

**Project Supplement No. 13**  
**(Dated October 29, 2024)**  
**to the Supplement**  
**of TEI Diversified Income & Opportunity Fund VI, LLC,**  
**dated March 1, 2022**

This Project Supplement No. 13 (this “**Supplement**”) dated October 29, 2024 modifies and supplements the Confidential Private Placement Memorandum of TEI Diversified Income & Opportunity Fund VI, LLC dated March 1, 2022, and should be read only in conjunction with the Memorandum and the other Supplements Number 1 through 12 previously issued. Terms with initial capitals not otherwise defined in this Supplement have the meanings set forth in the Memorandum.



**Supplement**

This Project Supplement pertains to the acquisition of VC Bend Apartments located at 1545 Timbertop St, Lancaster, OH (the “**Property**”)

## Acquisition and Business Plan

The Property was purchased by a tenancy in common consisting of VC Bend TIC 1 LLC, VC Bend TIC 2, VC Bend TIC 3 LLC, VC Bend TIC 4 LLC as tenants in common (collectively, the “**Owners**” or (“**VC Bend TIC**”) and individually an (“**Owner**”)) on October 29<sup>th</sup>, 2024. Time Equities Inc and its Affiliates (“**TEI**” or “**Sponsor**”) are 50% owners of the property through VC Bend TIC 1 LLC, VC Bend TIC 2 LLC, and VC Bend TIC 3, LLC. The remainder 50% ownership interest, through VC Bend TIC 4, LLC is RHM Capital, an Ohio based owner and property manager of approximately 9,000 apartment units.

The Fund invested \$397,116.65 of the total Invested Capital for a 50% membership interest in VC Bend TIC 3, LLC, which owns a 7.2388% tenancy in common ownership interest in the Property. The managers of each Owner is TEI RHM VC Bend Manager LLC “**Manager**”. The managers of the Manager are TEI Manager, LLC, a Delaware Limited Liability Company and RHM CAPITAL VC BEND MM LLC, an Ohio Limited Liability Company, each with 50% say in the management of the Owners. Robert Kantor and Francis Greenburger are the Managers of TEI Manager, LLC (“**Managers**”).

The Property is a 208-unit, new construction community located in Lancaster, OH. Construction of the Property was completed in the fourth (4<sup>th</sup>) quarter of 2022 and leased up to 96% occupancy 11 from completion of construction. The Property offers a range of unit types to tenants and is comprised of studio, one bed/one bath, two bed/two bath, and three bed/three bath units. Additionally, the Property provides the most robust amenity package among competitors and includes a heated resort style pool, full fitness center/gym, cutting edge clubhouse, game room, dog park and dog wash, coffee bar, fire pit, sand volleyball, electric car charging stations, and other amenities. Situated near Routes 33 and 22, the Property provides easy access to Columbus, OH and other surrounding markets

The Property is currently 99% occupied with lease renewals and trade-outs averaging approximately 7% above prior lease rates. Given the very limited immediate new supply in the Lancaster, Ohio submarket (only 60 units under development currently and 100 in the early stages of planning), Yardi Matrix, a commercial real estate data and research company, projects annual rent growth of 5.6% annually over the next 3 years.

The business plan will be to attempt to maintain high occupancy levels while carefully marking existing leases to market rent. Given the stabilized occupancy of the Property and the long-term, fixed rate financing being received at closing, the Owners will place a strong focus on operational efficiency and seek to limit vacancy and unit downtime.

The purchase price for the Property is \$40,500,000 (the “**Purchase Price**”). This Purchase Price reflects a cost of \$220 per rentable square foot; \$194,712 per unit. The projected cap rate of the Property as of the Closing is approximately 5.77% (based on the full capitalization of the deal of \$42,502,500.). The Purchase & Sale Agreement to purchase the Property was entered into as of August 19<sup>th</sup>, 2024 (“**PSA**”), and the purchase of the Property occurred on October 29, 2024.

The total Invested Capital raise for the Property is \$12,127,500, with TEI’s 50% share being \$6,165,000. The projected 10-year average leveraged return is 7.71% on total Invested Capital.

**Building Description:**

# OF BUILDINGS:	23 One-Three Story Building including covered garages, clubhouse, and Maintenance Shop.
# OF UNITS:	208
CONSTRUCTION COMPLETED:	2022
EXTERIOR:	Vinyl
ROOFING SYSTEM:	Pitched - Asphalt Shingles and EPDM
PARKING	387 covered space

**Unit Mix and Amenities**

The following is the unit mix at the Property:

<b>Unit Type</b>	<b>Number of Units</b>	<b>Average SF</b>	<b>Average Rent</b>
Studio	12	419 SF	\$1,022
1 bedroom/1 bath	96	616 SF	\$1,219
2 bedroom/2 bath	80	1,077 SF	\$1,570
3 bedroom/3 bath	20	1,648 SF	\$1,926
<b>TOTAL</b>	<b>208</b>	<b>878 SF</b>	<b>\$1,411</b>

The apartments feature:

- Full-Size Washer & Dryer;
- Granite Countertops;
- Stainless Steel Appliances;
- Full-Size Balconies;
- Hardwood-Style Flooring.
- Open Floor Plans
- Walk-in Closets

Amenities and community features for the Property consist of:

