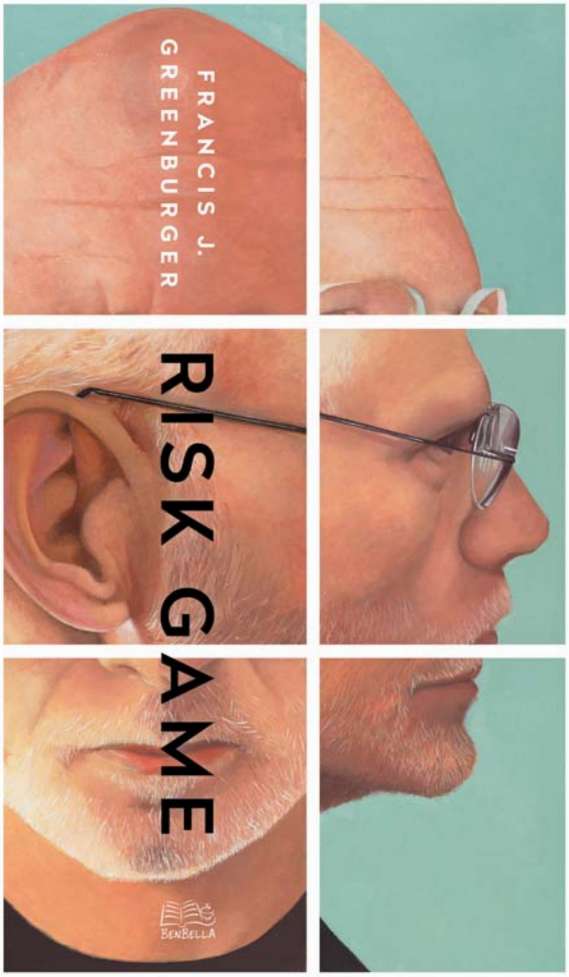
TIME EQUITIES INC. FALL 2016

Self Portrait of an Entrepreneur



This September "Risk Game: Self Portrait of an Entrepreneur" was published by Ben Bella Books where Time Equities Inc.'s Founder, Chairman and CEO, Francis Greenburger, provides an in-depth look at his life and work in the real estate and publishing businesses. We hope you enjoy the following selected passages from his chapter, "Intelligent Risk: An Investment Strategy":

"Standing outside the two-story villa apartments that led directly onto a perfect horseshoe beach of white sand, crystal-clear Caribbean waters, and a cloudless sky, I was reminded why I call this area of Anguilla the island's best-kept secret. In the spring of 2008, I was on my yearly tennis trip, an annual tradition that began in the late nineties when I first gathered a group of tennis players. I looked out on the blissful scene feeling anything but serene.

How could I relax while everything I had worked so hard for the last 40 years was threatened by a global financial crisis? Housing was at the center of the crisis. Banks gave loans to Americans who couldn't afford them and whose terms they didn't understand. Investment firms bundled these loans into new and complex financial instruments that not even their own investment bankers always understood. One of my good buddies, a guy who had been a real estate partner of mine, sat down on the beach near me. Looking out at the still water, we shared our experiences and strategies.

I have always sought diversified investments beyond real estate not just as a method of financial hedging but because my entrepreneurialism makes me naturally curious about the work others do. I don't pick investments; I pick jockeys – not horses. It's less about the particular vehicles they have found and more about whether their general approach makes sense to me. Another crucial factor for anyone I invest with is that they have a substantial amount of their own money in the game, so that they aren't just losing *my* money. When I believe in a fund manager, it's not because of how widespread their popularity is. I have to be personally convinced of their intelligence and integrity."

[This is what we do at Time Equities – provide an experienced real estate jockey (Francis Greenburger and Robert Kantor) with a proven track record who co-invests in every transaction together with his investors.]

"All investing, however, involves some level of risk. Still, the

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TEI ON THE FUTURE OF RETAIL

Online retailing is a phenomenon that traditional retailers cannot ignore. Macy's has announced plans to close 100 stores nationwide, and Walmart has been spending heavily on technology and fulfillment centers, both as part of a new focus on omni-channel retailing where the boundaries between ordering online and picking up purchases in the store have blurred. Cap rates for retail centers have increased in secondary and tertiary markets to reflect this new reality. For Time Equities, however,where many see difficulty and uncertainty, we see a compelling opportunity.

Over the last five years Time Equities has overseen a substantial expansion of our national retail platform. By applying our disciplined approach to the acquisitions underwriting process, we believe the returns on these assets are sustainable and may provide above average returns over time. In particular, we buy strip centers and malls that have high per store sales volumes, high traffic counts, good demographics and proximity to a strong population base. We favor value oriented centers with discounters that typically fare better in downturns. We look to add services to our centers that online retailers cannot provide with an emphasis on the social aspect of shopping as regional malls represent a type of town square: restaurants, fitness centers, movie theaters, urgent care facilities, pet care and kid clubs. Indeed, as we have expanded our retail portfolio, opportunities to leverage our relationships with national retailers have increased.

