



Berry-Rock Homes

America's Homeownership Opportunity

Presentation

Jan. 2018

Introduction

Berry-Rock is a real estate investment company that operates a pick your rental program.

The Berry-Rock Model

Realtors refer future tenants to Berry-Rock



Tenants are vetted at Berry-Rock



Approved tenants pick a home



Berry-Rock purchases the home and leases it to the tenant



Tenants are given the option to purchase the home

Unique to SFR

Triple Net

Tenants are responsible for repairs and maintenance which alleviates one of the largest drags on cash for single family assets.

Tenant acquired before Asset

Because we let the tenant pick out the home they want us to lease to them we have no initial vacancy associated with our assets. Every asset is preleased before we acquire it.

Market Independent Lease Rates

As a result of acquiring the tenant before the asset, we set every lease rate at an 11% Cap Rate before we acquire the property. This allows us to lock in a long-term contract at a premium rental rate.

Large Security Deposits

We require security deposits that are 3X times the average security deposit collected. Our tenants are willing to pay this since they are getting to pick their rental.

Alternative Bond – “Backed by real assets, not paper”

Berry-Rock Alternative (Alt) Bonds are an attractive fixed income product for

- 1) **uncorrelated** yield independent of the broader market
- 2) value derived from **tangible assets**.

Bond Characteristics

- Bonds maintain initial investment par value throughout term
- Private Non-Traded Issuance
- Bond value and yield unaffected by interest rate movements
- 5 Year Maturity
- 6.25% - 10% Yield based on initial investment.
- Monthly disbursements

Alt Bonds decouple your portfolio from market swings

How do Alt Bonds yield more and create stability?

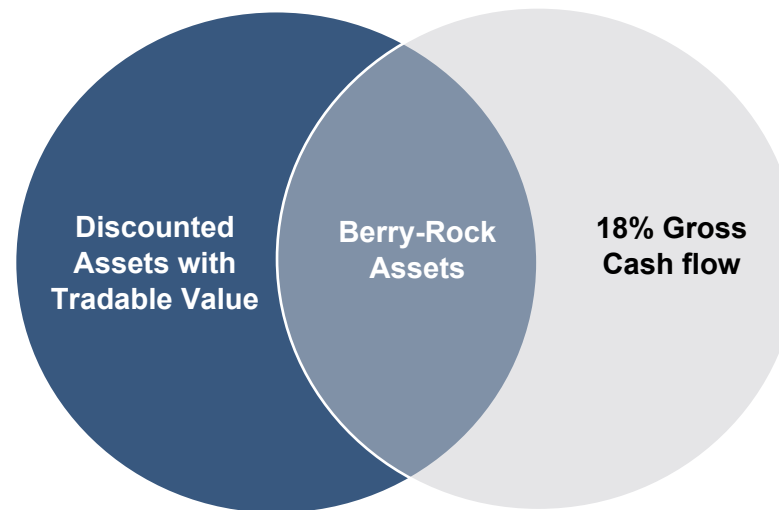
The assets that back our bonds are selected to preserve value and provide strong cash flow. Assets are carefully selected with following characteristics.

Preservation of Value

- Tradable and marketable asset
- Maintain minimum \$1.10 in Asset Value for every \$1 of Bonds Issued
- Asset class and location must have historically low volatility

Stability of Cash Flow

- Asset must have a minimum targeted 18% Cash Flow
- Cash Flow stability during all market cycles.
- Asset must have an intrinsic hedge against yield loss



Alt Bond vs Traditional Bond

The traditional bond market is in a difficult position due to current market conditions; yields are low amidst a rising interest rate environment. BR Alt Bonds are completely uncorrelated to the market. This means external market conditions and rising interest rates have no effect on bond value.

BR Alt Bond	Traditional Bond
Backed by Real Assets that have a marketable value	Backed by performance of corporations and municipalities
Uncorrelated performance to the market	Yield and Value derived from uncontrollable market conditions
Annual 6.25% - 10% Yield Based On Amount Invested	Historical 4.22% Annual Return
Value not affected by interest rate movements	Value Inversely priced based on interest rate movements

Bonds Issued at a discount to Value

Bondholders are able to realize a secured position as BR Alt Bonds are issued at a 34% discount to asset value. Underlying assets would have to fall at least 34% before bondholders realized any loss in bond value.

