities for Management Services

The Managers, Gordian Knot Property Solutions and/or TEI may encounter conflicts of interest in allocating management time, services and functions between the tenants 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 and Gordian Knot Property Solutions as the managing agent 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’, Gordian Knot Property Solutions and/or TEI’s Other Activities

The Managers, TEI, Gordian Knot Property Solutions and their respective Affiliates may engage in other business ventures, real estate or otherwise, 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 Owner. Accordingly, there may be conflicts of interest on the part of the Managers and their affiliates (including Gordian Knot Property Solutions and TEI) with the Owner and its members and other entities and real estate investments or properties which they are involved.

c. Partnership Representative

Pursuant to the operating agreement for Owner, the TEI Managers will be the “**partnership representative**” and as a result may make various determinations which would be binding on all of the members of the Owner. It is possible that issues could arise on tax matters where the decision of the TEI Managers may have a different effect or consequence on the TEI Managers and the members of the Owner. Because the impact of such determinations on the TEI Managers and their Affiliates may be substantially different in circumstances from the impact on the members of the Owner, the TEI 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 Supplement, are also employees of TEI. This could result in a conflict of interest if there is a dispute between the Managers and a member of the Owner and/or if decisions as to legal matters may have different consequences or effect on the TEI Managers and the members of the Owner.

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 Owner, the and the TEI 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.

The Managers are entitled to receive a certain portion of net proceeds from the sale of the Property as provided in the operating agreement for the Owner. 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 members of the Owner 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 members of the Owner. For example, the Managers might not wish to receive taxable income in a particular year for reasons unrelated to the Owner. 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 Owner.

A conflict of interest could arise between the members of the Owner 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 members of the Owner. In any event, 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, where the Managers may desire to undertake a 1031 tax deferred 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 tax deferred 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 a Guarantor and the Members of the Owner)

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 Owner, 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 Owner violate a condition of a loan agreement that would be

advantageous to the Owner, 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 Owner. Due to the fact that such actions, while potentially favorable to the members of the Owner, might be personally detrimental to a Manager, the following provisions shall be included in the operating agreement for the Owner and pertain to any actions that might be taken in connection with the ownership and operation of the Property by the Owner and the administration of the loans and/or other obligations of the Owner:

- (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 Owner arising under any loan documents, notwithstanding that the failure to take any such action might result in the total or partial loss of the Owner's and/or Members' 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 Owner arising under any such loan documents, notwithstanding that the taking of any such action might result in the total or partial loss of the Owner'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 Owner, which duty will govern their actions in all such matters. While the foregoing conflicts of interest could materially and adversely affect the Owner, 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.

- 15) **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 Owner nor the Managers can guaranty that hazardous substances and/or wastes will not be discovered on the Property during the Owner's ownership or after sale to a third party. If such hazardous substances or wastes are discovered on the Property, the Owner may be required to remove those hazardous substances and clean up the Property, and the Owner, may incur full recourse liability for the entire cost of any such removal and cleanup. Neither the Owner nor the Managers can guaranty that the cost of any such removal and cleanup would not exceed the value of the Property or that the Owner could recoup any such costs from a third party. The Owner 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. The Financial Forecasts for the Property do 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.

- 16) **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.
- 17) **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 the Owners is financially able, they have an ongoing duty to make the 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 Owner. 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 INVESTORS ARE URGED TO CONSIDER SUCH RISKS BEFORE MAKING A DECISION TO INVEST IN THE PROPERTY.

