Private Investment Manager Panel

Investment Challenge Program 2024 Annual Conference

Nashville, TN

TVA TENNESSEE VALLEY AUTHORITY

Panel Moderator

Ben Duby, CPA

Senior Program Manager, Corporate Investments, TVA

Agenda

Investment Manger Presentations

- Health Velocity Capital – Bruce Crosby, Managing Partner
- Covenant Capital Group – Govan White, Managing Partner
- CapitalSpring – Richard Fitzgerald, Managing Partner

Q&A

Submit questions using PollEV – QR code on back of name badge

INVESTMENT MANAGER PRESENTATIONS

Presentation Order:

- Health Velocity Capital
- Covenant Capital Group
- CapitalSpring

Health Velocity Capital

Bruce Crosby
Managing Partner

TVA TENNESSEE VALLEY AUTHORITY

health velocity CAPITAL

Venture Capital

and

Health Velocity Capital Overview

What is Venture Capital?

A type of "private equity" that involves a cash investment in a company that is not publicly traded

Venture capital is typically provided to early-stage, high potential, high risk, high potential return companies and the capital is used to help these companies grow – hire more people, rent more space, development more technology, expand their marketing efforts, etc.

Venture capital investments are generally made as cash in exchange for a % ownership stake in the invested company

VCs generate a return when the invested company eventually reaches a "liquidity event," such as an IPO (the company goes public) or a sale (merger or acquisition) of the company (another company acquires the invested company)

For example, a venture capital firm may give a company a $10 million cash investment in exchange for a 10% ownership stake in the company. This would value the company at $100 million ($10 million divided by 10%). If the company later sells to a larger company for $300 million dollars, the VC's 10% stake is worth $30 million dollars ($300 million x 10%). The VC invested $10 million in the company and receives $30 million back, to be distributed among its investors and the firm.

Stages of Private Equity Funding Over Company Lifecycle

Capital Sources

Private Equity

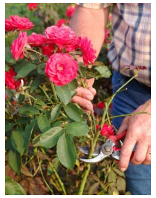
Venture Capital

Angels

Friends / Family

Founder's Savings

Stage of Company



Seed | **Start-up** | **Early Growth** | **Sustained Growth** | **Optimize Business**

Revenue and Profitability

Pre-Revenue | Revenue

Pre-Profitability | Profitable

Most Successful Venture-Backed Companies Raise Capital Multiple Times Throughout Their Journey
Venture Capital Series Names and Example Round Sizes

Capital Sources

Private Equity

Venture Capital

Capital Raised	$0-$100K+	$50K-$1.5M	$2M-$20M	$5M-$30M	$20M-$50M
Financing Round	Bootstrap	Angel / Seed	Series A	Series B	Series C+

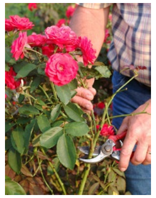
Stage of Company

Seed

Start-up

Early Growth

Sustained Growth



Optimize Business

Revenue and Profitability

Pre-Revenue | Revenue

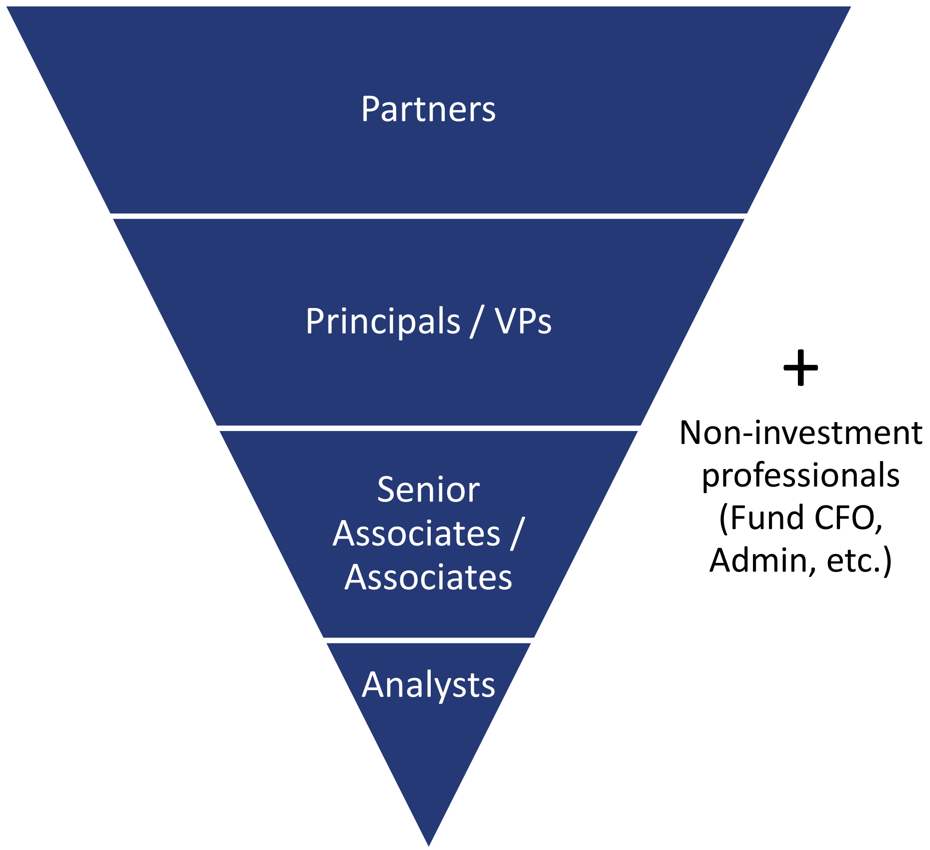
Pre-Profitability | Profitable

The Venture Capital Business Model
(I.e., How VCs Make Money)

