

Item 1: Cover Page

Part 2A of Form ADV **Firm Brochure** September 13, 2022

Virtus Real Estate LLC
SEC No. 801-77068

835 W. 6th Street, Suite 1500
Austin, TX 78703

phone: 512-891-1230
email: tgates@virtusre.com
website: www.virtusre.com

This brochure provides information about the qualifications and business practices of Virtus Real Estate, LLC. If you have any questions about the contents of this brochure, please contact Terrell Gates at tgates@virtusre.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or any State securities authority. Registration with the SEC or State Regulatory Authority does not imply a certain level of skill or expertise.

Additional information about Virtus Real Estate, LLC, is also available on the SEC's website at www.adviserinfo.sec.gov.

Item 2: Material Changes

This Firm Brochure is our disclosure document prepared according to regulatory requirements and rules. Consistent with the rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business fiscal year. Furthermore, we will provide you with other interim disclosures about material changes as necessary.

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Item 4: Advisory Business

A. The Firm

Virtus Real Estate, LLC ("VRE," "Virtus," and/or "the firm"), a limited liability company formed under the laws of the State of Texas, is a private fund adviser that structures, manages, promotes, sponsors, and through itself and affiliate entities serves as general partner and/or investment manager for various real estate private funds (the "Funds"). Virtus was formed in 2009 and is owned by Terrell F. Gates III, its sole member.

While VRE is registered as an investment adviser, its affiliates serving as Fund general partners or investment managers, and all of their personnel, are supervised by VRE as if each such entity were so registered. Therefore, throughout this Brochure, when we refer to "VRE," "Virtus," or the "firm," we also refer to those affiliated entities and personnel, unless the context indicates otherwise.

Virtus has launched 40 investment vehicles that have invested in more than 194 commercial properties with a combined acquisition cost of nearly \$2.3 billion. It has established a track record of making real estate investments that have succeeded in all phases of the real estate market cycle.

Virtus focuses on investment opportunities whose success does not require a robust economic environment, nor does it depend on cap rate compression. Instead, Virtus seeks to capitalize on opportunities arising out of increasing demand that can be sustained even in the face of a recession or a decline in general real estate values. Virtus seeks to achieve this by concentrating on property types whose demand is driven by one of four major demographic trends: the aging of the baby boomer generation, the coming of age of the "millennial" or "echo boomers," the growth of the Hispanic market, and the high mobility of the U.S. population. Within these trends, Virtus targets investments that meet four criteria: the asset must be viable regardless of the overall economy, there must be at least one structural risk mitigant, returns must be commensurate with perceived risk, and a qualified operational partner must participate.

B. Description of Advisory Services Offered

VRE is an independent investment advisory firm that structures, manages, promotes, sponsors, and through itself and affiliate entities, serves as General Partner for various real estate private funds.

VRE recommends securities transactions that include securities and strategies as itemized in Item 8 of this Brochure, and as may be described in Offering Documents.

C. Client-Tailored Services and Client-Imposed Restrictions

VRE does not manage individual client portfolios and instead only manages the Funds. Each Fund has its own investment strategy that VRE manages.

D. Client Assets Under Management

As of June 30, 2022, VRE manages \$1,603,474,513 in managed real estate fund assets, of which approximately \$577,044,759 constitute private fund regulatory assets under management.

Item 5: Fees and Compensation

A. Methods of Compensation and Fee Schedule

VRE receives management and performance fee as described in the Fund offering documents. VRE does not manage individual client portfolios. The management fees are typically based on contributions made to a Fund, and the manner in which they are paid will depend on the structure of a particular Fund. Performance fees paid by Funds usually are 20% of distributions made by a Fund after certain return thresholds are met.

In addition, as described in a Fund's offering materials, VRE is sometimes paid a project fee by Funds for sourcing, conducting due diligence, and closing a Fund's acquisition of a real estate asset, or a finance fee for sourcing debt incurred by a Fund's underlying investment.

B. Client Expenses

The Funds are each responsible for their own fees and expenses, such as audit expense, tax accounting and preparation, K-1 reporting, real estate brokerage, legal fees, and other fund operating expenses.