- Clubhouse
- Heated Resort-Style Pool
- Fitness Center
- Game Room
- Dog Park
- Dog Wash Station
- Coffee bar
- Grilling Stations
- Sports Court
- Car Charging station
- Beach Volleyball









## Regional Description and Property Location



## **Information about Lancaster and Fairfield County**

The Property is located in Lancaster, OH within Fairfield County, which is the second fastest growing county in the Midwest. Lancaster currently has a population of 41,174 as of 2022 and is located 30 miles north of Columbus. The Property is strategically located to a highly efficient network of thoroughfares and highways that provide a one-day drive to 60% of the US population and 50% of the Canadian population. As part of the market data obtained by the Sponsor, the city is principally known as a rich agriculture region primarily for swine, dairy, and beef cattle. The principal industry is glass making which includes a widely known producer of table glassware. With over 1,500 acres of prime industrial property in three locations, Lancaster continues to attract businesses and residents by offering attractive tax incentives on real and personal property.

The Property is conveniently located to a variety of grocery stores and national retailers including River Valley Mall, Giant Eagle, Kroger, Aldi, Target, Best Buy, Lowe's, Menards, Walmart, Meijer, Hobby Lobby, Kohl's, and TJ Maxx. In addition, the property is minutes from Rock Mill Industrial Park, a large pocket of manufacturing and distribution firms including Google, OurSolar, Crown Cork & Seal, Anchor Hocking, Westrock, Midwest Fabricating, among others. Google is currently under development on a data center in Lancaster spanning 125+ acres which will bring more than 1,100 jobs to the submarket. This development is an 8-minute drive from the Property.

Currently, the Property benefits from an extremely constrained supply pipeline of 60 units currently under construction and 100 units proposed. The City of Lancaster is actively seeking developers to continue building multifamily units due to the high occupancy in the submarket. It is estimated per the 2024 Fairfield County Comprehensive plan, that Fairfield County will grow by 214,900 residents by 2050. In addition, the plan states the county will experience demand for an additional 9,470 housing units by 2050. Of the estimated 9,470 units, Lancaster is estimated to account for 28.7% (2,717 units) of this need.

## **Tenancy**

The Property, as of the date of this Memorandum, is 99% occupied. For the first year of operation, the average monthly rents are projected to be \$1,443/unit (Incl. 5.0% Vacancy, 1.0% Loss to Lease, and 0.5% Bad Debt). The average monthly rent per rentable square foot is \$1.63/SF. The above rental projections are consistent with or lower than current rents for new leases.

The above rental projections are not guaranteed and any lesser rental rates may negatively affect returns to Investors.

The August 2024 rent collections (not including ancillary income) was approximately \$282,857. Ancillary income (e.g., for pet, parking, and additional miscellaneous charges) for August 2024 was approximately \$24,310. There were no arrears as of Closing. In the Financial Forecast, rents are projected to grow at 3.00% per year.

## **Joint Venture Partner**

RHM Capital is a private equity real estate investment firm with a primary focus on investing and operating multifamily real estate assets. Founded by John Joyce, Jr., Ned Huffman, Jim Doyle, Preston Hoge and Andrew Iarussi, RHM Capital's team has decades of industry experience acquiring, financing, developing, and managing commercial real estate assets. RHM Capital was formed with the goal of acquiring value add, stabilized and new construction multifamily assets located throughout the Midwest and Southeast. The company currently has a \$1.5 billion gross asset value and has owned and operated 15,000 units.

## Estimated Sources and Uses for the Invested Capital

The following are the projected sources and uses for the capitalization of the acquisition of the Property from Invested Capital.

### Sources

• Invested Capital	\$12,127,500
• Mortgage Amount of Funded at Closing	<u>\$30,375,000</u>
<b>TOTAL</b>	<b>\$42,502,500</b>

### Uses of Invested Capital –

Estimated Uses for Invested Capital at closing will consist of:

			\$/SF	\$/Unit
<b>Purchase Price</b>		<b>\$ 40,500,000</b>	<b>\$ 220.19</b>	<b>\$ 194,712</b>
Acquisition Fee TEI	1.00%	\$ 405,000	\$ 2.20	\$ 1,947
Acquisition Fee RHM	0.50%	\$ 202,500	\$ 1.10	\$ 974
DD and Legal		\$ 180,185	\$ 0.98	\$ 866
Financing Costs		\$ 411,077	\$ 2.23	\$ 1,976
Insurance Premium		\$ 76,889	\$ 0.42	\$ 0
Rate Buydown		\$ 607,500	\$ 3.30	\$ 0
Working Capital		\$ 119,349	\$ 0.65	\$ 0
<b>Total</b>		<b>\$ 42,502,500</b>	<b>\$ 231.07</b>	<b>\$ 204,339</b>

The uses for Invested Capital consist of the following ineligible uses for 1031 like-kind exchange proceeds:

Working Capital & Reserves	<b>\$208,736.00</b>
Loan Origination Fee	<b>\$303,750.00</b>
Lender Legal	<b>\$30,000.00</b>
Mortgage Costs	<b>\$50,175.00</b>
CapEx	<b>\$25,000.00</b>
Rate Buydown	<b>\$607,500.00</b>
Insurance Prepayment	<b>\$76,889.00</b>
<b>Total Non-Exchange Costs</b>	<b>\$1,302,050.00</b>

## TERMS OF THE MORTGAGE

Per the Financial Forecast , the Sponsor obtained a 10-year acquisition loan at Closing (the “**Acquisition Loan**”). The terms of the Acquisition Loan assumed for purposes of the Financial Forecast are as follows:

<b>Acquisition Loan Lender:</b>	Fannie Mae
<b>Loan Amount:</b>	\$30,375,000
<b>Loan to Value:</b>	75%
<b>Loan Term:</b>	Ten (10) Years Maturing 11/1/2034.

