Opportunity Fund (ICO2)

A special purpose fund with a proven sponsor, projected 40%+ IRR

3Q24 Update

This confidential investment briefing is an overview of our current funds and does not constitute an offer.

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HIGHLY CONFIDENTIAL December 2024

A love letter from our attorney…

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ICO2 Update 3Q24 – Early Exit update

Valuations

- JLL Securities has begun to provide underlying values for 25x Phase I assets.
  - Basket 1: Sponsor at $775 MM vs. JLL at $735 MM… small gap. < 10%.
  - 15 are almost complete; good agreement on valuations. 10 in discussion to fine tune.
  - Generally, JLL valuations are +/- 1 standard deviation within Sponsor's internal expectations.
- Baseline requirement for any asset to be contributed to NewCo is:
  - It must have an estimated market value at or above total capitalization (e.g., debt plus unreturned contributed capital).
- Overall, we are very encouraged by all facets of the upcoming launch of NewCo including:
  - The valuation process,
  - Raising new and replacement capital,
  - The pipeline of opportunities for new acquisitions and
  - Third-party businesses for the operating companies.

Updated process timing

1. Early December 2024: Receive relative valuations of Phase I assets determined by JLL Securities.
2. Mid-January 2025: Begin investor election and consent solicitation process.
   - Gathering investor consent to the transaction
   - Commitments on whether to redeem existing investor's interests or exchange for an interest in NewCo
   - Equity multiple (EM) varies by project from 1.2x to 4.0x. Older projects are generally higher due to value creation.
3. December 2024 – March 2025: Capital raising effort for the redemption of investors electing to exit.
4. March 2025: Close Transaction (close new capital investment; existing Investors either transfer or sell).
5. March 2025: Distribution to Redeeming Investors (assuming #4 above occurs).

If the REOC doesn't work, we simply hold the asset and continue with the original business plan.

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ICO2 Update 3Q24– Estancia (Dallas)

Will it sell early?

- Ironton has the option to make a separate decision on each asset regarding staying in NewCo or exiting early.
- If it qualifies for an early exit; it would be in phase II (late '25). Likely 3-year timing on exit without NewCo.

Hurricane impact?

- No impact.

Operations status?

- Half-done renovation
    - Exterior early '25 ; interior 1Q25
    - Occupancy 75%; all units in renovation if vacant.
    - Pre-leased – about the same.
    - Rent vs. market vs pro-forma. Market is solid. No weakness. Construction site; so harder to lease.
    - Below market on pro-forma. PF conservative.
    - Doing better than market. Will try to push rent.
    - 4 phases 72 74 76 78… some LBP. Feels like 4 communities linked.
    - Want PF to be below market. General strategy. Conservative PF; we don't want to be top of market in UW.
- When we sell, we want to be market leader.

Refi status?

- Not needed currently. Getting a short-term extension with more options for reasonable fee.

Capital call plan?

- None planned.

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ICO2 Update 3Q24 – Declan (Dallas)

Will it sell early?

- Ironton has the option to make a separate decision on each asset regarding staying in REOC or exiting early.
- If it qualifies for an early exit; it would be in phase II (late '25). Likely 3-year timing on exit without REOC.

Hurricane impact?

- No impact.

Operations status?

- Will take full three years. will be a high-quality asset with lots of upside. Rents set up via AMI / TX housing authority.
- We are below allowable rents. 63% occupied.
- Mainly focused on interiors (70-80% done, want to finished by January peak leasing season).
- Exterior not a priority now.
- Finished clean up of non-payers. Getting the right residents in the property.

Refi status?

- Not needed currently.

Capital call plan?

- None planned.

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ICO2 Update 3Q24 – EC7 Emerald Coast (Panhandle FL)

Will it sell early?

- Ironton has the option to make a separate decision on each asset regarding staying in NewCo or exiting early.
- If it qualifies for an early exit; 3-4 communities could be in phase I (Spring '25).
- Remaining communities could be in phase II (late '25). More likely the stragglers would be sold sometime after that to optimize value.
- Sponsor reports all major LP agreed on preliminary basis for early sale.

