



Real Estate Investing Unscripted

Horizon Residential Income Fund

A fund investing in short-term residential mortgage loans originated by Upright, providing investors with maximum portfolio diversification, current income, and the significant tax benefits of a REIT.

Horizon Deep Dive Agenda

- The Initial Unveiling
- Capital Raising and the Investor Admission Process
- The Horizon Investment Strategy
- Loan Acquisition and Portfolio Management
- Financial Performance and Milestones
- Key Achievements
- Success Stories
- Risk Management
- The Horizon Outlook
- Closing Thoughts and Q&A



The Opportunity:



Since 1960, the U.S. population, and with it the number of households and families, has continued to climb.

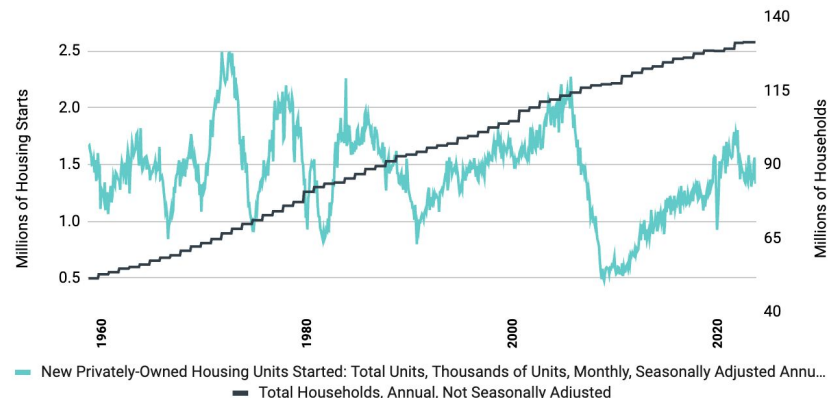
During much of that time, the number of privately owned housing starts, or new homes being built, hovered around 1 million to 1.5 million per year, with some ebbs and flows around recessions.

This gives us a good idea of how much new housing we need each year to support linear population growth — more families and people require more housing.

During the early and mid-2000's, there was an anomalistic time of overbuilding, which helped perpetuate the crisis of 2008. But more interesting is what happened between 2010 and 2020:

- 2010–2013: Low amount of new builds as excess inventory is absorbed into the market
- 2013–2020: The number of new homes being built is significantly lower than 1 million per year
- 2020-2024: Hovering around 1 million new homes, on par with the historical average

New Housing Starts vs Total Households



Source: fred.stlouisfed.org



KEY TAKEAWAY

It's estimated that in the past decade, the United States underbuilt homes by 3 million to 5 million units.

Demographics Drive Demand

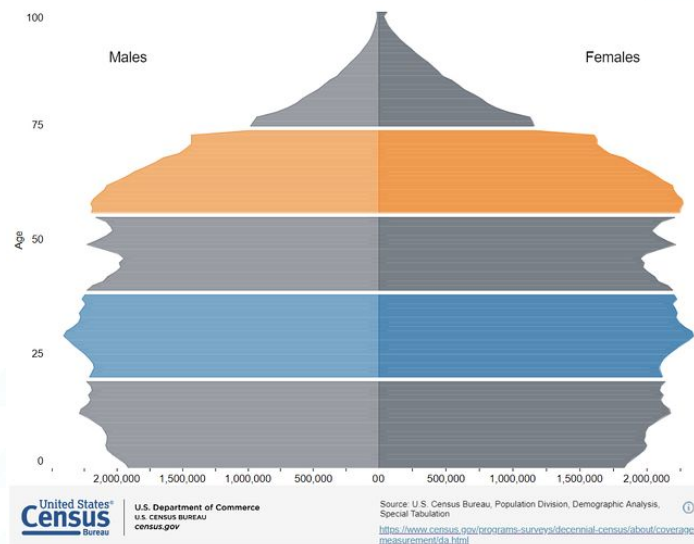


Demographics are economics. The largest cohort of the U.S. population is millennials, and they want a piece of that American Dream, too. Long-range averages of homeownership tend to be 65%. **Only 48.6% of millennials own their homes.**

That is a lot of new demand still on the sidelines. And the cohort behind them, Gen Z, which represents the second-largest living generation, will be entering home-buying age in the next five years.