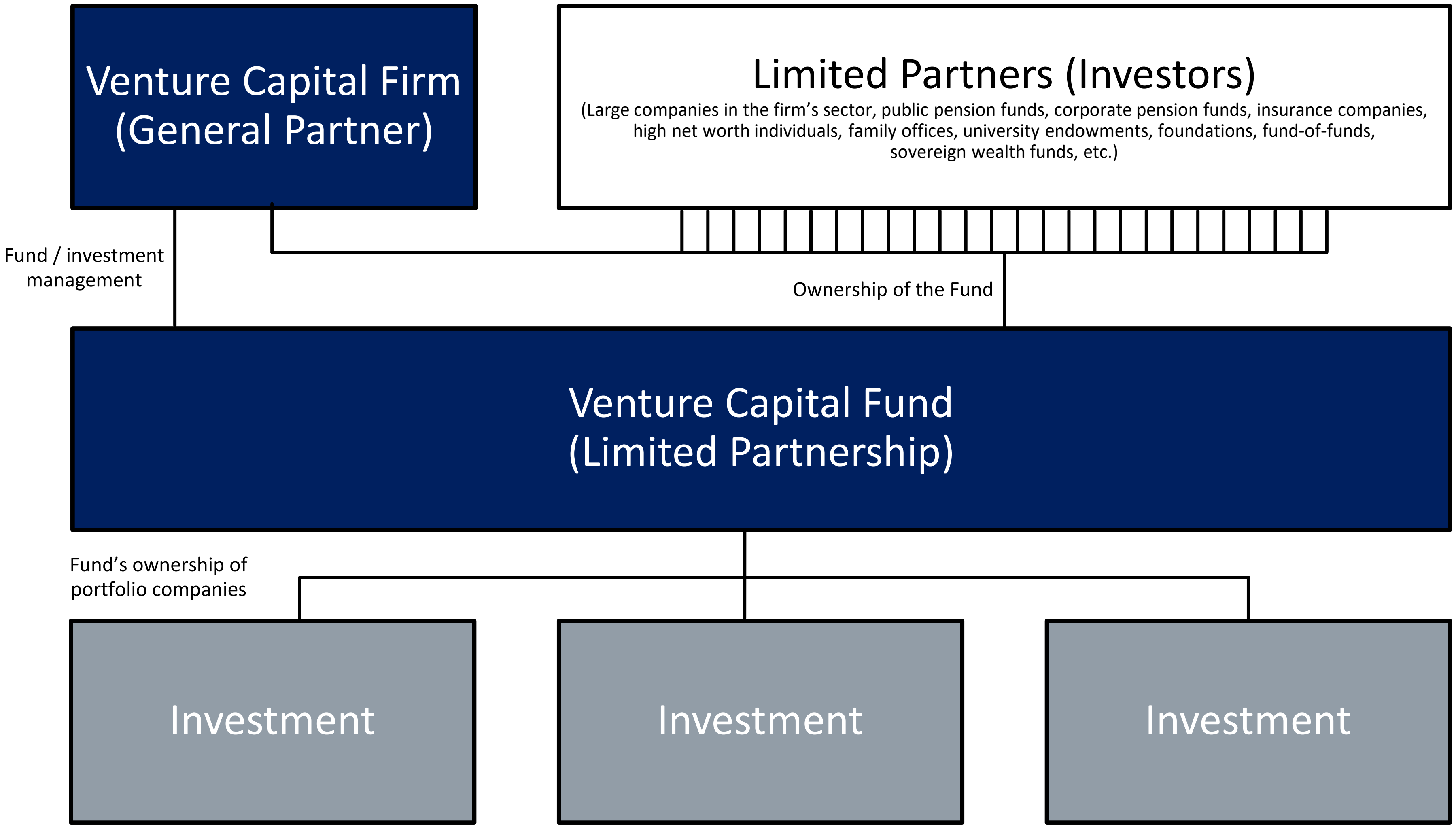
The Business Model

- Management fees
  - Roughly 2% per year of total capital commitments
- Carried interest (i.e., “carry”)
  - Usually, 20% share of the profits from the fund’s investments

The Team



Typical VC Fund Structure



The Fund Cycle
A Typical Venture Capital Fund Cycle is ~10 Years

Year 0 | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 6 | Year 7 | Year 8 | Year 9 | Year 10 | Year 11 | Year 12+

Fund 1

Raise Fund
- Ex: firm receives capital commitments of $200m

Investment Period
- Make initial investment in 15-20 companies
- Firm "reserves" a portion of the fund for "follow on" investments (later financing rounds as companies consume more capital) in Fund 1 portfolio companies

Management Period
- Continue to serve on Fund 1 portfolio company boards and add value
- Advise companies on future financing rounds
- Make "follow on" investments in Fund 1 portfolio companies
- Help prepare companies for exit (IPO or M&A events)

- Firm "calls" capital from LPs as the firm makes initial and follow on investments; for example, if an LP commits $5m to the fund during fundraising, the firm collects a portion of that $5m each time the fund makes an initial and follow on investment so the commitment is not funded all at once.

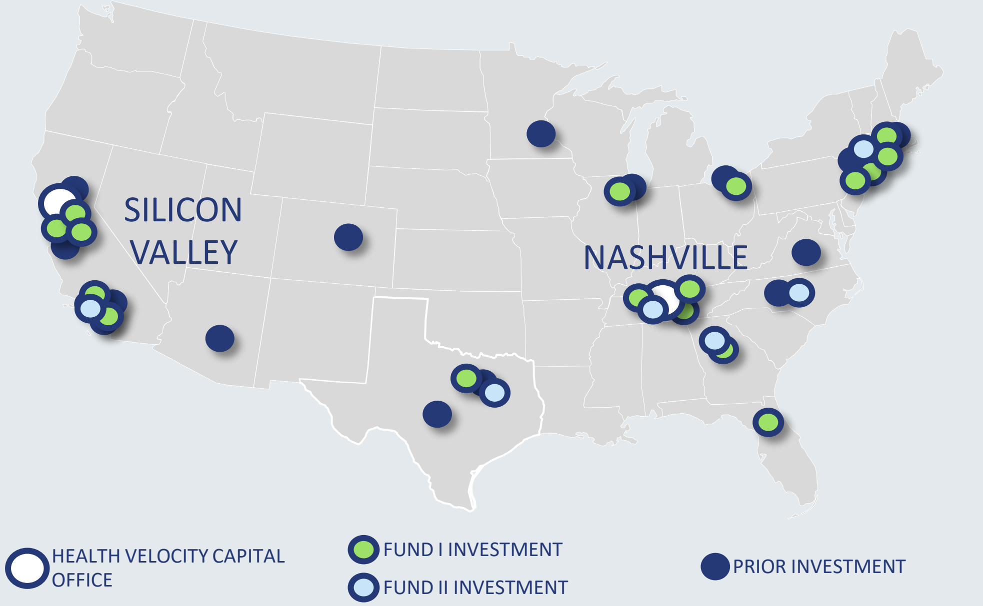
Exits
- Companies typically undergo "liquidation events" after a venture capital hold period of 5-10+ years, and fund distributes cash proceeds as they are received

Distribute Returns
- Firms wrap up a fund and distribute all proceeds to investors typically after a 10-12-year fund cycle

Our Mission at Health Velocity Capital

generate outstanding financial returns while being the preferred innovation partner of entrepreneurs and investors working toward the common goal of a more affordable, sustainable, consumer-friendly healthcare system

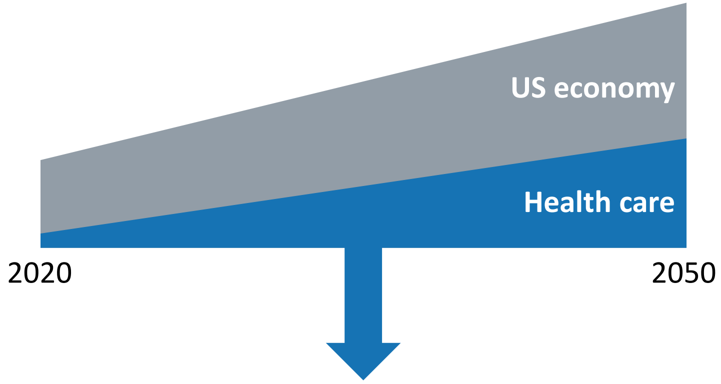
Investing across the United States, from two of the nation's most important sources of healthcare innovation



HEALTH VELOCITY CAPITAL AT A GLANCE

Sector

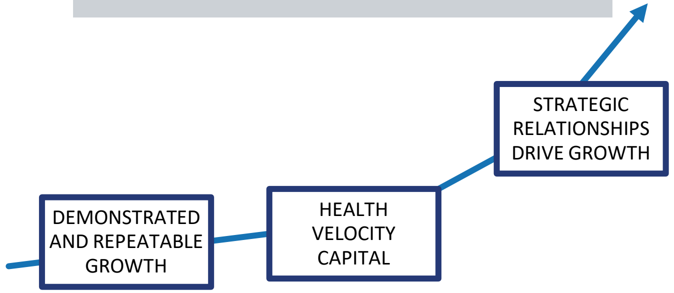
LARGEST AND FASTEST GROWING SECTOR OF US ECONOMY



INCREASING COMPLEXITY
VALUE
DIGITIZATION
CONSUMERISM
COST REDUCTION

SINGULAR FOCUS
on Healthcare Services and Software

Stage



- Growth stage, limited downside
  - Established products with evidence of strong product market fit
  - Repeatable pricing and sales models
- ~$3-50M revenue (lower for software, higher for services)
- ~$15-20M per investment
- 16-20 investments

