

NAUTIC PARTNERS  
EXPERIENCED INVESTORS

NAUTIC

# **Nautic Partners, LLC**

**Presentation to the Employees' Retirement System  
of the State of Rhode Island**

**December 12, 2018**

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The historical returns and performance achieved by any individual investment are not a prediction of future performance or a guarantee of future results, and there can be no assurances that the historical returns, comparable returns, or comparable performance will be achieved by investments made by any fund individually or in the aggregate. Net return cannot be calculated on an individual investment basis and has not been provided. Certain information contained herein has been obtained and/or prepared and/or may be based, in part, on information from third parties, which in certain cases has not been updated through June 30, 2018. While such information is believed to be reliable for the purposes of this presentation, Nautic assumes no responsibility for the accuracy or completeness of such information and such information has not been independently verified by Nautic.

## Nautic<sup>(1)</sup> has produced attractive returns for its investors over its 33-year history, through multiple economic cycles

- Total Investment Returns: 17.9% Net IRR and 2.0x Net multiple of invested capital (“MOIC”) over 33 years and 134 investments as of September 30, 2018<sup>(2)</sup>
- Realized Investment Returns: 29.8% Gross IRR and 3.0x Gross MOIC from 115 realized investments as of September 30, 2018<sup>(3)</sup>
- Consistent Performance: Attractive performance across our history, including the four Nautic funds since the spin out in 2000

## The Nautic investment team is proven and experienced

- Managing directors collectively have over 145 years of private equity experience at Nautic and average 18 years of tenure at Nautic
- Strong depth of investment staff in next level of Principal, Vice President, and Senior Associate classes

### Notes:

1. “Nautic” refers to Nautic Partners, LLC and its predecessor. Please see the footnotes at the rear of this presentation for a discussion of Nautic’s history
2. Such cumulative Net MOIC and Net IRR figures include certain unrealized investments. Please see footnotes at the rear of this presentation for more information
3. Net MOIC and Net IRR only available at fund-level and not available for individual investments or exited investments

All data as of quarter end, and exclude new investments and exits completed, if applicable, during subsequent quarters. Gross MOIC and Gross IRR include all realized proceeds and unrealized value but do not reflect amounts distributed to investors, which are reduced by carried interest, management fees, and other partnership expenses. Net MOIC and Net IRR reflects deductions of such carried interest, management fees, and other partnership expenses. Historical returns achieved by any prior funds or individual investments are not a prediction of future performance or a guaranty of future results, and there can be no assurance that these or comparable returns will be achieved or unrealized values will be realized at values indicated on investments individually or in the aggregate made by any fund advised by Nautic. For important disclosures see additional endnotes at the rear of this presentation

## **Nautic focuses on middle market transactions and is organized by industry specialty:**

- Healthcare
- Industrial Products
- Outsourced Services

## **Nautic focuses on a consistent investment process that includes:**

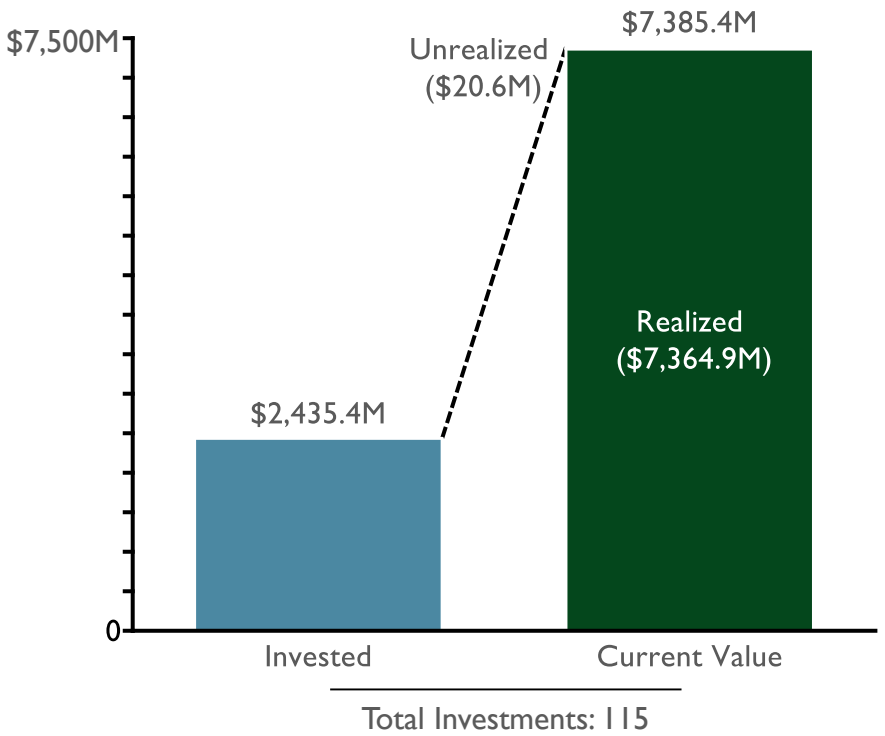
- Identifying companies with stable market positions and earnings visibility
- Executing on actionable value-add initiatives designed to grow earnings. These opportunities are developed based on our industry experience and our long-standing relationships with talented executives
- Upgrading management teams through Nautic's extensive executive network of relationships within its respective industries
- Completing add-on acquisitions that seek to be both strategic and financially accretive

