

**ADDENDUM #1 TO
PRIVATE PLACEMENT MEMORANDUM,
DATED NOVEMBER 1, 2019
PREFERRED EQUITY OFFERING FOR
1000 SOUTH MICHIGAN AVENUE
CHICAGO, ILLINOIS**

There are some new special risks that have occurred since the date of the Memorandum in November 2019 that Investors should consider before making an investment in 1000 Michigan Preferred LLC (the “**Company**”).

Due to the ongoing international COVID-19 Pandemic and the need for worker safety, the Owner has elected, as of March 31, 2020, to pause construction activities on the Property. At the time of such pause, the portion of the Project completed consisted of approximately 80% of the subgrade/foundation work. Building construction in Illinois is considered to be essential operations and may continue. Despite this, the Owner decided, on advise of its experts and contractors, to pause construction until such time as worker safety could be insured. The Owner plans to reevaluate this construction pause in mid-May 2020 to determine if adequate measures can then be undertaken to preserve worker safety and at the same time recommence the completion of the balance of the foundation work. There is no guaranty as to when construction will start up again.

During this pause in construction, the Owner is continuing certain critical path matters to endeavor to maintain the timeline for the completion of the Project, which includes finalizing the remaining unfinished plans and specifications, continuing the process to obtain the permit for the above ground construction of the Project, the buyout of the remaining subcontracts for hard costs, and the design and fabrication of the curtain wall.

Prior to the occurrence of the COVID-10 Pandemic, the Owner was in the process of negotiating a more detailed terms sheet for the Construction Loan with Goldman Sachs Bank. The main purpose for creating a more detailed terms sheet, in addition to finalizing such terms, was to create a terms sheet to facilitate the syndication of the Loan. This terms sheet requires a syndicate of lenders to fund the Construction Loan. Manufacturers & Traders Trust Company (“**M&T**”) agreed to act as the syndicate agent for the approximately \$108,096,113 needed from participating lenders to fund the balance of the Construction Loan. Goldman Sachs and M&T have agreed in principle to collectively fund \$235,000,000 of the estimated \$343,096,113 Construction Loan. With the uncertainty in the market due to the COVID-19 Pandemic, the completion of this terms sheet was also put on hold, primarily due to the perceived difficulty in syndicating the remaining loan commitments from other participating lenders. M&T is prepared to move forward with this syndication once the lender environment for such syndication improves. The Owner is continuing to work diligently with Goldman Sachs and the lending community to finalize the construction loan and plans to limit construction activity on site until such time as an acceptable agreement can

be worked out with Goldman Sachs Bank as to the funding of the remaining required lender commitments/participations for the Construction Loan.

As a result of the Pandemic from COVID-19, it is more difficult to sell apartments than as originally planned. Potential buyers, that might have considered buying an apartment, before this Pandemic occurred, are probably more reluctant to commit to this purchase until things come back to normal and/or the economy shows signs of improvement. Currently, there are 101 contracts of sale for the purchase of apartments for a gross sell out value of \$88,776,459. The following is the current breakdown as of the existing units under contract for the three different types or collections:

SOLD UNITS SNAP SHOT										
Floors	# Sold	Total SF Sold	Net Sale	Avg \$/Unit	Avg \$/SF	Avg. SF	% Sold	Max \$/SF	Min \$/SF	
3-40: Sig. Base	59	91,015	65,230,577	1,105,603	717	1,543	28%	1,006	473	
41-47: Int. Coll.	40	17,131	17,320,882	433,022	1,011	428	30%	1,328	764	
48-71: Sig. Tower	2	6,231	6,225,000	3,112,500	999	3,116	2%	1,019	979	
	101	114,377	88,776,459	878,975	776	1,132	22%			

All, but 1 or 2 of these purchasers, have funded their 10% deposit. The Memorandum in November 2019 indicated that 95 apartments were under contract at that time. As of November 2019, the existing purchasers had only funded a 5% contract deposit. Most of these purchasers, as indicated above, subsequently increased their deposit to 10% of their purchase price. Due to Illinois stay at home executive order, the Owner has had to shut down its sales center. The Owner has, however, continued the marketing of units for sale through virtual tours of the sales center and the apartments. Despite the shutdown of the sales center, there still has been a lot of traffic on the Project's website. Due to the fact that construction, to the extent it is resumed, is not estimated to be completed until late 2022, the Project is somewhat insulated from the current recession and economic downturn, as the economy will have approximately three (3) years to recover before the Project is completed and first unit sales occur. It is uncertain at this time as to the lasting impact that this downturn in market conditions will have on the ability to sell apartments as well as the market value or the selling price per square foot that the Owner will be able to ultimately achieve.