Identifying or Creating
INFLECTION POINTS

Fund

- 2017 Fund I of $175M materially exceeded initial fund target of $125M
- One of largest 1st funds ever for sector, stage
- Attractive mix of institutional and strategic investors
- Strategic investors provide tangible, differentiated advantage and insights
- Fund II target of $225M / $300M hard cap (significantly oversubscribed)

LEVERAGING
Our Unfair Advantage

healthvelocity CAPITAL

INVESTMENT PROFILE

THEMATIC

a more affordable, sustainable, consumer friendly system

Targeted investment themes
(e.g. telemedicine, transparency, mobile engagement, end-of-life care, disease management, outpatient)

TARGET KPIs

venture returns without the venture risk & investing for option value (not momentum investors)

For core positions, we underwrite to 3x – 5x returns with conservative assumptions and limited downside

Revenue	$3-50M (software lower, services higher)
Growth	> 25% annually
Proof Points	customers, utilization, consistency, tangible pipeline
Initial Burn	-$12 million to +$3 million
Assumed Exit	Generally $200-500M with option value on upside
Governance	board or, very occasionally, board observer
Geography & Hold	US, typically 5 – 7 years

TANGIBLE VALUE-ADD
> 90% of all investments

to identify inflection points and create value

Ability to quickly leverage relationships to drive revenue and / or build team

PROPRIETARY DEAL FLOW & ALPHA
> 85% of all investments

Note: Includes companies where Felsenthal, Crosby, or Bhansali led investment, served on board of investment, and/or sourced investment. The companies noted on this slide represent a subset of prior investments of Health Velocity Capital, Felsenthal, Crosby, and Bhansali and may not be representative of their investment experience or performance as a whole.

REMAINING DISCIPLINED IN MARKET WHILE VALUATIONS ADJUST

TARGET KPIs		Software Company: Referral Management Software for Health Systems — Company Specific KPIs	
Revenue	$3-50 Million (software lower, services higher)	$10 Million	✓
Growth	> 25% Annually	100%	✓
Proof Points	customers, utilization, consistency, tangible pipeline	customers expanding	✓
Initial Burn	-$12 Million to +$3 Million	EBITDA +	✓
Assumed Exit	Generally, $200-500M with option value on upside	Upside Questionable	?
Governance	Board seat or, very occasionally, Board observer	Board Seat	✓
Geography & Hold	US, typically 5 – 7 years	U.S.	✓
Target Return	3 - 5x MoIC	See Concerns	✗

Concerns

Slower sales cycles leading to slower revenue growth

- Many hospitals are struggling financially and therefore investing less in new software and technology
- Company needs to build a sales team

Small team would need to scale to support growth

Dominant hospital software provider (Epic) offers some features and clouds market

While other investors were willing to pay more, we were not willing to stretch on valuation and compromise return target.

OUR SECRET SAUCE (~50% OF CAPITAL): MORE STRATEGIC INVESTORS, FOR LONGER - LEVERAGING ARMS-LENGTH STRATEGIC INVESTORS TO DRIVE DIFFERENTIATED RETURNS

Relationships

STRATEGIC INVESTORS

EXECUTIVE NETWORK FUND

That Drive Value

- Key Themes
- Deal Flow
- Diligence
- Product Development
- Team Building
- Revenue / Distribution
- Proprietary Investments
- Lower Valuations

INSURING 175+ MILLION AMERICANS

PBM & PHARMACY SVS FOR 75%+ OF THE COUNTRY

OUR INVESTORS ARE THE US HEALTHCARE SYSTEM

OPERATING 620+ HOSPITALS

SOFTWARE & TECH IN 100% OF MAJOR US HOSPITALS

Logos in white represent strategic healthcare organizations. Shaded logos represent backgrounds of Executive Network Fund Limited Partners.

IVX HEALTH

IVX HEALTH

RIGHT Theme → **RIGHT** Company → **RIGHT** Time

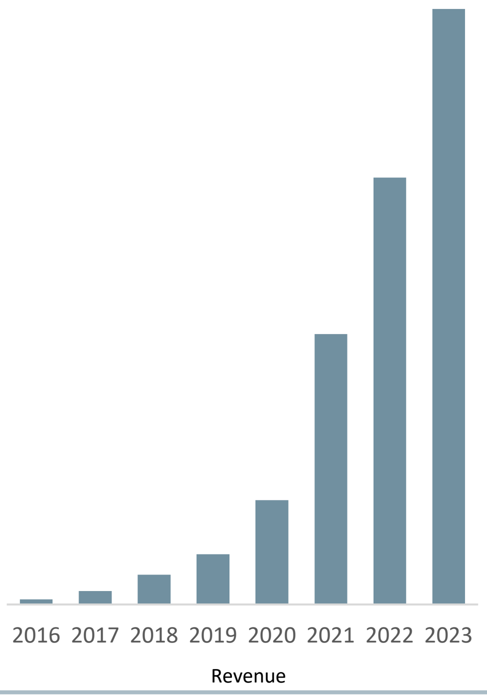
Overview and Investment Thesis

- Operates ambulatory infusion centers to treat patients with chronic conditions such as rheumatoid arthritis, Crohn's disease, ulcerative colitis, and multiple sclerosis, through the intravenous administration of drugs.
- Highly personalized, concierge-like infusion services delivered in Class A retail settings at significantly lower cost to system
- Specialty drug costs one of fastest growing areas of health spending
- Service that can be provided inexpensively in outpatient setting
- High-value patients that can be attracted/retained through consumer-centric services
- Initiated with thematic white paper and proprietarily sourced through Executive Network Fund limited partner
- Co-invested with McKesson Ventures, nation's largest distributor of these specialty drugs at highly attractive valuation with uncapped participating preferred security and 6% dividend
- Headquartered in Nashville, TN

Status & Value Add

- Recruited Chairman, CEO, CFO and Controller, all of whom backed at prior companies including Vantage Oncology (sold for > $500m) and Change Healthcare (sold for > $120m) + another finance executive
- Introduced company to 30+ health plans and systems in existing and expansion markets to engage in strategic contracting discussion including better pricing, geo-mapping affected members to improve de novo site selection, and steerage
- Own ~21% of company
- 40%+ 2023 organic revenue growth
- Over $1B run-rate revenue with significant visibility on growth
- Meaningfully EBITDA positive
- Mark-up from original round of 13.5x
- Recent recap by Great Hill Partners (we elected not to sell any portion of our position)
- Meaningful return potential absent significant reimbursement change

Rapidly Growing, Proprietary Investment at Very Attractive Value



Covenant Capital Group

Govan White
Managing Partner

COVENANT
CAPITAL GROUP

Focused Investing in Apartment Communities, Creating Value

COVENANT CAPITAL GROUP

Founded in 2001 by Rick Scarola and Govan White, Covenant Capital Group is an experienced investment management firm with an extensive track record in the U.S. multifamily sector. For over 23 years, it has been a trusted steward of institutional investor capital.

- **Exclusive Focus:** Covenant focuses on the acquisition and renovation of apartment communities, targeting primary and secondary markets in the Southeast, Southwest, and Mid-Atlantic states ("Sun Belt") region of the United States.
- **Leveraging Deep Industry Relationships:** Covenant proudly maintains a lengthy history of sourcing transactions "off market". With extensive market knowledge, Covenant diligently underwrites and evaluates over 1,000 properties across 30 markets annually for investment.
- **Experienced Team:** The Covenant team has invested through multiple cycles, covering over 250 transactions and has a strong and seasoned management team consisting of 17 investment professionals.
- **Diversified Investor Base:** Covenant's clients include many of the world's leading public and private retirement systems, foundations, endowments and private investors.
- **Stability:** The firm is employee owned and privately held with high employee retention.

