Precession Capital Management LLC

RWA Manager

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Outline

PRECESSION
CAPITAL MANAGEMENT

Introduction

We - Precession Capital Management LLC, or here just Precession - are an SEC-regulated, New York-based Investment Adviser specializing in asset-backed and structured credit portfolio management. Our management team has decades of experience structuring, managing, and investing in asset-backed securities and private credit transactions backed by real estate, consumer, and corporate assets.

Precession delivers value through

- collateral expertise
- flexible and innovative transaction structures
- and holistic underwriting

by focusing on

- risk-adjusted return optimization
- capital preservation
- relative value

Each transaction we undertake is unique in composition, requiring an adaptive yet regimented form of investment management. Our extensive experience in analytics, risk-based management, and structural mechanics has been honed by decades of credit market volatility and opportunity.

Regardless of deal size or asset type, Precession contributes capital to all transactions through our private funds, providing credit support to senior counterparties.

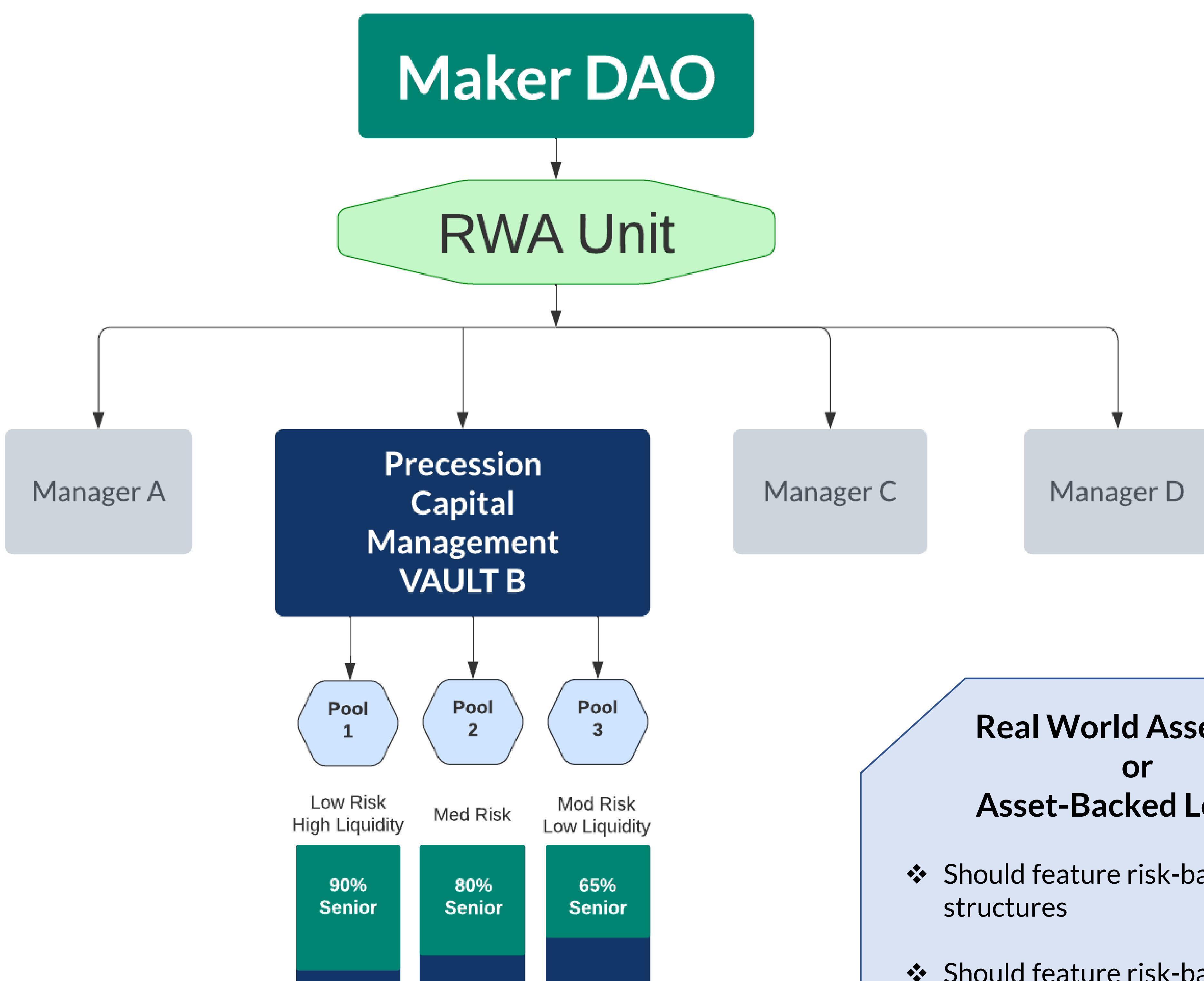
Our team has navigated asset-backed markets through both macro and localized economic cycles. By focusing on core competencies and avoiding style-drift, we look to build on our track record even as established financial regimes change and evolve.

We believe in the decentralized future of credit markets and the role that MakerDAO's decentralized stablecoin Dai will play in delivering stable and resilient liquidity. DeFi alone has the ability to create shared incentives and penalties without creating economies of scale for single actors to become “too big to fail”. As DeFi infrastructure becomes an integral part of global markets, established forms of traditional finance can play an important role in this evolution.

We regard this as a once in a lifetime opportunity for early adopters like us and would like to submit an application for an “Arranger” style vault meeting MIP67 criteria.

Maker RWA Opportunity

- Maker has $[3.6]B USDC undeployed. DeFi market (ie. Curve pool) constraints and suitability are an impediment to capital deployment and efficiency.
- RWA focus is an increasingly important allocation priority and essential for growth and stability.
- Bandwidth constraints prevent Maker DAO from underwriting single and idiosyncratic transactions.
- An **Arranger-Manager** model is needed. This pushes risk management downstream to the manager. However, this can introduce manager risk and presents interest-alignment hurdles.
- Each arranger model should feature a suitable advance rate or consensus based approach to a collateral-level advance rate. The manager can then decide how to allocate across transactions based on risk, liquidity, and duration. Riskier assets require higher first-loss or “haircut” capital. Arranger-Managers should be committed to funding this equity capital. TradFi lenders always require such credit support.
- Maker is essentially setting up an Asset-Backed Lending (“ABL”) model, which is a core part of most traditional banks. **ABL facilities can vary, but all have the following components: (i) Collateral, (ii) SPV to hold Collateral, (iii) Senior Advance Rate, and (iv) Financing (Stability) Fee.** Additional components such as senior enhancement covenants and protections are common features.

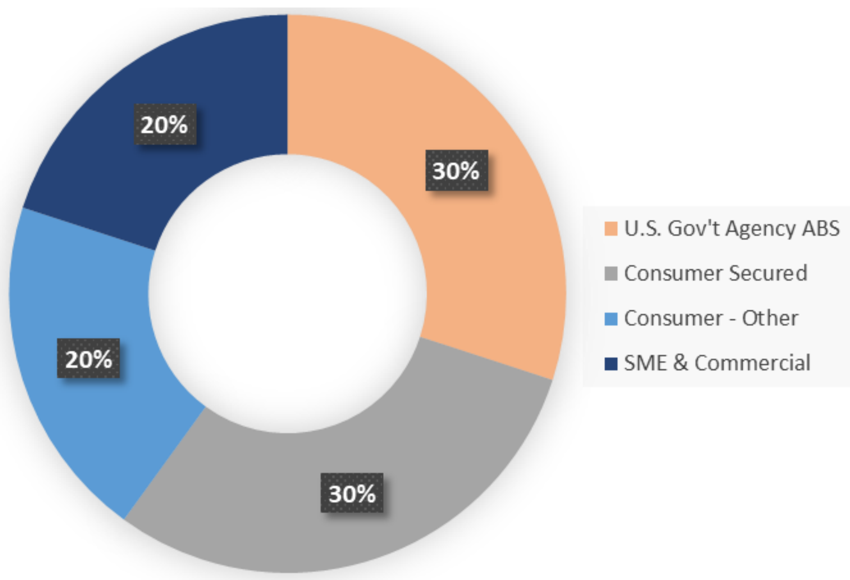


Real World Asset Finance
or
Asset-Backed Lending

- Should feature risk-based structures
- Should feature risk-based pricing
- Should be managed by an experienced manager with “skin in the game”

Vault-Level Allocation

Precession will structure individual transactions comprised of individual asset classes. Each transaction will feature a risk class rating, which influences advance rate and stability fees. Advance rates and deal structures will be correlated to market-clearing levels and standards.



Indicative Asset Class Allocation

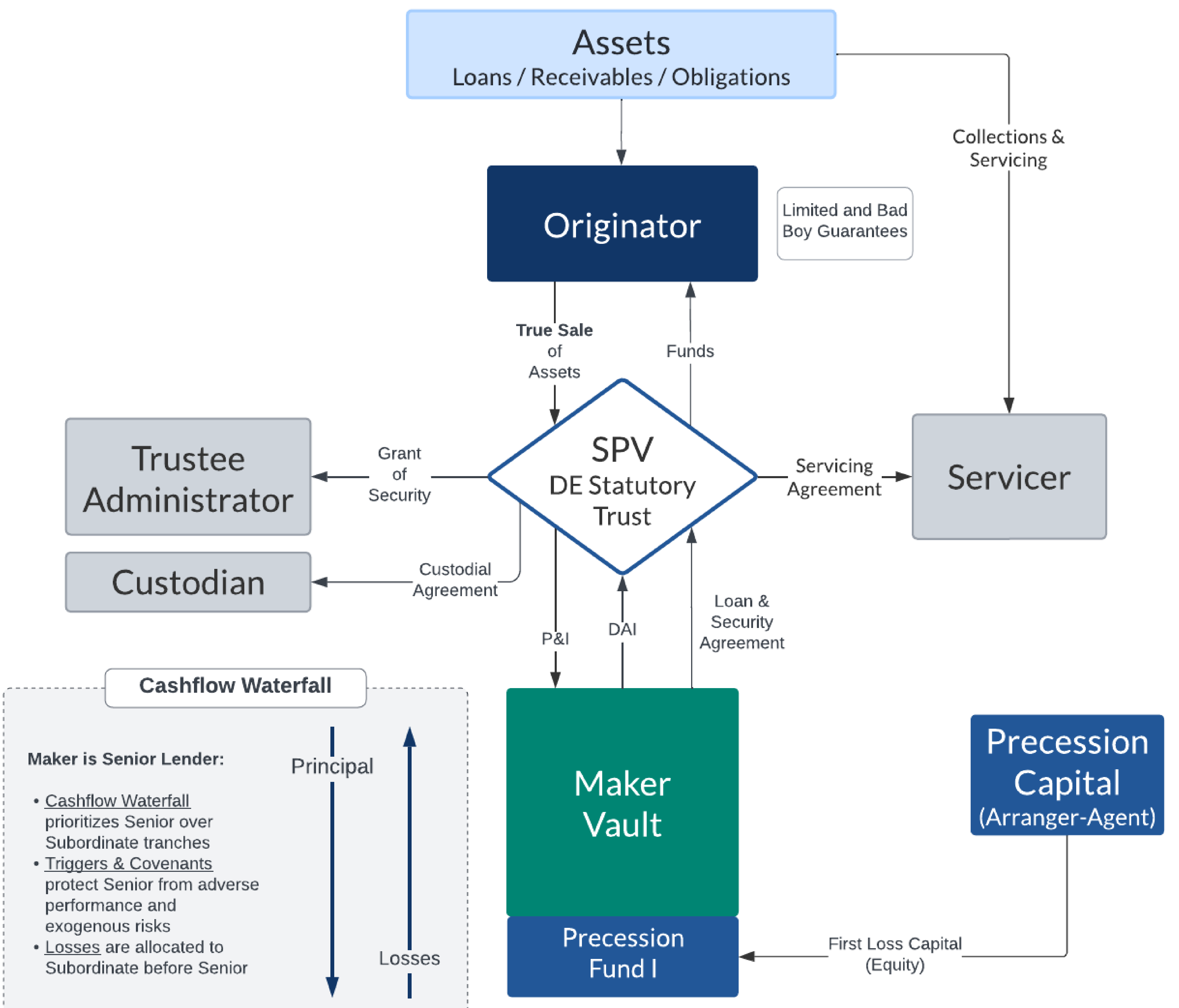
Risk-Based Pricing

Risk Class	Allocation	Term	Advance Rate	Stability Fee FIXED	Sability Fee FLOAT
A-1	25%	1.0	90%	2.50%	+ 25bp
A-2	25%	1.5	85%	2.65%	+ 45bp
A-3	25%	2.0	80%	2.85%	+ 65bp
A-4	25%	2.5	70%	3.00%	+ 85bp
WAVG	100%	1.75	81.25%	2.75%	+ 55bp

Indicative Risk-Based Pricing

Deal-Level Structure

Our transactions involve financing assets such as loans and receivables. The diagram below is an example of a typical transactional structure.