# Over Thirty Year Track Record

## Exited Investments

Q3 2018 Valuation

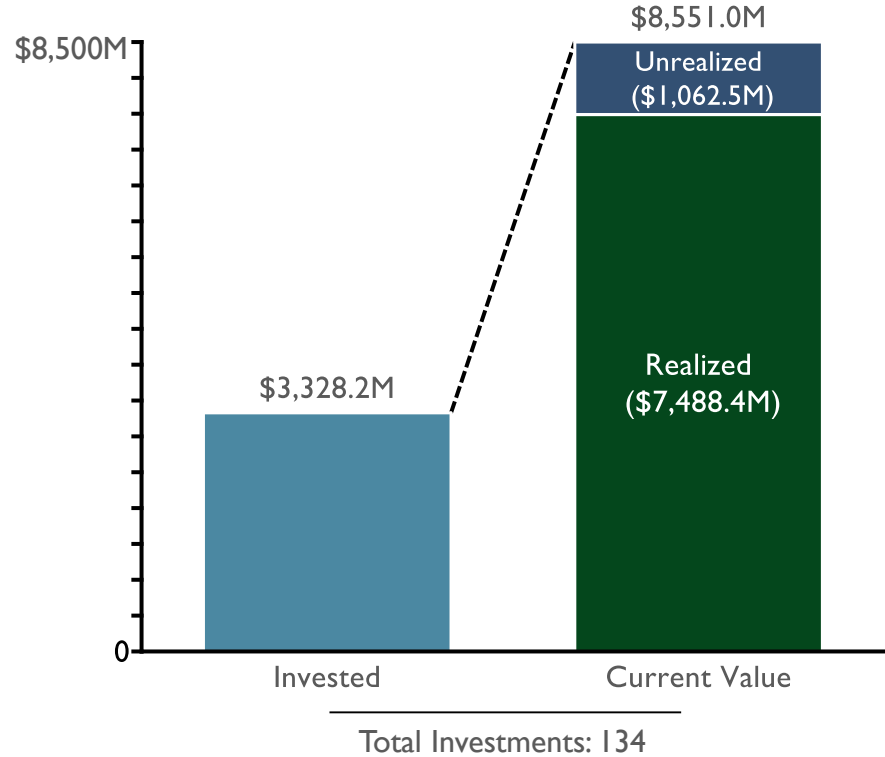
29.8% Gross IRR and 3.0x Gross MOIC



## All Investments

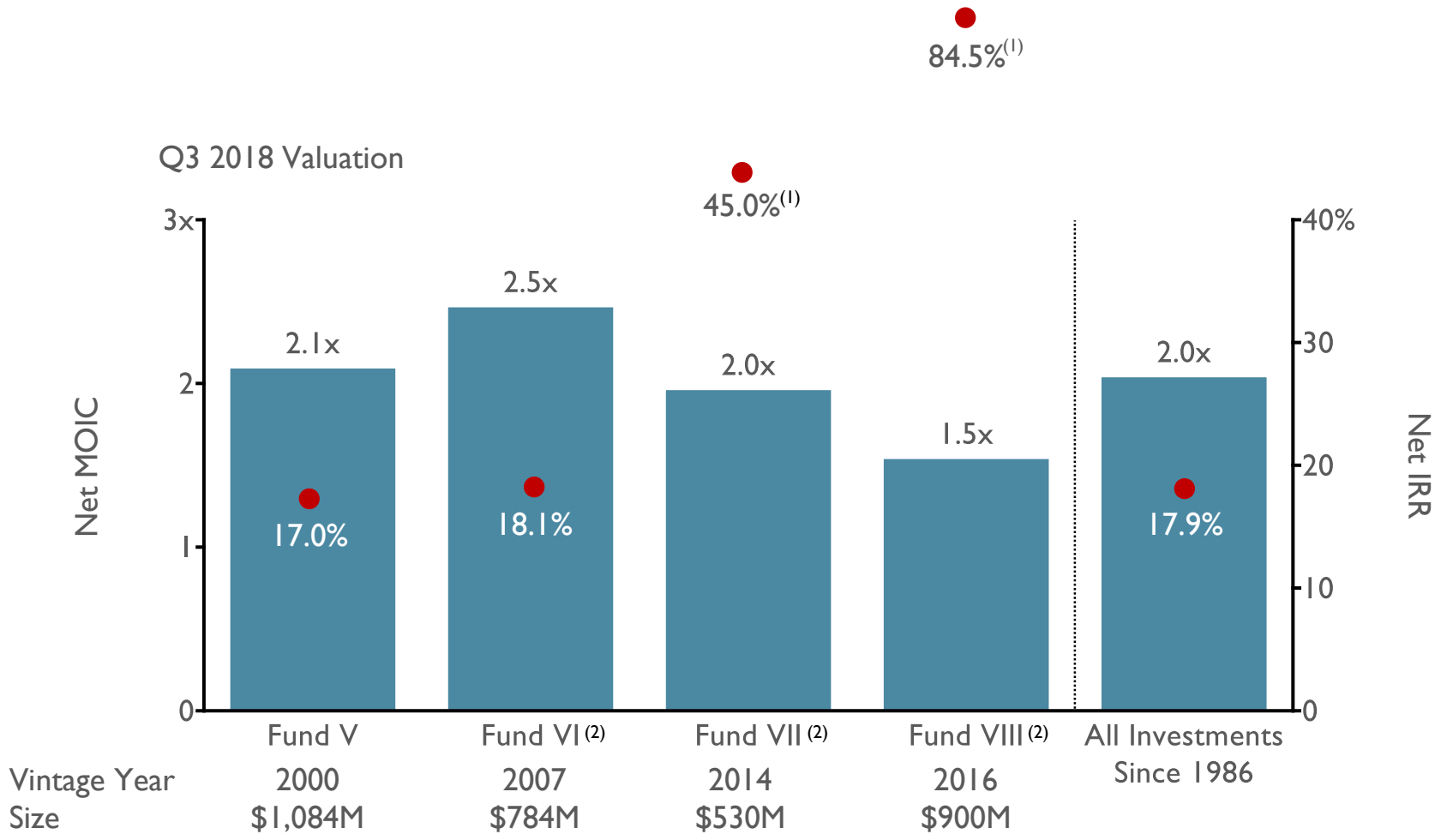
Q3 2018 Valuation

28.4% Gross IRR and 2.6x Gross MOIC  
17.9% Net IRR and 2.0x Net MOIC



All data as of quarter end, and exclude new investments and exits completed, if applicable, during subsequent quarters. Gross MOIC and Gross IRR include all realized proceeds and unrealized value but do not reflect amounts distributed to investors, which are reduced by carried interest, management fees, and other partnership expenses. Net MOIC and Net IRR reflect deductions of carried interest, management fees, and other partnership expenses. Historical returns achieved by any prior funds or individual investments are not a prediction of future performance or a guarantee of future results, and there can be no assurance that these or comparable returns will be achieved or unrealized values will be realized at values indicated on investments individually or in the aggregate made by any fund advised by Nautic. For important disclosures see additional endnotes at the rear of this presentation. Certain performance shown herein represents a compilation of all or a subset of investments of multiple investment funds; therefore, no investor in any of these funds would have recognized or will recognize these results. Such results reflect aggregate performance across multiple funds which were not managed as a single fund or portfolio, with investments that were made over a long period of time and over the course of various market and macroeconomic circumstances.