The CCO will periodically review the method by which the firm allocates expenses among Funds (or if applicable, among Investor classes of Funds) to ensure such allocation is consistent with each Fund's governing documents and offering documents. During such reviews, the CCO will also confirm whether any expense cap imposed on a Fund is adhered to. In such reviews, the CCO may utilize expense-related documentation provided by the Fund's administrator.

C. Additional Client Fees Charged

VRE may receive additional fees in the normal course of business for additional services rendered for a Fund, such as mortgage placement fees. Any such fees are at market rate or lower and must be consistent with the Fund's governing documents and offering documents. In the case of a third-party loan made, VRE or an affiliate may receive an arrangement fee paid by the borrower of any loan made by VRE or any related entities.

D. Prepayment of Client Fees

VRE fund subscription fees are paid through and at the time of subscription. Such subscription fees are deducted from the partner's / member's capital account balance pursuant to the terms of the confidential offering memoranda and subscription agreement. Ongoing management fees and other operating expenses are deducted from the partner's / member's capital account balance as disclosed in the applicable fund offering documents.

To the extent redemptions are allowed, such redemptions must satisfy the conditions in the confidential offering memoranda and related subscription documents.

E. External Compensation for the Sale of Securities to Clients

VRE or its affiliate entities are generally paid a management fee, but additional compensation may be earned through performance-based fees as disclosed in the applicable fund offering documents. Such performance-based fees create an economic incentive for the investment manager to take additional risks in the management of a client portfolio that may be in conflict with the client's current investment objectives and tolerance for risk. Please refer to Item 6 for more information on performance-based fees.

Item 6: Performance-Based Fees and Side-by-Side Management

VRE receives management and Performance Fees as described in the offering documents and authorized in the governing documents. The management fees are typically based on contributions made to a Fund, and the manner in which they are paid will depend on the structure of a particular Fund. Performance fees paid by Funds usually are 20% of distributions after certain return thresholds are met.

Performance fees can create an incentive for VRE to incur acquisition and strategy risks to earn higher fees or prefer one type of investment over another in an effort to achieve the performance fee. Higher risks mean a higher probability of loss, which may conflict with an investor's risk tolerance and investment objectives. VRE addresses these conflicts by exercising its duties to each Fund to select the Funds' investments in accord with their respective investment objectives and in a manner that is fair and equitable to all Funds.

With respect to clients formed after August 31, 2012 or Investors entering into a Fund client after that date, VRE may not charge a client a performance fee unless allowed under the Act, as follows:

- Rule 205-3 permits VRE to charge to performance fees to "Qualified Clients," who are:
 - a natural person or entity that immediately after entering the Fund (or an advisory contract directly with us) has at least \$1,000,000 under management with VRE;
 - a natural person or entity that VRE reasonably believes, immediately prior to entering into the Fund (or an advisory contract directly with VRE) either has a net worth (or joint net worth with his or her spouse, if a natural person) of more than \$2,100,000, or is a Qualified Purchaser; or
 - a natural person who is a Supervised Person (other than a clerical, secretarial or administrative employee) who, in connection with his or her regular duties, participates in the investment function of the firm and has been performing such duties for the firm or substantially similar duties for another company for at least 12 months.

If the client is a company not registered under the 1940 Act because of the exception in §3(c)(1), each equity owner of the company must be a "Qualified Client." For Fund clients not using 1940 Act §3(c)(1), the Private Fund itself (not its Investors) must be a "Qualified Client."

Item 7: Types of Clients

VRE's only clients are the Funds.

Item 8: Methods of Analysis, Investment Strategies, and Risk of Loss

A. Methods of Analysis and Investment Strategies

Virtus focuses on investment opportunities whose success does not require a robust economic environment, nor does it depend on cap rate compression. Instead, Virtus seeks to capitalize on opportunities arising out of increasing demand that can be sustained even in the face of a recession or a decline in general real estate values. Virtus seeks to achieve this by concentrating on property types whose demand is driven by one of four major demographic trends: the aging of the baby boomer generation, the coming of age of the “millennial” or “echo boomers,” the growth of the Hispanic market, and the high mobility of the U.S. population. Within these trends, Virtus targets investments that meet four criteria: the asset must be viable regardless of the overall economy, there must be at least one structural risk mitigant, returns must be commensurate with perceived risk, and a qualified operational partner must participate.