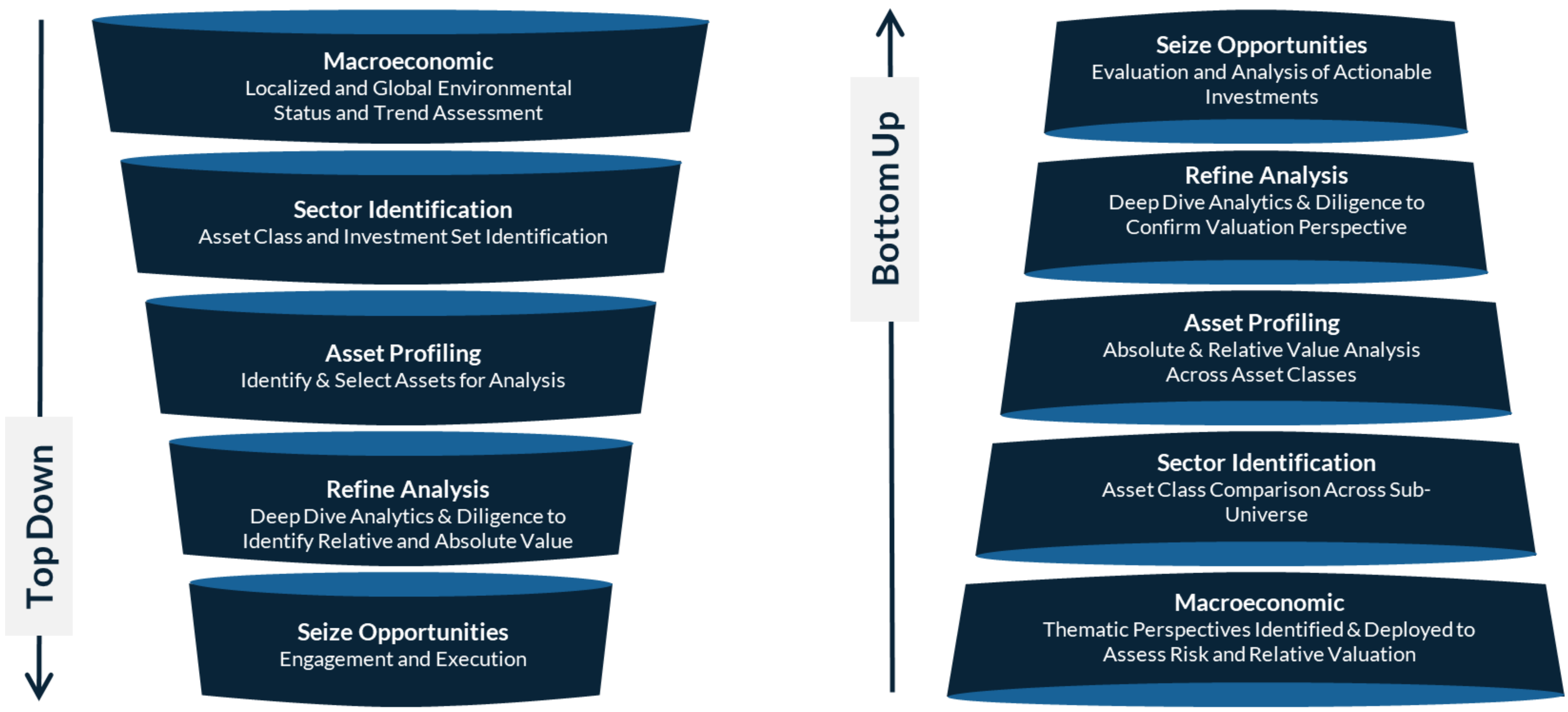


About Precession

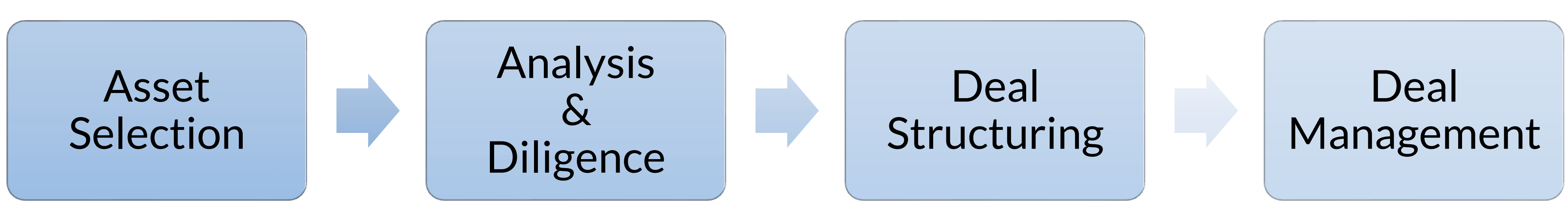
- We are a New York based Asset Manager founded in 2021 by Adam Young. (see bio)
- Per SEC regulations, we are restricted from identifying vehicles under management, including historical performance. A full historical performance summary on funds, portfolios, and other vehicles managed by Precession's team can be furnished pursuant to an executed NDA with interested parties, but may not be made public.
- We view risk assets through a relative value lense. There is a "price for everything", but an investment's risk must be weighed against its potential return. We invest in less than 5% of the potential transactions we analyze.
- We are highly selective yet opportunistic. We screen asset classes, markets, and structures for specific features that we believe offer suitable risk vs return.
- Economic cycles are unpredictable in size and frequency, but always occur. Certain types of assets and borrower behavior is recognizable across cycles. We screen asset classes and assess risk in a holistic manner.
- We perform our own due diligence and cashflow modeling, and often form joint-ventures to reduce transaction-specific risk.
- Our team is made of industry veterans with experience in structuring, trading, and investment management. We actively seek out new talent and ideas, and favor battle-tested experience. Each member of our management team has achieved success through bear and bull markets.
- Over 80% of our transactions are domiciled in the U.S. We have legal counsel relationships across the globe, and are comfortable working in other jurisdictions, particularly with US, EU, or British legal systems.
- Precession is a fund manager first and foremost. We seek out investments that generate above average returns for our investors. The primary mechanism is by investing in mezzanine or subordinate tranches in pools of assets. We put our own capital into every deal – as "haircut" or first-loss capital – and utilize senior financing.
- We use a top-down and bottom-up approach to analytics. For instance, we may first analyze a pool of assets by deconstructing the credit cohort and quantifying its historical performance. We then overlay our macro and sector-specific views and construct stress-case scenarios. When combined, this enables us to assess the performance of such assets by looking at idiosyncratic and macroeconomic risk comprehensively.
- Risk Management starts with asset-selection, diligence, and deal structuring. We rely on a toolbox of underwriting controls, exit clauses, and guarantees. We monitor our transactions as granularly as possible, and update our portfolio analytics in real time.
- Deal Structuring typically involves a DE Statutory Trust model, and/or a Bankruptcy-Remote SPV to hold assets. True-Sale Opinions are typically required. All-Asset Liens are placed on origination counterparties. Bad-Boy Guarantees, Representations, and Warranties are standard transaction features.

Investment Management (Process) Overview

While thematic in nature, our investment process is relative value driven, relying on both macro and idiosyncratic evaluation. Our process is both bottom-up and top-down.



Our investment process is choreographed to allow us to seize unique opportunities yet still have ample time for proper analysis and thorough diligence. That balance is essential to maximizing investment opportunities and satisfying counterparties.



ASSET SELECTION

Asset Classes

Our investment universe is large and global. We prefer assets with specific characteristics.

Real Estate

SF Residential / Owner
Investor / Multi-Family & SFR
Manufactured & Chattel

SME & Commercial

Invoice & Receivables
Factoring
Risk-Share Obligations
SAAS & Recurring

Consumer - Secured

Automotive
HVAC & Leasing
Home Improvement & Solar
RV / Marine / Specialty

Consumer - Other

Debt Settlement
Point-of-Sale Finance
Short-Term Debt
Credit Card

Key Focal Points

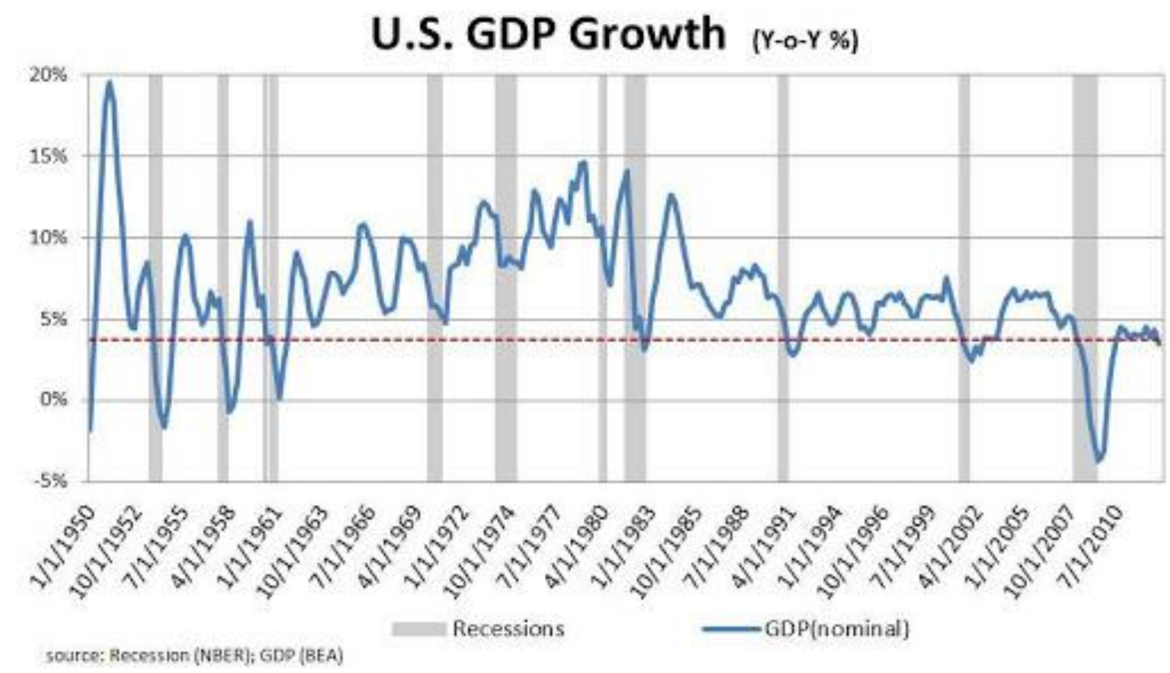
ASSET CLASS
- Do we know it well?
- Is there sufficient historical performance data?
- Gross & net yield threshold