**Interest Rate:** The Acquisition Loan is estimated to bear interest at an annual rate equal to 5.13%

**Payments:** Monthly payments of interest only for years 1-6 and then a 30-year amortizing loan for years 7-10.

## Financial Forecast

### PROJECTED RETURNS AT THE PROPERTY LEVEL

The following are the projected property leveraged returns on Invested Capital:

Leveraged	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Cash on Cash Returns after Debt Service	7.23%	7.83%	6.97%	7.63%	8.31%	9.10%	6.46%	7.29%	8.08%	8.88%
Payments & Reserves										

The Financial Forecast for the Property projects an average annual return over 10 years from net cash flow of 7.71%.

**The above leveraged returns are calculated after deduction for debt service payments for the projected Acquisition Loan.**

**As noted above returns are at the property level and do not reflect the fees to be paid to the Managers as set forth in the Fee Agreement (described below) and/or the distribution formula for cash available for distribution upon any subsequent roll up of the Owners into one entity, as described below.**

Such projections do not include a hypothetical sale of the Property at the end of the ten (10) year forecast period.

The Financial Forecast is provided only for the purpose of illustrating how the Property might perform provided all of the assumptions are realized. There is no assurance that the assumptions utilized in the Financial Forecast is accurate and it is highly likely that the actual results will vary greatly (better or worse) from the projections set forth in the Financial Forecast.

**THERE IS NO GUARANTEE THAT THIS INVESTMENT WILL GENERATE THE ABOVE RETURNS OR RESULT IN THE PROJECTED RETURN ON THE INVESTED CAPITAL.**

### Additional Reserve for Capital Improvements

The Financial Forecast projections include an annual capital improvement reserve starting at \$41,600 (\$200/unit). Such additional reserve for capital improvements is projected to be funded from the operating income of the Property.

### Working Capital

The Financial Forecast projection includes the Capital Improvement Contingency Fee of \$119,349 to be funded from Invested Capital.

### Management of the Property

The Property will be managed initially by RHM Real Estate, Inc. (“**RHM Management**”), an affiliate of the JV Partner, at an estimated fee equal to 3.00% of total revenue. In addition, Time Equities, Inc and RHM Capital, an affiliate of the Manager, will provide asset management services at a fee of a 1.00% of total equity split 50% to TEI and 50% to RHM.

### **Property Condition Report**

A Property Condition Assessment (“**PCA**”) for the buildings located at the Property was completed by Partner Engineering and Science, Inc. (“**Partner**”) on September 13<sup>th</sup>, 2024. In the PCA report, Partner indicated that the Property is in overall good condition and no critical repairs were identified.

The PCA report summarizes cost estimates for immediate repairs and replacement of capital items. In the report nothing was identified at this time.

The full and complete PCA report is available upon request from the Sponsor.

### **Environmental Condition**

A Phase 1 Environmental Site Assessment (“**Phase-1**”) was prepared for the Property by Partner for the Property on September 17, 2024. This Phase-1 did not identify evidence of any environmental conditions. In the Phase-1 report, Partner recommended that no further investigation is required to be undertaken.

A copy of the Executive Summary from Partner’s Phase-1 report is attached hereto as Exhibit 1 and a full copy of the report is available upon request to the Sponsor.

## **SOME RISK FACTORS TO BE CONSIDERED**

This involves certain risks and is suitable only for persons of substantial financial means who have no need for liquidity in such investment and who are able to afford the risk of the investment. Reference in this special Risk Section to the terms: (i) “**Company**” or “**Co-Owner**” shall mean the Company in which an Investor will become a Member or the sole Member as to those Investors who want to use their investment to undertake a 1031 or 1033 like kind exchange; (ii) “**Member**” or “**Members**” shall mean the Member(s) in a Company or Co-Owner; (iii) “**Membership Interests**” shall mean the Membership Interests to be acquired by an Investor in a Co-Owner, which may include a sole membership interest for those Investors looking to use the Property to complete a 1031 or 1033 like kind exchange; (iv) “**Rollup Entity**” shall mean the limited liability company to which the VC Bend TIC is ultimately rolled up into as the owner of the Property; and (v) any reference to the VC Bend TIC or the Company shall mean the Rollup Entity after the roll up of the VC Bend TIC into the Rollup Entity. Prospective Investors should carefully consider the following additional risk factors:

