



Synopsis of Capital Foundry SME Investments, L.P. Opportunity

According to the Small Business Administration's Office of Advocacy, new originations of small business loans by banks declined significantly during the years 2009 to 2011, due to the 2008 financial crisis. Furthermore, the number of loan originations has experienced only limited recovery since the financial crisis. In short, there has been a major disruption in overall access to capital for small businesses from traditional bank sources.

Capital Foundry, LLC ("Capital Foundry") was founded in 2016 to address this disruption by providing senior secured working capital loans to small and medium sized businesses that have lost access to capital from traditional bank sources. To date, Capital Foundry, without material marketing expenditures, has grown a portfolio of senior secured loans with total commitments of greater than \$24 million. Capital Foundry's success demonstrates the demand among small businesses for non-traditional sources of capital and, concomitantly, a significant market opportunity for a new fund to meet these growing needs.

To that end, Capital Foundry SME Investments, L.P. (the "Fund") was formed by Capital Foundry Investment Management, LLC (the "General Partner") to make investments in U.S. debt and equity securities or other obligations of US Small Businesses. The Fund intends to be licensed by the U.S. Small Business Administration as a Small Business Investment Company ("SBIC") pursuant to the US Small Business Act of 1958. If licensed as an SBIC, the Fund plans to seek Debenture Leverage, a type of financing provided under the SBIC program in the form of non-amortizing fixed rate 10-year loans. In most circumstances, a single SBIC may obtain up to \$2 in Debenture Leverage for every \$1 of its private capital.

Capital Foundry Investment Services, LLC will serve as the investment adviser to the Fund (the "Advisor"). Neal Shipley, Tom Donahue, Denise Penz, James Baldwin and John Fox (Collectively, the "Principals") together control the General Partner and the Advisor. The Principals have successful track records in business, banking and finance and an extensive network of banks, private investors, private equity funds, professional service firms, family offices and other third-party referral sources.

The investment focus of the Fund will be senior secured debt, senior debt and mezzanine investments. Fund investments may at times have equity "kickers" such as warrants and options attached. These structures will provide current income and some degree of capital appreciation in the form of equity upside. Debt investment terms will generally be from three (3) to seven (7) years and secured by a first lien position on the borrower's assets.

The Fund's investment objective is to create above market returns on a risk-adjusted basis by making structured debt and equity investments in small businesses operating across industries and in need of capital for growth, acquisitions, buyouts and other purposes. The Fund expects to invest in established companies with proven management, while generally not focusing on control investments or investments in start-up or early-stage companies.

The General Partner and Advisor are seeking institutional and individual investors to participate in the Fund as limited partners. Minimum investments are \$500,000 for institutional investors and \$100,000 for individual investors, at the discretion of the Advisor. The Fund's first closing is expected to be in January 2020.

Given the market opportunity, the Fund expects to provide limited partners with an attractive risk-return profile, including a current cash return on their investments.