BORROWER PROFILE
- Credit Profile
- Use of Funds
- Ability to Repay

Macro Cycles & Credit Profiling

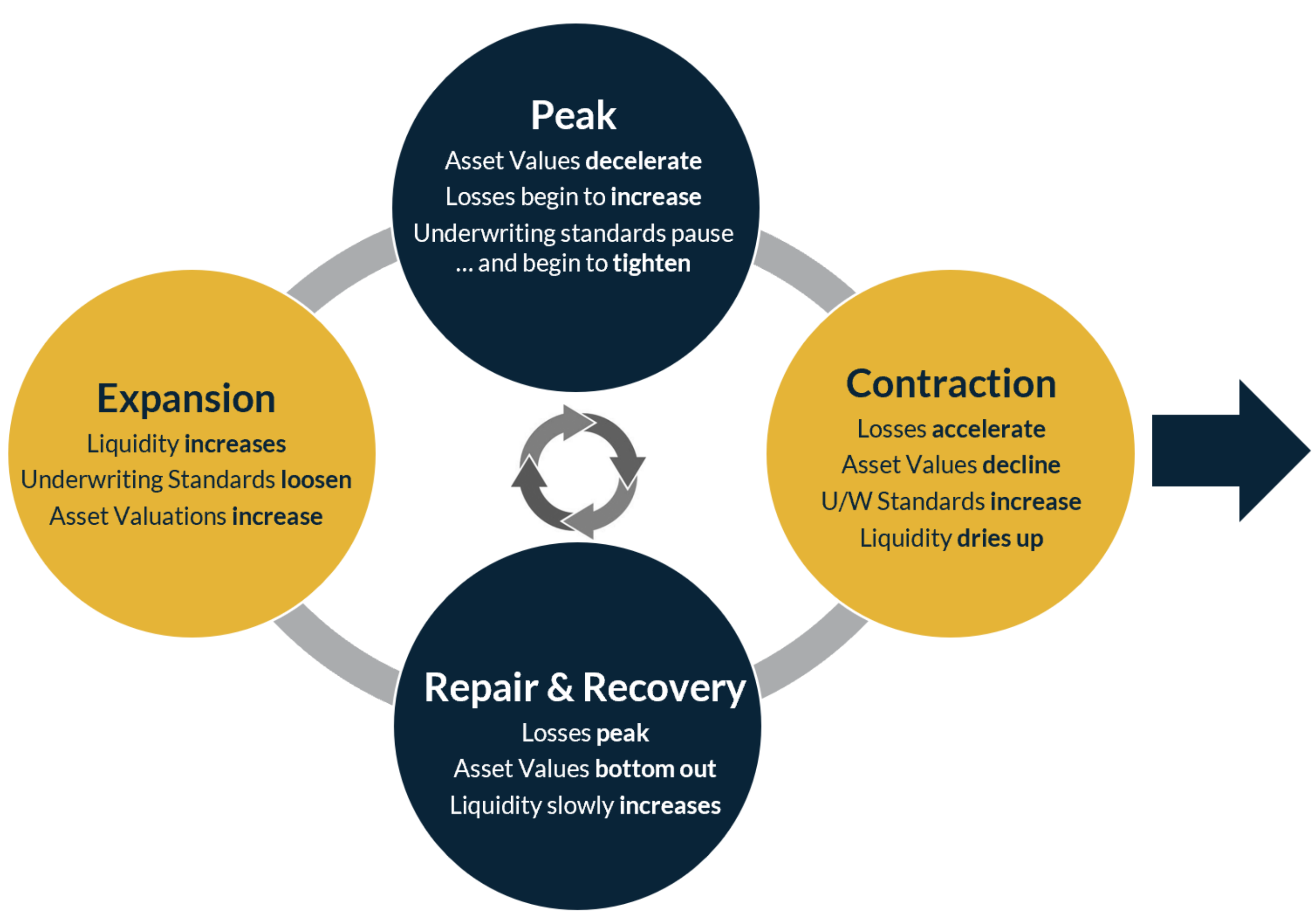
Recessions occur about once a decade. The credit crisis of 2008 provided a long term and substantial amount of historical performance data across asset classes and borrower credit cohorts.

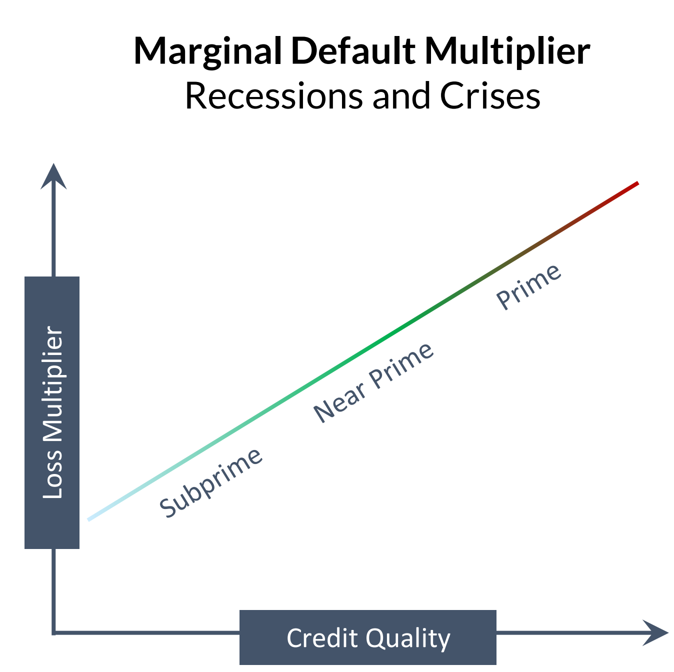
Asset profiling allows us to dial in our scenario-based analytics and create a risk vs return profile for each transaction.



Through-Cycle Credit Profiling

Prime quality assets are not all built the same. Often, during economic downturns and recessions, prime credits perform worse than low-quality assets on a *relative basis*. In other words the asset may default at a higher multiple to its base case level, relative to other assets.

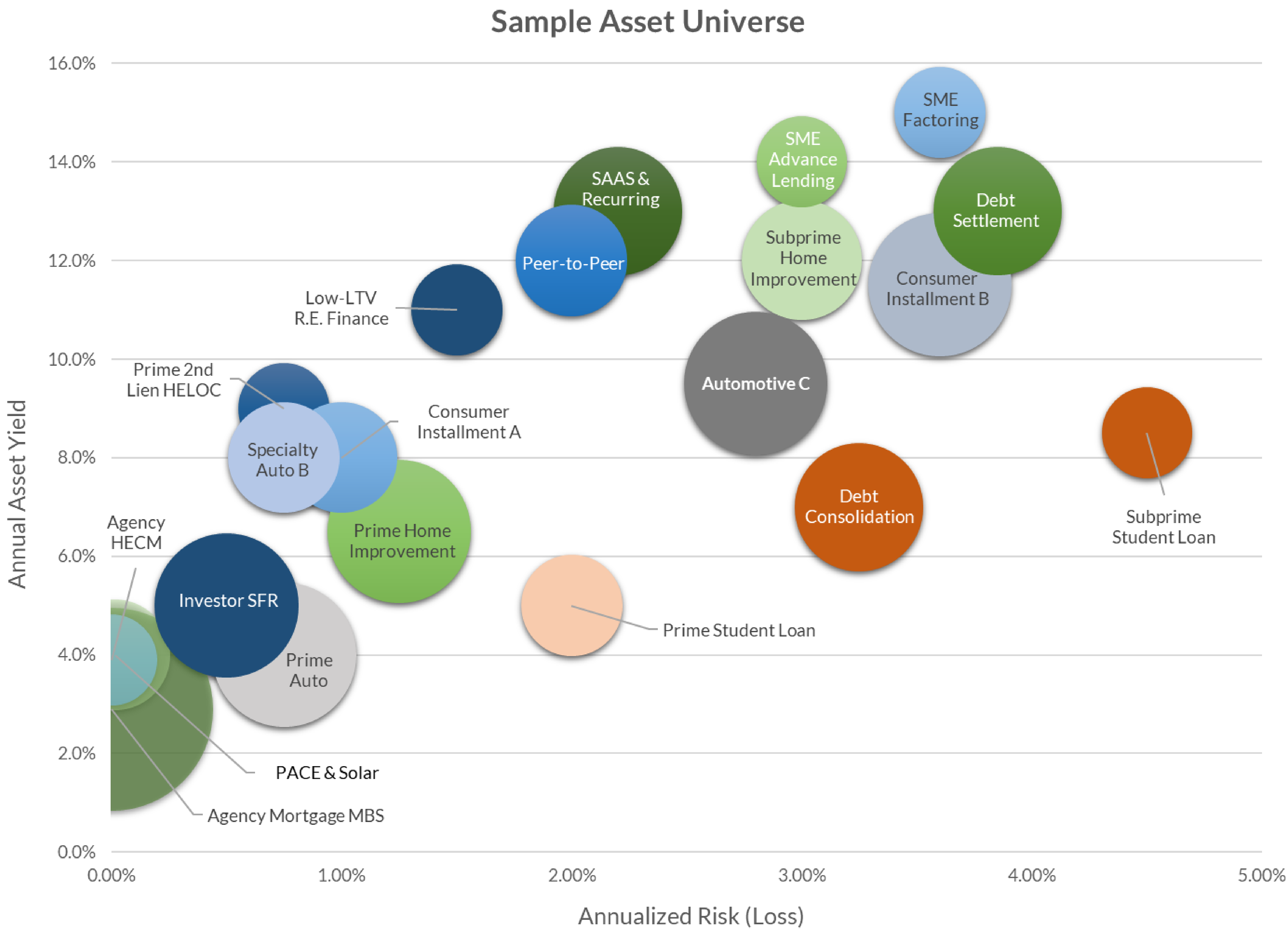




This influences our approach to deal structure. A common mistake, which was particularly acute during the 2008 credit crisis, is a failure to recognize credit convexity. Thinly capitalized transactions with 'prime' quality underlying assets can and do fail. Precession avoids the excessive use of leverage and instead relies on diligent asset selection. We seek risk avoidance and mitigation whenever possible.