- 1) **Variances from the Financial Forecast.** The Financial Forecast presents, to the best of the Managers’ knowledge and belief, the Managers’ estimate of the expected operating results of the Property for the 10-year forecast periods. It is based upon the Managers’ assumptions reflecting conditions they expect to exist and the course of action they expect to take during the forecast period. The Financial Forecast is based upon assumptions as to future events and conditions which the Managers believes to be reasonable but which are inherently uncertain and unpredictable. The assumptions may prove to be incomplete or incorrect and unanticipated events and circumstances may occur. Because of these uncertainties and the other risks outlined in this Memorandum, the actual results of the Property can be expected to be different than those projected and the differences may be material and adverse. Potential Investors should consider the projections in light of the underlying assumptions to reach their own conclusions as to the reasonableness of those assumptions and to evaluate the projections on the basis of that analysis. Neither the Managers, nor any of the Owners, their attorneys or accountants make any representation or warranty as to the accuracy or completeness of the projections in the Financial Forecast or their underlying assumptions.
- 2) **Projected Cash Flow.** Any projected cash flow or forward-looking statements included in this Private Investment Memorandum and all other materials or documents supplied by the Managers should be considered speculative and are qualified in their entirety by the assumptions, information and risks disclosed in this Memorandum. The assumptions and facts upon which such projections are based are subject to variations that may arise as future events actually occur. The anticipated cash flows and returns described herein are based upon assumptions made by the Managers regarding future events. There is no assurance that actual events will correspond with these assumptions. This Memorandum contains forward-looking statements that involve risks and uncertainties. The Property’s actual results may differ significantly from the results anticipated or discussed in the forward-looking statements. Prospective Investors are advised to consult with their tax, financial and business advisors concerning the validity and reasonableness of any assumptions. Neither the Managers nor any other person or entity makes any representation or warranty as to the future profitability of the VC Bend TIC.
- 3) **Risk as to Reserves for Improvements.** The Financial Forecast includes an annual reserve for capital improvements, starting at \$41,600 for the first year of operation, based on \$200 per unit. There is no guaranty as to the adequacy of such reserve to be funded, on an annual basis, from operating income.

- 4) **Risks Regarding Not Funding a Capital Call.** Members of the Company or Tenant-in-Common Owner(s) may be requested to fund capital calls in the event the operating income is unavailable or insufficient to adequately cover capital requirements of the TIC, on a pro rata basis, based on their respective ownership interests in the Property. In the event a member of the Company fails to contribute a Capital Call, such non-contributing member is subject to the dilution of their membership percentage interest equal to 130% of the amount such non-contributing member failed to contribute.
- 5) **Risk as to Occupancy Levels.** The Managers and the managing agent will strive to maintain the current occupancy level for the Property, as set forth in the Financial Forecast. In the Financial Forecast it was assumed that the average physical occupancy level, during the 10-year forecast period, will be 93.5% and the average economic occupancy level, during the 10 year forecast period, will be 93.5% after deduction for general vacancy allowance and bad debt expenses as estimated in the Financial Forecast . There is no guaranty as to the actual and/or economic occupancy levels that can be achieved for the Property. Lower occupancy levels could cause the net cash flow to drop and this could reduce the return paid to Investors on their Invested Capital.
- 6) **Leasing Risks.** There are many leasing risks to consider in operating the Property which could adversely affect the performance of the Property. Some of these leasing risks, include but are not limited to, tenants may not renew their leases as anticipated, which may necessitate a reduction in rent, it may take longer to release space or to lease vacant space than projected and the Owners may have to give more tenant concessions to attract or retain tenants than estimated, including those for free rent periods. All of these leasing risks could ultimately affect the cash available for distribution to Investors.

Leases at the property will be signed on a 12-month basis unless exceptions are made by ownership. Attracting new tenants comes with several risks and challenges. Marketing a property effectively to stand out in a competitive rental market can be costly and time-consuming, and not always effective. There's also risk of attracting tenants who may not meet financial qualifications or who could cause damage to the property. Additionally, higher tenant turnover can lead to vacancies, increasing the property's downtime and decreasing rental income. With fluctuating market conditions, the sponsor may also face challenges in setting rent prices that are both competitive and sustainable.

There can be no assurance that the Company will be able to increase and maintain the occupancy level as projected in the Financial Forecast. In addition, it may be necessary to make substantial concessions, in terms of rent and lease incentives, and to construct tenant improvements to attract new tenants at the Property. If these expenditures and concessions are necessary to maintain or achieve lease-up at the Property and such expenditures exceed projections and/or the amount of reserves for the Property, then, this could affect the distributions to be made to the Investors. In addition, due to lasting impacts of COVID, demand for retail space in the future could be greatly reduced. In such case it may be impossible to attract new tenants and returns to investors would be much lower than set forth in the Financial Forecast.

- 7) **Risks of Competition.** The Property will be operating in a competitive market. In the event that any of the tenants vacate their respective spaces on or prior to the expiration of their respective leases, the Owners will be competing for tenants on the basis of location, access, rental rates, size and layouts of space, amenities offered by the Property, the quality of the surrounding area and a variety of other factors. The success of the Owners will depend to a large degree upon its ability to compete with other similar properties, which in turn depends upon its ability to be competitive

as to the foregoing factors. The failure of the Owners or the Managers to establish and maintain a favorable market position could have a material adverse effect on its profitability.

- 8) **Risks of Ownership.** The profitability of the Property is subject to general economic conditions, the management abilities of the managing agent, competition, desirability of the location of the Property, the structural and operating conditions of the Property, the physical appearance of the Property, and other factors. To remain competitive, continuing expenditures must be made to modernize, refurbish and maintain existing facilities. This increases the need for capital funds (whether from reserves, current cash flow or debt financing) and thereby increases the sensitivity of the investment to the cost and availability of such funds, while decreasing operating revenues to the extent that apartments at the Property remains vacant. The Financial Forecast includes payment of the Working Capital of \$119,349 to be funded from Invested Capital. There is no guaranty that such amount will be adequate to cover such expenditures. In addition, inflationary pressures could increase operating expenses above expected levels, thereby decreasing profitability to the extent rents cannot be raised by corresponding amounts.

