Project Supplement No. 1

(Dated May 22, 2020)
to the Confidential Private Placement Memorandum
of TEI Diversified Income & Opportunity Fund V, LLC,
dated January 1, 2020

This Project Supplement No. 1 modifies and supplements the Confidential Private Placement Memorandum of TEI Diversified Income & Opportunity Fund V, LLC, dated January 1, 2020 (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 Project Supplement No. 1, have the meanings set forth in the Memorandum.

Supplement

This Project Supplement pertains to the purchase of the publically traded securities.

TEI Preferred Stock LLC, a New York limited liability company ("**TEI Preferred**") will invest $10,000,000 in Gratia Special Opportunities 520, LP, a newly created Delaware limited partnership ("**Gratia LP**"). It is anticipated that TEI Preferred will be the sole limited partner in Gratia LP. Gratia LP will invest in publically traded securities which are predominately within real estate and related sectors. It is estimated that such investment, for the most part, will consist of the purchase of preferred stock in publicly traded REITS. The Memorandum for the Fund, in its description of the types of properties to be acquired, included the acquisition of preferred equity.

One of the targeted investments are anticipated (but not guaranteed) to consist of the purchase of preferred stock in Brookfield Asset Management and its subsidiaries and affiliates among many other publicly traded securities.

The investment manager for Gratia LP is Gratia Capital, LLC ("**Gratia Capital**"). Gratia Capital began operations in April 2012 and has since launched and managed a collection of distinct concentrated hedge funds investing in common and preferred equities in various sectors, including consumer, industrials and real estate. The portfolio manager for Gratia Capital is Steven Pei. Prior to Gratia Capital, he was at Canyon Capital from 2006 – 2012, where he invested in real estate and related industrial, consumer, financial, and service companies across the capital structure. Before Canyon, he was at Bain Capital's private equity group from 2004 – 2006 covering industrials and consumer sectors. He graduated from the University of Pennsylvania/ Wharton with a master's degree and three undergraduate majors in four years. The average annual return for these hedge funds, since inception, through April 2020, is approximately 13.98%. There is no guaranty as to performance by Gratia LP based on the returns generated by the other hedge funds managed by Gratia Capital and it should be noted that the investments that are projected to be made by Gratia LP may be significantly different than the investments that have been made in the past.

The Fund will invest $3,000,000 and own a 30% membership interest in TEI Preferred. The Managers of TEI Preferred are Francis Greenburger and Robert Kantor (the "**Managers**"). Affiliates of the Managers will invest the remaining 70% of the $10,000,000 capital stack and will own a 70% membership interest in TEI Preferred.

Gratia Capital's business strategy is to purchase undervalued securities with a favorable risk-reward potential. The preferred stock to be purchased may offer yields higher than bonds, while retaining much of the upside price appreciation potential of common stock. Most of the targeted preferred securities contain compounded cumulative returns that are paid quarterly. The anticipated (bur not guaranteed) range for such yields are 8% 10%. The portfolio allocations may shift with reasonable frequency. The current yield and total return profiles of these investments can vary greatly. Gratia Capital will attempt to target 20% plus returns in the portfolio, with most preferred securities generating ¼ of the return through current yields and ¾ of performance through price appreciation. The securities to be purchased are volatile and there is no guaranty as to performance. There is the potential to lose a substantial portion of the $10,000,000 invested capital.

Time Equities, Inc., an affiliate of the Managers, will be paid an annual asset management fee equal to 0.25% the net asset value of TEI Preferred's capital account with Gratia LP, consisting of securities and uninvested cash (if any). Such asset management fee will be paid quarterly.

A more detailed description of this investment is attached hereto.