After underwriting confirms that the four investment criteria can be met, VRE conducts a due diligence process at the property level and the investment partnership level. This process seeks relevant information about a property or partner so VRE can make informed decisions, leading to a higher probability of success.

After VRE closes on a property meeting the acquisition criteria, an affiliate assumes responsibility for the ongoing management of the property, which is responsible for ensuring that the property meets operating milestones. If milestones are not being met, VRE works with the operators and management companies to make course corrections as necessary.

Each of VRE’s targeted property types has its own unique characteristics. Regardless of the differences of specific properties and property types, the value-add techniques VRE may use generally fall into four categories:

1. *Improving management and marketing.* Because of the generally fragmented and often nonprofessional ownership among the targeted categories of properties, there are many inefficient operations. Consequently, almost every property acquired by a Fund may achieve improvements in operations and marketing.
2. *Property improvements.* One effective way to increase occupancy and/or increase rental rates is to enhance the physical attributes of the property. In some cases, the plan may be simple, such as painting the building or enhancing the landscaping. In other cases, the rehabilitation may be more extensive, involving structural repairs or reconfiguration.
3. *Increasing rental rates.* Increasing rental rates is one of the most direct and effective tools for enhancing a property’s yield and overall value. Because a substantial portion of the operating costs associated with a property is fixed rather than variable, increases in rental income have a direct and substantial impact on net income. For that reason, VRE and its operators try to increase rental rates.
4. *Lowering expenses.* Whether it’s renegotiating vendor contracts, managing utility costs, or negotiating lower property and casualty insurance premiums on a large multi-

property blanket policy, VRE seeks to reduce operating expenses in many of the properties that the Funds acquire.

Once the desired value of a property has been achieved, VRE moves into the disposition phase. The intent is to dispose of the asset at the most opportune time in terms of the performance of the particular property as well as more general trends in valuations and credit markets.

B. Risks

Each Fund has its own specific risks, but the following are risks that are generally associated with the types of investments the Funds make.

Risks associated with underlying investments. Identifying and participating in attractive investment opportunities and assisting in the building of successful enterprises are difficult tasks. There is no assurance that a Fund's investments will be profitable, and there is a substantial risk that a Fund's losses and expenses will exceed its income and gains. There generally will be little or no publicly available information regarding the status and prospects of properties held by Funds. Many investment decisions by a Fund will be dependent upon the ability of its members and agents to obtain relevant information from non-public sources, and a Fund often will be required to make decisions without complete information or in reliance upon information provided by third parties that is impossible or impracticable to verify. The marketability and value of each investment will depend upon many factors beyond a Fund's control. Underlying properties may have substantial variations in results from period to period, face intense competition, and experience failures or substantial declines in value at any stage. Underlying properties may need substantial additional equity or debt capital to support growth or to achieve or maintain a competitive position. Such capital may not be available on attractive terms, or may not be available at all. Generally, the investments made by a Fund will be illiquid and difficult to value, and there will be little or no collateral to protect an investment once made. In most cases, a Fund's investments will be long-term in nature and may require many years from the date of initial investment before disposition.

Failure of an underlying property. Although Fund investments are carefully selected, their respective investment foci are limited to particular real estate segments, and it is possible that those segments could suffer more so than other segments, or that a Fund could lose all or a portion of its investment in a particular property because of market or other conditions relating to such property. There are no requirements as to concentration or diversification imposed on the Funds with respect to the allocation of assets. No assurance can be given that the failure of one or more properties will not have a material adverse effect on a Fund's overall performance.

Multiple layers of expenses. The expenses incurred by a Fund will be in addition to the fees indirectly payable by the Fund as an investor in an underlying entity used to hold individual real estate investments ("Investment Partnership") for fees, expense reimbursements, and carried interests (i.e., the management fee and the performance fee) with respect to such entities. Because of these multiple layers of expenses, a higher gross return will be required to be earned on the individual investment strategies being employed than an investor would

need to realize if such allocations were undertaken on their own in order to achieve an equivalent return.