Hurricane impact?

- No impact.

Operations status?

- Rental market is stronger than expected. On average, our rents about at market, and market is doing well.

Refi status?

- Currently working with lender.

Capital call plan?

- None planned.

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Ironton Capital – Current Funds Overview

For Accredited Investors for Informational Purposes Only – Not an Offer to Invest

	National Diversified Funds (NDFs)	Short Term Income Fund (STI)	Medium Term Income Fund (MTI)	Opportunity Funds
Underlying industry	• Real estate	• Real estate (80%+) • Medical receivables (20%-)	• Medical receivables	• Mainly real estate
Target returns	• 16%+ 5-6 year timeline	• 8-9%+	• 11-13%; fixed (based on capital contribution)	• 30%+ 1-3 year timeline
Launch frequency	• Bi-annual, closed ended	• Evergreen, open ended	• Opens 1-3 times a year • Closed ended	• Varies
Liquidity	• Cash distributed as individual projects cash flow	• Quarterly dividends • Principal back w/ 30day notice	• Quarterly dividends • Access to principal after one year lockup	• Varies
Fund size	• $10-20M	• $200M+	• $30M+	• $1-10M
Individual investments	• 10-15	• 200-400	• 10,000+	• Varies
Tax advantages	• Targeting depreciation tax shelter	• REIT income treatment	• No tax advantage	• Varies
Min investment	• $50K (one-time) • $25K (investments in multiple NDFs)	• $50K	• $50K	• $50K

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Executive Summary – Five Unique Value Levers

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FUNDING CAPITAL CALLS SHORTFALLS WITH POTENTIAL 40%+ IRR

A Sponsor, well known to Ironton through prior investments, has issued several interest-rate related capital calls. Some existing LPs chose to not participate in these calls. These LPs will be diluted by 30%+. Investors funding the shortfall will accrete the equivalent amount (approximately 2x), resulting in potential annual 50%+ LP IRRs.

CO-GP ECONOMICS

Ironton negotiated a preferred fee structure for our LP's investment.

NO SYSTEMIC RISK

The developer is running nearly 70 projects, yet only seven require capital calls. The issue is not systemic. Ironton avoids funding capital calls related to operational issues. On a case-by-case basis, Ironton has decided to fund capital calls related to financing issues, if driven by factors outside developer control.

DE-RISKED PROJECTS

The projects were initiated in 2021-2022. De-risked in four ways: (a) rents increasing, occupancy improving, (b) renovations well underway, (c) 2-4-year vs 5-6-year exit, and (d) financing risk mitigated by the capital calls. Please note that all real estate investing involves a high degree of risk; consult your financial advisors.

DIVERSIFIED FUND AND POTENTIAL UPSIDE

Invest in three projects, each estimated at 50%+ annual LP IRR at sale, based on four-year life cycle. Potentially faster project lives greatly augment the IRR.

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The Sponsor

- Proven track record with multifamily development; multiple Ironton investments over three funds
- Vertically integrated with design, development, construction, property management in house
- 68 complexes renovated
- 15,950 units
- $3.4 billion in assets
- 28% average LP net annualized IRR on 20 completed projects

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Executive Summary – Potential Returns

This is not an offer to invest. The full fund offer documents are available on request. There can be no assurance the projected returns will be realized. See fund documents for all risk factors and review with your financial team.

