

Dear Partner,

I hope you and your family are well and enjoying the summer. Following is a brief update on our current investments.

### Industrial Portfolio

We are pleased to report that we will be making our 4<sup>th</sup> distribution this month from operating income generated by the industrial portfolio for the six-month period ending on June 30, 2022. The dividend payment will be \$322,954, split \$308,143 to the Limited Partners, and \$14,811 to the General Partner. Checks will be sent by mail. The Portfolio remains 100% leased with the only notable development being that the tenant at 305 KWD, Facilities America Holdings LLC, which was previously owned 60/40 by Nippon Telegraph and Telephone (NYSE:NTTY) and an individual respectively, was recently purchased and now will be 100% owned by Generac Holdings Inc. (NYSE:GNRC). We continue to 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 which is illustrated by the strong projected 2022 yields. The Table below summarizes the actual 2021 returns and projected 2022 returns. We anticipate making our 5<sup>th</sup> distribution for the period ending December 31<sup>st</sup> 2022 in January of 2023.

2021 ACTUAL DISTRIBUTIONS	410 Forest Street	90 & 104 JMD		Total
<b>Total Project Equity</b>	\$1,517,783	\$2,618,202		<b>\$4,135,985</b>
<b>Property Level Distributions</b>	\$184,286	\$230,520		<b>\$414,806</b>
<b>Property Level Returns</b>	12.14%	8.80%		<b>10.03%</b>
<b>LP Dividend</b>	\$165,597	\$228,083		<b>\$393,679</b>
<b>LP Dividend Yield</b>	10.92%	8.71%		<b>9.53%</b>
<b>GP Partner Dividend</b>	\$18,689	\$2,438		<b>\$21,127</b>

2022 PROJECTED DISTRIBUTIONS	410 Forest Street	90 & 104 JMD	305 KWD	770-790 MPR*	Total
<b>Total Project Equity</b>	\$1,517,783	\$2,618,202	\$1,521,335	\$2,192,515	<b>\$7,849,835</b>
<b>Property Level Distributions</b>	\$180,012	\$229,622	\$231,591	\$188,665	<b>\$829,890</b>
<b>Property Level Returns</b>	11.86%	8.77%	15.22%	11.14%	<b>12.12%</b>
<b>LP Dividend</b>	\$162,435	\$221,412	\$184,121	\$172,720	<b>\$740,689</b>
<b>LP Dividend Yield</b>	10.71%	8.47%	12.11%	10.21%	<b>10.81%</b>
<b>GP Partner Dividend</b>	\$17,577	\$8,210	\$47,470	\$15,949	<b>\$89,206</b>

\*Reflects an 8 month distribuion since the deal was closed in April

### Potential Portfolio Sale

As we have discussed in past communications part of the goal with our off-market acquisition strategy has been to drive a pricing premium at sale through aggregating a portfolio, effectively a buy “wholesale” and “sell retail” model. Luzern engaged Avison Young to prepare a Broker Opinion of Value (“BOV”) on a subset of the larger industrial portfolio including 305 KWD, 410 Forest Street and 90 & 104 JMD. These three buildings were selected since we believe they present a complete portfolio with a good mix of stable in place cash flow generated by the long-term



leases at 305 KWD and 90 & 104 JMD with attractive access to upside achievable through the mark-to-market opportunity the lease at 410 Forest Street offers. In addition, the buildings do not require additional capital for improvements and have complimentary uses with light manufacturing/assembly and distribution. The indicative values exceed the underwritten exit value (end of projected hold period) of each building and therefore the team has moved forward and formerly engaged Avison Young to market the three (3) buildings. The plan is to launch the sale process in the next few weeks and after allowing ample time for tours and underwriting, we plan to call for offers some time in late August or early September. We will have more to report on this process and plan to update you accordingly.

### **Day Hill Road Redevelopment**

Since closing on the first piece (comprised of 415 & 425 Day Hill Road) of the Day Hill Road Redevelopment in April we have made significant progress. As Luzern has done with past projects where we think there is a strategic operational advantage, we have brought in Foxfield Real Estate ("Foxfield" [www.foxfieldrealestate.com](http://www.foxfieldrealestate.com)) as a 50/50 joint venture partner. Foxfield is a well-known owner operator based in Boston, MA with extensive industrial development experience throughout the Northeast and Mid-Atlantic regions. I was introduced to Foxfield through a personal relationship and have discussed partnering over the past few years on several deals. Foxfield and Luzern share many synergies when it comes to our investment philosophy and approach. Luzern remains the day-to-day manager for the project and all major decisions are shared equally and jointly. Partnering with Foxfield provides access to their in-house expertise, extensive market and lending contacts and reduces Luzern's exposure to potential recourse requirements with the construction loan. We believe this deal will be the start to a long-term relationship which will yield increased off-market deal flow.

Planning and design of the new building is moving along well. Luzern has assembled a strong team of 3<sup>rd</sup> party consultants and held several preliminary meetings with planning officials in the Town of Windsor. The preliminary plan has been well received by Town officials and we expect to be in position to submit for site plan approval at the next meeting in late July and at this time are on schedule to commence vertical construction in March 2023. As part of the design process, we have been able to increase the square footage of the building from the original 153K to +/- 163K. Below is the most recent rendering of the proposed building.



### Fund III Potential Capital Calls and Reporting Calendar

Currently Fund III has \$2,971,638 of Remaining Commitments. We expect to call contributions of \$2,058,000 by the end of 2022 with the balance (\$913,547) to be held in reserve to meet loan covenants and cover future operational costs.

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

- Fall 2022: Capital call for the 2022 Fund Management Fee of \$193,000 (Full Share Capital Call: \$6,427)
- November 2022: Capital call for remaining equity in the Day Hill Road Redevelopment estimated at \$1,865,000 (Full Share Capital Call: \$61,545) – *Note the final amount of this capital call will change as we complete the approvals and finalize the construction budget.*

#### *Reporting and Distribution Calendar*

- July 2022: Annual Fund III Financial Statement posted to Portal
- October 2022: Next update letter
- January 2023: Semi-annual distribution for the second half of calendar year 2022

### Roll-out of Yardi Reporting Platform

Cybersecurity and secure reporting channels remain a top priority as we continue to grow the portfolio and the Luzern platform. Over the past several weeks our Team has been working to put in place a Yardi reporting system which will increase the security of how we distribute information and upgrade our internal reporting capability to reflect a more institutional level platform for property operations and investor reporting. In the coming weeks you will receive communication on utilizing this platform and software. We expect minimal disruption to the usual process. And again, we remind you not to share wire instructions or personal information over email.

Please enjoy the remainder of the summer and as always feel free to reach out directly with any questions or concerns.

Best Regards,

*Sal*

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