The Memorandum estimated that the Project would be substantially completed in December 2022. Although Owner would like to stay on schedule to substantially complete construction within this time frame, because the currently uncertainty of the length of this pause in construction, there is no guaranty as to the ability to achieve this estimated date for substantial completion.

The Condominium documents indicate that construction will be completed in 2022 subject to extensions for delays occasioned by governmental requirements, emergency situations or other causes beyond the reasonable control of the developer. The Condominium documents could be amended to extend the anticipated construction completion date due to the occurrence of above force majeure conditions arising from the COVID-19 Pandemic. Depending on the length of any

such extension of the completion date (even though such extension is permitted due to force majeure conditions), this could be a material change to the Condominium documents that would require the approval of 75% of the purchasers. The longer the extension the greater likelihood this could be a material change requiring the purchasers’ approval. At this point in time, it is the position of the Owner that any such extension of the completion date, that may be caused by the COVID-19 Pandemic, is not a material change requiring purchasers’ approval. To the extent such construction date is extended for a longer period than anticipated and/or is for matters unrelated to the COVID-19 Pandemic, an amendment requiring purchasers’ approval may be necessary and there is guaranty as to the Owner’s ability to obtain such required approval. If such approval is required and not obtained, then the Owner would have to offer recession rights to all of the purchasers.

In addition to the potential issues relating to the outside completion date specified in the condominium documents, as discussed above, certain purchasers negotiated specific ‘drop dead’ dates in their contracts (which do not provide extension rights). There are currently 53 sales contracts that give a purchaser the right to terminate their contract and receive back their deposit if their unit is not completed by the applicable date. Per the chart below, 3 contracts have drop dead dates in the first half of 2022, 39 have drop dead dates at the end of 2022, and 11 have drop dead dates in 2023. With the current pause in construction, there is no guaranty as to the ability to complete the construction of the Project before the applicable drop dead date that would allow a purchaser to exercise their termination right. Even if any such drop dead date occurs, to the extent the market values for apartments remain the same or improves, a purchaser, who has such termination right, may nevertheless still close on their apartment, but there is no guaranty as to such result. The following is the drop dead schedule for contracts which give a purchaser such right of termination.

Purchaser Contract Drop Dead Date	# of Contracts	Contract Prices
4/15/2022	2	\$1,154,000.00
6/30/2022	1	\$1,345,000.00
12/31/2022	39	\$36,267,332.00
1/1/2023	1	\$1,719,000.00
12/31/2023	10	\$5,392,726.00
None	47	\$42,328,401.00
Total	100	\$88,206,459.00

Alternatively, if the Owner fails to substantially complete construction by the end of 2022 and a major portion of purchasers, with this termination right, elected to actually terminate their contracts, this could have a material adverse impact on the ability of the Owner to paydown the Construction Loan as planned and/or to obtain any permitted extension of the term of the Construction Loan.

Despite the pause on construction, the Owner has recently just entered into the Guaranteed Maximum Price Amendment with James McHugh Construction Company under the Construction Management Agreement, which provides for a guaranteed maximum price of \$325,963,535 for the hard costs to complete the Project. There are some contingencies and/or reserves in the Guaranteed Maximum Price Amendment that will probably increase the total hard costs for completion of the Project closer to the budgeted amount of \$330,500,000, as set forth in the Project Budget for hard costs in the Memorandum.

At this point in time, despite the pause in construction, the Company still plans to pay the Minimum Quarterly Payments of 5.25% per annum and accrue the balance of such 10.5% per annum preferred return.