Covenant Edge

- **Transforming properties within 6-9 months** by renovating **100%** of occupied units, enhancing amenities, and revitalizing exteriors.
- **Acquiring interior components in bulk at a discount** to retail prices through strategic utilization of economies of scale.
- **Leveraging a platform of property management companies** whose employees have "boots on the ground" to consistently gain valuable insight and market knowledge.

OFFICE LOCATIONS:
Nashville, Tennessee (Headquarters) & Miami, Florida

16.6%
Net IRR across 10 value-add Funds

1.5x
Net Multiple across 10 value-add Funds

$1.7B
Assets under management

$5B
In multifamily assets acquired across multiple markets

250+
Multifamily properties acquired over 23 years

200+
Multifamily properties sold Over 23 years

17,281
Apartment units owned across 10 states and over 25 markets

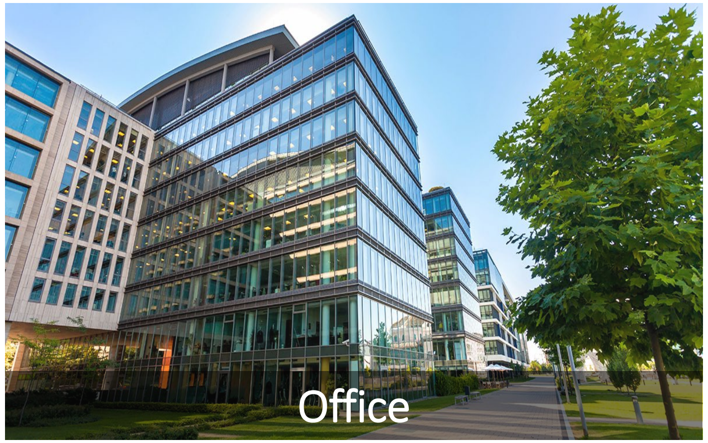
$2.2B
Returned to Limited Partners

11
Co-Mingled Value-Add Funds

INTRODUCTION TO REAL ESTATE INVESTMENT

INTRODUCTION TO REAL ESTATE INVESTMENT

The 4 “Food Groups” of Commercial Real Estate



There are also numerous sub-specialties within commercial real estate including:

- Hotels
- Parking lots
- Medical buildings
- Data storage
- Self-storage
- Senior housing
- Student housing

INTRODUCTION TO REAL ESTATE INVESTMENT

Why Invest in Real Estate?

- Hedge against inflation
- Diversification of invested portfolio
- Cash flow generation
- Good risk-adjusted returns with relatively low volatility

MULTIFAMILY OPPORTUNITY

Multi-family real estate, assets classes are broken down into 4 distinct categories, Class A apartments, Class B apartments, Class C apartments, and Class D apartments. Multi-family assets are evaluated primarily based on their location, age, amenities, and level of rental income.

The Changing Renter

- Homeownership rate has continued to decline, making apartments a critical place in the housing market
- 35% or 44.1 million households choose to rent
- It is now 52% more expensive to buy a home than rent

The Shortage of Rental Housing

- The US is not building enough housing to support population growth
- Over 4.3M apartment units need to be added by 2035 just to keep up with demand
- Despite increased supply in 2023 and 2024, new construction has slowed dramatically with no signs of increasing soon

CURRENT MARKET CONDITIONS

Despite interest rates continuing to rise over the past year, the fundamentals of the multifamily market, especially in our markets remain strong.

Current Rental Market Trends in the U.S

- **Barriers to homeownership,** prospective homeowners remain renters for longer as they face high demand and low inventory of existing homes, rising mortgage interest rates, as well as supply chain disruptions that have made it more expensive and difficult to construct new homes

- **Construction** overall has slowed due largely to rising interest rates, which could delay the completion of new rental projects. This creates a big opportunity for renovation of existing properties.

- **A shifting workforce**, as the pandemic increased the popularity of remote work, deep-pocketed renters sought larger homes in areas that had been previously relatively low-cost. This migration increased rents in suburban areas yielding a net increase in rents, particularly in the Sun Belt

INVESTMENT STRATEGY

INVESTMENT STRATEGY

Concentrate on the acquisition and repositioning of apartment communities that have the potential to generate superior risk-adjusted returns on invested capital. We seek to identify apartment communities in well-located, supply-constrained markets that appear to have temporary or correctable flaws in the physical attributes, capital structures, tenancy and/or market position.

Buy apartment communities that are in need of physical, managerial and/or operational improvements. The ability to source deals off-market will be key to avoid competitive bidding wars.

Fix the problems unique to each community through renovation and/or managerial and operational restructuring. Covenant will seek to create core properties through renovation, repositioning and releasing strategies.

Sell the properties at an optimal time, which Covenant will determine based on the expertise acquired in its 23 years of experience.

EXECUTING THE INVESTMENT STRATEGY

Targeting/Sourcing	Acquisition/Underwriting	Active Management	Harvesting Value
Targeting • Target well located properties with below market rents • Proprietary tools link research to analysis • Disciplined process • Real estate capital market conditions and directions **Sourcing** • CCG Acquisitions Team • Industry relationships • Lender relationships • Broker relationships • Harness local relationships	• Market timing • Market fundamentals • Property locations and quality • Competition and new supply • Price vs. replacement cost • Comprehensive due diligence process	**Portfolio Level** • Risk management • Financial oversight • Cash management • Develop investment strategies **Investment/Asset Level** • Renovate and modernize property • Reposition and rebrand the property • Improve operations • Re-lease to maximize rents • Manage expenses	• Constant monitoring of capital markets • Sell vs refinance decisions • 100% control of exit timing • Proven, disciplined seller
BUY	BUY	FIX	SELL

Deal Sources:	
Listed with Broker:	45%
Direct from Private Owner:	45%
Direct from REIT off market:	10%

Deal Flow and Statistics:	
Deals reviewed per year:	Approximately 1,000 properties
Deals acquired per year:	Approximately 15 to 20 properties
Deals acquired off market:	Approximately 50%

TARGET NET IRR
16% - 18%

TARGET NET MULTIPLE
1.6X – 1.8X

COVENANT VALUE-ADD STRATEGY

Deliver a low-basis, high quality multifamily property that meets the growing demand for housing and provides an attractive return on investment.

Value-Add Strategy

Average Investment
$10,000 per unit

Average Annual Rental Premium
$3,000 per unit

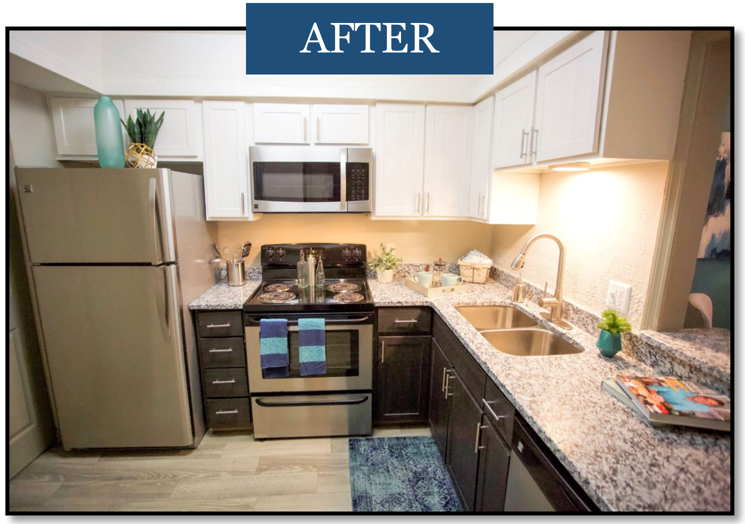
Return on Investment
30%

Typical Renovations

Modernize common areas and amenities to strengthen renter experience

Renovate 100% of apartment units

Upgrade kitchens and bathrooms with granite countertops, new appliances, flooring and high-end finishes



VUE AT WARNER PARK| CASE STUDY

Invested $6.9 million into the property for renovations improving apartment interiors with new cabinets, granite countertops, and appliances as well as improvements to the amenities. Renovations were completed on 100% of the units.