An important, frequently overlooked fact is that although Amazon does have free, same day delivery, it is only available in 14 large metropolitan areas and mostly on the coasts. This service is not available in submarket locations, such as Monroe, North Carolina, Antioch, California or Ogden, Utah, where we have acquired shopping centers. Additionally, online retailing can actually drive brick-and-mortar expansion for online retailers that want to open up "show rooms" to display their product to customers that cannot feel and experience the product via the Internet, such as Bonobos and Casper (an online menswear and mattress retailer, respectively). Even Amazon is opening a drive-up grocery store in its hometown of Seattle. Other e-commerce companies, such as Gilt or eyewear retailer, Warby Parker, have retail stores because they understand how brick-and-mortar stores can provide brand exposure and physical engagement with the product that an online shopping experience cannot.

In short, we believe that the panicked proclamation of traditional retail's death is extreme. We see a baseline of retailing demand. We believe the higher returns for select retail assets more than compensate for their risk. The sales volume and occupancy rates at our centers are strong. We are hoping that the Time Equities investment philosophy of "staying ahead of the curve" will continue to reward our investors.

CHANGING THE CHICAGO SKYLINE

We are pleased to announce that the Chicago Planning Commission has accepted the design of Helmut Jahn, the world renowned architect for our 1000 S. Michigan Avenue luxury high rise residential tower known as “1000M”. The building’s innovative design will transform the fashionable South Loop neighborhood.

1000M will rise 73 stories and have a height of 832 feet with 335 residential units and 3,000 square feet of ground floor retail. A 10-story garage is planned containing 486 stalls. The tower will have spectacular views of downtown Chicago, Grant Park and Lake Michigan.

We have also closed on a $26 million credit line from Citizen’s Bank for pre-construction financing. The predevelopment loan in the amount of $12 million, which was a purchase money mortgage from First American Bank, was paid off at closing. The Lender will make monthly advances to cover interest expense. The facility matures in 24 months subject to a one year extension option and accrues interest at 365 basis points above one month LIBOR.

The site for 1000M was acquired by Time Equities and JK Equities as a joint venture for $17.2 million from First American Bank, which had foreclosed on the property in 2010. The site had originally been purchased by the prior owner for $48.3 million in 2005. Time Equities and JK Equities expect to open a sales center for the condominiums in the summer of 2017.

EXPANDING OUR NORTHEAST PORTFOLIO

PARSIPPANY, NJ

In July 2016 we acquired three Class B suburban office buildings totaling 280,000 square feet for $15 million, which are located at 4, 5, and 6 Century Drive, Parsippany, New Jersey. This acquisition is the result of another joint venture with the Bergman Real Estate Group, who have substantial experience in this submarket and with whom we have acquired similar assets. When acquired, the Parsippany Office Portfolio had an occupancy level of 57% with a diverse roster of 19 tenants. The property is on 21 acres with a full service cafeteria, ample parking and a courtyard. The complex is a 35 minute drive from New York City and is near Routes 287, 80 and 280, which are major interstate highways in New Jersey.

We bought the Parsippany Office Portfolio at a significant discount to replacement cost and surrounding sales comps. Our business plan is to aggressively market the vacant spaces and lease up the property to a stabilized occupancy (85%). We have underwritten rental rates at $18 per square foot, which is well below competing rental rates, and we plan to implement design and amenity upgrades to provide greater value for existing tenants and to attract new tenants as well. The site is next to the Mack Cali business campus which has numerous Class A office properties.

As part of our effort to upgrade the Parsippany Office Portfolio and our other suburban office properties, we are creating the “business” or “Time” lounge which introduces the kind of amenities found in WeWork and other successful co-working spaces: coffee bar, recreation (billiards and ping pong), arts studio, communal tables, specialized seating allowing for collaboration or individual laptop work stations, conference rooms and a nearby fitness center. The millennial generation wants not only formal offices but also informal or casual spaces where they can dual task between working on their laptops and having a coffee or casual conversation. Our goal is to transform the formality of traditional suburban office buildings into amenity-rich environments more relevant to today’s work force generation.

We are projecting a 7 year average leveraged return of 11.29%. The lease expiration schedule for the portfolio is staggered (only 15% of the total portfolio rolls in the first two years of operation), which will enable us to retain cash flow and focus on new lease up immediately. By the second year of operation we hope to be able to obtain permanent financing in the range of $11.7 million and make a substantial return of capital distribution.