The chart below illustrates how we may view a cross section of assets relative to others:

Asset Class Screening (Risk Profiling)

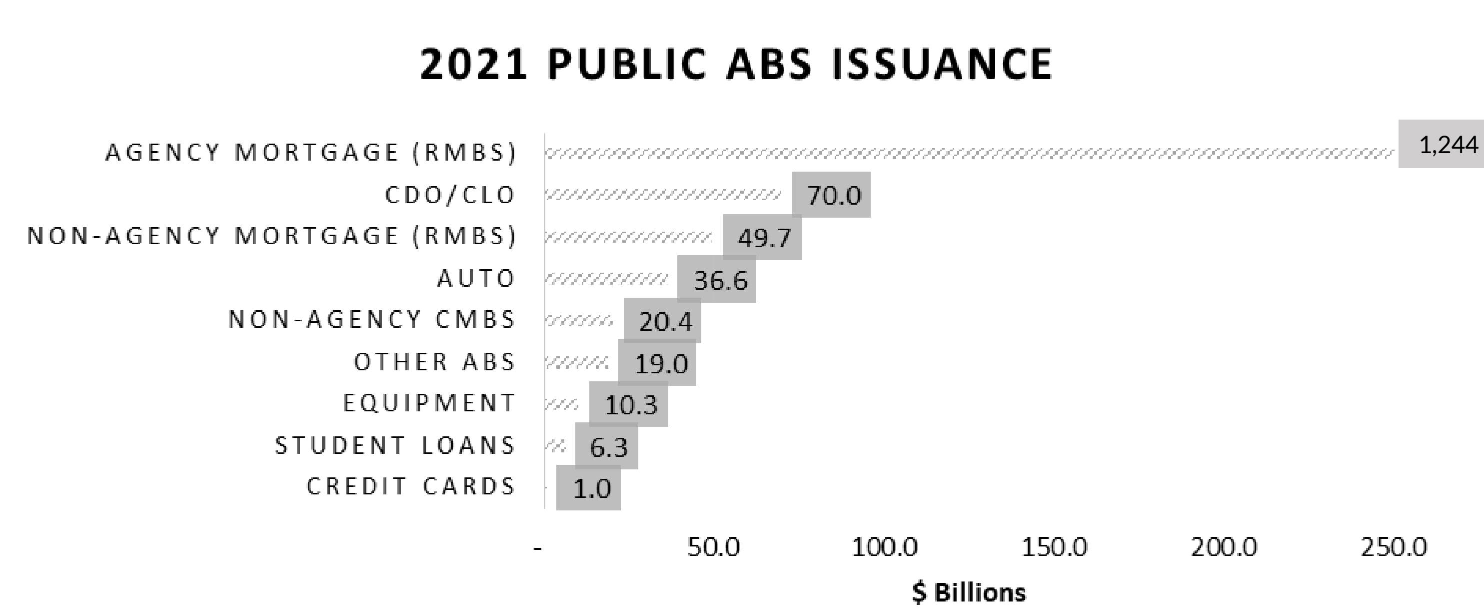


The chart above is a representative sample only, and not an actual estimate of the risk or return of any particular asset – now or at any point in time. This information is shown for illustrative purposes only and is not intended to be a forward looking statement, nor investment advice, market research, or the opinion of Precession Capital Management LLC.

Risk vs Return can also be understood through an "Excess Spread" lens. Excess Spread is the difference between the gross or top line annual asset yield and the net yield after all deductions and expenses. Relatively high Excess Spread is symbolized by green and blue in the chart above. *If we were to draw a 45-degree line, we would prefer the top half.*

In 2021, public ABS issuance was over $1.7T in the U.S. alone. It is estimated that under half this amount transacts privately each year.

Source: sifma (sifma.org)



ANALYSIS & DILIGENCE

Precession Invests in Deals and Securities that are typically backed by cashflowing assets, and can therefore be modeled using variations of an archetypical approach to credit analysis.

DILIGENCE

Underlying Collateral Analysis
- Static Pool Analysis
- Historical Performance Analysis
- Underwriting Diligence
- Originator Diligence
- Regulatory Diligence
- Legal & Compliance

MODELING

Cashflow Modeling
- Scenario-Based Approach
- Macroeconomic Variable Forecasting
- Idiosyncratic Parameter Forecasting
- Comparative Forecasting & Backtesting

DEAL STRUCTURE

Structural Analysis
- Deal NAV Analysis
- Cashflow Waterfall and Top-Down Assessment
- Relative Value Analysis
- Trustee Diligence
- Legal Diligence

PORTFOLIO

Portfolio Level Modeling
- Wholistic Analysis Feeds into Risk Management
- Aggregate Portfolio Analysis
- Exogenous and Unknown Variable Risk Modeling

Static Pool, Historical Performance Analysis, & Cashflow Modeling

In large developed markets, historical performance data is prevalent on most asset classes. We utilize data from (1) origination counterparty assets and (2) third-party originator assets within the same credit cohort. The latter may come from private and public sources.

Cohort analysis can show how similar groups of assets have historically performed through various economic cycles. Stress case scenarios can describe behavior in extreme environments such as recessions and credit crises.

Other model inputs such as Interest Rates, Prepayment Speeds, Recoveries, and other correlated variables are also handled with a scenario-based approach. Asset-level models use input scenarios to generate cashflows, which are aggregated across pools and portfolios.

Deal-Level Modeling

Each transaction requires a bespoke deal-level model to account for unique, often negotiated, characteristics. Asset cashflows typically flow through a deal structure (or "waterfall"), resulting in tranche-specific outputs. Considerations often include:

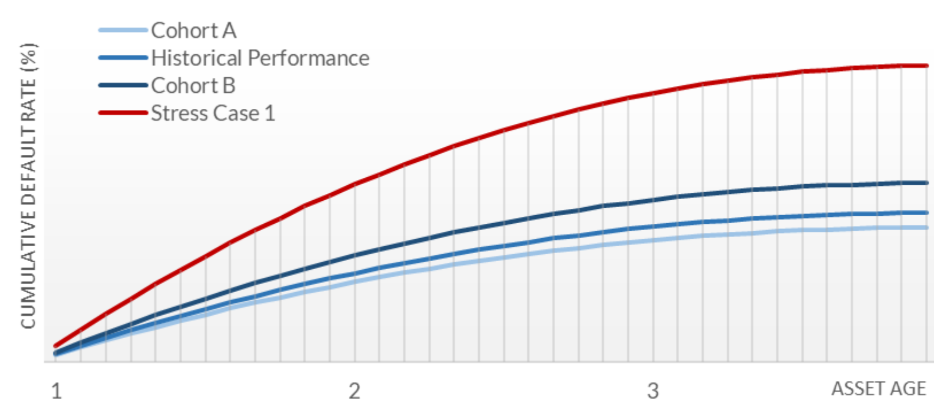
Asset Growth & Asset Origination Rate	Asset Cashflows	Interest Rates
Deal Tenor & Extension	Cashflow Redeployment	Restrictive Covenants
Early Termination	Waterfall Triggers	Global Macro Variables

Cashflow Analysis – Example

Asset Modeling

(1) Static Pool Analysis is conducted to identify the credit cohort and risk level of an asset pool. Historical data analysis and forecasting are used to project input variables for each scenario.

Cashflow Model Input: Loss Curves



(2) The scenario, "Stress Case 1" is intended to be an extreme result of an economic crisis such as a recession or credit crisis. The cumulative loss may be derived from historical data while smoothed or interpolated datapoints may come from our internal forecasts.

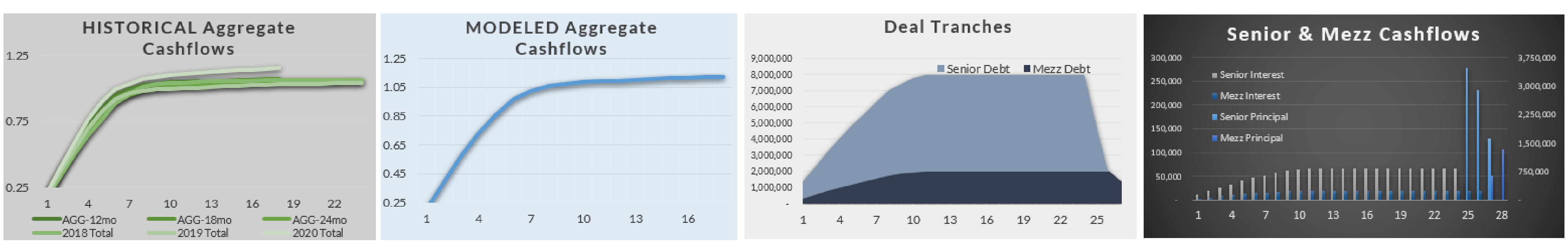
Deal-Level Modeling

Cohort A	Historical Data	Cohort B	Stress Case 1
3% Yield 0% Loss	3% Yield 0% Loss	3% Yield 0% Loss	2.7% Yield 2% Loss
15% Yield	13% Yield	10% Yield	-90% Yield NEAR TOTAL LOSS

(3) In this example, Stress Case 1 completely wiped out the Junior tranche and resulted in a small but material loss to the Senior. As a manager, we seek to avoid such losses, and avoid collateral that may perform poorly under duress. If the Senior tranche experiences a loss, a catastrophe has occurred.

Deal-Level Transaction Model

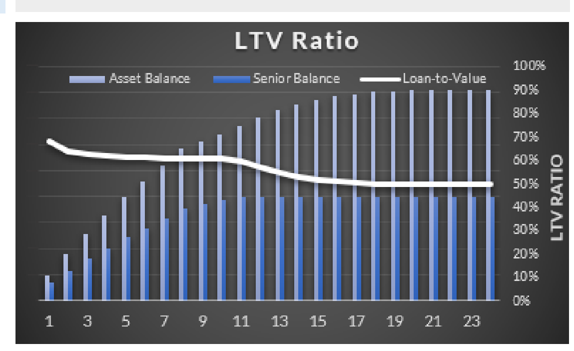
Screenshots from Actual Deal | Mar-22

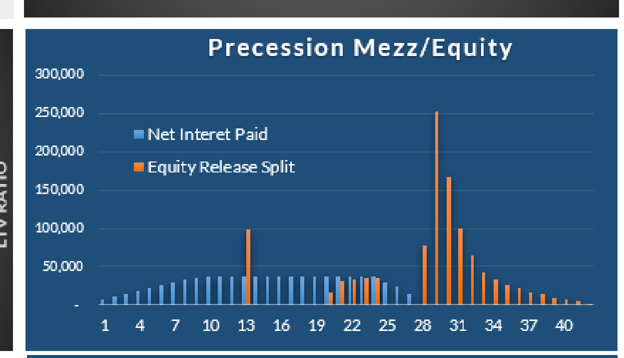


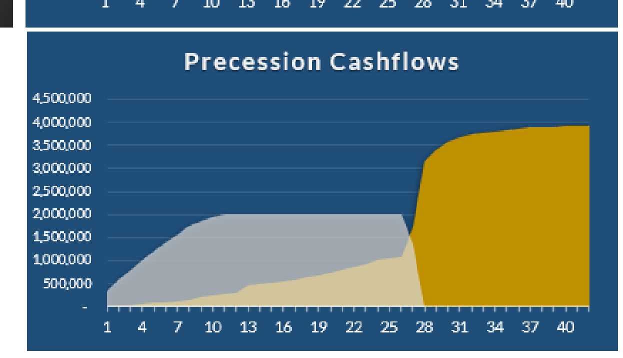
Collateral Statistics	
Origination Summary	
Factor	1.46
Commission	10.0%
Buy Rate	1.36
Servicing Fee	3.00%
Holdback	0.00%
Ineligible Collateral	14.0%
Performance Summary	
Advanced Amount	$63,617,524
Commissions	$6,361,752
Total Originations	$69,979,276
Gross Collections	$78,592,752
Servicing Fees	$2,357,783
Total RTR	$92,881,585
% RTR	**85%**
Net Factor	**1.12**
Net of SFEE	**1.09**

Capital Stack	
Senior Tranche	
Size	$8,000,000
Monthly Draw	$1,500,000
Max LTV	75.0%
Cost of Debt	10.00%
Mgmt/Draw Fee	0.50%
Mezz Tranche	
Size	$2,000,000
Cost of Debt	12.50%
Effective Coupon	22.50%
Max LTV	85.0%
Funded Equity	
Size	$2,200,000
Cash Covenant	750000
Release LTV Threshold	75.0%
Release Retention (%)	80.0%