Unlike the lead-up to 2008, current housing demand is being driven by demographics rather than speculation and creative financial products. This means that unless millennials suddenly do not need a place to live, this demand is likely to persist until homeownership rates for this cohort reach historical norms of ~65%.

Demographic Breakdown



KEY TAKEAWAY

Changing demographics continue to drive strong demand for housing in the U.S.

”

We have longer run problems with the availability of housing... there hasn't been enough housing built.

Federal Reserve Chairman Jerome Powell
January 31, 2024

Why Invest in the Horizon Residential Income Fund I, LLC (Horizon)?

Horizon offers accredited investors the opportunity to spread a single investment across a managed portfolio of short-term, residential bridge mortgage loans originated and underwritten by Upright. You also get the benefits of:

- Amplified diversification across multiple geographies, borrowers, and projects via the use of leverage.
- No need to research and select individual projects
- Quarterly distributions of income
- Tax benefits of a REIT



How Horizon Works

When you invest and become a member in the Horizon Residential Income Fund I, you invest in a diverse, curated pool of whole loans originated by Upright. Horizon utilizes leverage to offer higher returns and offer greater diversification. Income is distributed to members quarterly, and the income that most investors keep in their pockets is amplified through tax advantages.

REIT Tax Benefits

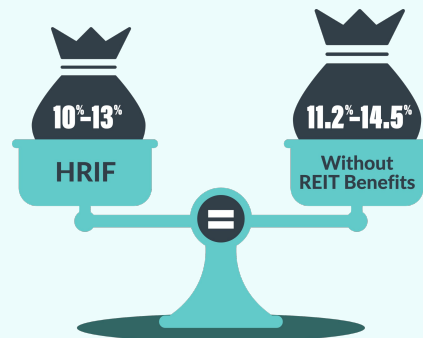
Factoring in the 20% pass-through deduction, a given return on Horizon is equivalent to a much higher return for taxable investors on an otherwise similar investment without the REIT tax benefits.

REITs have always received favorable tax treatment in that they do not pay income tax at the entity level despite being a corporate entity.

Since the passage of the Tax Cuts and Jobs Act of 2017, most taxpayers are generally eligible for a deduction equal to 20% of qualifying business taxable income from federal income tax.

This deduction generally applies to qualified REIT dividends, including any REIT dividends earned through a pass-through entity such as Horizon.

Tax Benefits Equate to a Higher Return



After taking the 20% deduction into account, Horizon's target return of 10-13% is equivalent to a return of 11.2-14.5% on a standard investment vehicle.

Put another way, for an investor in the top marginal federal tax bracket, the effective federal tax rate for Horizon distributions is only 29.6% rather than 37%.

Every taxpayer is different. Please consult with your tax advisor for advice and guidance related to your specific tax situation. Example above assumes a taxable investor subject to the 37% maximum federal income tax bracket and ignores state, local and other taxes. Comparison is to an investment that does not have the tax benefits of a REIT, with all income being taxed as ordinary income.

The Nitty Gritty



Target Return: 10-13% net of all fees and expense

Preferred Return: 8%

Distributions: Quarterly

Investment Minimum: \$15,000

Minimum Holding Period: 12 months (with restrictions)

Fees: Manager fees and cost of operations. Management fee of 1% of fund net asset value and will receive 20% of net profits *after* payment of the preferred return and other fund fees and expenses, with all other net profits going to investors.

Structure: Delaware LLC with REIT subsidiary

Investor Tax Reporting: Schedule K-1

Investor Suitability: Accredited investors only

Current Offering: \$30,000,000.