FINANCIAL FORECAST FOR MIRABELLA

Mirabella Apartments		\$/SF	\$/UNIT
		35,298	44
Purchase Price	\$ 12,064,000	\$ 341.78	\$ 274,182
Acquisition Fee TEI/GK	\$ 150,800 1.25%	\$ 4.27	\$ 3,427
Acquisition Fee GK	\$ 211,120 1.75%	\$ 5.98	\$ 4,798
Closing Costs	\$ 236,727	\$ 6.71	\$ 5,380
Financing Costs	\$ 200,079	\$ 5.67	\$ 4,547
Capex/Renovation Costs	\$ 5,404,770	\$ 153.12	\$ 122,836
Working Capital	\$ 163,313	\$ 4.63	\$ 3,712
Total	\$ 18,430,809	\$ 522.15	\$ 418,882

Financing - Year 1 (Bridge Loan)

Loan Amount	\$ 11,500,000
Total Project Costs	\$ 18,430,809
Equity	\$ 6,930,809
Rate	8.82%
Amort.	0.00
Debt Service	\$ 1,014,300

Loan Proceeds	\$ 11,500,000	62.40%
Invested Capital	\$ 6,930,809	37.60%
Total	\$ 18,430,809	100.00%

Assumptions

Revenue Growth	3.00%
Expense Growth	3.00%

Refinancing - Year 3

Value	6.00% Cap Value	\$ 23,358,206
Loan Amount	63% LTV	\$ 14,715,670
Mortgage Costs	1.00%	\$ 147,157
Existing Loan Payoff		\$ 11,500,000
Net Loan Proceeds		\$ 3,068,513
Equity		\$ 6,930,809
Equity After Refi		\$ 3,862,296
Rate	6.00%	
I/O Payment Years 3-5		\$ -
Amort.		30.00
Debt Service		\$ 1,058,734