Fees / Expenses	
Draw Fee	0.75%
Undrawn	0.00%
Structuring	0.00%
Mgmt	0.50%



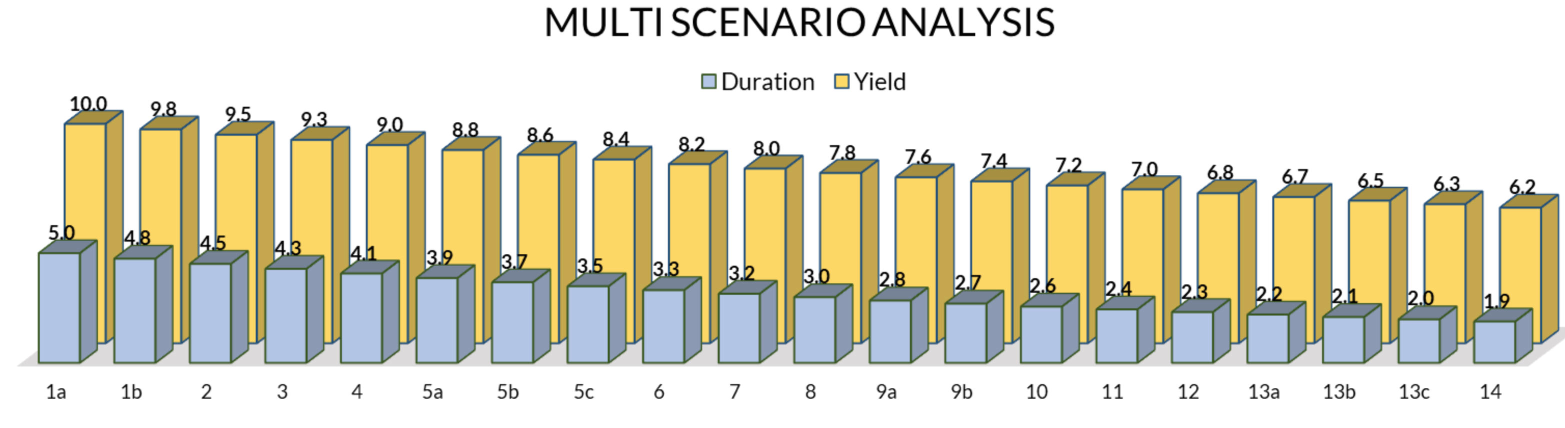




Deal Summary							
Revolving Period	24	Senior Max Size	$8,000,000	Mezz Max Size	$2,000,000	**PCM Interest IRR**	24.6%
Total Commitment	$10,000,000	Senior Interest Paid	$1,400,532	Mezz Interest Paid	$827,484	**PCM Total IRR**	50.8%
Max Size	$10,000,000	Senior Tenor	26	Equity Distributions	$1,091,172	**PCM MOIC**	1.96
Tenor	27	Senior IRR	10.6%	Mezz Tenor	27 (42)	**PCM Tenor**	42
						PCM Duration	29

In Summary: Comprehensive Modeling

MULTI SCENARIO ANALYSIS



Robust analysis requires a scenario-based approach to deal modeling. Because most investments involve some degree of credit risk, we conduct a multi-dimensional assessment of how a transaction (and portfolio) may perform over its life.

Counterparty Diligence

Counterparty diligence is paramount to deal security and risk management. Precession conducts internal diligence and relies on regulatory counsel and third-party diligence firms to construct a comprehensive review of counterparties.

Key Risks and Considerations

Profile and Experience
What experience does the counterparty and key management have relative to the current business model?

Beneficial Ownership
Which entities hold control and influence policy? Are there related entities with agreements we should be aware of?

Financial Considerations
Is the company solvent enough to withstand cyclical revenue patterns? Can sub entities (ie servicer) survive without the parent?

Litigation Risk
Is the counterparty exposed to litigation from customers and clients or from regulatory bodies?

Reputational & Media
Has the company been exposed to scrutiny through media outlets? What is the scope and validity of this? Does it pose a risk to the sustainability of the business model?

Regulatory Considerations
Is the company operating in compliance with industry-specific regulation? Do they conduct regular reviews?

Risk Category	Review Parameters
Key Personnel and Management	• Core Competency • General and Specific Experience • Key Person Background Check and Credit Review
Beneficial Ownership	• Organizational Structure • Arms-Length Entities, Shell Companies, and Defunct Entities (affiliated entities)
Corporate & Infrastructure	• Core Infrastructure • Support Infrastructure
Regulatory Review	• Licensure • Oversight and Regulation • Product and Disclosure • Documentation and Agreements
Financial Review	• Balance Sheet & Income Statement • Cross Collateralization and other Guarantees • Historical Review • Liquidity and Financial Cushion
Reputational, Marketing, & Media	• Social Media Presence • Customer Satisfaction • Regulatory or Political Scrutiny through Media
Litigation	• Historical Review • Pending or Potential Future Exposures
Affiliations	• Political Affiliations • Regulatory Relationships • Competitive Agreements and Relationships
Other / High-Risk Categories	• International & Political Considerations • High Visibility Sectors

DEAL STRUCTURING & LEGAL

Risk Management Through Deal Structuring

Precession negotiates deals to both lend money and purchases assets in a manner consistent with our analytical philosophy: bad things can happen. Protection and peace-of-mind may come from structural nuances such as reserve accounts, rapid amortization triggers, uncommitted purchase agreements and other mechanisms to mitigate risk.

Deal Structuring: Key Components

- **Legal:** Precession retains experienced external counsel to structure deals specific to each transaction and counterparty. Counsel is evaluated based on experience in the asset class, industry, and counterparties.

- **Security Interest:** Granted by a Security Agreement when recourse to collateral is critical. Various forms of security interest may be permissible, depending on the nature of the transaction. Often an all-assets lien is placed on the borrower or origination counterparty.

- **Servicers:** Precession has relationships with multiple servicers to limit originator exposure and to ensure flexibility. Backup servicers may be retained if the primary servicer is an affiliate of the originator or deemed to be a financial risk.

- **Cash Management:** Bank accounts are subject to control agreements or held independent of servicers and originators to allow direct access and verification by 3rd party administrators and auditors

- **SPVs & Trusts:** Assets are held within a bankruptcy-remote special purpose vehicle (SPV). When applicable, a "True-Sale" opinion is garnered from a proficient legal firm. Some transactions may require loans and other assets to be held via a nationally chartered bank. Others may require a Delaware Statutory Trust (DST) model.

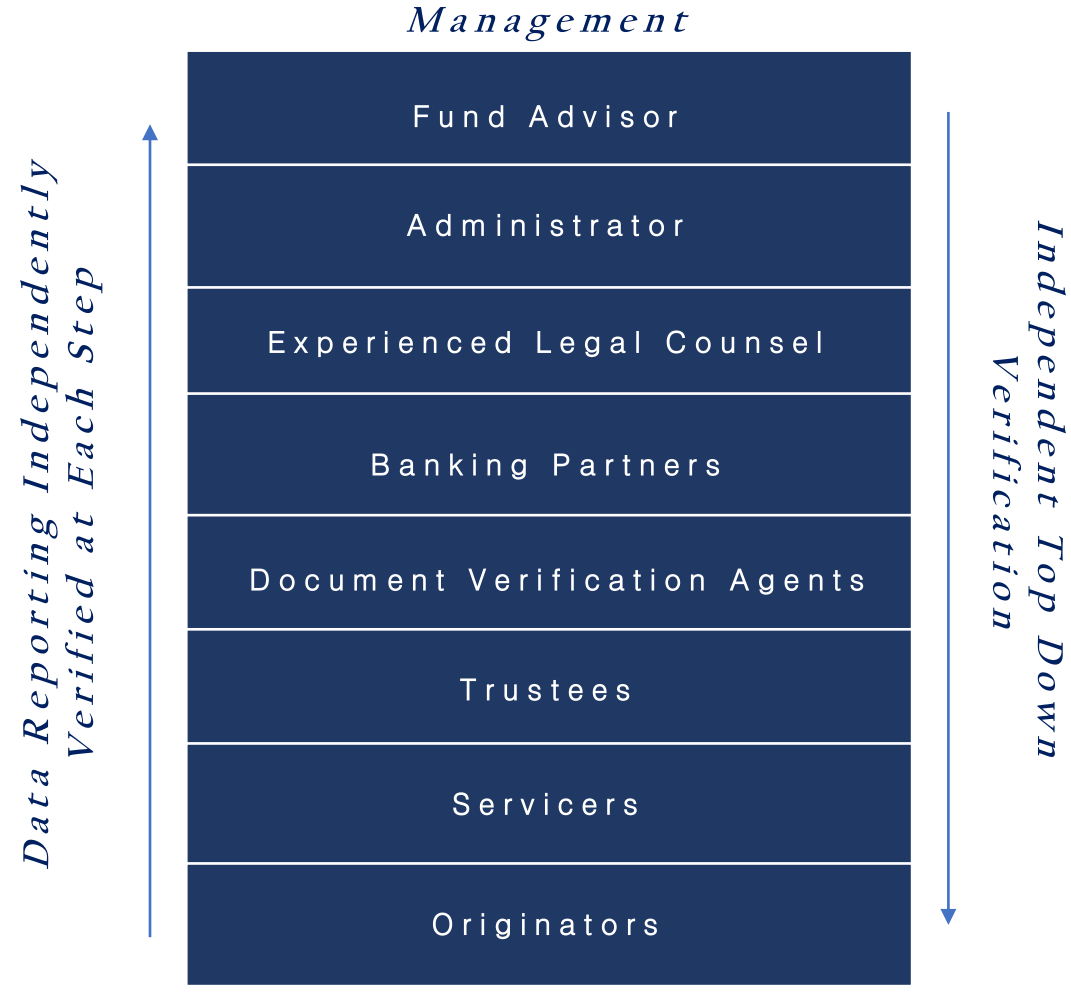
- **Onboarding Process:** Independent verification agents review loan documents against data files to ensure accuracy between trustee, servicers, originators and Precession

- **Document Custodians:** Independent custodians for original loan documents – both physical and digital methods may be permitted.

- **Data Analysis:** Extensive analysis of historical data and comparable data to build proprietary models. Ongoing analysis of collateral underwriting and performance

- **Detailed Reporting Requirements:** Create individualized reporting requirements specific to each asset, originator and servicer to monitor asset performance and financial risk

Multi-Tiered Risk Management



Counterparty Selection

What are the core fiduciary requirements?

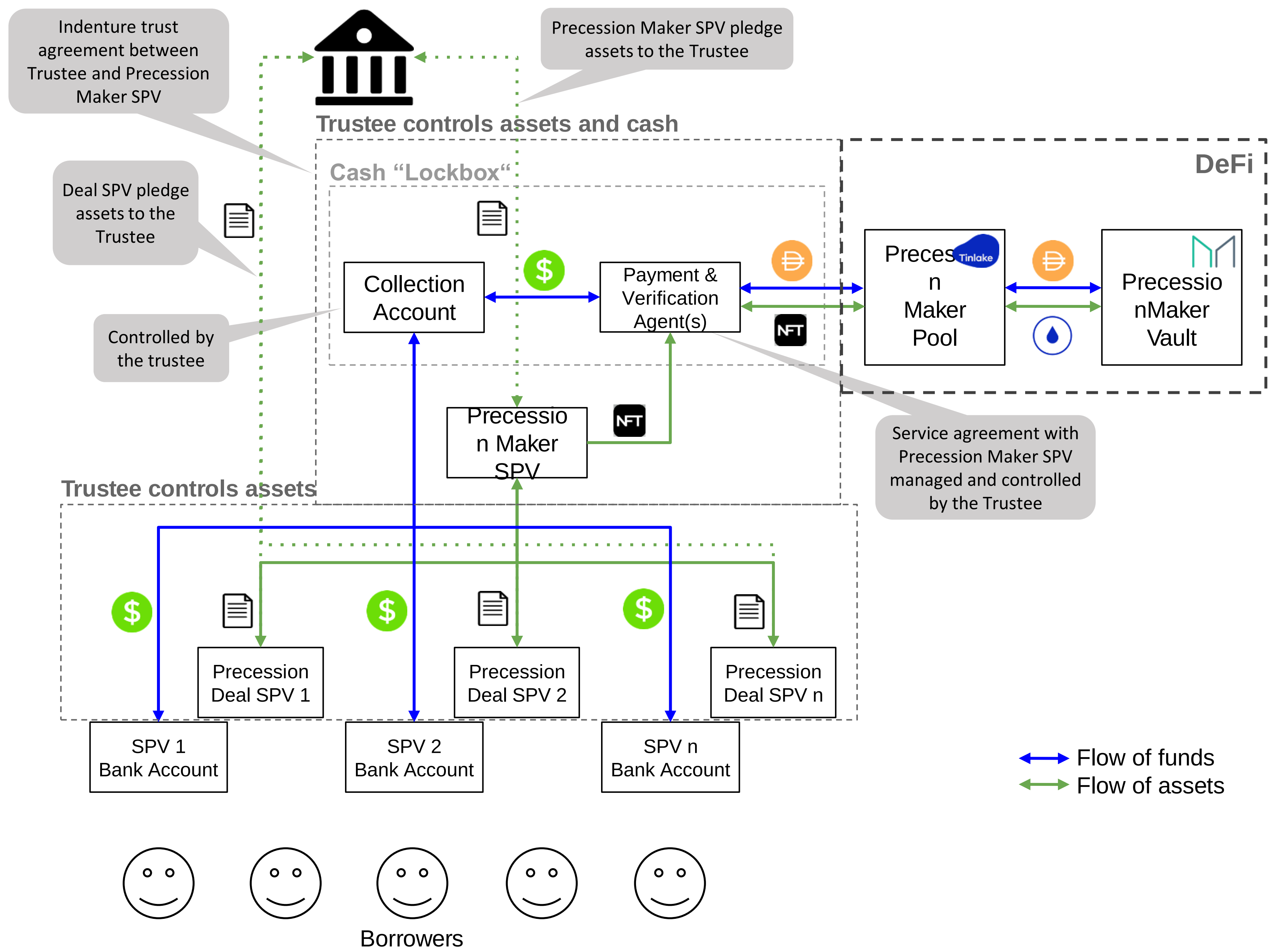
Is a counterparty experienced?