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Key Service Providers

The Fund has a team of experienced, independent service providers to advise the fund and oversee key functions for the benefit and protection of its investors



High Divide Management

A thirty-party fund administrator to perform fund accounting and administrative services for Horizon



FCI Lender Services

Loans in the Horizon portfolio will be serviced by an independent, third-party loan servicer. The Manager will oversee the activities and performance of the Servicer.



Geraci Law Firm

Horizon has retained the services of this industry-leading law firm to advise on the fund formation and structuring



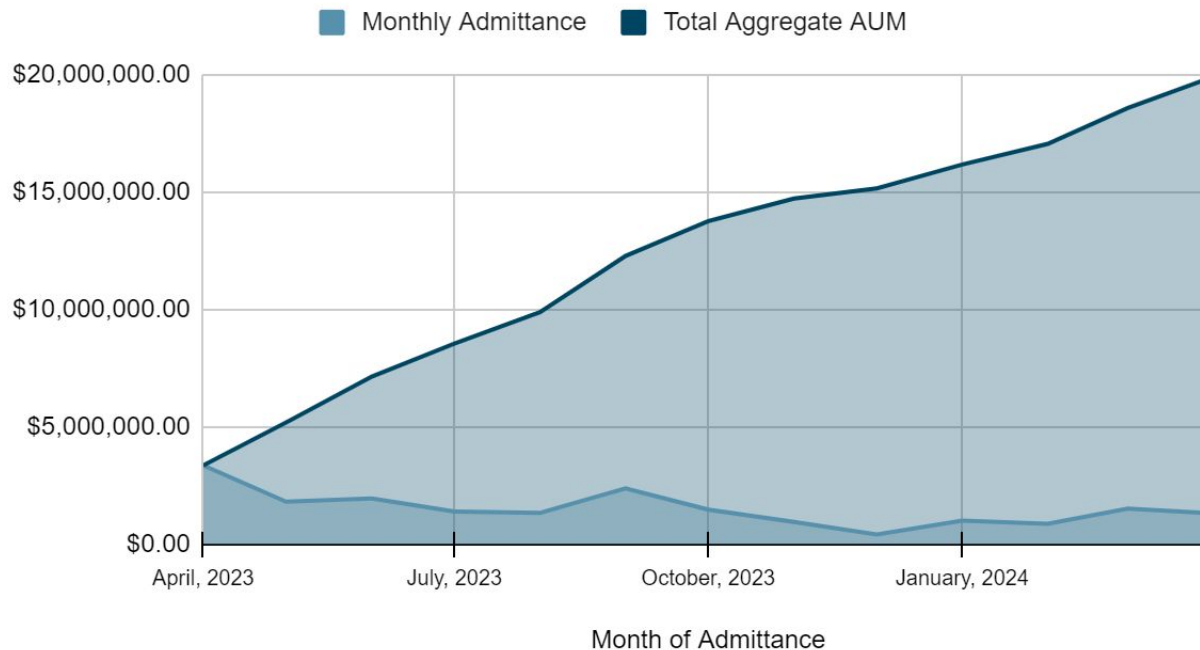
CohnReznick

Horizon partners with an independent, third-party audit & tax provider

Capital Raising & The Investor Admittance Process

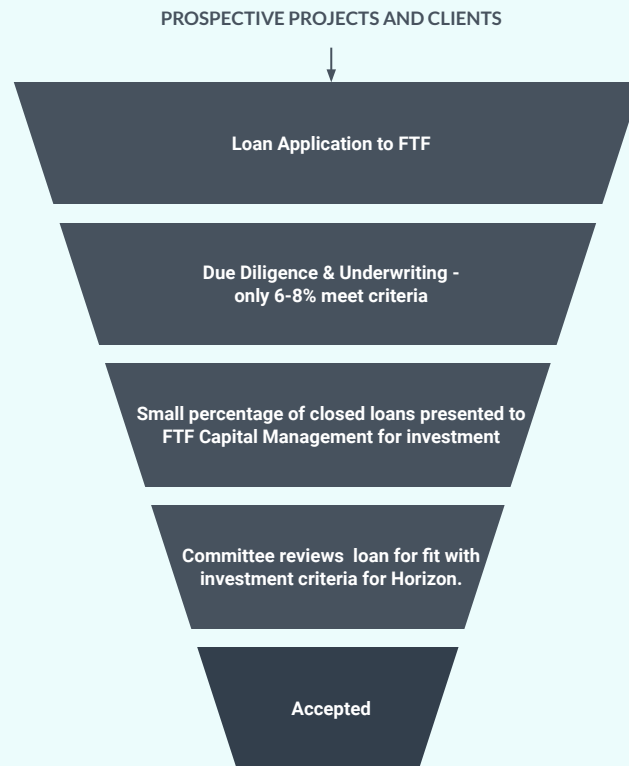


Monthly Admittance and Total Aggregate AUM



About FTF Capital Management, LLC