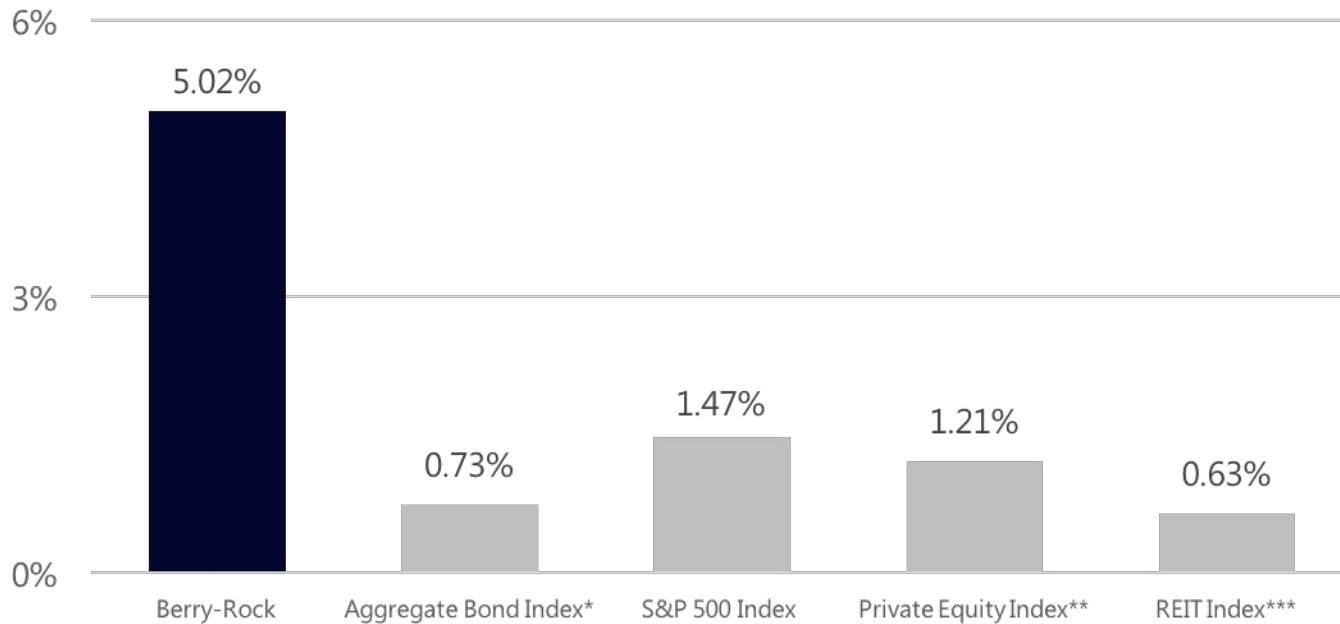
Berry-Rock Assets



Better Risk Adjusted Return

The Sharpe Ratio is used to compare the amount of return an investment provides when risk is taken into account. A higher Sharpe Ratio is better, and anything over 1 is considered attractive.

5 Year Risk Adjusted Return (Sharpe Ratio)



- Berry-Rock Alt Bonds have a better Risk Adjusted Return than other investment types.

Financial Metrics

	As of Q1 2018	2019 Goal
# of Homes	240	1,000
Occupancy Rate	100%	98%
Collection Rate	98.9%	98%
Total Asset Value	\$25MM	\$113MM
NAV	\$6MM	\$36MM
Portfolio Cap Rate	11%	11%
Annualized AFFO	\$1,102,545	\$5,375,000
Annualized EBITDA	\$1,327,505	\$6,475,000
Portfolio LTV	71%	68%
AFFO return on invested capital	31%	28%