2yr exit	**2024**	**2026**	**IRR**
LPs			
EC7	(100,000)	424,947	*106%*
Estancia	(100,000)	647,164	*154%*
Declan	(100,000)	589,655	*143%*
Total	**(300,000)**	**1,661,766**	***135%***

3yr exit	**2024**	**2027**	***IRR***
LPs			
EC7	(100,000)	431,458	*63%*
Estancia	(100,000)	653,676	*87%*
Declan	(100,000)	596,166	*81%*
Total	**(300,000)**	**1,681,300**	***78%***

4yr exit	**2024**	**2028**	***IRR***
LPs			
EC7	(100,000)	440,004	*45%*
Estancia	(100,000)	662,221	*60%*
Declan	(100,000)	604,712	*57%*
Total	**(300,000)**	**1,706,937**	***54%***

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Impact of IRR on Investment

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How the IRR impacts a project's return				
	Years invested			
IRR	2	3	4	5
17%	37%	60%	87%	119%
20%	44%	73%	107%	149%
23%	51%	86%	129%	182%
…				
30%	69%	120%	186%	271%
35%	82%	146%	232%	348%
40%	96%	174%	284%	438%
45%	110%	205%	342%	541%
50%	125%	238%	406%	659%
Amount of investment		100,000		
Amount of profit:				
IRR	2	3	4	5
17%	36,890	60,161	87,389	119,245
20%	44,000	72,800	107,360	148,832
23%	51,290	86,087	128,887	181,531
…				
30%	69,000	119,700	185,610	271,293
35%	82,250	146,038	232,151	348,403
40%	96,000	174,400	284,160	437,824
45%	110,250	204,863	342,051	540,973
50%	125,000	237,500	406,250	659,375

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How does it work?

An event-driven unicorn investment, propelled by two drivers:

Underlying Economics of Original Projects	Funding, a Capital Call Shortfall

• 3-5-year project
• 20-30% LP IRR
	• 2-4-year project (already underway)
	• ***Potential 40%+ LP IRR***
	• Lower risk than original project
	  • Renovations well underway
	  • Occupancy already improved
	  • Rents already raised
	  • New management in place
	  • Financing issues addressed
	  • Short runway
	• **Most importantly, the ACCRETION effect**

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Our Criteria

Each project is tracking or outperforming original targets

- **Each investment would have originally met Ironton's investment criteria**
  - ✓ Experienced Sponsor with differentiating advantages
  - ✓ 3-5-year timeline within target
  - ✓ 20%+ LP IRR comfortably within 17-20% target
- **Operationally, the project is currently meeting or exceeding underwriting criteria**
  - ✓ Large operational improvements in occupancy
  - ✓ Rent increases meet or beat original projections
  - ✓ Renovation budget on track and overall, near initial timeline
- **Capital call is driven exclusively by higher interest rate environment than original underwriting – no operational issues**

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Their Shortfalls

Key advantages to funding capital call shortfalls

- **We only invest in fundamentally sound projects!**
  - ✓ Shorter timeline to project completion
  - ✓ Key operational and renovation targets achieved
  - ✓ Capital call addresses financing shortfall
- **Sponsor incentivizes shortfall funding with co-GP economics**
  - ✓ No fees or carry for shortfall investments
- **Most importantly, funding the shortfall is highly accretive!**

Example Project	Starting Equity ($M)	Ownership Before Call	Call ($M)	Equity After Call ($M)	Ownership Before Discount	Shortfall Discount	Ownership After Discount
Investors funding call	$20	80.0%	$4	$24	80.0%		80.0%
Investors not funding call	$5	20.0%		$5	16.7%	30%	14.0%
New equity funding shortfall	*$0*	*0.0%*	*$1*	*$1*	*3.3%*		*6.0%*
Total	**$25**	**100.0%**	**$5**	**$30**	**100.0%**		**100.0%**

Accretion of new equity 1.8x

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Ironton Capital's Due Diligence

Operational

- Nine on-site visits of each asset
- Review and inspect asset's renovation status and budget
- All operations; rental growth, year-over-year since acquisition, vacancy & occupancy status, any impending property updates, and effects of increased financing costs in relation to property NOI
- Review of target stabilization timeline and KPIs for each property

Financing

- Analyzed current stages of financing for the assets we reviewed; the progression of each asset transitioning its current debt structure to agency debt
- Reviewed property P&Ls to determine if the capital call is sufficient to bolster operations
- Inquired whether the properties are facing any special situations

Ancillary Due Diligence

- Proven Sponsor, not facing systemic portfolio risk; these are a handful of situations driven exclusively by the interest rate environment
- Extensive due diligence of the REOC structure. Performed operational & financial due diligence regarding inclusion of specific assets in REOC structure
- **Initial due diligence already began with seven assets. One was rejected based on findings**

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Our Investors

"Before Ironton, the performance of my retirement assets had been inconsistent at best even under professional management. I believe I have moved my money from and unpredictable market subject to many economic factors and significant risk, to a fundamentally sound business model that is a hedge against inflation. I have confidence in the leadership/management team at Ironton and would recommend their funds to family and friends with confidence." ~ John S.