Debt	\$ 14,715,670	79.21%
Equity	\$ 3,862,296	20.79%
Total	\$ 18,577,966	100.00%

	\$/Unit	Financing			Re-Financing Stabilize								
		In-Place (T-12)	Year 1 2022	Year 2 2023	Year 3 2024	Year 4 2025	Year 5 2026	Year 6 2027	Year 7 2028	Year 8 2029	Year 9 2030	Year 10 2031	
Revenue													
Rental Income	23,876	\$ 1,062,105	\$ 1,050,557	\$ 1,383,013	\$ 1,603,969	\$ 1,676,147	\$ 1,751,574	\$ 1,804,121	\$ 1,858,245	\$ 1,913,992	\$ 1,971,412	\$ 2,030,554	
Commerical Income		\$ -	\$ 58,687	\$ 82,354	\$ 90,756	\$ 93,933	\$ 97,220	\$ 100,137	\$ 103,141	\$ 106,235	\$ 109,422	\$ 112,705	
Other Income	3,185	\$ 149,414	\$ 140,149	\$ 206,347	\$ 229,117	\$ 237,137	\$ 245,436	\$ 252,799	\$ 260,383	\$ 268,195	\$ 276,241	\$ 284,528	
Vacancy Loss & Other Adjustments	(5,366)	\$ (32,195)	\$ (236,116)	\$ (331,988)	\$ (96,192)	\$ (100,361)	\$ (104,712)	\$ (107,853)	\$ (111,088)	\$ (114,421)	\$ (117,854)	\$ (121,389)	
EGI	23,029	\$ 1,179,323	\$ 1,013,276	\$ 1,339,727	\$ 1,827,650	\$ 1,906,855	\$ 1,989,519	\$ 2,049,204	\$ 2,110,681	\$ 2,174,001	\$ 2,239,221	\$ 2,306,398	
Expenses													
Repairs and Maintenance	800	\$ 92,628	\$ 35,200	\$ 35,769	\$ 36,842	\$ 37,948	\$ 39,086	\$ 40,259	\$ 41,467	\$ 42,711	\$ 43,992	\$ 45,312	
Payroll	1,750	\$ -	\$ 77,000	\$ 78,246	\$ 80,593	\$ 83,011	\$ 85,501	\$ 88,066	\$ 90,708	\$ 93,429	\$ 96,232	\$ 99,119	
General & Administrative	225	\$ 19,429	\$ 9,900	\$ 10,060	\$ 10,362	\$ 10,673	\$ 10,993	\$ 11,323	\$ 11,662	\$ 12,012	\$ 12,373	\$ 12,744	
Marketing	238	\$ 245	\$ 10,472	\$ 10,641	\$ 10,961	\$ 11,289	\$ 11,628	\$ 11,977	\$ 12,336	\$ 12,706	\$ 13,088	\$ 13,480	
Utilities	1,410	\$ 67,782	\$ 62,040	\$ 63,044	\$ 64,935	\$ 66,883	\$ 68,889	\$ 70,956	\$ 73,085	\$ 75,277	\$ 77,536	\$ 79,862	
Contract Services	600	\$ -	\$ 26,400	\$ 26,827	\$ 27,632	\$ 28,461	\$ 29,315	\$ 30,194	\$ 31,100	\$ 32,033	\$ 32,994	\$ 33,984	
Make Ready Cost	29	\$ 19,808	\$ 1,292	\$ 9,289	\$ 11,513	\$ 11,859	\$ 12,214	\$ 12,581	\$ 12,958	\$ 13,347	\$ 13,747	\$ 14,160	
Management Fee	1,301	\$ 60,356	\$ 57,264	\$ 66,986	\$ 91,383	\$ 95,343	\$ 99,476	\$ 102,460	\$ 105,534	\$ 108,700	\$ 111,961	\$ 115,320	
Insurance	700	\$ 35,555	\$ 30,800	\$ 31,298	\$ 32,237	\$ 33,204	\$ 34,200	\$ 35,226	\$ 36,283	\$ 37,372	\$ 38,493	\$ 39,648	
Property Taxes	3,146	\$ 154,131	\$ 138,413	\$ 125,255	\$ 124,209	\$ 126,693	\$ 129,227	\$ 133,103	\$ 137,097	\$ 141,209	\$ 145,446	\$ 149,809	
TEI Asset Mgmt Fee	345	\$ -	\$ 15,199	\$ 20,096	\$ 27,415	\$ 28,603	\$ 29,843	\$ 30,738	\$ 31,660	\$ 32,610	\$ 33,588	\$ 34,596	
TEI Accounting Fee	114	\$ -	\$ 5,000	\$ 5,150	\$ 5,305	\$ 5,464	\$ 5,628	\$ 5,796	\$ 5,970	\$ 6,149	\$ 6,334	\$ 6,524	
Total Expenses	10,659	\$ 449,935	\$ 468,980	\$ 482,662	\$ 523,386	\$ 539,430	\$ 556,000	\$ 572,680	\$ 589,861	\$ 607,557	\$ 625,783	\$ 644,557	
NOI		\$ 729,388	\$ 544,297	\$ 857,065	\$ 1,304,264	\$ 1,367,426	\$ 1,433,519	\$ 1,476,524	\$ 1,520,820	\$ 1,566,444	\$ 1,613,438	\$ 1,661,841	
Cap Rate		7.27%	5.76%	3.22%	4.65%	7.08%	7.42%	7.78%	8.01%	8.25%	8.50%	8.75%	9.02%
Reserves	\$250/Unit	\$ 11,000	\$ 11,000	\$ 11,000	\$ 11,000	\$ 11,000	\$ 11,000	\$ 11,000	\$ 11,000	\$ 11,000	\$ 11,000	\$ 11,000	
Totals		\$ 11,000	\$ 11,000	\$ 11,000	\$ 11,000	\$ 11,000	\$ 11,000	\$ 11,000	\$ 11,000	\$ 11,000	\$ 11,000	\$ 11,000	
Net Cash Flow		\$ 718,388	\$ 533,297	\$ 846,065	\$ 1,293,264	\$ 1,356,426	\$ 1,422,519	\$ 1,465,524	\$ 1,509,820	\$ 1,555,444	\$ 1,602,438	\$ 1,650,841	
Operating Carry Year 1													
Unlevered Returns		7.16%	3.15%	4.59%	7.02%	7.30%	7.66%	7.89%	8.13%	8.37%	8.63%	8.89%	
Debt Service Beginning Year 1		\$ 661,532	\$ 808,083	\$ 838,850	\$ 1,058,734	\$ 1,058,734	\$ 1,058,734	\$ 1,058,734	\$ 1,058,734	\$ 1,058,734	\$ 1,058,734	\$ 1,058,734	
DSCR		0.82	1.06	1.55	1.29	1.35	1.39	1.44	1.48	1.52	1.57		
Leveraged Cash Flow		\$ (128,236)	\$ 37,982	\$ 454,414	\$ 297,691	\$ 363,784	\$ 406,790	\$ 451,085	\$ 496,710	\$ 543,703	\$ 592,106		
Negative Carry		\$ 128,236											
Leveraged Returns		8.87%	0.00%	0.55%	6.56%	7.71%	9.42%	10.53%	11.68%	12.86%	14.08%	15.33%	
Equity		\$ 6,930,809	\$ 6,930,809	\$ 6,930,809	\$ 3,862,296	\$ 3,862,296	\$ 3,862,296	\$ 3,862,296	\$ 3,862,296	\$ 3,862,296	\$ 3,862,296	\$ 3,862,296	