Historical Financials

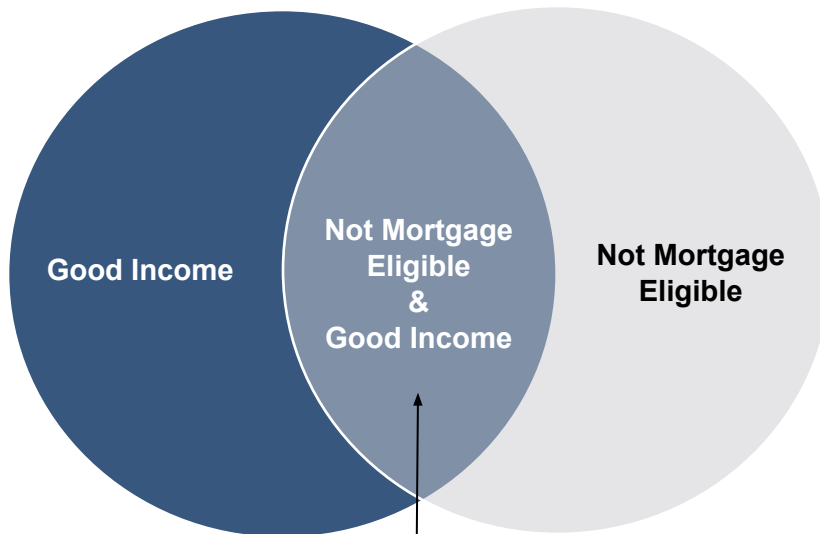
	EOY 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017
Rent Income	\$ <u>1,067,083.42</u>	\$ <u>418,174.11</u>	\$ <u>531,546.10</u>	\$ <u>613,904.25</u>	\$ <u>708,487.36</u>
G&A Expense	\$ 66,376.77	\$ 40,050.15	\$ 48,839.09	\$ 53,584.86	\$ 58,794.46
Bank Fees	\$ 1,354.98	\$ 257.80	\$ 308.00	\$ 314.90	\$ 372.80
Make Ready & Repairs	\$ 42,075.80	\$ 3,610.94	\$ 3,446.00	\$ 5,051.65	\$ 27,987.36
Property Taxes	\$ 112,706.37	\$ 45,762.48	\$ 61,572.40	\$ 70,834.59	\$ 78,633.44
Interest Expense	\$ 318,388.85	\$ 136,845.10	\$ 163,760.97	\$ 187,602.34	\$ 221,008.92
Eviction & Collection Expense	\$ 8,753.38	\$ -	\$ 4,754.00	\$ 2,900.00	\$ 12,049.00
Insurance Expense	\$ 60,880.18	\$ 24,533.51	\$ 29,898.82	\$ 33,183.77	\$ 37,363.08
Utility Expenses	\$ 48,315.06	\$ 502.92	\$ 774.49	\$ 186.83	\$ 2,215.81
Total Expense	\$ <u>658,851.39</u>	\$ <u>251,562.90</u>	\$ <u>313,353.77</u>	\$ <u>353,658.94</u>	\$ <u>438,424.87</u>
Net Operating Income	\$ <u>408,232.03</u>	\$ <u>166,611.21</u>	\$ <u>218,192.33</u>	\$ <u>260,245.31</u>	\$ <u>270,062.49</u>
EBITDA	\$ 726,620.88	\$ 303,456.31	\$ 381,953.30	\$ 447,847.65	\$ 491,071.41

People we serve

Regulations have created an estimated \$300 - \$500 Billion of people, many of whom are well-qualified candidates.

The types of people that fit our criteria

- People with irregular income (Business Owners)
- Recent Divorcees
- People with medical bills