"We all know that determining where to invest is incredibly challenging. I have always been ready to invest in Ironton Capital funds. Lon has a freakish ability to understand and analyze real estate deals. Lon has surrounded himself with a great team of like-minded experienced investors that know where and when to direct funds for maximum gain." ~ Tom M.

"I had set a goal years ago of how much I wanted to generate in passive income from equity produced by my hard work as the owner of a small business for 13 years. Based on the projected returns on the National Diversified Funds as well as periodic cash flows generated by the Short and Mid Term Funds, I've been able to establish a profile of investments that is anticipated to outperform my original goals. This relationship has allowed me to move from active to passive income." ~ Justin H.

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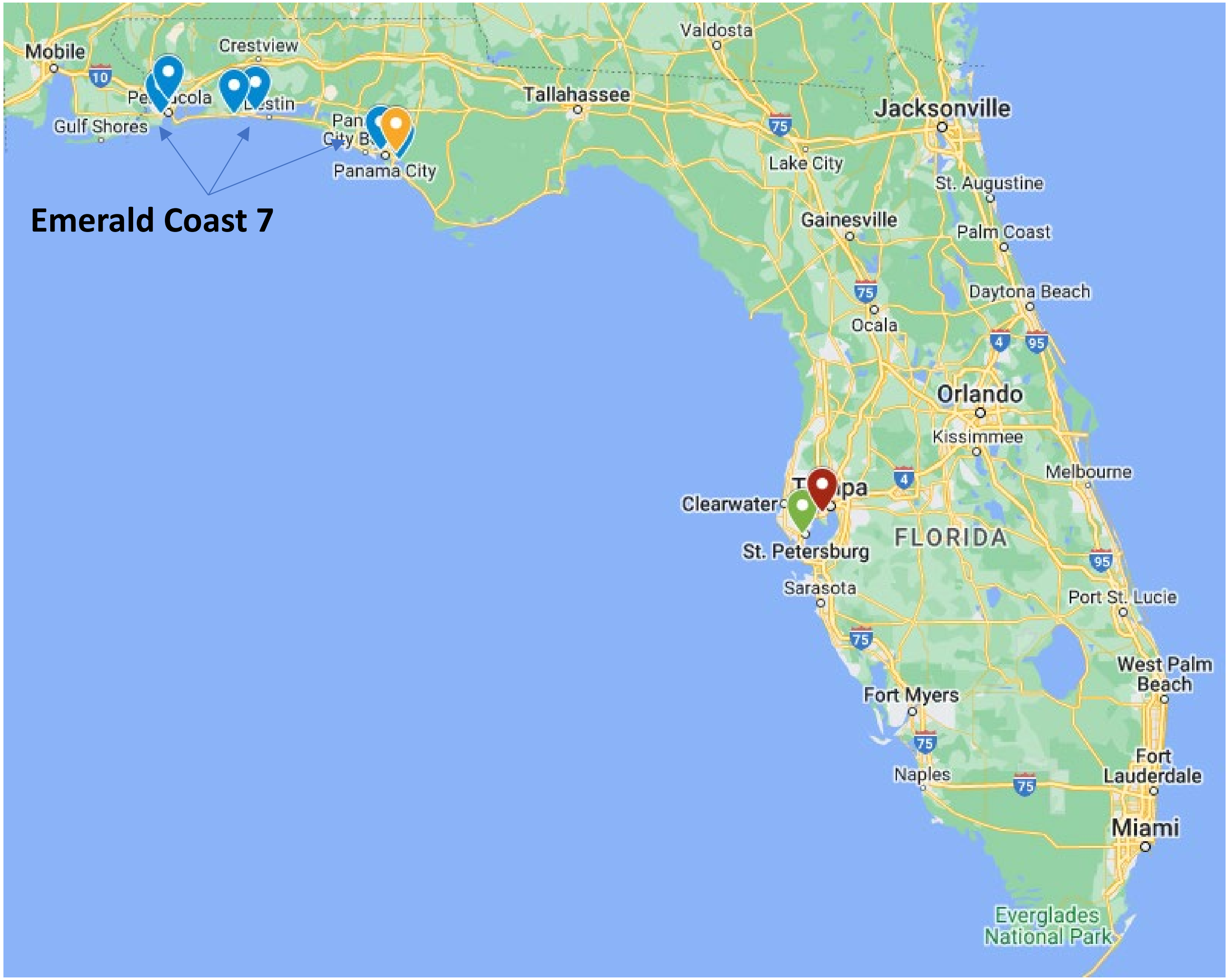
Project Locations



