

GINKGO REIT

Ginkgo REIT is offering current and prospective shareholders the opportunity to purchase shares and receive a **10% bonus in warrants**.

Warrants & Eligibility

We expect there to be many accretive acquisition opportunities during the next 3-18 months. We seek to **raise additional equity** to fund such opportunities and further our footprint in the Carolinas.

To achieve this fundraise without incurring the cost associated with employing a broker-dealer or other external fundraising capability, the Board has approved a new Unit Offering of “penny” warrants attached to the next **\$50 Million** of qualified stock shares sold.

- **10% Bonus:** 1 warrant will be granted for every 10 shares of stock purchased.
- **Eligibility:**
 - **Existing accredited shareholders** will receive warrants on any new stock purchase.
 - **New accredited shareholders** will receive warrants on any stock purchase of \$250K or more.
- **Exercise:** Warrants can be exercised for REIT shares 3 years after purchase at the exercise price of \$0.01 per share.

Purpose of New Equity

Opportunity:

We believe that **interest rates and capitalization rates are unlikely to rise much further**. The 10-year peaked at 4.988% on October 19th, 2023, and has seen general downward pressure since. Short-term interest rates have continued to rise and heavily leveraged multifamily syndicators find themselves “offside” due to their heavy reliance on short term borrowings that now have higher interest payments than their assets can pay. The high level of debt is not easily replaceable, and we anticipate some forced selling to occur in the third and fourth quarters of 2024.

The new equity raised will be used to target these potential acquisitions and to continue accretive interior upgrade programs.

Vesting, Redemption & Rights

Vesting:

Warrants can be exercised **3 years from the share purchase date** at the **exercise price of \$0.01 per share**.

After the 3-year period, shares issued from the exercise of warrants will be subject to the redemption rights and all other provisions of the REIT's Offering Memorandum that are in effect at the time of exercise.

Redemptions During the 3-Year Vesting Period:

- In the event of a share or OP Unit redemption within this 3-year period, **warrants will be forfeited (1 warrant per 10 shares)**.
- Current investors who redeemed shares during the 12 months prior to this offering will be ineligible to purchase additional shares under this offering for one year from the date of that redemption.

Rights:

No voting rights will be assigned to warrants until such time as they are exercised for shares, and no dividend will be paid on warrants until they are exercised for shares.

Near Term Dilution

Short-Term Potential Dilution:

NAV of Ginkgo REIT by the 4 th Quarter of 2023	\$200 Million
New Equity Raised with Warrants Attached	\$50 Million
Warrant Conversion Stock Value	\$5 Million
Maximum Dilution	$\$5\text{MM}/\$200\text{MM} = 2.5\%$

Offsetting the Dilution to Current Holders:

• Short-Term Investing:

• Reduction in Line-of-Credit	+7.5%
• Dividend and Corporate Expenses	- 6.5%
• Surplus (80% allocated to existing holders)	<u>+1.0% in Cash Flow</u>

• Long-Term Investing; Return from Future Acquisitions:

\$50MM of Equity Invested with \$60MM of Debt	\$110MM
• Appreciation (10% from rate correction alone)	\$ 11MM
• Appreciation (improvements to cash flow)	\$ 9MM
• 3 Years of Net Cash Flow to Equity (avg. 6%)	\$ 9MM
• Exercise of Warrants Dilution	<u>\$(5MM)</u>
• Accretion	\$ 24MM

Net Accretion to Existing Holders: $80\% * \$24\text{MM} = \$19.2\text{MM}/\$200\text{MM} = 9.6\%$

The return to the existing shareholders is on top of the existing portfolio.

Hypothetical Total Return

Assuming **dividend reinvestment**, a conservative **6% annualized appreciation**, and a **5.21% dividend yield**, a new investment of \$250,000 will grow approximately **38.6% by 6/1/2026**.

To date, Ginkgo's annualized rate of return is nearly 18%.