Location	Nashville, Tennessee
Number of Units	379
Acquisition Date	August 2018
Purchase Price	$50 million
Price Per Unit at Acquisition	$131,926
Average Rent Per Unit at Acquisition	$976
Date Sold	February 2022
Sale Price	$85.8 million
Price Per Unit at Sale	$226,385
Average Rent Per Unit at Sale	$1,355

28%
GROSS IRR

2.0x
GROSS MULTIPLE

$52.8 million
OF PROCEEDS PRODUCED

39%
RENT GROWTH

THE HARRISON | CASE STUDY

Invested $1.2 million into the property for renovations. The Harrison has been well maintained but the interiors and exteriors were slightly outdated. Consequently, there is significant a upside to executing a light renovation to the interior of the apartments. The plan included adding granite, stainless steel appliances, and modern fixtures to 100% of the units. We also modernized the clubhouse and fitness center.

Location	Murfreesboro, Tennessee
Number of Units	278
Acquisition Date	March 2019
Purchase Price	$37.5 million
Price Per Unit at Acquisition	$134,892
Average Rent Per Unit at Acquisition	$1,139
Date Sold	June 2022
Sale Price	$65.2 million
Price Per Unit at Sale	$234,532
Average Rent Per Unit at Sale	$1,250

49%
GROSS IRR

2.9x
GROSS MULTIPLE

$38.2 million
OF PROCEEDS PRODUCED

12%
RENT GROWTH

CapitalSpring

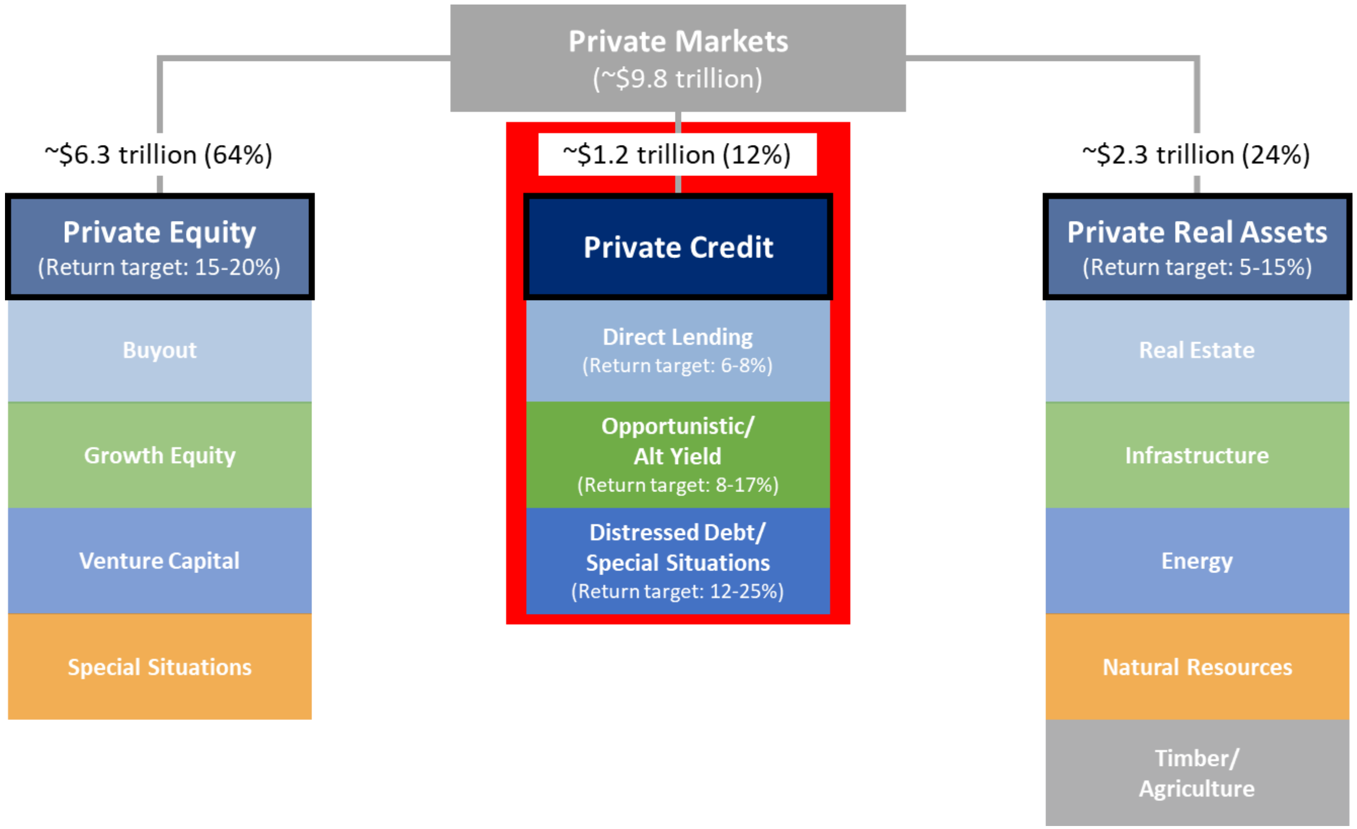
Richard Fitzgerald
Managing Partner

CapitalSpring & Private Debt Investing Overview

April 2024

What is Private Credit?

Private credit comes in many forms, but most commonly involves alternative asset managers (non-bank institutions) making non-publicly traded loans to private companies. Private credit accounts for a large and growing piece of the private markets investment universe.



Note: Private market AUM data as of June 30, 2022, per Callan research, McKinsey, Preqin and SIFMA. Return targets per Wilshire report as of February 2023.

Private Credit – Borrower's Perspective

Capital Needs

Why do companies need capital?

Organic Growth

Add-on Acquisitions

Buyouts

Refinancings

Recapitalizations

Types of Capital

What financing options are available to a company?

Debt

Advantages

- ✓ Retain full ownership
- ✓ Lower cost of capital
- ✓ No obligations after paying back
- ✓ Interest payments are tax deductible

Disadvantages

- × Must pay back
- × Limitations on amount a company can borrow
- × Usually requires collateral pledge

Equity

Advantages

- ✓ No obligations to pay back
- ✓ No limits on amount a company can raise
- ✓ Credibility gained through investor partnerships

Disadvantages

- × Give up ownership
- × More expensive
- × Must consult investor for certain decisions

Sources of Debt

If a company wants to raise debt, where can they obtain it?