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Project 1: Emerald Coast Seven (FL Panhandle)

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Before	After

Project 1: Emerald Coast Seven – at purchase

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Before	After
	
	

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Project 1: Emerald Coast Seven – before interiors

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Project 1: Emerald Coast Seven – after interiors.

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Project 1: Emerald Coast Seven – after interiors.

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Project 1: Emerald Coast Seven

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Project 1: Emerald Coast Seven: Overview and Strategy

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Overview

- Built in 1966, 1969 (2x), 1974, 1979, 1983, 1997
- 616 units. 541 need upgrades.
- Value-add project; acquired late 2021 (29 months into project).
- Seven properties in FL panhandle (Ft Walton, Panama City, Pensacola).
- Large employers (six military installations, Navy Federal Credit Union HQ).
- Assemblage of off-market, motivated sellers.
- Seller of two in Pensacola purchased them in 2018 right before hurricane.
    - Hired inept contractors for repairs.
    - Both complexes had many down units and deferred maintenance.
    - Seller just wanted out.
- 3rd in Pensacola had neglected by owner.

Strategy

- $18 MM: renovate units ($8MM), deferred mtc ($7MM), common areas ($3MM).
- Add or upgrade amenities, e.g. playgrounds, pool upgrades, clubhouse.
- Sponsor has several other projects in this submarket; leading to scale economics.

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Project 1: Emerald Coast Seven: Status

Status
- Rents have increased from $905 to $1345, +49%.
    - Last 30 leases = $1395.
- 94% occupancy in five fully renovated buildings.
- 70% of 541 unit renovations complete.
    - 5 non-hurricane buildings are complete, ahead of schedule.
    - 2 hurricane buildings need more work, on schedule.
        - Complexes were highly distressed at purchase and have been a challenge.
        - Interiors will be finished 3Q24, stabilization in 4Q24 to set up for refi.
- Other five complexes have finished rehab and are stabilized; now just pushing rents.

Opportunity:
- Rate cap purchased on buy date has expired.
- Gap between cost of current debt and debt service once stabilized and refinanced.
- New agency debt at 5.0 – 5.5% with current rates. Several lending options.
- All seven should be refinanced by 4Q24.
- All cap call goes to debt service shortfalls.
- Ops team thinks an additional 15-20% rent increase possible over next two years.

