

Dear Partner,

We hope this letter finds you and your family well. On December 28<sup>th</sup> we closed on the sale of 305 Kenneth Welch Drive and 410 Forest Street. The investment in these two (2) properties, generated a total profit of \$2,558,277 of which \$861,855 (or 30%) was generated by operating cash flow that was distributed. The current distribution is comprised of three components: operating dividend from our four (4) industrial properties for the period of July 1<sup>st</sup> through December 31<sup>st</sup> (or through the sale date for the properties sold), distribution of the proceeds from the sale of the two (2) industrial properties and a return of capital contributed for payment of the Fund Management Fee.

#### Operating Distribution

- 770/790 Marshal Phelps Road - distribution from operations is \$150,000 which is less than the \$188,000 previously estimated. The difference is due to the timing of payment made for repairs to the property in the 4<sup>th</sup> quarter of 2022 which we expect to be reimbursed by the tenant during the 1<sup>st</sup> quarter of 2023 and will included in our July 2023 dividend payment.
- 90 & 104 John Murphy Drive - distribution from operations is \$114,456 which is on budget.
- 410 Forest Street - distribution from operations is \$121,536 (see attached analysis).
- 305 Kenneth Welch Drive - distribution from operations \$213,658 (see attached analysis).

The total semi-annual Operating Distribution for the period of July 1<sup>st</sup> through December 31<sup>st</sup> (or through December 28<sup>th</sup> in the case of the two properties sold) is \$599,650 - split \$71,394 to the General Partner and \$528,256 to the Limited Partners.

#### Capital Event Distribution (see attached analysis for property level detail)

- The total proceeds from the sale of the properties are: \$4,735,540 (including \$250,000 reserved to cover warranties for the sale contract which will be paid in June 2023). Distributed as follows: Return of Invested Equity: \$3,039,118; Profit from sale: \$1,696,422 - split \$1,058,591 to the General Partner and \$637,831 to the Limited Partners.
- Return to the Partners of previously contributed capital towards the Fund Management Fee totaling \$255,941 (\$158,866 from reserves held at Fund III).

#### Summary of Distribution

- Total distribution of \$5,591,131. Limited Partners as follows: \$4,207,851 paid on January 20, 2023, and \$250,000 paid in June. \$1,133,280 to the General Partner (\$125,000 of which will be paid in June 2023).
- A full share Limited Partner (3.33% interest) will receive a distribution of \$140,402 paid on January 20, 2023, and \$8,325 with the semi-annual distribution in June.



## Luzern Realty Fund III

### Investor Update January 19, 2023 Distribution from Industrial Portfolio

#### Estimated Tax Projection

Please see the below exhibit which details the projected tax gain resulting from the sale of the two industrial properties which will be included on your K-1 Tax Information Return for 2022. This information should be provided to your tax advisor to determine your individual estimated tax liability.

Limited Partners Tax Gain by Income Tax Rate	Gain	Bonus Depreciation Max 37% Rate	Uncaptured Depreciation 25% Rate	Capital Gain 20% Rate
Luzern Realty Fund III L.P.	\$3,325,539	\$1,576,165	\$168,854	\$1,580,520

NOTE: Please multiply the above amounts by your ownership percentage and share the information with your tax advisor for calculation of your estimated tax liability on the above gain.

Certainly, if you have any questions do not hesitate to call or email. As always, we thank you for your continued support. Our next update letter will be in March 2023.

Best Regards,

*Sal*

Salvatore Campofranco  
Founder, Managing Partner  
Luzern Associates LLC



Yield Analysis for Holding Period	410 Forest St	305 Kenneth Welch	Total
Holding Period:	04/13/20-12/28/22	06/10/21-12/28/22	
	2.71 Yrs	1.55 Yrs	
Industrial SF:	32,500	33,600	66,100
<b>Gross Sales Proceeds</b>	<b>\$5,000,000</b>	<b>\$5,750,000</b>	<b>\$10,750,000</b>
Less Sales Costs & Adjustments	<u>(\$160,254)</u>	<u>(\$121,332)</u>	<u>(\$281,586)</u>
Net Sales Proceeds	\$4,839,746	\$5,628,668	\$10,468,414
Less Loan Payoff	<u>(\$3,010,000)</u>	<u>(\$2,540,000)</u>	<u>(\$5,550,000)</u>
Proceeds from Sale Closing	\$1,829,746	\$3,088,668	\$4,918,414
Less Fund Mgmt Fee Returned	(\$61,689)	(\$35,387)	(\$97,075)
Less Capital Event Fee	(\$50,000)	(\$57,500)	(\$107,500)
Less Bonus Pool	\$0	(\$100,000)	(\$100,000)
Add Cash on Hand	<u>\$88,830</u>	<u>\$32,871</u>	<u>\$121,701</u>
<b>Net Proceeds for Distribution</b>	<b><u>\$1,806,887</u></b>	<b><u>\$2,928,652</u></b>	<b><u>\$4,735,540</u></b>
<b>Profit From Sale and Operating Cash Distributed</b>			
Profit from Sale	\$289,105	\$1,407,317	\$1,696,422
Operating Cash Flow Distributed During Holding Period	<u>\$531,492</u>	<u>\$330,363</u>	<u>\$861,855</u>
<b>Total Profit</b>	<b><u>\$820,597</u></b>	<b><u>\$1,737,680</u></b>	<b><u>\$2,558,277</u></b>
<b>Distribution Breakdown</b>			
Return of Invested Equity	<u>\$1,517,783</u>	<u>\$1,521,335</u>	<u>\$3,039,118</u>
Operating Cash Flow			
Limited Partners	\$470,217	\$283,571	\$753,788
General Partner	<u>\$61,275</u>	<u>\$46,792</u>	<u>\$108,067</u>
	<u>\$531,492</u>	<u>\$330,363</u>	<u>\$861,855</u>
Profit from Sale			
Limited Partners	\$132,544	\$505,287	\$637,831
General Partner	<u>\$156,561</u>	<u>\$902,030</u>	<u>\$1,058,591</u>
	<u>\$289,105</u>	<u>\$1,407,317</u>	<u>\$1,696,422</u>
Fund Level Metrics	410 Forest St	305 Kenneth Welch	
Gross Returns to LP & GP			
Average Dividend Yield	11.7%	21.7%	
IRR (Total Annual Yield)	19.1%	63.6%	
Multiple On Invested Equity	1.54	2.14	
% of Profit Generated by Operating Cash Flow	64.8%	19.0%	
Net Returns to LP			
Average Dividend Yield	10.4%	18.7%	
IRR (Total Annual Yield)	14.4%	30.9%	
Multiple On Invested Equity	1.40	1.52	