Our opportunity

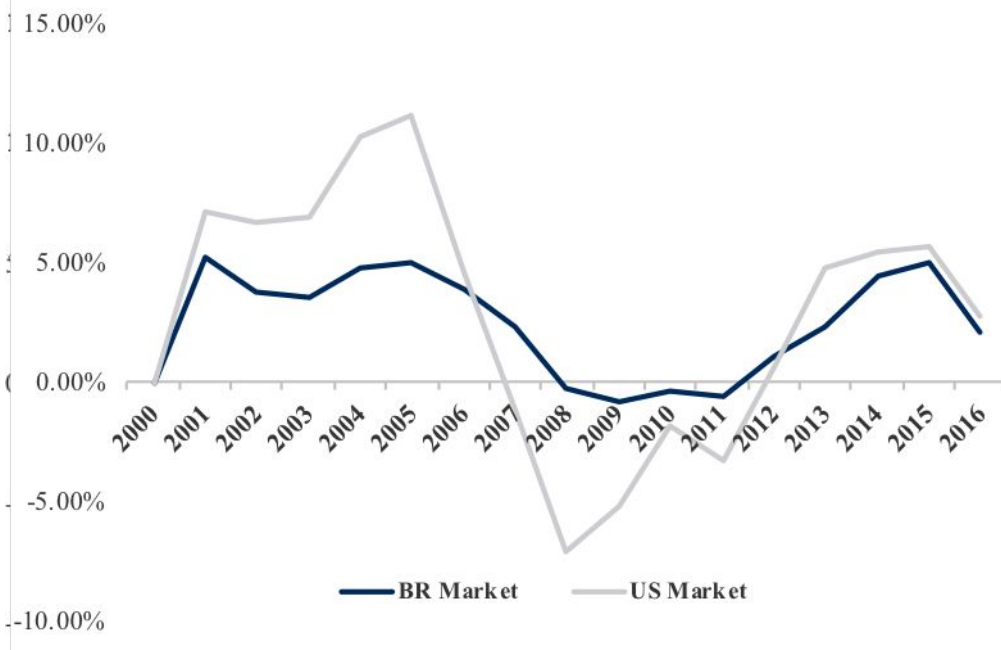
Our point-of-view

- Due to some minor characteristics, these people were unduly excluded from getting a mortgage
- They have good income and a healthy balance sheet
- We view these people as “undervalued” opportunities that create a low-risk, high-reward opportunity for us and our investors

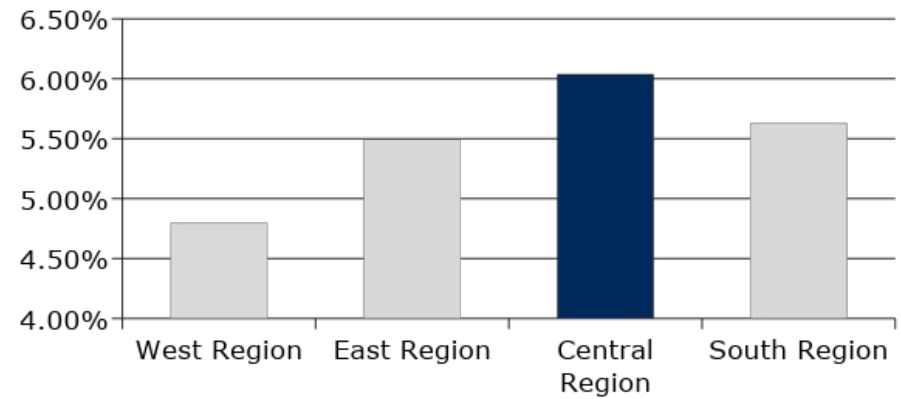
Market

The Midwest region provides greater stability and higher cap rates than other parts of the country. It is also under-represented in many investment portfolios. This has created an opportunity for us to take advantage of undervalued assets.

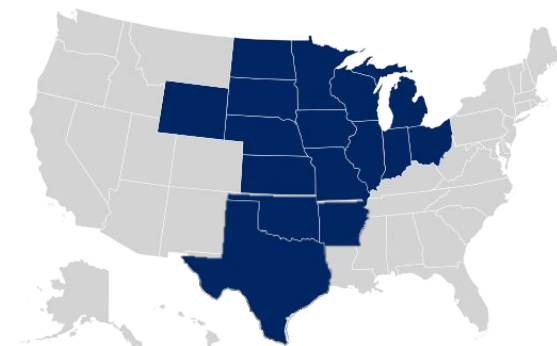
Home price movements *



Cap Rates **



Our markets have the highest Cap Rates nationally, this allows us to extract more cash flows from our properties.



- Our markets are more stable than the national market
- Prices declined by 2.1% in our markets during the recession vs. 18% nationally

Future Growth

Easily Scaled

Berry-Rock deploys a repeatable process that allows us to easily operate and generate consistent returns year-over-year.

Our established referral network is active in every future target market resulting in reliable, quality tenant generation.



Homogenous Assets

Acquiring the tenant prior to the asset allows us to structure every transaction with unified return characteristics resulting in a conforming pool of assets.

Berry-Rock yields the same return regardless of the size of the transaction

A transaction involving a \$200,000 home in one market and another transaction involving a \$100,000 home in another market will both yield the same return relative to the capital invested with minimal change in risk profile.

Risk Management

There are some inherent risks in real estate investing. Berry-Rock designed a model that reduces those risks.

Client non-payment

- The risk of our clients not paying their rent is protected by the 7% deposit we demand upfront
- In the event of a default, the deposit is recognized as profit
- This payment covers ~10 months worth of investors' returns which gives us that much time to either sell the property or find new tenants
- Historically it has taken us less than 30 days to find new tenants

Interest rate risk

- Existing assets have a fixed interest rate
- For new assets, any increases in interest rates are passed on to our new clients since we set the rent payments

Asset destruction

- In the case of an eviction, we protect our properties from being damaged by returning a small portion of our tenant's deposit back once they move out of the property by an agreed upon date without inflicting any damages.

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