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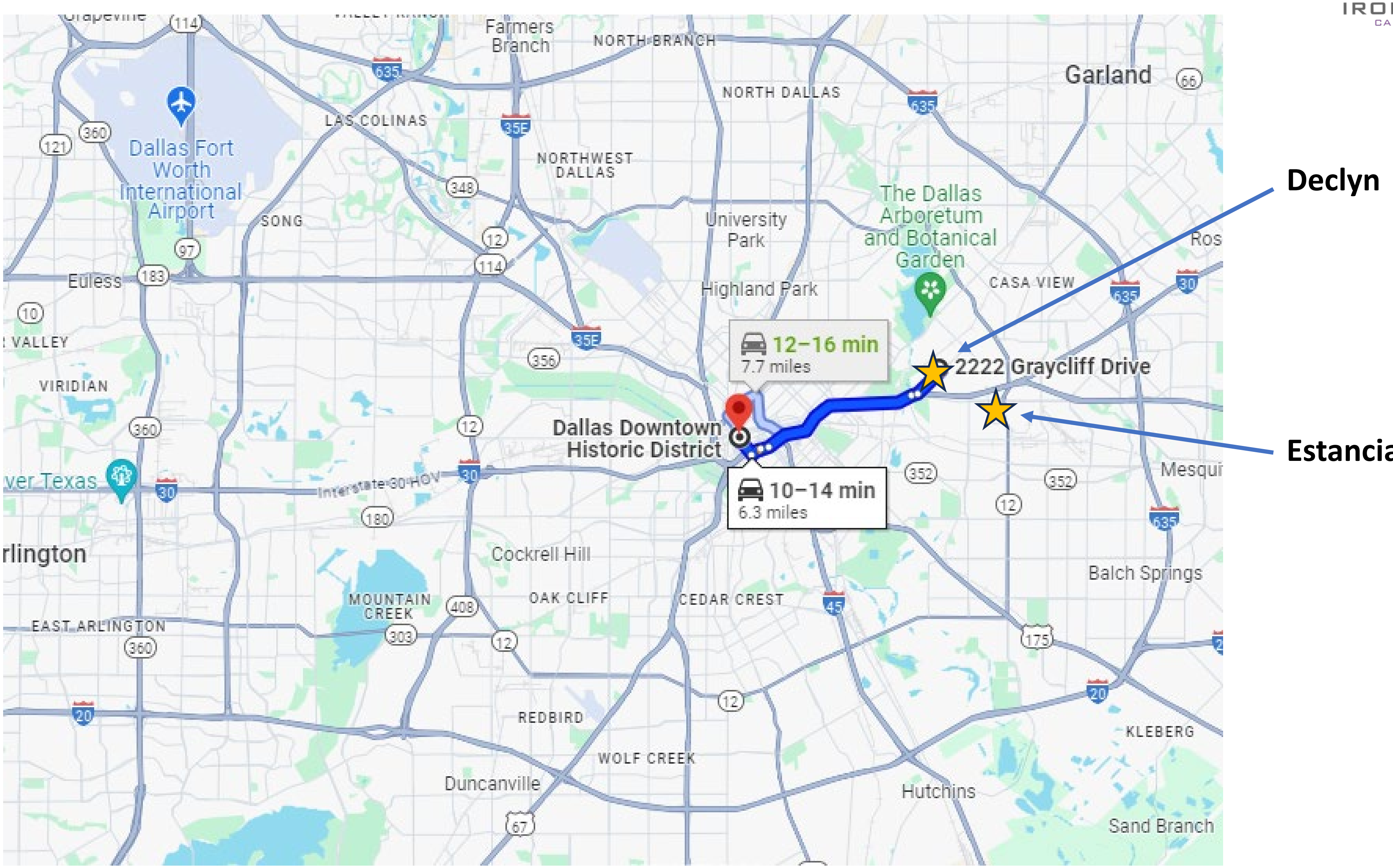
Project 2 and 3 Locations



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Project 2: Declyn (Dallas) – photos at purchase

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Project 2: Declyn (Dallas) – photos at purchase

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Project 2: Declyn – Overview

- Value-add project; acquired mid-2022 (24 months into project).
    - Dallas was #1 for job and population growth, 2010-2020 (+1.3 MM residents).
    - 357 class-C units from 1984. 5 miles east of downtown Dallas.
    - Affordable housing rent limitations.
    - At purchase, rents were $460 below regulatory limit.
        - Rents were 50% of market rate rents.
        - Poor condition and management drove this status at purchase.
    - The big freeze in TX in 2020 resulted in about a third of units being flooded, which impacted rents.
        - Prior owner couldn’t manage it and gave up; distress sale.
    - The regulatory limit goes up each year; indexed to local area income (AMI).
        - Affordable housing in Dallas is declining while the need is growing.
        - Supply/demand favors investment in the affordable segment.
    - Renovation will deliver best-in-segment product
        - Pro-forma rents set $140 below max, allowing for upside potential.