FTF Capital Management, LLC, serves as the manager of Horizon. The team brings a wealth of experience in the areas of real estate, capital markets, risk management, and compliance. All loans purchased by Horizon must pass an exhaustive underwriting and analysis process. All loans first have to get through the highly-selective underwriting process at Upright, where only 6% to 8% of loans are approved. On top of that, all loans purchased by Horizon also go through the FTF Capital Management investment committee before being approved for purchase.



Horizon's Investing Strategy



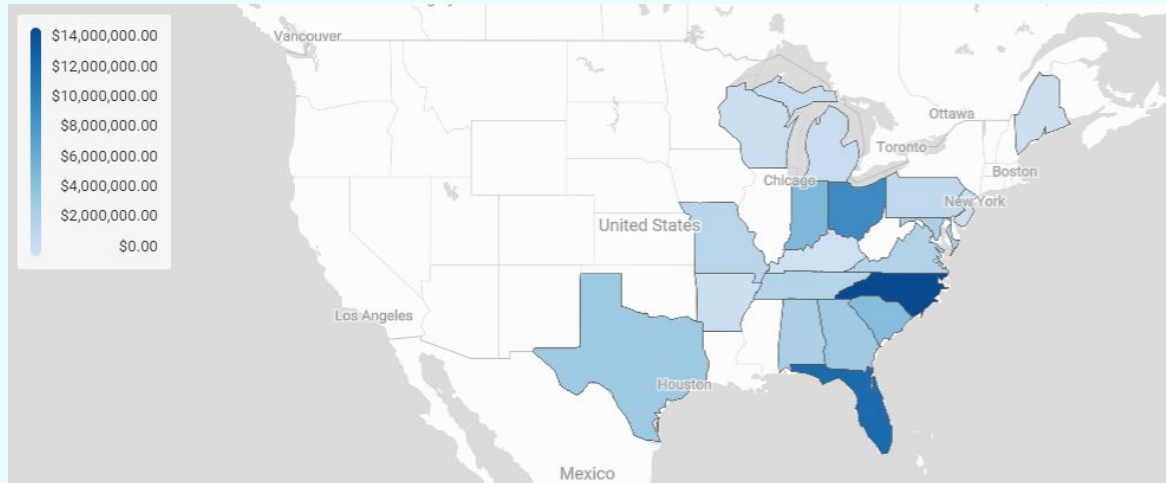
- ❑ **Borrower:** Credit & background review, like-kind experience, Upright customer, asset reserves
- ❑ **Location:** Is the project rural, in a declining market, or within an MSA with less than 100,000 inhabitants?
- ❑ **Project:** Are the appraisals of high quality and is the budget feasible to attain the appreciation the appraiser and borrower are expecting? Does the developer have enough 'skin in the game'? Is the term achievable? How profitable is the project?
- ❑ **Portfolio:** Does the loan fit within the portfolio?