Illiquid investments. Funds intend to invest in interests in real estate, securities, or other assets for which no (or only a limited) liquid market exists or that are subject to legal or other restrictions on transfer. The market prices, if any, for such assets tend to be volatile and may fluctuate due to a variety of factors that are inherently difficult to predict, including changes in interest rates, prevailing credit spreads, general economic conditions, financial market conditions, domestic or international economic or political events, developments or trends in any particular industry, and the financing condition of obligors on Partnerships' assets. A Fund may be unable to sell assets when it desires to do so or to realize what it perceives to be their fair value in the event of a sale.

Changes in environment. A Fund's investment program is intended to extend over a period of years during which the business, economic, political, regulatory, and technology environment within which they operate may undergo substantial changes, some of which may be adverse to them.

Leverage. Funds' investments, directly or indirectly, likely involve leveraged acquisitions at the underlying property level and/or the partnership level. Utilization of leverage is a speculative investment technique and involves risks to investors. While leverage may enhance total returns to investors, if investment results fail to cover borrowing costs, then returns to a Fund will be lower than if there had been no borrowings. To the extent a Fund utilizes leverage in an investment, such investment will be subject to increased exposure to adverse economic factors, such as a significant rise in interest rates, a severe downturn in the economy, or deterioration in the condition of such investment.

Nature of assets. Funds are subject to the risks inherent in the ownership of real estate assets. These risks include fluctuation in the real estate markets; slowdown in demand for land of the type of the underlying properties; oversupply of a certain type of property; the financial conditions of builders, developers, and end users of properties; increases in the cost of construction; changes in building, environmental, zoning and other laws; changes in real property tax rates or the assessed values of the properties; changes in interest rates and the availability or terms of debt financing; changes in operating costs; risks due to the absence of cash flow; environmental liabilities; uninsured casualties; unavailability of or increased costs of certain types of insurance coverage; and acts of God, acts of war, hostilities, terrorist acts, labor strikes, and other factors which are beyond the control of any Fund.

Zoning and governmental approvals. Real estate development and ownership is subject to extensive regulation related to zoning, land use, building design, taxation, construction materials, warranties, environmental protection, and workplace safety, among others. Projects may be subject to legal challenges brought by governmental authorities or private parties. Local governments may enact growth control initiatives, annexation or building restrictions, impose moratoriums to restrict development or other adverse economic or monetary policies, and increase the fees imposed on developers to fund roads, schools, open spaces or affordable housing. Any of the foregoing could prevent an Investment Partnership from undertaking or completing a particular project, impair its ability to sell or dispose of

underlying properties, force it to implement design changes, increase the cost of obtaining the necessary approvals, and/or cause delays in the approval process.

Real estate development. Real estate development has historically been cyclical and is affected by general and local economic conditions, such as employment levels, consumer confidence, interest rates, and the availability of financing. The industry is also highly competitive, with developers competing for desirable land, financing, building materials, skilled labor, and purchasers or end users. Natural disasters and other catastrophes (such as acts of terrorism) can damage existing buildings, delay construction in progress, reduce the availability of building materials and skilled labor, and cause economic disruptions that would result in decreased demand for new construction. Labor strikes can also cause delays and increase the cost of development. Development projects may be subject to warranty and other claims related to construction defects and other construction-related issues, including compliance with building codes.

Competition. One of the risks facing any commercial property is new competition in the marketplace. New competition can significantly change the supply and demand ratio within a market, thus potentially leading to major drops in market occupancy and rental rates. This may negatively impact the value of any real estate asset in a market. In addition, some of the Funds' competitors may be better capitalized, their properties may be better located than an underlying property, or they may have some other advantage relative to such. The existence of competing developers and owners could have a material adverse effect on the ability of a Fund to market underlying properties and could adversely affect the profitability of the Fund.