- 9) **Risk as to Covid-19.** To the extent the COVID-19 pandemic persists and continues and/or another Pandemic occurs, such could adversely impact the lease up of the Property and/or the ability to retain existing tenants. This could require further increases in free rent periods, additional tenant improvements or allowances, rent reductions or deferrals, all beyond those contained in the Financial Forecast and/or could adversely affect rent collections.

It is difficult to predict the future impact of COVID-19 on the economic conditions and the operation of the Property. As a result, there can be no assurance that the Property will achieve anticipated or maintain cash flow levels. The Managers will attempt to account for the current weakness of the economy created by COVID-19 and the possibility of future pandemics, but there is no guaranty as to the success or accuracy of such investment strategy. Now that the Property is at 99% occupancy level, as of the date of this Memorandum, the seller is not offering any free rent for new or renewal leases. The Financial Forecast includes an aggregate deduction of 6.5% from projected base rental income for bad debt expense and a general vacancy allowance. Right now although the COVID-19 Pandemic has officially ended according to the U.S Federal Government, it is almost impossible to accurately predict the long-term economic impact that it will have on the Property.

- 10) **Risk as to Economic Conditions.** Period of economic slowdown or recession, rising interest rates or declining demand for real estate, or the public perception that any of these events may occur, could result in a general decline in real estate values, which could adversely affect the operation, financial position, cash flow and/or ability to satisfy debt obligations and to make distributions to the Investors.
- 11) **Uninsured Losses and Retained Risk.** The Managers will attempt to comprehensively insure the Property in amounts sufficient to permit replacement of the Property in the event of a total loss, subject to applicable deductibles which the Managers will attempt to be in line with the market, but there is no guarantee. However, there can be no assurance that any such insurance will be sufficient to cover all of the damage to the Property, and the Owners may not have a sufficient source of funding to pay for the cost of repairing or reconstructing damaged to the Property. There can be no assurance that any such source of funding will be available to the Owners for such purposes in the future, and in the event that such funding is unavailable, the Owners may lose all or part of their investment.

- 12) **Risks as to Conflicts of Interest.** There are various conflicts of interest that may occur between the Managers and/or Time Equities, Inc. (“TEI”) as the asset manager for the Property and the Owners and their respective companies and/or Members comprising the Owners. These conflicts of interest include, but are not limited to, the following:

**a. Competition with Other Entities for Management Services**

The Managers and/or TEI may encounter conflicts of interest in allocating management time, services and functions between the tenant in common purchasers and various other existing and future entities that own and operate real estate, as well as other business ventures, in which they are involved. Because of their management responsibilities for other properties, TEI, as the asset manager for the Property and the Managers, will devote only so much of its time to the Property, as in its judgment is reasonably required.

**b. No Limit on Managers’ and/or TEI’s Other Activities**

The Managers, TEI, and their respective Affiliates may engage in other business ventures, real estate or otherwise, and the members of companies comprising the tenant in common purchasers shall not be entitled, as of right, to participate in such other business ventures. The Managers and their affiliates intend to form other real estate ventures in the future, some of which may have the same investment objectives as the tenant in common purchasers. Accordingly, there may be conflicts of interest on the part of the Managers and their affiliates (including TEI) between the tenant in common purchasers and other entities and real estate investments or properties which they are involved.

**c. Partnership Representative**

Pursuant to the operating agreement for each Co-Owner or the Rollup Entity, the Managers will be the “**partnership representative**” and as a result may make various determinations which would be binding on all of the Investors. It is possible that issues could arise on tax matters where the decision of the Managers may have a different effect or consequence on the Managers and the Investors. Because the impact of such determinations on the Managers and their Affiliates may be substantially different in circumstances from the impact on the Investors, the Managers may be subject to a conflict of interest in acting as the partnership representative.

**d. Lack of Separate Representation**

Certain of the attorneys involved in the acquisition and/or financing of the Property and preparation of this Memorandum, are also employees of TEI. This could result in a conflict of interest if there is a dispute between the Managers and an Investor and/or if decisions as to legal matters may have different consequences or effect on the Managers and the Investors.

**e. Affiliation of the Managers and the Placement Agent**

The Placement Agent (Time Equities Securities LLC) is owned by TEI and as a result it may be expected that the Placement Agent may face conflicts of interest in undertaking due diligence that would normally be exercised by the placement agent if it were independent of the Owners and the Managers.

**f. Financing and/or Sale of the Property**

A conflict of interest could occur in connection with any financing for the Property where certain members may desire that more of the net proceeds from such financing be distributed to reduce the amount of Invested Capital and the Managers may, alternatively, desire to retain more net proceeds for reserves to cover future or anticipated leasing costs, capital improvements and/or other non-budgeted operating expenses.