The Purchase Process

Five Steps to Purchase Each Loan:

- Initial diligence call between Upright's Capital Markets team and Horizon's Fund Manager
- Individual loan underwrite and initial buy recommendations
- Investment Committee review and approval
- Collateral file review
- Loan purchase



Operations

- **Senior Financing Facility**
 - Borrowing Base
 - Monthly interest remittance
- **Fund Management**
 - Daily construction draw requests
 - Daily payoff requests
 - Daily term extension requests
 - Constant portfolio performance review
- **Fund Administration**
 - Monthly equity admittance
 - Quarterly financial reporting
 - Quarterly member distributions

Current Book

Total Active Loans	208
Total Loan Amount	\$60,287,000.00
Interest Accruing Balance	\$45,329,079.71
Funds Disbursed	\$44,116,755.42
Remaining Principal Balance	\$16,170,244.58
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Average Loan Amount	\$289,841.35
Maximum Loan Amount	\$1,647,000.00
Minimum Loan Amount	\$72,000.00
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WAVG Loan APR	11.96%
WAVG Investment APR	11.46%
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Average Borrower Credit Score	738
Minimum Borrower Credit Score	600
Maximum Borrower Credit Score	850
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WAVG LTAIV	62.03%
WAVG LTC	82.33%
WAVG LTARV (FTF)	64.39%
WAVG LTARV (Appraised)	63.86%



Financial Performance

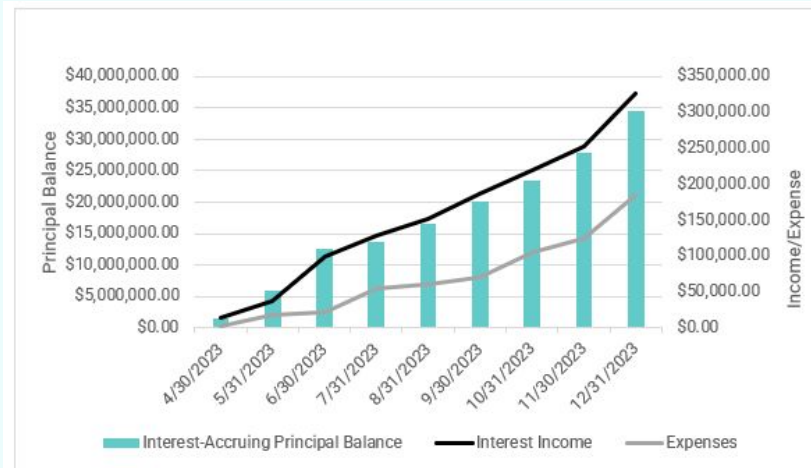


Income:

- Normal Interest
- Late Fees
- Penalty Interest
- Extension Fees

Expenses:

- Fund Formation Costs
- Fund Administration
- Tax Preparation & Audit
- Servicing Fees
- Custodian Costs
- Senior Debt Interest
- Management Fees



Key Achievements

The Horizon Fund has purchased over \$80mm of mortgages, with an active portfolio of \$60mm at a delinquency rate below 3%. Through this, we have been able to:

- Achieve the target return for the past two quarters
- Increase the size of the fund to \$30mm (for now)
- Spread our fixed expenses across a wider base
- Reduce our cost of senior financing

We are incredibly grateful for Horizon investors, who continue to allow our developers to make a difference in their communities. We cannot wait to continue to build on the fund's successful track record and share that with a growing base of investors.



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- Monthly Admittance:
 - ~\$2mm per month. Initiatives to continue Horizon's growth
 - Next Admittance: May 1, 2024
- Q1 2024 Quarterly Investor Report & Distributions: May 15, 2024
- Reduction of Expenses continuing to play out:
 - Economies of Scale
 - Reduced Senior Financing Interest Cost (both index & margin)
 - Tax preparation spread across each quarter
- Increase of ancillary income as book matures
- Exciting platform enhancements for our investors
- Continued refinement of our investment offerings

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Contact Information

Sign up: www.upright.us/podcast

Email: invest@upright.us

Or Call: 646-895-6090 option 2