TERMS FOR INVESTMENT BY
TEI PREFERRED STOCK LLC ("TEI PREFERRED")
IN
GRATIA SPECIAL OPPORTUNITIES 520, LP ("GRATIA LP")

Sole Limited Partner in Gratia LP:	TEI Preferred will become the sole limited partner in Gratia LP, a Delaware limited partnership. Additional limited partners may only be admitted to Gratia LP, upon the consent of TEI Preferred. It is anticipated that TEI Preferred, during the term of its investment, will most likely be the only limited partner in Gratia LP. The general partner of Gratia LP is Gratia Special Opportunities 520 GP, LLC ("**GP**"). The GP is an affiliate of the investment manager for Gratia LP.
Investment Amount by the Company in Gratia LP:	$10,000,000
Investments to be made by Gratia LP:	The permitted investments consist of publically traded foreign or domestic securities, which are anticipated to be primarily in real estate and related sectors. Targeted (but not guaranteed) investments initially consist of the purchase of preferred stock in Brookfield Asset Management, its subsidiaries and affiliates. Any change in the permitted investments shall be subject to the approval of TEI Preferred (or with the consent of limited partner(s) owning greater than a 50% interest in Gratia LP)
Permitted Redemptions or Withdraws By TEI Preferred:	TEI Preferred, shall be entitled to redeem or withdraw up to 25% of the value of its investment upon 60 days prior written notice. Such redemptions shall occur at the end of the calendar quarter and if the 60 day notice is not provided at least 60 days prior to the end of a particular calendar quarter then the proceeds from such redemption will not be paid to TEI Preferred until the end of the next calendar quarter. If TEI Preferred has properly exercised its right to withdraw up to twenty five percent (25%) of its interest, then TEI Preferred may, upon at least

sixty (60) days' prior written notice withdraw up to thirty-three and one-third percent (33.33%) of its interest of its capital account on any subsequent withdrawal date. If TEI Preferred has properly exercised its right to withdraw up to thirty-three and one-third percent (33.33%) of its interest, TEI Preferred may, upon at least sixty (60) days' prior written notice withdraw up to fifty percent (50%) of its capital account on any subsequent withdrawals date. If TEI Preferred has properly exercised its right to withdraw up to fifty percent (50%) of its interest, TEI Preferred may, upon at least sixty (60) days' prior written notice, withdraw up to one hundred percent (100%) of its capital account on any subsequent withdrawal date.

There will be no lock out period for redemptions or withdraws.

Performance Fee: The GP (that is the Gratia Capital (which does not include TEI or any of its affiliates)) will be paid a performance fee in an amount equal to 10% of the net profits. Such performance fee shall be paid annually as of the end of each calendar year or when funds are withdrawn by TEI Preferred. The Performance Fee shall be calculated to reflect net profits on a cumulative basis (which takes into account any net loss during any particular fiscal year). Net profits and/or losses are calculated based on changes in the net asset value of the securities after deduction of expenses. The Performance Fee is calculated based on ten percent (10%) of then net profits in excess of Cumulative Loss Account maintained for TEI Preferred. Initially, the Cumulative Loss Account will be zero and it will be adjusted annually and/or when withdrawals are made by TEI Preferred. The Cumulative Loss Account will be increased by net losses and decreased by net profits, provided the cumulative amount of adjustments will not reduce the balance of Cumulative Loss Account below zero. The Performance Fee will only be earned and paid to the extent the adjustments for net profits and losses produces a Cumulative Loss Account of zero. In the event there is a positive balance in the Cumulative Loss Account at the time TEI Preferred makes a

	withdrawal, such positive balance will be reduced in proportion which the amount of the withdrawal bears to the value of TEI Preferred capital account immediately prior to giving effect to such withdrawal. Attached hereto are examples to show how the Cumulative Loss Account works and how the Performance Fee is calculated.
Investment Manager:	The investment manager for Gratia LP is Gratia Capital, LLC ("**Gratia Capital**")
Management Fees:	Gratia Capital will be paid a management fee equal to the annual rate of 1% of net asset value of the Securities. Such fee shall be paid quarterly in advance based on the net asset value at the beginning of applicable quarter.
Asset Management Fee:	Time Equities, Inc. will be paid an annual asset management fee equal to 0.25% of the net asset value of TEI Preferred's capital account with Gratia LP (consisting of securities and uninvested cash, if any). Such fee will be paid quarterly.
Additional Capital Contributions and Reinvestment of Distributions:	To the extent TEI Preferred makes additional capital contributions to Gratia LP, TEI Preferred must provide at least three (3) days prior notice (or such lesser number of days as permitted by GP) to the GP of any such investment. The effective date for any such investment will be the first day of the next month or such other date, as determined by the GP. It is anticipated that distributions made by Gratia LP may be reinvested by TEI Preferred LLC.
Net Asset Value:	Net asset value shall mean the net asset value of the Company's interest in Gratia LP, which consists of the aggregate value of the Securities and aggregate uninvested cash balances less the total of the TEI Preferred's expenses as to its limited partnership interest in Gratia LP. Since TEI Preferred is the only limited partner, then such deduction for expenses would be 100% of the expenses incurred by Gratia LP.