Can the additional volume be managed?

Do the economics make sense?

Can the deal-specific requirements be met?
ie: onchain requisites

LEGAL STRUCTURE AND FLOWS

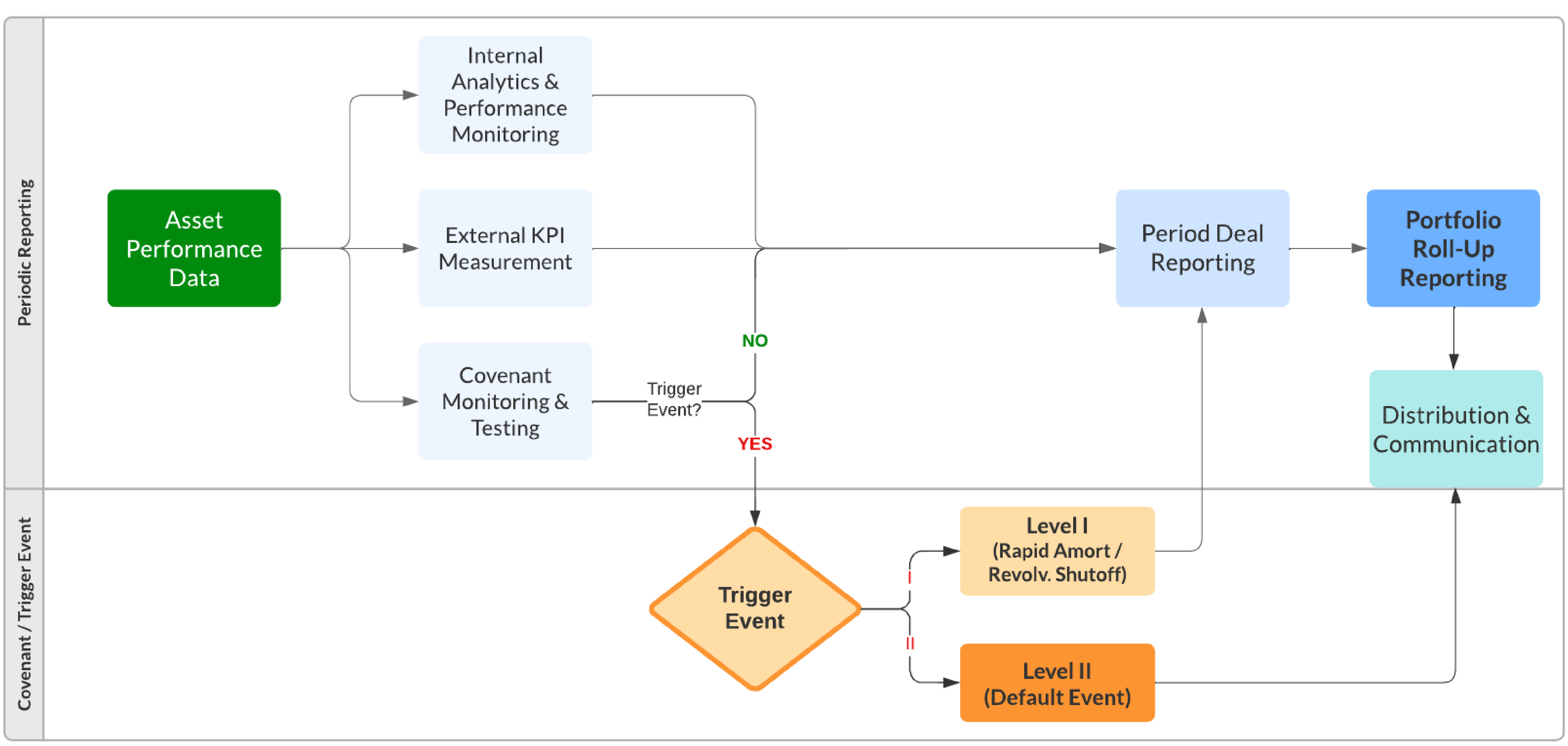


- The legal structure shown above is similar to what has been described previously by Centrifuge here: https://forum.makerdao.com/t/progress-update-on-the-legal-structure-for-centrifuge-rwa-vaults/13307
- The Indenture Trustee (WSFS) acts on behalf of investors including Maker as described here: https://forum.makerdao.com/t/what-is-a-trust-indenture-what-is-an-indenture-trustee/14697

Operations

- **Counterparty Onboarding**: KYC and AML procedures are typically provided by Precession's Fund Administer, or third-party provider when applicable.
- **Custodial**: For direct asset purchases and various forms of lending agreements (financing facilities), a custodian is often required to hold loan agreements and other forms of asset documentation. This may involve physical custody or digital, depending on the nature of the asset.
- **Cash Management**: Custodial entities provide cash management services and 'lock-box' accounts are used for transactions involving direct receipt of asset-level remittances. Separate accounts are used for transaction-level cash management to avoid co-mingling of funds.
- **Servicing & Collections**: Servicing counterparties are utilized for transactions involving whole loans or multiple assets. Securities-based transactions typically feature a major paying agent such as DTC. Single asset transactions may not require an external servicer.
- **Reporting**: Various forms of reporting are requirements of most transactional relationships with counterparties. Typically Precession produces deal-level reporting internally after third-party reporting is received and processed. Fund-level reporting is provided by Sudrania Fund Services to Precession LPs and clients.
- **Covenant Testing**: With respect to deal-level triggers and covenants, this may be conducted monthly or periodically – depending on the covenant. Typically a counterparty produces borrowing base certificates and other representations that are then compared to internally produced testing for verification purposes.

Deal-Level Monitoring Process



Reporting & Monitoring

Top Down Reporting

A Maker Vault should feature both top-down and bottom-up reporting. A Vault may be thought of as a portfolio with underlying assets. Vault-level reporting should feature common portfolio KPIs and metrics useful in assessing the risk and return characteristics of the combined portfolio.

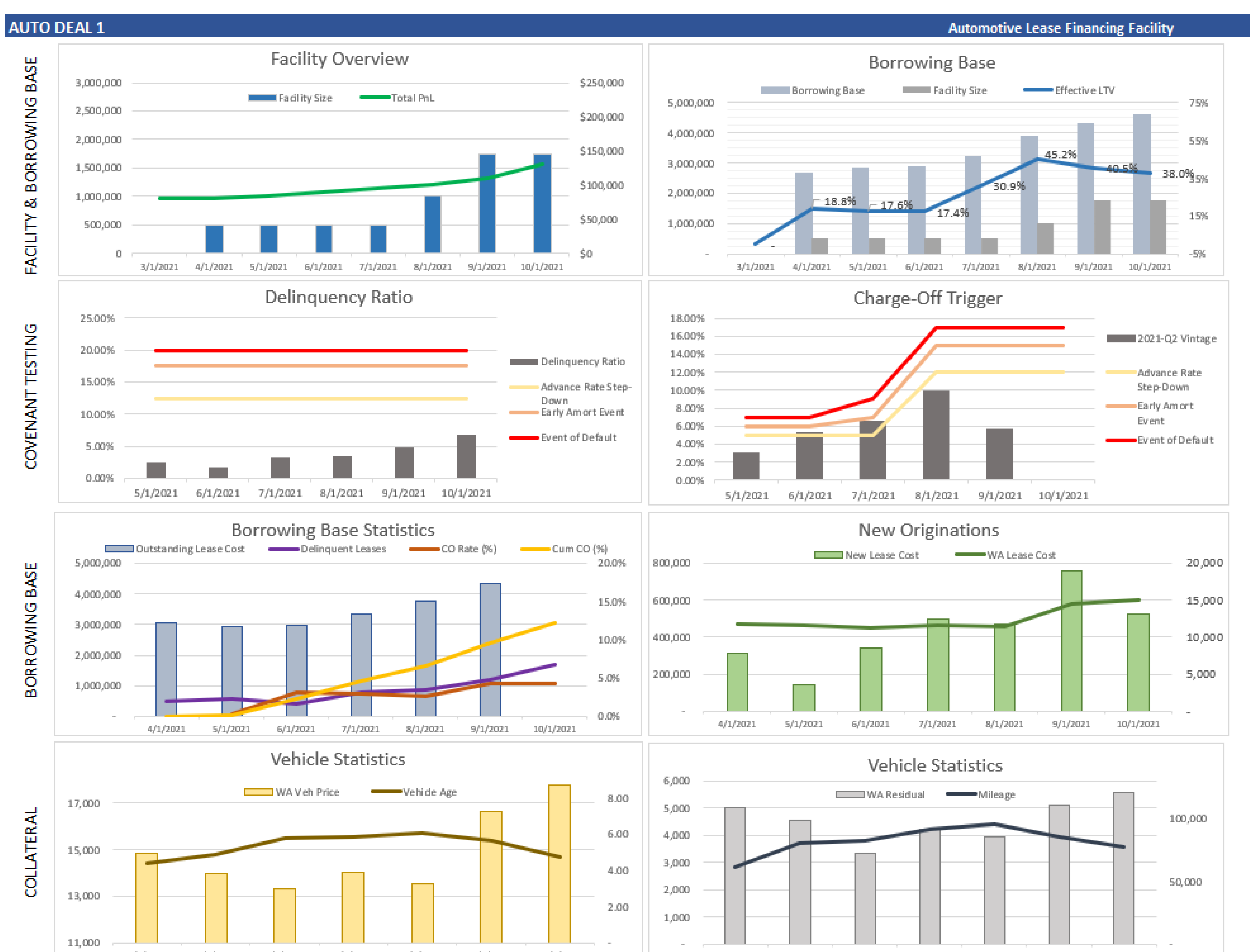
TransID	Size		Current Yield	Proj YTM	Duration	Advance Rate	Collateral Coverage Ratio	Trigger Event?
Secured R.E. 10	50,000,000	11.1%	3.50%	4.00%	1.50	80%	1.25	No
SME Bridge 2	100,000,000	22.2%	3.00%	3.25%	1.00	85%	1.18	No
Prime Auto 1	75,000,000	16.7%	3.00%	3.00%	2.25	85%	1.18	No
Agency Debt B-2	150,000,000	33.3%	2.80%	2.75%	2.00	94%	1.06	No
Consumer Debt A-3	75,000,000	16.7%	3.75%	3.75%	2.50	70%	1.43	No
Aggregate	450,000,000	100.0%	3.11%	3.21%	1.85	85%	1.19	

Deal-Level Reporting

Each deal, pool, or portfolio will require bespoke reporting. However certain global variables should be considered as they pertain to global risk. The yield of an investment, in terms of current yield, and yield-to-maturity, are primary KPIs of any transaction.