Private Credit Fund

Advantages

- ✓ More flexible terms
- ✓ Higher advance rates
- ✓ Quicker process
- ✓ Lower amort.
- ✓ Potential for strategic partnerships

Disadvantages

- × Higher price/interest rate
- × Fewer ancillary products/services

Bank

Advantages

- ✓ Lower price/interest rate
- ✓ Range of ancillary products/services available (e.g., treasury)

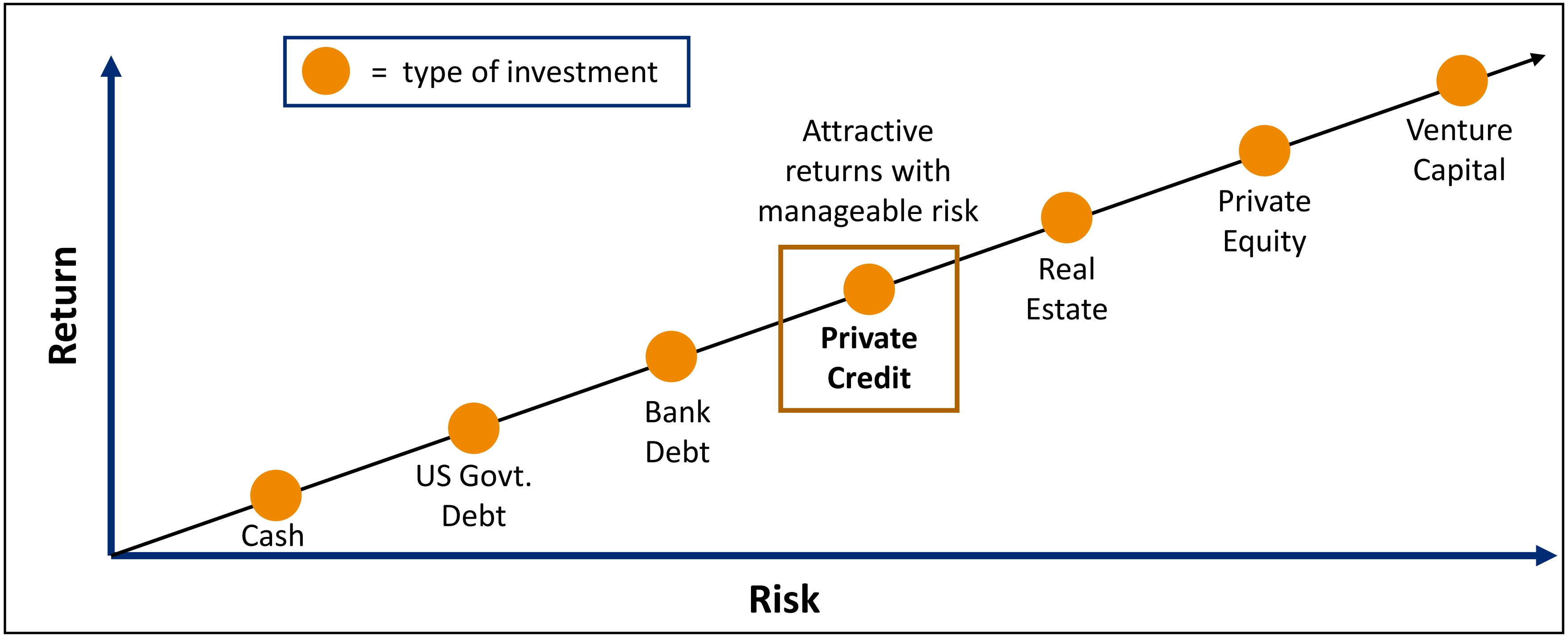
Disadvantages

- × Less flexible terms
- × Stricter limits on borrowing amounts
- × Can be lengthy process

Private Credit – Investor's Perspective

Depending on interest rates, regulations, business cycles and other factors, investors may find private credit attractive for the following reasons:

- Lower-risk approach to private markets than private equity given structured to limit capital loss through priority payment and other legal protections
- Yield/return enhancer as private credit strategies generate returns in excess of traditional fixed income through additional compensation for illiquidity and complexity
- Added diversification for their broader portfolio



CapitalSpring Overview

Founded in 2005, CapitalSpring is an alternative asset manager with industry-leading expertise and experience investing in franchised/branded restaurants, other multi-location businesses, and the ecosystem of vendors and suppliers to these businesses.

- Cohesive team consisting of 33 professionals, including 22 investment professionals
- Headquartered in Nashville with regional offices in Los Angeles, New York, Dallas and Atlanta
- 18+ year track record investing ~$3.3 billion across seven funds, two evergreen SMAs and the Management Company's permanently-capitalized balance sheet
- Completed investments in more than 165 companies representing over 80 foodservice and retail brands across more than 7,500 locations in the US, Canada, Puerto Rico and Mexico

Investment Strategy

- Strategic capital solutions for proven management teams operating across the franchised/branded restaurant industry and other multi-location businesses
- Target unlevered returns in the mid teens (gross IRRs) including a cash yield on the debt portfolio
- Portfolio diversified by restaurant brand, management team/owner, food category, and geography
- Focus on value-oriented segments that have proven resilient during economic downturns: QSR, Fast Casual, Family Dining
- Support proven and established multi-unit operators with embedded diversification across numerous locations
- Strong, longstanding brands with significant regional and/or national presence

Quick Service (QSR)	Fast Casual	Family Dining	Casual/Bar	Other Multi-location
Popeyes	Wing Stop	Denny's	Buffalo Wild Wings	European Wax Center
Taco Bell	Panera Bread	IHOP	Buddy's Detroit-Style Pizza	Wild Wash Express
Better Buzz coffee	Luna Grill fresh mediterranean	Norms	Beef 'O' Brady's Good Food, Good Sports	planet fitness
Dunkin'	Qdoba Mexican Eats	Shari's	The Brass Tap Craft Beer Bar	Holiday Inn
	McAlister's Deli	Coco's Restaurant Bakery	Conner's Kitchen+Bar	jiffy lube
	Bushfire Kitchen	Carrows Restaurants	Cooper's Hawk Winery & Restaurants	Dave & Buster's

Note: These brands represent a sample of current and past investment exposures. The list was not prepared based on performance criteria, and includes companies that are not currently held in CapitalSpring's portfolios.

Restaurant Industry: Large and Attractive Opportunity Set

Large

- US restaurant industry sales projected to top $1 trillion by the end of 2024 for the first time in history[2]
- Approximately 800,000 restaurants in the US[1]
- Daily recurring meal demand - US population of 325+ million eating 3 times per day, every day
- Second largest private employer in the US supporting over 15.7 million jobs[1]

Growing

- Americans are spending more of their income on food than they have in three decades[3]
- Restaurants' share of US food budget doubled from 25% in mid 1950s1 to 55% by 2020[4]
- Each younger generation is spending an increasing share of their total food budget at restaurants
- Millennials spend twice as much at restaurants versus baby boomers[5]
- Number of mega-franchisees generating >$100 million in revenue increased from 12 in 1989 to >125 in 2020[6]

Resilient

- CapitalSpring portfolio showed resilience to past economic cycles (recessions and recent pandemic) as demand for food-away-from-home continues long term growth trajectory
- Restaurant businesses not subject to common risk factors (e.g., technological obsolescence risk, customer concentration risk, currency risk)

The foodservice/restaurant industry is one of the largest industries in the US, yet there is an absence of other dedicated institutional sources of alternative capital to this industry. The industry remains relatively underserved by generalist investors resulting in a large and compelling investment opportunity set.

1) National Restaurant Association
2) National Restaurant Association (2024 State of the Industry)
3) CBS MoneyWatch, Feb 2024, USDA
4) US Census Bureau
5) Bank of America presentation dated February 2019 titled "Thoughts on the Restaurant Sector for 2019" - represents share of monthly spending based on credit charges.
6) Franchise Times' Restaurant 200, 2020.