Environmental liabilities. Under various federal, state and local environmental laws, ordinances and regulations, a current or previous real property owner or operator may be liable for the cost to remove or remediate hazardous or toxic substances on, under, or in such property. These costs could be substantial. Such laws often impose liability, whether or not the owner or operator knew of or was responsible for the presence of the hazardous or toxic substances. Environmental laws also may restrict how Underlying Properties may be used or businesses may be operated, and these restrictions may require substantial expenditures and may limit the ability to sell such assets to prospective purchasers that may be affected by such laws. These restrictions may also affect the ability to borrow money using such assets as collateral. Environmental laws provide for sanctions for noncompliance and may be enforced by governmental agencies or, in certain circumstances, by private parties. Certain environmental laws and common law principles could be used to impose liability for release of and exposure to hazardous substances. Third parties may seek recovery from real property owners or operators for personal injury or property damage associated with exposure to released hazardous substances. The cost of defending against claims of liability, of complying with environmental regulatory requirements, of remediating any contaminated property, or of paying personal injury claims could be substantial and significantly reduce the value of a Partnership.

Supply-and-demand factors. A slowdown in the national economy could cause some weakness in demand for properties within the targeted asset classes. Although these asset classes have historically been resilient in difficult economic conditions, decreasing wages may

negatively impact demand and corresponding rental rates. While cooling economic conditions could play a role in the change of fundamentals, so can an increase in new completions. An increase in inventory will result in increased competition.

Taxation. Certain federal tax risks relating to an investment in the Funds are discussed in the applicable offering documents. It is possible that the tax consequences of an investment in a Fund may change.

Item 9: Disciplinary Information

A. Criminal or Civil Actions

VRE has nothing to disclose for this item.

B. Administrative Enforcement Proceedings

VRE has nothing to disclose for this item.

C. Self-Regulatory Organization Enforcement Proceedings

VRE has nothing to disclose for this item.

Item 10: Other Financial Industry Activities and Affiliations

A. Broker-Dealer or Representative Registration

VRE is not registered as broker-dealer and does not have an application to register pending. Certain personnel affiliated with VRE are registered representatives of Burch & Company, a FINRA registered broker-dealer. This may represent a conflict of interest to investors solicited to invest in VRE funds, as the recommendation may be viewed as being in VRE's best interests versus those of the prospective investors.

B. Futures or Commodity Registration

VRE is not registered as a commodity firm, futures commission merchant, commodity pool operator, or commodity trading adviser and does not have an application to register pending.

C. Material Relationships Maintained by this Advisory Business and Conflicts of Interest

VRE's affiliates include Virtus Consulting LLC, Virtus Finales III GP, LLC, Virtus Lender GP, LLC, Virtus Real Estate Capital Ec Management GP, LLC, Virtus Real Estate Capital Holdings, LP, Virtus Real Estate Capital II Management GP, LLC, Virtus Real Estate Capital II, LP, Virtus Real Estate Capital III Management GP, LLC, Virtus Real Estate Capital III, LP, Virtus Real Estate Capital Management GP, LLC, Virtus Real Estate Capital, LP, Virtus Real Estate Enhance Core OP GP, LLC, Virtus Real Estate Note, LP, VREC Holdings B, LP, and VREC II International H-Class, LP..

In addition, the firm has a variety of fund and special purpose vehicles which include Virtus Real Estate Capital Qualified LP, Virtus Real Estate Capital Institutional LP, Virtus Memorial WLZ, LLC, Virtus Real Estate Enhanced Core, LP, Virtus Real Estate Enhanced Core REIT, LLC, VREC II A-Class Qualified Fund, LLC, and related special purpose vehicles used to hold real estate property or loans, all of which are described in the applicable offering documents.

VRE, either individually or through affiliate entities, may sell or purchase assets from one affiliate Fund to another affiliate Fund, which may pose a conflict of interest. Although VRE strives to put the interests of its Fund clients first, such inter-Fund transactions could be viewed as being in the best interest of one Fund versus another Fund. Inter-Fund transactions may occur for a variety of reasons, such as lack of liquidity, the closing of a fund, tax, and related issues. VRE and its affiliates will ensure, among other things, that inter-Fund transactions are properly disclosed to the parties of the transaction.