Expenses to be Incurred by Gratia LP:	Expenses to be incurred by Gratia LP, other than the Performance and Management Fees, as described above are anticipated, consist of the following: • Organizational costs of $15,000; • Trading costs, including commission research and custody fees; • 3rd party administration costs; and • Accounting fees, fees for tax advisors and audit fees • There may be other expenses incurred as to the operation of Gratia LP that could reduce any net profit of TEI Preferred
Holdback for Remaining Withdrawals:	If TEI Preferred requests a withdrawal or redemption of 95% or greater of TEI Preferred's capital account, then the GP can hold back up to 5% of such withdrawal amount for a period of up to 45 days after completion of the annual financial statement and audit of Gratia LP's books for the year of such withdrawal. Once such financial statement and audit is completed, the remaining funds, after making any required adjustments, will be paid to TEI Preferred.
Fiscal Year and K-1's:	The fiscal year will be on a calendar basis and K-1s for TEI Preferred investment, will be received by approximately February 28th for the prior calendar year. Should TEI Preferred not receive the K-1's by February 28 in any given calendar year, provided the failure was not due to circumstances reasonably outside of the control of the GP, then Gratia Capital will waive its Management Fee for the 2nd quarter in the same year.
Powers of the General Partner under the Limited Partnership Agreement:	The GP has authority to make all decisions on behalf of Gratia LP without the consent of the limited partners, except the consent of TEI Preferred (or limited partner(s) owning greater than a 50% interest) shall be required to change the purpose of Gratia LP as to the securities that Gratia LP will invest in and/or as to the admission of additional limited partners into Gratia LP. Gratia Capital, on behalf of Gratia LP, agreed that as long as TEI Preferred continues to make a meaningful

	investment they will not market or accept additional limited partners into Gratia LP.
Limited Liability of TEI Preferred:	In no event will TEI Preferred, as a limited partner in Gratia LP, be liable for any obligations and liabilities of Gratia LP in an amount that exceeds its capital contribution to Gratia LP. However, TEI Preferred, as a limited partner, may be liable to Gratia LP for distributions received from Gratia LP, to the extent, after giving effect to such distributions, the liabilities of the Gratia LP exceed the fair value of Gratia LP assets (including any overpayments).
Reports to TEI Preferred:	TEI Preferred will receive an annual financial statement for Gratia LP and monthly operating reports pertaining to the net asset value for the Securities, withdrawals and reinvestments, as well as expense incurred and the accruals and/or payment of the Performance and Management Fees.

The following are examples of how the Cumulative Loss Account works and the Performance Fee is calculated (assuming an investment of $1,000,000)

<u>Fund Net Asset Value (NAV) 01/01/2020</u> $1,000,000

Fund NAV 12/31/2020 $1,200,000 (total after expenses, including the management fee expense)
Gain/Loss $200,000
Less Performance fee $20,000 [10% of $200,000]
Cumulative loss account $0

<u>Fund NAV 01/01/2021</u> $1,180,000

Fund NAV 12/31/2021 $1,000,000 (total after expenses, including the management fee expense)
Gain/Loss $(180,000)
Less Performance fee $0
Cumulative Loss Account $180,000

<u>Fund NAV 01/01/2022</u> $1,000,000

Fund NAV 12/31/2022 $1,100,000 (total after expenses, including the management fee expense)
Gain/Loss $100,000
Less Performance fee $0
Cumulative Loss Account $80,000

<u>Fund NAV 01/01/2023</u> $1,100,000

Fund NAV 12/31/2023 $1,300,000 (total after expenses, including the management fee expense)
Gain/Loss $200,000
Less Performance fee $12,000 [10% of $120,000]
Cumulative Loss Account $0