After the roll up of the Property, the Managers are entitled to receive a certain portion of net proceeds from the sale of the Property as will be provided in the operating agreement for the Rollup Entity. A conflict of interest could arise because it may be beneficial for the Managers to sell the Property at a time when it may be in the best interest of the Investors to hold onto the Property or alternatively, because it may be beneficial for the Managers to delay a sale of the Property, when a sale would be more advantageous to the Investors. For example, the Managers might not wish to receive taxable income in a particular year for reasons unrelated to the Rollup Entity. The Managers may have an interest in retaining, instead of selling, the Property in order to continue the distributions and any other fees payable to the Managers and/or their Affiliates. Accordingly, the Managers may be subject to various conflicts of interest with respect to the potential sale of the Property that may have different consequences or effect on the Managers and the Members of the Rollup Entity.

A conflict of interest could arise between the members that wish to sell the Property and the Members that do not desire to sell the Property or if the Managers have a contrary desire as to the sale of the Property from those maintained by a member. In any event, once the Property is rolled up, the decision as to whether or not to sell the Property and the terms to be accepted for any such sale of the Property shall be at the sole discretion of the Managers.

A conflict of interest also could arise if the Property is sold after the roll up of the tenant in common purchasers, where the Managers may desire to undertake a 1031 like-kind exchange and invest net sale proceeds in the acquisition of a replacement Property and certain of the members alternatively may not want to use the net proceeds from the sale of the Property to implement a 1031 like-kind exchange or do not want to use such net sales proceeds for the replacement property selected by the Managers.

**g. Conflicts as to Obligations under Loan Documents (including those between a Guarantor and the Members of each Co-Owner**

There may be occasions where some of the members may wish the Managers (as a guarantor or otherwise) to take certain actions that might be in the best interests of the tenant in common purchasers but that might expose a Manager to personal liability as a result of the actions that might be taken. As an example, the members might desire that the tenant in common purchasers violate a condition of a loan agreement that would be advantageous to the tenant in common purchasers but would result in a Manager, as guarantor under the terms of the loan documents, to be personally liable for some or all of the obligations of the tenant in common purchasers'. Due to the fact that such actions, while potentially favorable to the members or the tenant in common purchasers, might be personally detrimental to a Manager, the following provisions shall be included in the operating agreement for each company comprising the tenant in common purchasers and/or the Rollup Entity and pertain to any actions that might be taken in connection with the ownership and operation of the Property by the tenant in common purchasers or the Rollup Entity and the administration of the loans and/or other obligations of tenant in common purchasers or the Rollup Entity:

- i. The Managers and/or any guarantor of any loans shall not be obligated to take any action which would result in a Manager or guarantor becoming personally liable for any liabilities of the tenant in common purchasers or the Rollup Entity arising under any loan documents, notwithstanding that the failure to take any such action might result in the total or partial loss of the tenant in common purchasers' or the Rollup Entity's interest in some or all of its assets; or
- ii. The Managers and/or any guarantor of any such loans may take any action which would result in any such guarantor avoiding becoming personally liable for any liabilities of the tenant in common purchasers or the Rollup [Entity arising under any such loan documents, notwithstanding that the taking of any such action might result in the total or partial loss of the tenant in common purchasers' or the Rollup Entity's interest in some or all of its assets. Such actions may include transferring the Property to a lender in lieu of foreclosure.

#### **h. Resolutions of Conflicts of Interest**

The Managers have not developed, and do not expect to develop, any formal process for resolving conflicts of interest. However, the Managers are required to exercise good faith and integrity in handling the affairs of the tenant in common purchasers and the Rollup Entity, which duty will govern their actions in all such matters. While the foregoing conflicts of interest could materially and adversely affect the tenant in common purchasers or the Rollup Entity, except as otherwise provided in this special risk as to conflicts of interest, the Managers in their sole judgment and discretion, will attempt to mitigate such potential adversity by the exercise of its business judgment in an attempt to fulfill their fiduciary obligations. There can be no assurance that any such attempt will prevent the adverse consequences that may result from the numerous conflicts of interest.

- 13) **Property Loss, Business Interruption or Other Liabilities.** The Owners may be subject to substantial risk of loss to their investment due to claims by employees, tenants and third parties for personal injury or property damage; fines and penalties in connection with alleged violations of regulatory requirements; and potentially due to concentration of the same type of property in the market in which the Property is located. Some of these risks may not be covered by the Owners' insurance policy, as certain insurers may have limited available property coverage in response to the natural catastrophes experienced in recent years. If the Owners experience significant losses that are not covered by insurance, whether due to adverse weather conditions or otherwise, or the Owners are required to retain a significant portion of a loss, it could have a materially adverse effect on the Owners' business, financial condition and results of operations, which could adversely affect the operation, financial position, cash flow and/or ability to satisfy debt obligations and to make distributions to the Investors. Liability in such cases may be unlimited but Investors will not be personally liable.
- 14) **Environmental Regulations and Issues, Certain of Which the Owners May Have No Control Over, May Adversely Impact the Owners.** Federal, state and local laws and regulations impose environmental controls, disclosure rules and zoning restrictions which may directly impact the management, development, use, and/or sale of real estate. Such laws and regulations tend to discourage sales and leasing activities and mortgage lending with respect to some properties, and may therefore materially adversely affect the Owners specifically. Failure by the Owners to uncover and adequately protect against environmental issues in connection with their investment may subject the Owners to liability as the buyer of such property or asset. Environmental laws and regulations impose liability on current or previous real property owners or operators for the cost of

investigating, cleaning up or removing contamination caused by hazardous or toxic substances at the Property. The Owners may be held liable for such costs as a subsequent owner of such property. Liability can be imposed even if the original actions were legal and the Owners had no knowledge of the presence of the hazardous or toxic substances. The Owners can also be held liable for the entire payment of the liability if the Owners are subject to joint and several liability and the other responsible parties are unable to pay. Further, the Owners may be liable under common law to third parties for damages and injuries resulting from the environmental contamination emanating from the site, including the presence of asbestos containing materials. Insurance for such matters may not be available. Additionally, new or modified environmental regulations could develop in a manner which could adversely affect the Owners. The Owners may lose all or part of their investment due to such Environmental liabilities.