A Fund may, from time to time, have the opportunity to retain third parties who have prior business relationships with another Fund to act as a consultant or in some other capacity. If a Fund retains any such parties, the Funds may experience a conflict between one Fund's interests and its interest in preserving any ongoing business relationship with that party. This conflict may result in a Fund paying more for these services than would otherwise be the case.

It is possible that certain of the Funds' properties may be acquired from affiliates of an investment partnership. In order to mitigate any potential conflict of interest, a Fund's general partner will negotiate and approve any such acquisition on behalf of such investment partnership procuring all appropriate third-party verifications of value.

As a result of the foregoing, the members and/or partners and principals and affiliates of the VRE affiliates may have conflicts of interest in allocating their time and activity between the Funds and other clients, in allocating investments among Funds and other clients, and in effecting transactions for the Funds and other clients, including ones in which a Fund may have a greater financial interest.

VRE may utilize the services of one or more affiliate entities in the management and operation of its real estate partnerships and limited liability companies. As a result of favorable economics, the use of such affiliate entities may be deemed by some to be in the best interest of VRE and not in the best interests of a particular partnership or Fund.

D. Recommendation or Selection of Other Investment Advisers and Conflicts of Interest

The firm does not recommend third-party investment advisers.

Item 11: Code of Ethics, Participation or Interest in Client Transactions, and Personal Trading

A. Code of Ethics

VRE has adopted a Code of Ethics (the "Code"). Among other things, the Code includes written procedures governing the conduct of the firm's advisory and access persons. The Code also imposes certain reporting obligations on persons subject to the Code. The Code and applicable securities transactions are monitored by the Chief Compliance Officer of the firm. VRE will send clients a copy of its Code of Ethics upon written request.

VRE has policies and procedures in place to ensure that the interests of its clients are given preference over those of the firm, its affiliates, and its employees. For example, there are policies in place to prevent the misappropriation of material nonpublic information, and such other policies and procedures reasonably designed to comply with federal and state securities laws.

B. Investment Recommendations Involving a Material Financial Interest

VRE, either individually or through affiliate entities, may sell or purchase assets from one affiliate fund to another affiliate fund which may pose a conflict of interest. Although VRE strives to put the interests of its fund clients first, such inter-fund transactions could be viewed as being in the best interest of one fund versus another fund. Inter-fund transactions may occur for a variety of reasons such as lack of liquidity, the closing of a fund, tax and related issues. VRE and its affiliates will ensure among other things, that inter-fund transactions are properly disclosed to the parties of the transaction.

A Fund may, from time to time, have the opportunity to retain third parties who have prior business relationships with another Fund to act as a consultant or in some other capacity. If a Fund retains any such parties, the Funds may experience a conflict between one Fund's interests and its interest in preserving any ongoing business relationship with that party. This conflict may result in a Fund paying more for these services than would otherwise be the case.

It is possible that certain of the Funds' properties may be acquired from affiliates of an Investment Partnership. In order to mitigate any potential conflict of interest, a Fund's general partner will negotiate and approve any such acquisition on behalf of such Investment Partnership procuring all appropriate third-party verifications of value.

As a result of the foregoing, the members and/or partners and principals and affiliates of the VRE affiliates may have conflicts of interest in allocating their time and activity between the Funds and other clients, in allocating investments among Funds and other clients, and in effecting transactions for the Funds and other clients, including ones in which a Fund may have a greater financial interest.

C. Purchase of Same Securities Recommended to Clients

VRE, its affiliates, employees and their families, trusts, estates, charitable organizations and retirement plans established by it are not prohibited from purchasing or having any direct or indirect interest in the same assets as are purchased for funds provided such purchase or interest is in accordance with the VRE's Code of Ethics policies and procedures. The personal asset or securities transactions by advisory representatives and employees may raise potential conflicts of interest when they acquire an interest in a property that is:

- owned by the fund, or
- considered for purchase or sale for the fund.

VRE has adopted policies and procedures that are intended to address these conflicts of interest. These policies and procedures:

- require our advisory representatives and employees to act in the client's best interest,
- Require our advisory representatives to disclose any direct or indirect interest in a property considered for purchase in one or more affiliate funds.
- Require our advisory representatives and employees to follow VRE's procedures.

