

SUPPLEMENT NO. 1
TO INVESTOR PACKAGE

Up to \$7,000,000 Worth of Convertible Notes

This Supplement No. 1 to the Investor Package (the "Supplement") supplements and amends and should be read with the Investor Package dated August 13, 2019 (the "Investor Package") relating to the offering (the "Offering") by Goodneighbors - The Rune, LLC, a Minnesota limited liability company ("we," "us" and the "Company"), of up to \$7,000,000 worth of Convertible Notes (the "Convertible Notes") at an offering price equal to \$1.00 per Convertible Note. This Supplement is being provided to investors to inform them of recent events that have occurred since the date of the Investor Package.

An investment in the Convertible Notes is highly speculative, involves a high degree of risk and is suitable only for investors with substantial means who can bear the economic risk of the investment for an indefinite period of time, have no need for liquidity of the investment and have adequate means of providing for their needs and contingencies. An investment in the Convertible Notes should be made only by persons able to bear the risk in the event the investment results in a total loss.

In addition to this Supplement, each investor should carefully read the Investor Package, including, but not limited to, the information set forth in the Investor Package under the Section entitled "Risk Factors." The Investor Package contains more detailed information about the Company, its business and financial condition and the Convertible Notes.

In making an investment decision, investors must rely on their own examination of the Company and the terms of the Offering, including the merits and risks involved. The Convertible Notes have not been recommended by any federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of the Investor Package or this Supplement. Any representation to the contrary is a criminal offense.

All capitalized terms used but not defined in this Supplement have the definitions ascribed to them in the Investor Package. Except as otherwise expressly amended by this Supplement, the Investor Package remains in full force and effect.

The date of this Supplement No. 1 is July 13, 2020.

RECENT EVENTS AND MATERIAL CHANGES

- I. The maximum offering amount has been increased to \$7,000,000. To date, the Company has raised \$1,075,000 in the form of convertible notes from seven investors. Upon closing, the Founder's will receive an ownership percentage comparable with a \$700,000 investment. The Company anticipates receiving a grant in the amount of \$350,000 from DEED. The Company estimates it will need \$7,650,000 of equity in order to receive a loan in the amount of \$22,949,000. The Company anticipates loan interest rates between 4 to 4.5 percent.**
- II. The offering expiration date has been changed to December 31, 2020.**
- III. The ages of the Founders, Rob Thompson and Ted Christianson, are 65 and 61, respectively.**
- IV. The Company will no longer raise capital in the form of tranches as described in the Investor Package.**
- V. Demolition is anticipated to begin on the property in the third quarter of 2020. Construction is expected to take 16 months and is anticipated to be completed in the fourth quarter of 2021.**
- VI. The building is now designed to have 72 apartment units, not 73.**
- VII. See Exhibit A for a revised Pro Forma.**
- VIII. See Exhibit B for revised Use of Proceeds and Project Costs.**

ACKNOWLEDGMENT AND AGREEMENT

In connection with the offer and sale by Goodneighbors - The Rune, LLC (the "Company") of up to \$7,000,000 worth of Convertible Notes of the Company pursuant to the Investor Package dated August 13, 2019 (the "Investor Package"), and this Supplement No. 1 to the Investor Package dated July 13, 2020 ("Supplement"), the undersigned hereby acknowledges and represents to the Company that the undersigned has received and carefully reviewed the Investor Package and the Supplement, and the information set forth therein, and that the undersigned consents to the changes to the offering set forth in the Supplement.

Dated: _____

Signature _____

Type or Print Name of Investor _____

Signature of Second Investor (if joint) _____

Type or Print Name of Second Investor(if joint) _____

EXHIBIT A
(see attached)