We believe we have acquired a well located asset that will continue to provide solid double digit returns to our investors after the business plan is implemented.

INVESTING IN DETROIT

In continuation of our optimism and investment in the suburban Detroit area, we recently acquired the Airport Park complex, which is a portfolio of 22 one story light industrial buildings and one single story Class C office building totaling 665,000 square feet. These buildings are located at 9300 Harrison Road in Romulus, Michigan and are across from the Detroit Metropolitan Wayne County Airport and about a quarter mile from I-94 with access to I-275 and I-96.

In October 2015 we purchased the Airport Park complex for $17.85 million as part of a reinvestment program from the highly successful sale of our industrial property in Long Island City at Austell Place. The acquisition was an all-cash purchase and represented the majority of the net proceeds of the Austell Place sale. We budgeted an additional $975,000 for working capital and capital improvement. As of the date of purchase, the Airport Park buildings were approximately 88% occupied.

We are pleased to report that the Romulus property is now 93% leased with rising rents. The physical features of the industrial buildings are especially advantageous with modest depth of 115 feet for ease of loading and docks at every 1,800 square feet, which allows subdivision for tenants. We are also marketing the occupied office building for retail uses as its location is appropriate for retail tenants as well as office tenants.

Because of our successful lease up, we have commenced quarterly distributions at the rate of 7% per annum on invested capital and have been able to fund our additional capital needs from existing cash flow. We are also in a position to seek permanent financing, which will then allow a substantial return of capital to our investors.

We believe we have acquired a very strong replacement property from the sale of a highly valued asset in Long Island City.

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risk can be intelligent if any deal includes strategies to mitigate it. The level of risk must be proportionate to the reward. If you know your overall business, then you will do well even if you incur losses.

Risk is not scary when it's quantifiable. In part, that is what was so devastating about the financial crisis of 2008. One rule I always apply in dealing with TEI's investors, partners, and banks is to under-promise and over-deliver. The world of all investments is filled with risk. It behooves all investment sponsors to present risk fairly and to provide conservative realistic outcomes of property income projections - in fact, investment law and regulations require it.

It took several years to navigate the new world created in the wake of the crisis. From 2001 to 2007, Time Equities had been buying between $100 and $300 million in new properties every year. In 2009, we bought zero. Just like values that cycle relative to market conditions, so credit cycles dramatically as well. When credit is tight, many buyers are excluded—and that is when someone can get very good deals, provided they have the cash. When the banks go out, we go in. In 2010, we began to pursue assets across the country that were viewed as being unfinanceable and closed entirely with our own equity (all cash). Assets with higher cap rates provided the same returns to our cash as we would have received from leveraged assets with lower cap rates. As operations improved, the returns became outsized, and we could then pursue mortgages if we wanted to do so.

Perceiving risk differently than other people is another important way of creating value. In 2012, we looked at a condominium project that had only been able to sell ten of its 50 units. The remaining 40 units were being rented by the bank, which wanted to sell them to satisfy the loan. A lot of buyers in the market weren't interested because they couldn't control the whole project. They weren't comfortable sharing ownership of the building with the other ten condo owners. When we looked at the market, whole complex properties were trading on a 5 percent cap rate on rental income, but broken condo deals had a 7 percent return because of the perceived operational risk.

"For Francis, buildings are not just real estate; through his diligence and determination, they are a chance to accomplish something truly important."
- HELMUT JAHN, architect, 50 West Street

"I have enormous respect for Francis's willingness to stand alone, confident in his assessments and keen to withstand the pressures of consensus-driven inclinations. His autobiography inspires us to do the same."
- BOB WILMERS, chairman of the board and chief executive officer, M&T Bank

"Francis is one of the most decisive people I know. He made a commitment to invest in our first venture capital fund in a five minute cab we shared to work one morning."
- FRED WILSON, cofounder, Union Square Ventures, venture capitalist and blogger

"Francis Greenburger is deeply committed to civic engagement . . . [he] has helped move change forward in innumerable ways."
- SENATOR CORY BOOKER

"Francis Greenburger's story is an inspiration to all."
- CONGRESSMAN JERRY NADLER

I didn't mind dealing with condo boards. I had spent decades doing just that. Early on in my career, I decided it was better to buy other people's development mistakes at 25 or 50 cents on the dollar, as I did with the broken condo complexes, and make them worth 75 cents on the dollar - rather than making those mistakes myself.

People hold onto the status quo because they feel more secure in the known than the unknown. But that's a false sense of security. Real security comes from adaptability. Change with its unknowns and periods of turmoil is hard for many. I find it exciting, even comfortable. I'm not fearful of change. I'm challenged by it."