Risk should be measured according to the performance of the underlying assets and the loan-to-value ratio of the exposure. Origination volumes, collateral statistics, delinquency ratios, cashflow velocity, realized return and other metrics are typical. Transactions with triggers and covenants require periodic measurement and testing. For instance, a **collateral coverage ratio** can assess the risk of loss or material breach in the investment and may be calculated as *Performing Collateral ÷ Notional Exposure.*

Sample Deal-Level Report



Pipeline

The transactions below are in our current active pipeline and are in various stages of funding. Most of these will be closed using traditional financing before a Maker Vault could be approved, and are meant to be indicative examples of transactions Precession views as suitable for Maker's ABL requirements.

Asset Class	Asset Description	Asset Term / Duration	Deal Term	Advance Rate (Senior %)	Deal Type	Annual Utilization	Maximum Facility Size
Specialty Automotive	ADA Compliant Vehicle Loans	5 yr / 2.5 dur	3 yr	75-85%	Facility	$25mm	$50mm
Residential Real Estate	Single Family Rental	6 mo turn	2 yr	80-90%	Warehouse (Sale Exit)	$150mm	$200mm
Residential Real Estate	1st Lien HELOC	3 mo turn	2-3 yr	75-85%	Warehouse (Securitization Exit)	$200mm+	$200mm+
Residential Real Estate	Bridge Short Term Low LTV	9-12 mo	2 yr	70-80%	Facility	$25mm	$35mm
Transport Automotive	Semitruck Leasing	6 yr / 3 dur	3 yr	75-85%	Portfolio Sale & Facility	$100mm * portfolio sale	$150mm
Specialty Marine	Marine Leasing	1-3yr term	3 yr	75-85%	Facility & Portfolio Acquisition	$15-35mm	$50-75mm
Consumer Secured	Home Improvement	5 yr / 3 dur	3 yr	70-80%	Facility	$20-30mm	$60mm
SME Finance	Receivable Factoring	30-120 days	1-3 yr	70-85%	Facility	$25-50mm	$50mm
SME Finance	Revenue Based Finance	6-12mo	2-3 yr	70-80%	Facility	$20mm	$20mm
Consumer - Other	Debt Consolidation	3.5 yr / 1.75 dur	3 yr	70-80%	Facility	$20mm	$50mm
Residential Real Estate	Reverse Mortgage	20yr / 7yr	1*-2 yr	90-95%	Portfolio Acquisition	$150-300mm	$150-300mm
Residential Real Estate	ESG Modular Housing	6mo turn	3 yr	70-80%	Warehouse (Sale Exit)	$50mm	$50mm
Solar	Comercial Solar PV	10yr / 2yr	3-5 yr	90%	Warhouse / Facility	$100mm+	$100mm+

Macro-Economic Commentary

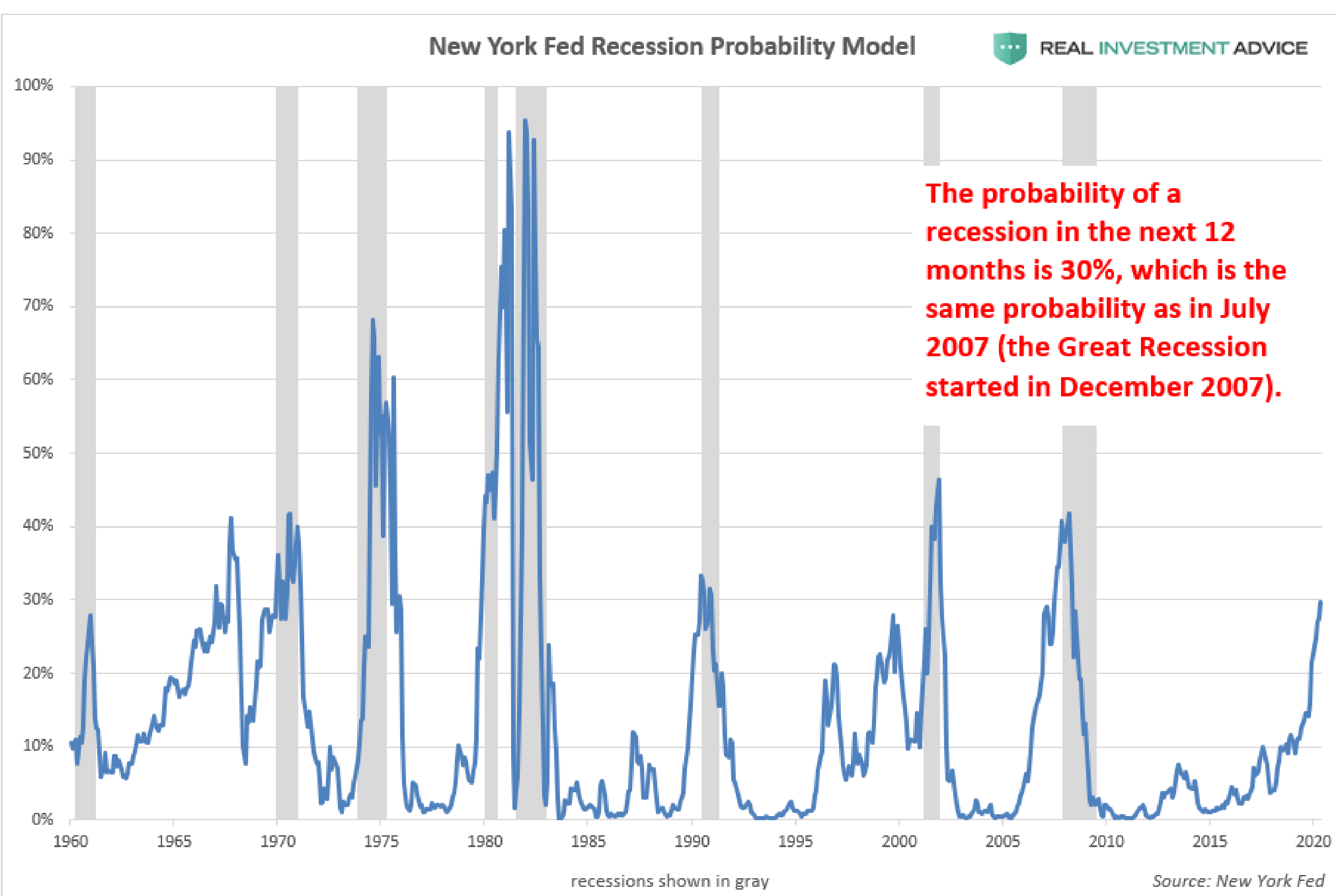
Recessionary Concerns:

Though it may be difficult to observe in real time, the economy moves through growth and contractionary phases in a cyclical manner. Precession believes in a prudent approach to underwriting risk. **Low-Risk Assets** such insured or guaranteed loans are modeled based on worst-case prepayment and interest rate scenarios. Direct **Consumer Loans** are evaluated based on their ability to withstand recession-like default rates. **Secured Loans** are underwritten based on a conservative default rates and prudent collateral recovery projections. **Loans to Businesses** are evaluated assuming recession-like revenue scenarios and feature security pledges from the borrower.

Precession's Strategy:

In a recession, Precession will reduce or halt asset purchases, allow cash to build up and re-deploy at lower prices. Most transaction structures feature triggers and covenants that rapidly amortize the senior tranche in the event of adverse performance. We continuously search for relative value across different markets and sectors, which can also be useful in identifying credit cycles and tightening / loosening patterns. *We do not have a crystal ball.* We position ourselves defensively so that we can proactively adjust to change.

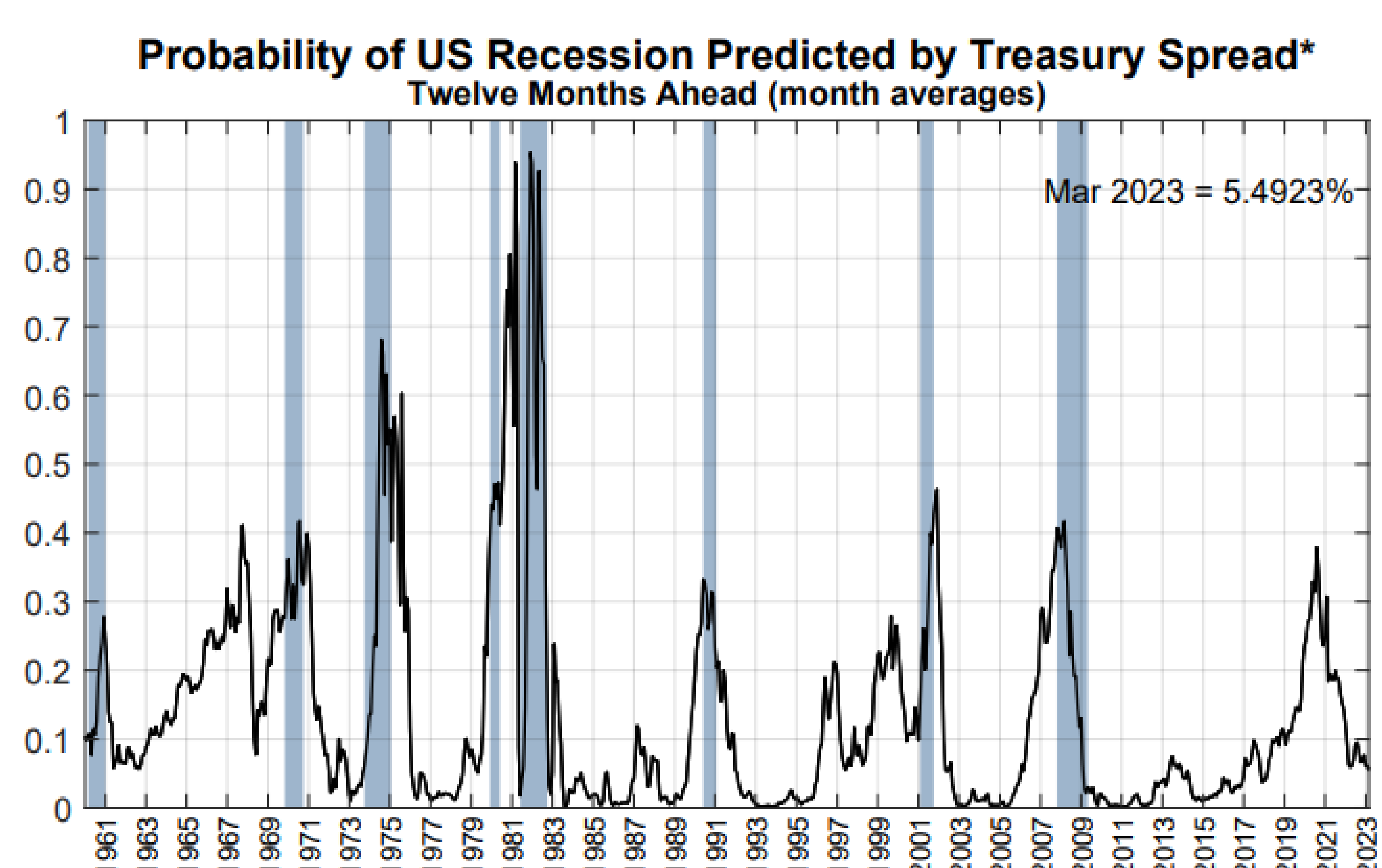
Recession Probability & Cyclicality



In Q3 2020, recession odds were high, by the Fed's own metrics and statements.