- 15) **Toxic Mold.** Real estate may develop harmful mold, which could lead to liability for adverse health effects and costs of remediating the problem. Litigation and concern about indoor exposure to certain types of toxic molds has been increasing as the public becomes aware that exposure to mold can cause a variety of health effects and symptoms, including allergic reactions. Toxic molds can be found almost anywhere; they can grow on virtually any organic substance, as long as moisture and oxygen are present. There are molds that can grow on wood, paper, carpet, foods, and insulation. When excessive moisture accumulates in buildings or on building materials, mold growth will often occur, particularly if the moisture problem remains undiscovered or unaddressed. It is impossible to eliminate all mold and mold spores in the indoor environment. The difficulty in discovering indoor toxic mold growth could lead to an increased risk of lawsuits by affected persons, and the risk that the cost to remediate toxic mold will exceed the value of the property. Because of attempts to exclude damage caused by toxic mold growth from certain liability provisions in insurance policies, there is no guarantee that insurance coverage for toxic mold will be available now or in the future.
- 16) **Compliance with the Americans with Disabilities Act.** Under the Americans with Disabilities Act of 1990 (the “ADA”), public accommodations must meet certain federal requirements related to access and use by disabled persons. Facilities initially occupied after January 26, 1992 must comply with the ADA. When a building is being renovated, the area renovated, and the path of travel accessing the renovated area, must comply with the ADA. Further, owners of buildings occupied prior to January 26, 1992 must expend *reasonable* sums, and must make *reasonable efforts*, to make practicable or readily achievable modifications to remove barriers, unless the modification would create an undue burden. This means that so long as owners are financially able, they have an ongoing duty to make their property accessible. The definitions of “**reasonable**”, “**reasonable efforts**”, “**practicable**” or “**readily achievable**” are site-dependent and vary based on the owner’s financial status. The ADA requirements could require removal of access barriers at significant cost and could result in the imposition of fines by the federal government or an award of damages to private litigants. Attorneys’ fees may be awarded to a plaintiff claiming ADA violations. State and federal laws in this area are constantly evolving and could evolve to place a greater cost or burden on the tenant in common purchasers or the Rollup Entity. While the Managers will attempt to obtain information with respect to compliance with the ADA, there can be no assurance that ADA violations do not or will not exist at the Property. If other violations do exist, there can be no assurance that there will be funds to pay for any necessary repairs.
- 17) **Limited Assignability.** Each subscriber will be required to represent that the purchase of their membership interests in a Co-Owner will be for investment purposes only and not with a view towards the resale or distribution thereof. Membership Interests may not be assigned without the consent of the Managers, and without compliance with the right of first refusal to be contained in the operating agreement for each Co-Owner. Furthermore, an Investor may not pledge, or grant a security interest in their membership interests. Under the Operating Agreement, an assignment of

membership interests shall not be permitted if that assignment (i) would cause a Co-Owner to terminate for Federal income tax purposes; (ii) would violate certain restrictions on assignment now or hereafter imposed under the Operating Agreement to preserve the status of a Co-Owner as a partnership for Federal income tax purposes, or (iii) would violate Federal or state securities laws. No assignee may be admitted as a substituted member without the consent of the Managers. In addition, a Member shall have no right to withdraw any part of their capital contributions to a Co-Owner. There are likely to be substantial adverse Federal income tax consequences in connection with the assignment of membership interests, and holders of the membership interests are advised to consult with their tax advisors prior to any such assignment. Also, in certain states, assignees of membership interests may be required to meet certain suitability requirements.