CapitalSpring's Competitive Edge

capitalspring

Deep Expertise

18+ year investment history with learnings ($3.3 billion deployed since inception)

In-House Operations Team

Dedicated Strategic Operations Group including two veteran executives, each with 25+ years of operating experience and demonstrable history of improving operations and implementing ESG initiatives

Direct Transaction Sourcing

Longstanding relationships with leading sector participants results in consistent flow of non-competitive, non-intermediated investment ideas and opportunities

Proprietary Data Analytics

Leverage proprietary data analytics and benchmarking capabilities to optimize underwriting and portfolio management

Creative Capital Solutions

Provider of "one-stop" financing solutions with creative structuring capabilities to address needs of non-sponsored companies

Defensive Positioning

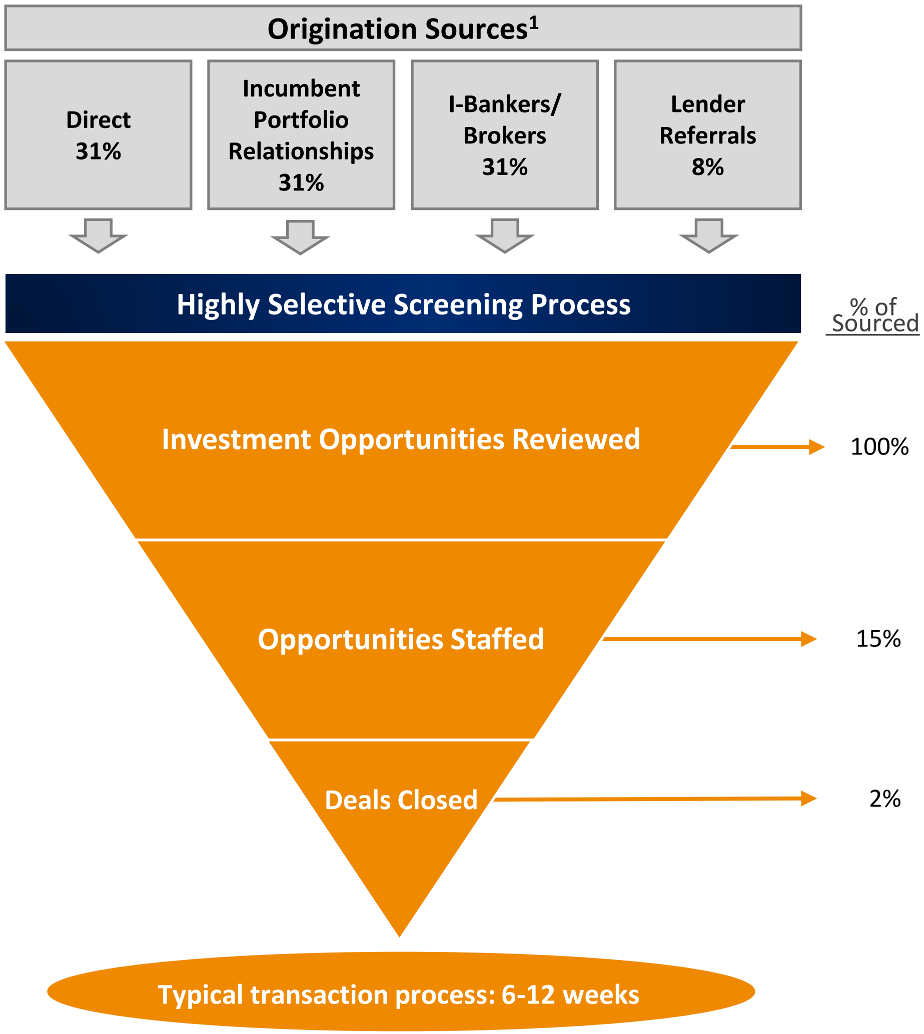
Targeting diversified portfolio of credit-oriented investments (with strong structural protections) supporting proven management teams operating in stable/resilient industry segments

Proactive Portfolio Management

Private equity-style portfolio oversight, process-driven surveillance protocols and in-house value-add management expertise/resources mitigate risk and enhance value-maximizing exits and ESG initiatives

Investment Lifecycle: Executing the Investment Strategy

Robust Deal Flow from Multi-Channel Investment Sourcing 1



- **Significant Deal Flow** given dedicated focus on the restaurant industry and deep relationships across the restaurant ecosystem
- **Direct Origination** function results in consistent flow of non-competitive opportunities and leads to optimal investment structuring and better risk-adjusted returns
- **Highly Selective** ~2% close ratio based on ~400+ opportunities reviewed annually
- **High Frequency of Repeat Investment Opportunities** with existing or past portfolio company teams
- **Regional Offices** support development of local sourcing relationships across multiple geographies
- **Focus on Supporting Management Teams, <u>not</u> PE-Sponsored Activity**, which tends to result in compelling risk/return outcomes

(1) The above reflects deals closed during the CapitalSpring Investment Partners V (CSIP V) Investment period.
(2) CapitalSpring Investment Partners V (CSIP V) was closed in July 2017 and is currently in its harvest period.

Diligence Process Capitalizes on Information/Data Advantage

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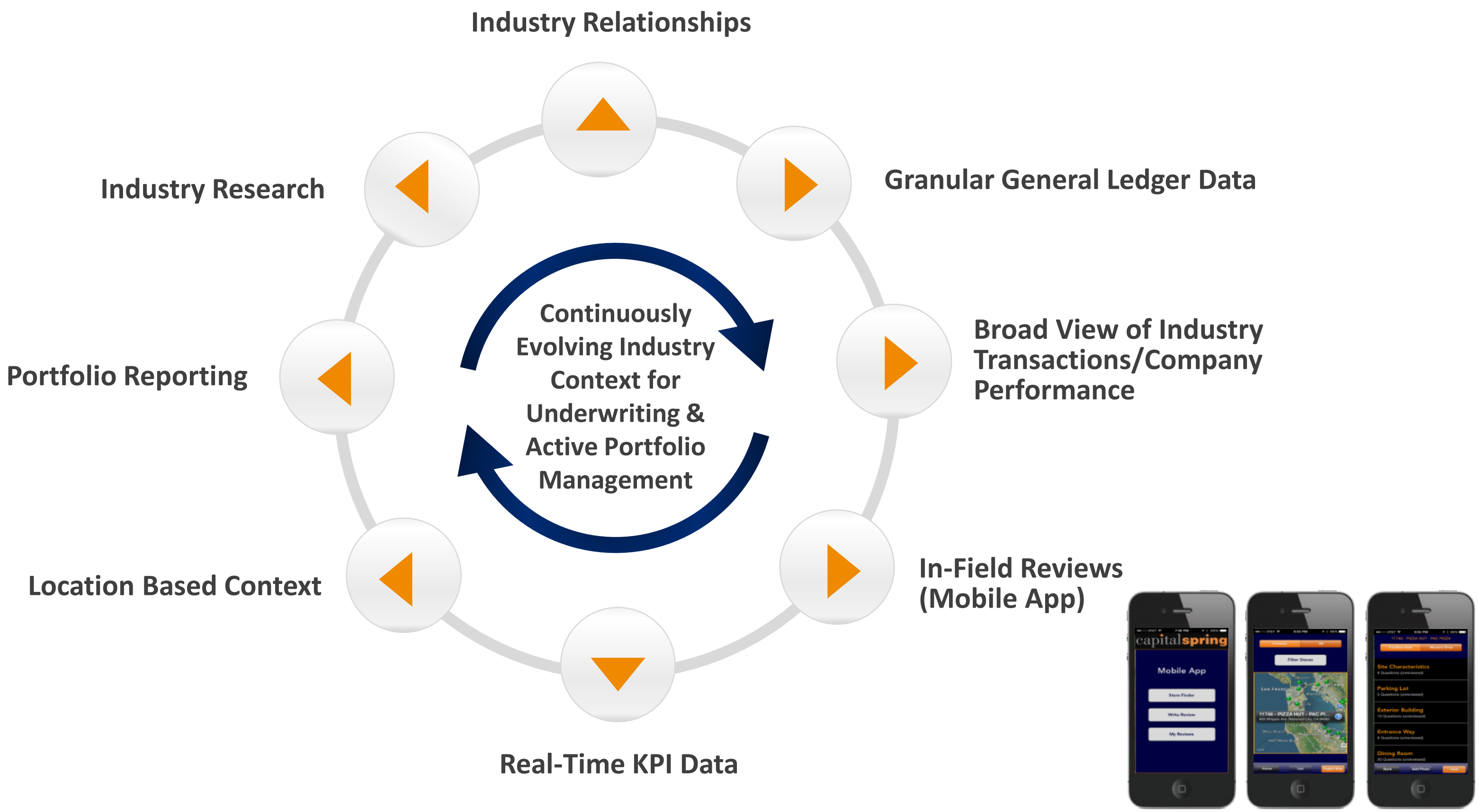