D. Client Securities Recommendations or Trades and Concurrent Advisory Firm Securities Transactions and Conflicts of Interest

VRE, its affiliates, employees and their families, trusts, estates, charitable organizations and retirement plans established by it may effect securities transactions for their own accounts that differ from those recommended or effected for other of the firm's clients. VRE will make a reasonable attempt to trade securities in client accounts at or prior to trading the securities in its affiliate, corporate, employee, or employee-related accounts. It is the policy of VRE to place the clients' interests above those of the firm and its employees.

The General Partner, VRE, the Partnerships, operators, and their principals and affiliates (collectively, the "Related Parties") may serve as advisers or managers to other accounts and conduct investment activities for their own accounts. Such other entities, clients, or accounts may have investment objectives or may implement investment strategies similar to those of the Partnerships. The Related Parties may also have investments in certain of the entities managed by any of the Related Parties. In addition, certain of the Related Parties receive certain fees described herein regardless of the success of the Partnerships and their investments.

As a result of the foregoing, the members and/or partners and principals and affiliates of the Related Parties may have conflicts of interest in allocating their time and activity between the Partnerships and other clients, in allocating investments among Partnerships and other clients, and in effecting transactions for Partnerships and other clients, including ones in which the Related Party may have a greater financial interest. In addition, there is no assurance that the General Partner will devote adequate time to the Partnerships' operations or that any Related Party will devote adequate time to the Related Party with respect to which it performs services or management. If a Related Party suffers or is distracted by adverse financial or operational developments in connection with its operations unrelated to the Related Party to which it is performing

management or other services, it may allocate less time and/or resources to such Related Party's operations. If any of these things occur, the value of your investment may suffer.

The Partnerships or a Related Party may, from time to time, have the opportunity to retain third parties who have prior business relationships with a Related Party to act for the Partnerships or Related Party as consultants or in some other capacity. If the Partnerships or Related Party retains any such parties, the Related Parties may experience a conflict between the Related Party's interests and its interest in preserving any ongoing business relationship with that party. This conflict may result in our paying more for these services than would otherwise be the case.

It is possible that certain of the Underlying Properties may be acquired from affiliates of a Partnership. In order to mitigate any potential conflict of interest, the General Partner will negotiate and approve any such acquisition on behalf of such Partnership (and any corresponding SPE) procuring all appropriate third-party verifications of value.

Item 12: Brokerage Practices

A. Factors Used to Select Custodians for Fund Transactions

VRE invests in hard real estate assets and therefore does not use a custodian in the customary sense. It does have banking relationships where monies are deposited by clients in escrow accounts to facilitate investment in various VRE private funds and maintain capital accounts of investors, operating accounts for the applicable funds to pay fund operating expenses.

B. Aggregating Securities Transactions for Client Accounts

B.1. Security Allocation

Since VRE may be managing funds with similar investment objectives, the firm may aggregate transactions for assets for such funds. In such event, allocation of the assets so purchased or sold, as well as expenses incurred in the transaction, is made by VRE in the manner it considers to be the most equitable and consistent with its fiduciary obligations to such funds.

VRE's allocation procedures seek to allocate investment opportunities among funds in the fairest possible way, taking into account the funds' best interests, available cash, conditions, and other operating criteria as disclosed in the applicable fund offering documents and Partnership Agreement. VRE will follow procedures to ensure that allocations do not involve a practice of favoring or discriminating against any fund or group of funds. Fund performance is never a factor in trade allocations.

VRE's advice to certain funds and entities and the action of VRE for those and other funds are frequently premised not only on the merits of a particular investment but also on the applicable investment objective, guidelines, and conditions of the applicable fund. Thus, any action of VRE with respect to a particular investment may, for a particular fund, differ or be opposed to the recommendation, advice, or actions of VRE to or on behalf of other funds.

B.2. Order Aggregation

Transactions for the same asset effected on behalf of more than one fund will not be aggregated.

B.3. Soft Dollar Arrangements

VRE does not utilize soft dollar arrangements.