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Project 2: Declyn – Strategy

- Strategy
  - Renovate to class-B, improve mgmt; raise rents to regulatory limit.
  - $9.9 MM: renovate units ($6 MM), deferred mtc + common areas ($3.9 MM).
  - Add or upgrade amenities, e.g., playgrounds, pool upgrades, clubhouse.
  - Affordable housing historically weathers recessions better than market rate bldgs.
  - Sponsor has seven other projects in D/FW; leading to scale economics.
    - A comparable affordable housing complex owned by the sponsor saw 81% increases in rent since takeover (Villa Del Tesoro).
    - Five sold DFW projects had an average 67% increase in rents.

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Project 2: Declyn – Status

Status

- Housing authority rules require re-underwrite of all residents:
    - Delayed project 15 months, as unqualified tenants were discovered and removed.
- Significant progress towards pro-forma rents.
- 100 of 357 units currently off-line and in renovation. Lender OK with vacancy.
    - Renovations started in earnest once property was stabilized.
    - Via value engineering, Sponsor believes existing budget is still sufficient.
    - Target 2Q25 for renovation completion.

Opportunity:

- Rate cap purchased on buy date has expired.
- Gap between cost of current debt and debt service once stabilized and refinanced.
- New agency debt cost expected at 5.0 – 5.5% with current rates.
- All cap call goes to debt service shortfalls.

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Project 3: Estancia (Dallas) – photos at purchase

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Project 3: Estancia – photos at purchase

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Project 3: Estancia – Overview & Strategy

- Value-add project; acquired early 2022 (26 months into project).
  - 442 Class-C+ units. Built in four phases, 1974-78.
  - Market rate complex near several low-income properties also owned by Sponsor.
    - In a sample month, the low-income complex had 40 applications – 11 accepted but 29 had income that was too high.
    - These applicants were referred to Estancia.
  - Five miles east of downtown Dallas; close to Declyn and other Sponsor projects.

- Strategy
  - Renovate 400 of 442 units to solid class-B.
    - Sponsor leaves 10-30% of units unrenovated so future buyer still has a business case for small value-add.
    - Greatly increases the size of buyer pool and more competitive offers.
  - $7.1 MM interior rehab ($16K / door); $6.4 MM exterior + amenities = $13.6 MM.
  - Post-rehab, complex will be the nicest, yet pro-forma rents are mid-market.
- Sponsor has several other projects in this submarket; leading to scale economics.
  - Sponsor's 17th project in TX.

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Project 3: Estancia - Current Status

Status
- First year focused on improved management, raising rents, and evicting bad tenants.
- Renovation now underway, following original business plan scope. No change: Budget.
    - Exteriors scheduled to finish 4Q24.
    - Interiors scheduled to finish 1Q or 2Q25.
- Renovated units already have rent increases greater than pro-forma.
- Non-renovated units getting 50-60% rent increases with no rehab (better management).

Opportunity:
- Rate cap purchased on buy date has expired.
- Gap between cost of current debt and debt service once stabilized and refinanced.
- New agency debt cost expected at 5.0 – 5.5% with current rates.
- All cap call goes to debt service shortfalls.

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Our Standard Practices

- We are focused on servicing accredited investors who are typically underserved by other wealth management and private investment institutions.
- We have industry expertise in real estate. When current income is compelling, we also invest in other industries, typically on an opportunistic basis.
- Multiple General Partners in our investment committee invest in every fund.
- GP returns start after all Limited Partners (investors) receive their preferred returns.
- You'll need to be an accredited investor to participate.
- A portion of General Partner profits are shared with local charities.