FINANCIAL FORECAST

GENERAL METHODOLOGY USED FOR FINANCIAL FORECASTS OF OPERATION OF THE MIRABELLA APARTMENTS LOCATED AT 4250 AURORA AVE N, SEATTLE, WASHINGTON FOR THE PERIOD FROM NOVEMBER 2023 THROUGH OCTOBER 2033

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 October 2023. The annual periods in the forecasts are from October through September.

Acquisition: The total project costs for the acquisition of the Property is estimated to be \$18,430,809. The purchase price is \$12,064,000. The closing date occurred on November 6th, 2023.

**Acquisition Mortgage
And Projected
Refinancing:**

On the closing date, the Owner obtained an acquisition mortgage in the amount of \$11,500,000. The interest rate is a floating rate based on one-month Term SOFR plus 350 basis points. In the Financial Forecast, the projected interest rate utilized is 8.82% per annum. The monthly debt service payments consist of interest only.

The Financial Forecast includes a refinancing in the beginning of the 3rd year of operation. The loan amount is estimated to be \$14,715,670, with a fixed interest rate of 6.00%. The estimated loan to value ratio is approximately 63%. The Financial Forecast includes principal and interest payments based on a 30 year amortization schedule in the amount of \$1,058,734.

Income: The Property is currently 95% occupied. During the first year of operation there is a projected deficiency in net cash flow, after debt service of \$128,236. The \$138,833 of working Capital allocated as well as the interest reserve will eliminate such operating deficit during the first year of operation.

Projected Rents: The current average monthly rents are projected for a 1-bedroom apartment to be \$1,473 per unit for an unrenovated unit and \$2,195 for a renovated unit. For a 2-bedroom unrenovated unit monthly rates will be \$1,975 and \$2,925 for a 2-bedroom renovated unit. The average rent per rentable square foot is \$2.34 for an unrenovated unit and \$3.56 for a renovated unit. The above rental projections are consistent with current rents for new leases.

Occupancy Level: Under the Financial Forecast after the first year of operation, it is assumed that the Property achieves a maximum physical occupancy rate of 100%. It is assumed the average economic occupancy level will be 95%.

Reduction to Base

**Rental Income to
Create Effective
Gross Income:**

The Financial Forecast starting with the second year of operation includes the following deductions from projected base rental income to create the effective gross income utilized to determine net cash flow:

Deduction	Percentage Deduction from Base Rental Income
General Vacancy	5.00%
Bad Debt Expenses	Included above
Model/Employee Units/ Concessions (Free Rent)	NONE
TOTAL	5.00%

**Growth Factors for
Rents & Expenses
other than Real Estate**

Taxes:

In the Financial Forecast rents are grown at 3.00% and expenses after the first year of operation are growth at 3.00% per annum

**Management
Fees:**

Gordian Knot Property Solutions will be paid a property management fee equal 5.00% of the collected total revenue for such management services and Time Equities Inc. will receive an asset management fee equal to a 1.50% of the collected total revenue.