Though a recession failed to materialize in 2021, one may happen at any time. There is no way to accurately forecast economic cycles, but we know with 100% certainty that they happen.

Our goal is to understand the risks we are taking, recognizing that not all risk can be avoided, but may be mitigated through structural protections and embedded optionality.



Institutional Single-Family Rental ("SFR")

Overview

A Maker Vault to finance the origination and sale of fully leased single family rental properties (the "assets") to large institutional investors. SFR properties are purchased, renovated, leased, and sold by [redacted]. This process takes 4-6 months on average and results in a gain on sale. [redacted] is currently capitalized with $15mm equity and an existing $135mm warehouse facility. The company believes it can dramatically increase production over the next several years and is looking to add a second funding channel. [redacted] was founded by former managers of [redacted] who bring several decades of combined experience underwriting and managing over 30,000 SFR properties across the U.S., representing several billion dollars in transactions. Precession ("PCM") and its JV partner, [redacted] Capital, will co-lead the deal, and together with [redacted], will provide first-loss capital in the form of equity and mezzanine debt. Standard structural components including a DE statutory trust, trustee, bankruptcy remote structural components including true-sale opinion, non-consol opinion, [and others] will be present.

Capital Structure

Senior Maker	**75-80%**
Mezzanine PCM	**10-15%**
Equity [redacted]	**10%**

Transaction Economics

Maximum Debt Ceiling	$150mm
Revolving Period	3 years
Maker Yield	3.0%
Pool Sponsor Fee (PCM)	0.5%
First Loss (Equity)	[redacted]
Second Loss (Mezz)	PCM & Partners

Underlying Assets

Single Family Rental (SFR) Real Estate

Origination-to-Sale Process:

1. [redacted] Acquires Property
2. Improvements & Renovations Made
3. Stabilized Lease Signed
4. Property Sold to End Investors

Asset Term (turnover): 4 - 6 months
Asset WAL: 2.5 months

Gross Asset Nominal Yield: ~8.0%
Gross Asset Annualized Yield: ~20.0%

[redacted] Background

https://www.[company.com]

- Fully Licensed Real Estate Broker
- Master Property Manager
- In-House Acquisition Team
- In-House Renovation Teams (geographically based)

Key personnel: (each with 10+ years in SFR)

[redacted] | CEO: COO – [redacted] Homes; CFO – [redacted]; VP – [redacted]

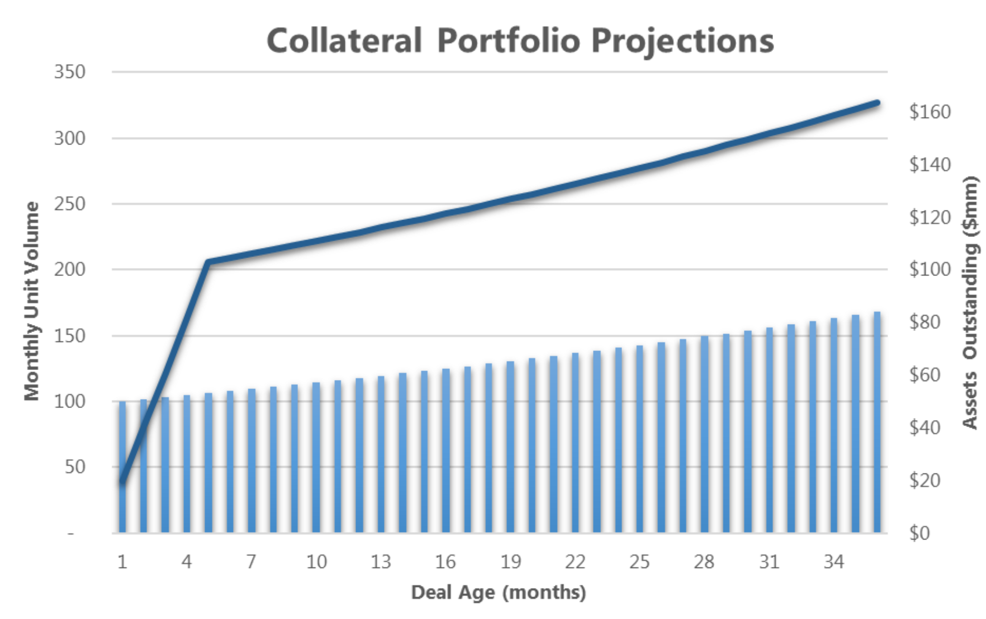
[redacted] | CIO: Portfolio Mgmt – [redacted] Capital; Portfolio Mgmt – [redacted]; VP – [redacted]

[redacted] | COO: Head of Brokerage – [redacted] Capital; Portfolio Mgmt – [redacted]; Acquisitions – [redacted] Homes

Current Warehouse Facility
$135mm senior credit facility funded by $15mm in [redacted] equity. [redacted] has outgrown this and is expanding.

Origination Projections / Deal Ramp

[redacted] is currently originating 100 units / month and expects to increase volume by 2-3x with the addition of a second financing facility.



Key Risks

HPA Risk: mitigated by short-term duration and LOI purchase agreement(s) with large institutional counterparties

Acquisition: exposed to competition and market saturation

Renovation: geographic exposure constrained by relationships

Takeout: interest rate, macroeconomic, and asset class specific

Facility structure

- Structure: DE Statutory Trust
- Trustee: WSFS Trust Agreement
- Custodian: WSFS or [US Bank]
- Credit Agreement
- Security Agreement
- Legal: [TBD]
- True Sale & Non-Consol Opinion(s)
- Backup Servicing: [TBD]

PRECESSION
CAPITAL MANAGEMENT

ADA-Mobility Auto

Overview

A Maker Vault to finance the purchase of auto loans made to disabled borrowers who require specialized vehicles. Financing shall be made via DROP tokens facilitated by the Centrifuge platform. Precession ("PCM") and [redacted] ("the originator") will finance the TIN tokens, and [redacted] will also provide a first loss credit guarantee of 0.5% per vintage.

Vehicle mobility enhancements can increase the vehicle price by 30-40%. Traditional banks are largely absent due to regulatory restrictions and market size, however certain credit unions are lenders. Loan rates are generally 300bp higher than similar mass-market auto loans. Losses on these types of loans are generally much lower than similar credit cohorts due to (1) slower depreciation, (2) government down-payment assistance, and (3) the owner's need for mobility solutions. Government payment assistance may constitute 65% of the total vehicle cost in some cases. Up to 15% of total loan volume is derived from local and state agencies. Approximately 60% of borrowers receive some form of governmental support, which creates a uniquely stable profile.

[redacted] was founded by an experienced team and has a short but rapidly growing 2 year track record and no losses to-date. The company has an existing credit facility through a regional bank and is looking for a larger funding facility to grow originations.

Capital Structure

Senior [DROP] Maker	**80-85%**
Subordinate [TIN] PCM & [redacted]	**10-15%**
First Loss Credit Support [redacted]	**0.5%**

Transaction Economics

Maximum Debt Ceiling	$50mm
Revolving Period	3 years
Maker Yield	2.5%
Servicing Fee (to [redacted])	1.25%
Pool Sponsor Fee (PCM)	0.5%
First Loss (Equity)	[TIN]
Additional 1st Loss Credit Guarantee (by [redacted])	0.5%

Collateral

ADA-Mobility Auto Loans

W.A. Coupon	9.0%
W.A. Term	42-48 mos
W.A. Life	30-36 mos
W.A. Loan Size	$45,000
W.A. FICO	680-720
W.A. LTV	80.0%
W.A. PITI	11.5%

[redacted] Background

https://[company].com/

- Licensed in 17 states (currently)
- Dealer & Manufacturer relationships across U.S.
- In-House Underwriting & Servicing
  (https://www.megasys.net/omega-servicing/)

Key personnel: (40+ years combined experience)

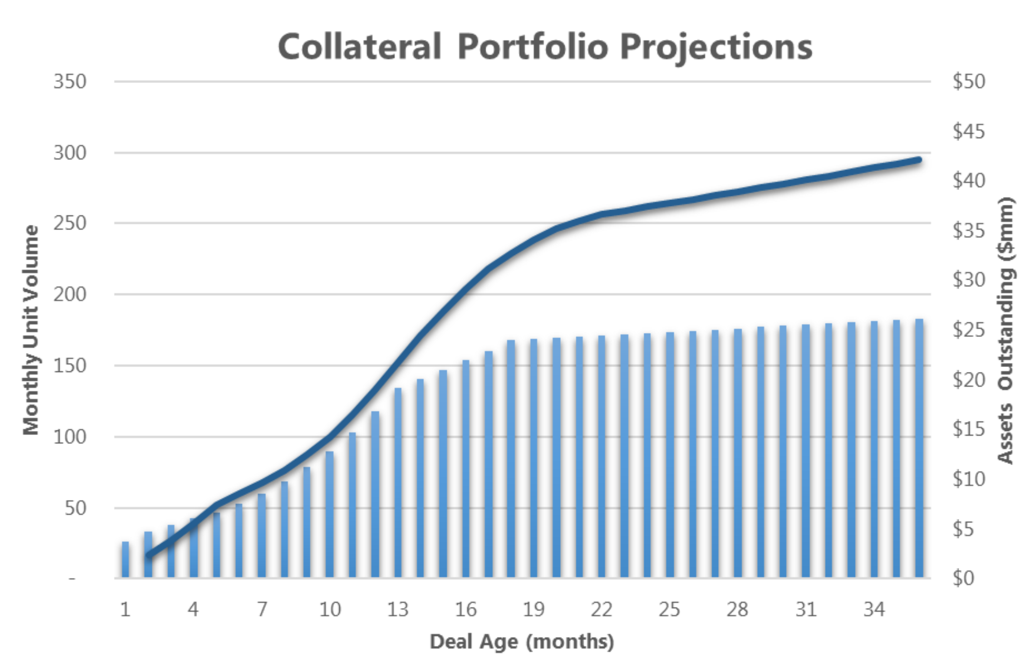
[redacted] | Co-Founder: Debt & Asset Management – [redacted] University; CEO – [redacted] Financial; Managing Director – [redacted] Management

[redacted] | Co-Founder: Portfolio Mgr – [redacted] Capital; Head Trader – [redacted] Capital; HF Mgr – [redacted] Capital

Current Bank Facility
$10mm senior bank line. May be increased with mutual consent. [redacted] is looking to add a second, larger facility.

Origination Projections / Deal Ramp

Current market size is $4.5B with over $500mm in annual loan volume (CAGR = 10%). Disabled populations are growing and [redacted] seeks to capture 10% of the market..



Key Risks

Default Risk: mitigated by underwriting policies and servicing policies. Generally this asset class performs in line with prime credit borrowers despite bureau ratings

Collateral Value: slow depreciation provides a buffer to loss-given-default, but is exposed to cheaper suitable replacements

Competition & Spread Compression: Traditional bank lending may increase, reducing loan rates.

Facility structure

- Structure: DE Statutory Trust
- Trustee: WSFS Trust Agreement
- Custodian: WSFS or [US Bank]
- Credit Agreement
- Security Agreement (Sr Lien)
- Legal: [TBD]
- True Sale & Non-Consol Opinion(s)
- Backup Servicing: [TBD]

PRECESSION
CAPITAL MANAGEMENT