B.4. Brokerage for Client Referrals

VRE does not engage in the practice of directing brokerage commissions in exchange for the referral of advisory clients.

Item 13: Review of Accounts

A. Fund Reviews

The management and monitoring of the Funds is done by Terrell Gates and VRE's staff. Please refer to Item 4 of this Brochure for more information on key VRE professionals. Mr. Gates and his staff are also responsible for ensuring that any significant change in a Fund's investment strategy or in the concentration of a Fund's assets is appropriate for the respective client.

B. Review of Client Accounts on Non-Periodic Basis

VRE may perform ad hoc reviews on an as-needed basis if there have been material changes in the Fund's investment objectives or a material change in how VRE formulates investment advice.

C. Content of Client-Provided Reports and Frequency

VRE provides annual reports of the Funds to their respective investors.

Item 14: Client Referrals and Other Compensation

A. Economic Benefits Provided to the Advisory Firm from External Sources and Conflicts of Interest

In addition to benefits described in Items 10 and 12 of this Brochure, VRE or its affiliates may receive direct or indirect benefits for referring certain of its funds to either affiliated or unaffiliated third parties for various services, which may include referrals for loans, appraisals, legal, and accounting services in which all or a portion of the services may be provided by an affiliate entity.

The General Partner or an affiliate may receive additional fees in the normal course of business of the Investment Partnership for additional services rendered, such as mortgage placement fees or similar activities. In the case of a third-party loan made, the General Partner or an affiliate may receive an arrangement fee paid by the borrower of any loan made by VRE or any related entities. VRE or an affiliate may pay a certain percentage of the arrangement fee to a third party for their assistance in identifying and assisting with the loan and making the opportunity available, as disclosed in the applicable fund offering documents. Use of such third parties may be influenced by the fee received by VRE or an affiliate entity rather than being in the best interests of the fund.

B. Advisory Firm Payments for Client Referrals

VRE may enter into agreements with third-party marketers who will refer prospective investors to VRE in return for a fee.

Item 15: Custody

VRE is considered to have custody of client assets for purposes of the Advisers Act for the following reasons:

- The firm or its affiliate is a managing member or general partner to a private fund vehicle. An independent public accountant annually audits a pooled investment vehicle(s) the firm manages and the audited financial statements are distributed to the investors in the pooled vehicle within 120 days from the end of the private fund's fiscal year end or 180 days in the event of a feeder/master fund structure.

Item 16: Investment Discretion

VRE, either individually or through its affiliates, acts as a general partner for various private Funds. As such, it has full discretionary authority to act on behalf of the Funds in all aspects. Such activity includes, but is not limited to, acquisition and disposition of Funds' assets, control of Funds' bank accounts, the selection of third-party vendors (some of whom may be affiliates and receive compensation from the applicable Fund), selection of advisers, authorizing terms of contractual agreements, and any and all matters related to the operation, financing, and management of the Funds.

Item 17: Voting Client Securities

The Funds do not hold investments for which proxies are solicited.

Item 18: Financial Information

A. Balance Sheet

VRE does not require the prepayment of fees of \$1,200 or more, six months or more in advance, and as such is not required to file a balance sheet.

B. Financial Conditions Reasonably Likely to Impair Advisory Firm's Ability to Meet Commitments to Clients

On May 20, 2020, VRE received a Paycheck Protection Program ("PPP") loan in the amount of \$841,097 through the U.S. Small Business Administration, which was part of the economic relief provided under the Coronavirus Aid, Relief, and Economic Security (CARES) Act. Due to the economic uncertainties surrounding the current COVID-19 pandemic and in an abundance of caution, VRE believes it was necessary and prudent to apply for and accept the PPP loan to support ongoing operations. VRE intends to use the PPP funds to fund payroll for its employees, including a portion of the salaries of employees who are primarily responsible for performing advisory functions for the Funds. The loan is forgivable provided VRE satisfies the terms of the loan program. VRE believes the existence of the loan and the obligation to repay it will have no impact on its ability to provide investment advisory services to clients.

C. Bankruptcy Petitions During the Past Ten Years

There are no bankruptcy petitions to report.