THE RUNE, LLC
Alexandria, Minnesota
Project Summary

Assumptions:	BASE CASE - w/TIF											6/30/20
Total Project Cost	30,599,110	Valuation: Higher of appreciation /y		2.0%		Total Leaseable SF		101,189				
Acquisition Cost	1,875,000	or Cap rate of :		7.0%		Total Land SF		250,000				
Construction/Development Costs	28,724,110	Equity %		25.0%		Rent - Residential / unit		\$2,684				
Mortgage (20 years)	22,949,333	Debt %		75.0%		Net Rent - Comm/SF		\$26.84				
Equity (includes TIF/DEED)	7,649,778	Interest Rate		4.00%		Gross Rent - Comm /SF		\$37.34				
		During	Year									
		Construct'n	1	2	3	4	5	6	7	8	9	10
Net Occupancy - Residential			70.0%	80.0%	90.0%	95.0%	95.0%	95.0%	95.0%	95.0%	95.0%	95.0%
Net Occupancy - Commercial			80.3%	89.0%	89.0%	89.0%	97.7%	97.4%	97.4%	97.4%	97.4%	97.4%
Rental Revenue	0	2,016,151	2,264,589	2,471,750	2,632,956	2,754,422	2,927,024	2,993,281	3,061,935	3,133,071	3,206,779	
GNP - TIF Reimbursement	0	0	0	23,266	35,065	39,317	43,673	48,139	52,717	57,407	62,217	
Operating Exp Pass Through - Commercial	0	112,081	192,007	240,029	246,030	282,055	311,416	319,202	327,182	335,361	343,745	
Total Revenue	0	2,128,231	2,456,595	2,735,045	2,914,050	3,075,794	3,282,113	3,360,621	3,441,833	3,525,839	3,612,742	
Total Operating Expense	0	419,985	548,225	650,970	681,207	679,961	764,160	795,416	828,194	862,576	898,650	
Net Operating Income (NOI)	0	1,708,247	1,908,370	2,084,076	2,232,843	2,395,833	2,517,953	2,565,205	2,613,639	2,663,264	2,714,092	
Return Analysis:												
Equity Investment	(7,649,778)	0	0	0	0	0	0	0	0	0	0	0
NOI	0	1,708,247	1,908,370	2,084,076	2,232,843	2,395,833	2,517,953	2,565,205	2,613,639	2,663,264	2,714,092	
Debt Service	0	(917,973)	(1,316,111)	(1,642,039)	(1,642,145)	(1,642,256)	(1,642,371)	(1,642,491)	(1,642,615)	(1,642,745)	(1,642,880)	
Contingency Allowance	0	(74,488)	(85,981)	(95,727)	(101,992)	(107,653)	(114,874)	(117,622)	(120,464)	(123,404)	(126,446)	
Partnership Mgmt Fee	0	(21,282)	(24,566)	(27,350)	(29,141)	(30,758)	(32,821)	(33,606)	(34,418)	(35,258)	(36,127)	
Net Cash Flow from Operations	(7,649,778)	694,503	481,713	318,960	459,566	615,166	727,887	771,486	816,142	861,856	908,639	
Cash Distributions	0	694,503	438,858	284,625	449,461	615,583	699,749	761,041	805,188	850,366	896,584	
	8.5%	9.1%	5.7%	3.7%	5.9%	8.0%	9.1%	9.9%	10.5%	11.1%	11.7%	
Valuation (Year Ten)												38,772,741
Less: Selling Expenses												(1,938,637)
Less: Outstanding Principal												(15,296,011)
Net Proceeds at Sale												21,538,093
NOI/Debt Service	NA	1.86	1.45	1.27	1.36	1.46	1.53	1.56	1.59	1.62	1.65	
Cash Flow to All Principals	(7,649,778)	694,503	438,858	284,625	449,461	615,583	699,749	761,041	805,188	850,366	896,584	
Add: Principal Reduction		0	405,493	784,515	816,478	849,742	884,362	920,392	957,890	996,916	1,037,532	
Appreciation @	2.0%	611,982	611,982	611,982	611,982	611,982	611,982	611,982	611,982	611,982	611,982	
Total Return	(7,649,778)	1,306,485	1,456,333	1,681,122	1,877,921	2,077,307	2,196,093	2,293,416	2,375,061	2,459,265	2,546,098	
Return on Equity	10 Yr Avg	26.5%	17.1%	19.0%	22.0%	24.5%	27.2%	28.7%	30.0%	31.0%	32.1%	33.3%
Tax Saved (Paid)	0	215,967	146,540	69,695	8,892	(57,247)	(109,798)	(137,806)	(166,705)	(196,516)	(621,981)	

PRE-TAX	INVESTMENT IRR	16.2%
	CASH ON CASH RETURN (AVG)	8.5%
	CASH ON CASH RETURN (AVG) W/O RESERVES	9.9%
AFTER TAX	INVESTMENT IRR	16.2%
	CASH ON CASH RETURN (AVG)	7.9%

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EXHIBIT B
(see attached)

The Rune – Revised Estimates

Total Project Costs:	<u>30,598,000</u>
Land Costs:	1,875,000
New Construction:	25,201,000
Development Related:	2,283,000
WC/Contingency Costs:	1,239,000

USE OF PROCEEDS

Land Purchase	1,875,000
Demolition	250,000
Design and Construction of the Rune	24,951,000
Contingency	500,000
Construction Interest	847,000
Org Costs/Working Capital/General Corporate Exp	<u>2,175,000</u>
Total	<u>30,598,000</u>

EXHIBIT C
(see attached)