CapitalSpring synthesizes a combination of proprietary & industry data streams to continuously improve underwriting and portfolio management

Expertise & Flexibility Drives Optimal Structures

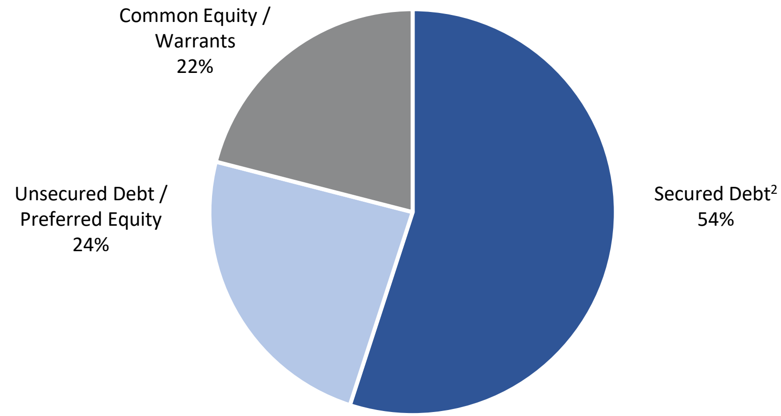
Expertise & Flexibility

- **"One-stop" Capital Provider –** creative and flexible capital solutions covering both structured lending and private equity
- **Solutions-oriented Approach –** tailor investment solutions to meet the needs of a transaction (not "off-the-shelf" product)
- **Industry Focus –** significant restaurant-specific transactional experience allows for more efficient and relevant structuring
  - Current on industry deal activity/terms
  - Knowledgeable on franchisor structural requirements
  - Incorporation of restaurant-specific business factors

Optimal Structures & Risk/Return Angles

- **Risk/Return Optimization –** industry expertise combined with flexible solutions optimizes structures and risk/return
- **Enhanced Protection[1] –** multi-year call protection/make-wholes, strong covenants, guarantees, credit enhancements, etc.
- **Incremental Investments –** deals structured to promote follow-on investments which allow Firm to grow with its winners
- **Diversified/Defensive Portfolio –** Defensive credit portfolio with private equity investments helps CapitalSpring generate an attractive cash yield and all-in IRRs

Flagship Strategy – Gross Deployed Capital by Instrument



(1) While we seek call protection and structural protections on all debt investments, there is no guarantee that such rights will be received in all future investments.
(2) 24% of the secured debt figure includes debt that was deployed, including short-term bridge financing, in connection with "control" investments in which CapitalSpring has the controlling equity interest in the portfolio company.

Proactive Portfolio Management

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Our partners access a holistic support system through the collective resources of our Investment Team, our Strategic Operations Group, and our broad network of industry relationships.

Acquisition Sourcing & Referrals

Industry Introductions

Marketing Strategy & Execution

Operations Optimization & Best Practices

Growth Initiatives

Procurement Savings

Data Analytics
(collected over 17 years)

Strategic Opportunities

Technology Implementation

Vetted Service Providers

Exit Case Study: Wendy's Franchisee

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Background

- CapitalSpring partnered with a family office ("Buyer") interested in acquiring a large tier 1 QSR platform
- Buyer acquired an ~80-unit Wendy's platform operating in the Pacific Northwest and Canada
- Well-performing business with strong same store sales growth and unit level volumes 14% above system averages
- Strong management and operations teams retained post-acquisitions, including CEO who had been with platform for 20 years

Financing Need

- Buyer was focused on finding a financing partner with deep industry expertise who could provide a "one-stop shop" solution
- Capital requirements included financing for the acquisition, flexibility to accommodate significant remodel obligations (25 units over 5 years), and moderate new store development requirements

Deal Summary

Total Capital Need:	**$104.00M**
Sources	
CapitalSpring Senior Debt	$74.0M
Buyer Equity	$30.0M
Uses	
Restaurant Business Purchase	$98.0M
Operating Cash, CapEx & Transaction Costs	$6.0M
SL EBITDA% of Revenue	**~12%**
Actual LTM EBITDA *(After operational improvement)*	**~$12.9M**

CapitalSpring Solution

- Buyer leveraged CapitalSpring's ability to source and screen opportunities across its network, and relied heavily on the Firm's industry expertise during the due diligence and structuring phases of the initial transaction
- Additionally, CapitalSpring played a key role in helping Buyer retain the current CEO, and the management and operations teams
- At close, CapitalSpring provided a $74 million term loan facility, as well as a $7.5 million multi-draw term loan to accommodate remodel CapEx and new store development requirements
- Post close, the platform performed in-line with expectations, and Buyer successfully realized operational improvements and completed several accretive remodels, new unit developments, and bolt-on acquisitions
- Despite the strong credit profile of this transaction, CapitalSpring was able to negotiate a pre-payment penalty that stepped down over three years
- Due to significant deleveraging in the buyer's other business holdings, Buyer consolidated the credit and refinanced CapitalSpring's debt during year 3, triggering a payment of the pre-payment penalty at final payoff.
- **Upon exit, CapitalSpring realized an IRR of 12.7% and an MOIC of 1.24x**

Key Facility Terms

Term Loan	$73,700,000
Unfunded MDTL	$7,500,000
MDTL Availability	24 months and extended to 36 months if $4,000,000 is drawn at the end of 24 months; draws subject to 5.5x gross leverage incurrence test
Maturity	5 years
Collateral	First lien on all assets including equity pledges on U.S. and Canadian assets (subject to Wendy's approval)
Interest Rate	9.75% fixed rate (360-day basis)
Upfront Fee	1.5% on Term Loan + MDTL at close
Undrawn Fee	1.0% on MDTL
Amortization	2.5% / 2.5% / 5.0% / 5.0% / 5.0%
Excess Cash Flow Sweep	50% above 6.0x gross leverage at CapitalSpring's discretion
Prepayment Premium	105/105/103; $17,500,000 carve-out in first 24 months upon sale of affiliate business
Financial Covenants	Maximum gross rent adjusted leverage ratio, minimum fixed charge coverage ratio, maximum corporate overhead / affiliate transactions, and a minimum operating cash level measured quarterly
Sponsor Equity Requirement	$30,000,000
Key Man Insurance	$5,000,000 on CEO
Expense Reimbursement	Full reimbursement with $75,000 received upon LOI signing

TENNESSEE
VALLEY
AUTHORITY