

Dear Partner,

I hope you and your family are well and this letter finds you in good spirits and health. Below is a brief update on our current investments and new opportunities we have been evaluating.

305 Kenneth Welch Drive

The property was acquired in June and since closing we have completed the planned building renovation program. Leasing activity has been strong and over the past eight (8) weeks we have been negotiating a lease for the entire building with ALTA Equipment Group Inc. (NYSE: ALTG www.altaequipment.com) for a seven (7) year term, which was executed last week. Alta is a national material equipment handling company started in Michigan during the 1980's and now includes operations in eleven (11) states with fifty-five (55) locations. The Company sells, leases, and maintains high-end forklifts and other related equipment used in the food processing, warehouse handling and distribution industry with a customer base that includes companies like Kellogg's, Amazon, and Lowe's. Alta has an existing operation located in Middleborough, MA and the 305 KWD location will be utilized to relocate the materials handling division (forklifts etc.) which is currently the most profitable operating line. The Company went public in February 2020. The entity on the lease will be NITCO, LLC, a subsidiary of Alta, with gross revenue of \$121 MM and adjusted EBITDA of \$13 MM through September 30, 2021. The parent company (Alta Enterprises, LLC) will also be providing a lease guaranty.

The Chart below summarizes and compares the pertinent deal terms from our underwriting to the actual lease.

	Underwriting	Actual	Variance
Base Rent (\$/SF)	\$8.00	\$9.50	\$1.50
Annual Increases	2%	3%	1%
TI Allowance (\$/SF)	\$7.00	\$5.00	-\$2.00
Free Rent (Months)	2	1	-1
Rent Commencement Date	Mar-22	Dec-21	

The higher starting base rent nets an additional \$54,000 in net operating income (over a full year period) and the lease-up period three (3) months ahead of plan nets a savings of \$44,000 in operating expense and interest carry costs. Base building renovation work was completed on budget. Annual net cash flow after debt service (a/k/a dividend yield) is projected to be \$225,300 beginning January 1, 2022, representing a gross annualized dividend yield on invested equity of 14.8% (which after profit sharing to the General Partner will be 12.8% to the Limited Partners), outperforming underwriting by 4.5%. In summary the project has outperformed on all metrics.

Industrial Portfolio

We are pleased to report that we will be making our third distribution in January 2022 from operating income generated by the industrial portfolio for the six-month period ending on December 31, 2021. The dividend payment will be \$201,504, shared 191,092 to the Limited Partners, and \$10,411 to the General Partner. Checks will be sent by mail. The weighted average gross dividend yield on invested equity, excluding 305 KWD, for year ended 2021 is 10% (which after profit sharing to the General Partner is 9.3% to Limited Partners). We believe our disciplined investment strategy of sourcing smaller deals off market is yielding a significant premium over the dividend yield generated by larger fully marketed deals. The strategy is resulting in a slower deployment of committed equity but a better yield profile. The Table on the following page summarizes the estimated dividend and projected weighted average yield for 2022.



2022 PROJECTED DISTRIBUTIONS	410 Forest	90/104 JMD	305 KWD	TOTAL / AVE
Total Project Equity	\$1,517,783	\$2,618,202	\$1,521,335	\$5,657,320
Property Level Distributions	\$176,016	\$215,800	\$225,300	\$617,116
Property Level Returns	11.6%	8.2%	14.8%	10.9%
Limited Partner Dividend	\$159,638	\$213,883	\$194,222	\$567,743
LP Dividend Yield	10.5%	8.2%	12.8%	10.0%
General Partner Dividend	\$16,378	\$1,917	\$31,078	\$49,373

The semi-annual payment for full share limited partner (3.33%) is estimated at \$9,472

New Investment Activity

The Luzern Team is currently negotiating a purchase and sale agreement for a new off-market acquisition of a portfolio encompassing five (5) industrial and two (2) office properties located in Windsor, Connecticut. The current owner of the portfolio is a family trust who tried unsuccessfully to market one of the industrial buildings through CBRE over a year ago. We bid on the marketed asset and though the process broke down, remained in communication with the brokerage team. After further negotiation with the seller and because the debt on the single building is cross collateralized with the other six (6) buildings the transaction was expanded to include the entire portfolio with a total purchase price of \$23 MM. The location is strong and offers easy access to major transportation routes, infrastructure, and employment base. The buildings are well built, and good quality related to ceiling height, column spacing and parking ratios. As a result of the size of the transaction we will look to utilize a partner to participate in the acquisition. The timing for closing is estimated to occur during the first quarter of 2022. Further updates will be provided as we progress through our due diligence.

We continue to evaluate new opportunities throughout Massachusetts and Connecticut, the central focus has been on Connecticut. Based on our experience we believe the Connecticut industrial market, specifically the Windsor submarket, offers better risk adjusted returns when compared to the pricing and yields we are seeing for projects located in the Boston and New Jersey markets. The underlying market dynamics in Connecticut are strong, yet values have not appreciated at the same pace as seen in these other markets. Our goal is to capture a current return premium for being in this market and potentially realize value upside as more institutional capital enters the market.

Fund III Potential Capital Calls and Reporting Calendar

Projected Capital Calls (Full Share Limited Partner interest is 3.33%)

- 2021 Fund Management Fee Capital Call: \$193,000 (Full Share Capital Call: \$6,427) timing spring 2022.
- Targeted Additional Equity Investment for the 1st half of 2022: \$4M (Full Share Capital Call: \$133,000)

Reporting and Distribution Calendar

- January 2022: Semi-Annual Distribution
- February 2022: Next Fund III Update Letter
- March 31, 2022: K-1 Tax Information Form to be distributed



Roll-out of the Secure Portal

To increase security of information distributed related to risk of email hacking etc., we have established a secure portal on our website for each partner. All information and communication related to capital calls, tax return information and partners statement of account will be located on the portal. The partner update letters will continue to be sent via email however individual partner communication with sensitive information such as tax id numbers, bank account information for capital calls etc. will be accessed via the secure portal. We will be launching the portal in January and will send a separate communication with instructions.

I would like to wish you and your family a Merry Christmas, Happy Holidays and a Happy New Year.

Best Regards,

Sal

Salvatore Campofranco
Founder, Managing Partner
Luzern Associates LLC