- 18) **Liability of Members/Risk as to Return of Distributions.** In general, members of a Co-Owner may be liable for the return of a distribution to the extent that the member knew at the time of the distribution that after such distribution, the remaining assets of such Co-Owner would be insufficient to pay their then outstanding liabilities (exclusive of liabilities to members on account of their limited liability company interests and liabilities for which the recourse of creditors is limited to specified property of a limited liability company). Otherwise, members are generally not liable for the debts and obligations of a Co-Owner beyond the amount of the capital contributions they have made or are required to make under the operating agreement.
- 19) **Limitation of Liability/Indemnification of the Managers.** The Managers and its attorneys, agents and employees may not be liable to a Co-Owner or its members for errors of judgment or other acts or omissions not constituting fraud, gross negligence or willful misconduct as a result of certain indemnification provisions in the operating agreement. A successful claim for such indemnification would deplete the tenant in common purchasers or the Rollup Entity's assets by the amount paid.
- 20) **Offering Not Registered With the US Securities and Exchange Commission ("SEC") or State Securities Authorities.** This offering will not be registered with the SEC under the Securities Act of 1933 as amended (the "**Securities Act**") or the securities agency of any state and is being offered in reliance upon an exemption from the registration provisions of the Securities Act and state securities laws applicable only to offers and sales to investors meeting the suitability requirements set forth herein.
- 21) **General Tax Risks.** There are substantial risks associated with the federal income tax aspects of an investment in a tenant in common purchaser. In addition to continuing IRS reexamination of the tax treatment of partnerships, the income tax consequences of an investment in a tenant in common purchaser are complex, and recent tax legislation has made substantial revisions to the Code. Many of these changes, including changes in the taxation of limited liability companies and their members, affect the tax benefits generally associated with an investment in a limited liability company. Because the tax aspects of this offering are complex, and certain of the tax consequences may differ depending on individual tax circumstances, each Investor is urged to consult with and rely on his or her own tax advisor concerning this offering's tax aspect and his or her individual situation. **No representation or warranty of any kind is made with respect to the IRS's acceptance of the treatment of any item by the Company or by an Investor.**
- 22) **Changes in Tax Laws.** The discussions of the federal income tax aspects of this offering are based on current law, including the Internal Revenue Code of 1986, as amended, the regulations issued thereunder, certain administrative interpretations thereof and court decisions. Consequently, future events (including those arising from expiration of current tax laws, legislative and administrative proposals that could occur and/or are or in the future may be under consideration) that modify or otherwise affect those provisions may result in treatment for federal income tax purposes of the

Company and the Members that are materially and adversely different from that described in this Private Investment Memorandum, both for taxable years arising before and after such events. Neither the Owners nor the Managers can guaranty that future legislation and administrative interpretations will not be retroactive in effect.

- 23) **Risks regarding the Distribution of the IRS Schedule K-1 Tax Form**. Following a future rollup, although the Managers will make every effort to complete and distribute to Investors their individual K-1 tax forms in a timely manner, there is no guarantee that in each tax year these forms can or will be completed in time for the investors to file their taxes on or prior to the general April 15 tax deadline. In the event that such K-1s are not completed in a timely manner prior to the April 15<sup>th</sup> tax deadline, it is possible that Investors may have to file an extension to complete their tax returns.

**GENERAL METHODOLOGY USED FOR FINANCIAL FORECASTS OF OPERATION OF  
VC BEND APARTMENTS  
LOCATED AT 1545 TIMBERTOP ST, LANCASTER, OH 43130**

The Financial Forecasts are provided only for the purpose of illustrating how the Property might perform provided that all assumptions are realized. The projections and calculation of returns to investors contained herein do not constitute any representation, warranty or guaranty as to the performance of the Property. The assumptions are as follows:

**Forecast Periods:** Operations are projected for a ten (10) year period, commencing in November 1, 2024. The annual periods in the forecasts are from November through September.

**Acquisition:** The Property is anticipated to be purchased for a total project cost of \$42,502,500. The purchase price is \$40,500,000. The closing date OCCURED on October 29<sup>th</sup>, 2024.

**Loan Assumptions:** The Financial Forecast includes an Acquisition Loan in the estimated amount of \$30,375,000 for a term of ten (10) years. The Acquisition Loan is assumed to have a fixed interest rate of 5.13% for the entire term and provide for interest only payments for years 1-6 and then amortization on a 30-year schedule for years 7-10. The estimated loan to value ratio is approximately 75%.

**Income:** The Property is currently 99% occupied. The property is projected in the 1<sup>st</sup> year of operation to generate a net cash flow, after reserves and debt service, of approximately \$852,222.

**Real Estate Taxes:** Real Estate Taxes for the first year of operation are projected to be \$323,742. Real estate taxes in year 3 will grow to \$541,711 based on a reassessment and from that point forward, starting in year 3, they are growing by 2.50%

**Occupancy:** The Financial Forecast assumes that the Property achieves a 10-year average physical occupancy of 93.5%. It is assumed the average economic occupancy level will be 93.5%. There is no guaranty as to the ability to maintain occupancy levels as stated herein.

**Reduction to Base  
Rental Income to  
Create Effective  
Gross Income:**

The Financial Forecast includes the following deductions for year 1 from projected base rental income to create the effective gross income utilized to determine net cash flow:

<b>Deduction</b>	<b>Percentage Deduction from Base Rental Income</b>
General Vacancy	5.00%
Bad Debt Expenses	0.50%
Loss to Lease	1.0%
<b>TOTAL</b>	<b>6.5%</b>

**Growth Factors for  
Rents & Expenses  
other than Real Estate  
Taxes:**

In the Financial Forecast rents and expenses after the first year of operation are both grown at 3.00% per annum. Please note after the reassessment in year 3, the real estate taxes will grow by 2.5%

**Management Fees:**

The Property will be managed by RHM Real Estate, Inc, at an estimated fee equal to 3.00% of total revenue. In addition, Time Equities, Inc. and RHM Capital Group, an affiliate of the Managers, will provide asset management services at a fee of 1.00 % of the equity.

**Working Capital and  
Capital Improvement  
Contingency:**

The sponsor will be raising \$119,349 in working capital at closing.

**Capital Improvements:**

The Capital Reserve will be used in the Manager's sole discretion toward the above and/or miscellaneous capital improvements in order to enhance the value of the asset. Examples of these improvements could include, but are not limited to, additional package lockers, upgraded common area hallway lighting and aesthetics, water conservation equipment and various common area upgrades