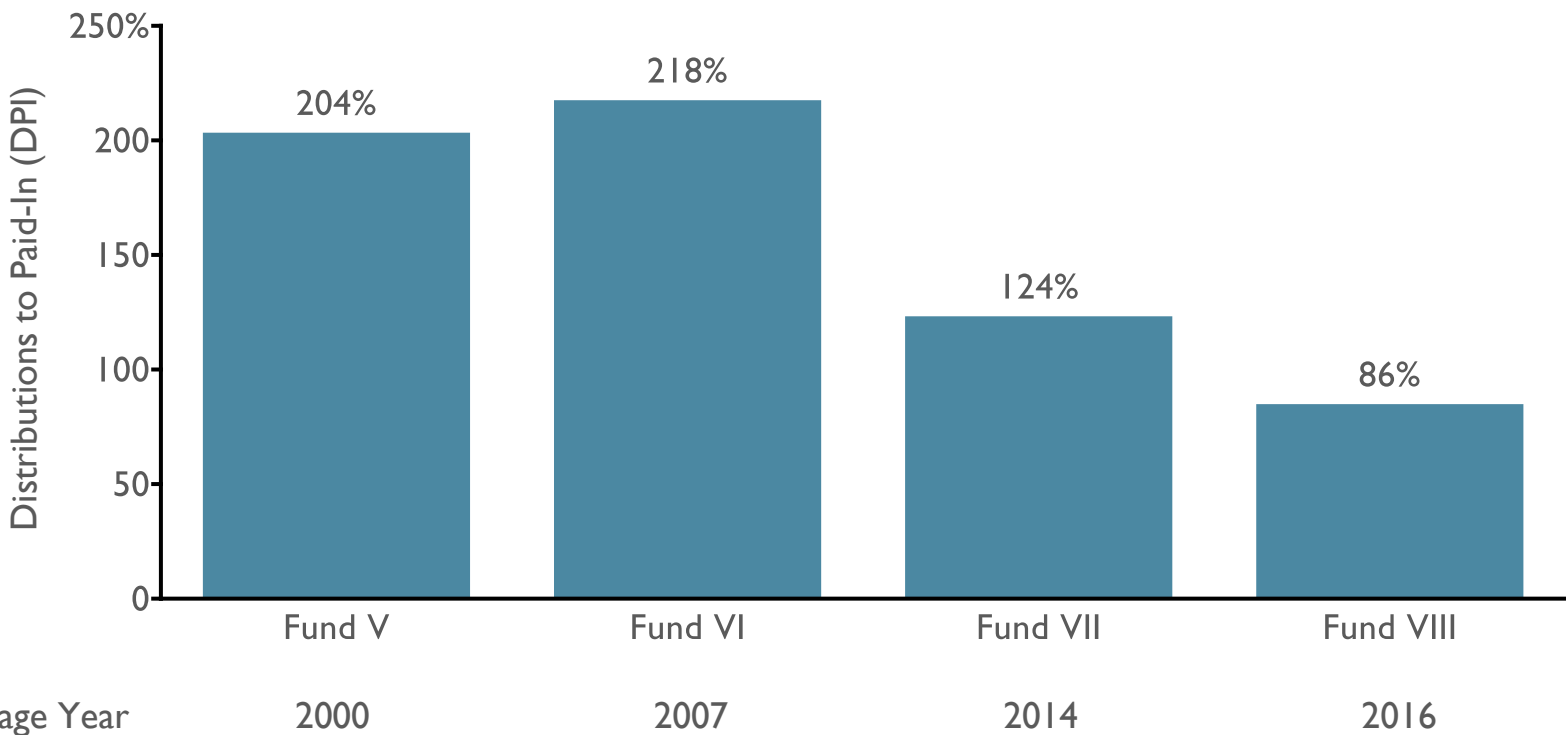
➤ Attractive Performance Across Nautic Funds Since the 2000 Spin Out from Fleet



Notes:  
 1. Due to the short investment period of early investments, the Net IRR as of the valuation date is not a meaningful measure of performance and is expected to decrease over time  
 2. Net MOIC and Net IRR of Fund VI, Fund VII, and Fund VIII exclude blocker expenses associated with certain investments of Nautic Partners VI-A, L.P., Nautic Partners VII-A, L.P., and Nautic Partners VIII-A, L.P., as applicable. Net IRR reflects timing of actual limited partner contributions and distributions and therefore is impacted by cash flow items such as any capital call lines of credit, fee offsets, expenses, and escrows

Net MOIC and Net IRR reflect deductions of carried interest, management fees, and other partnership expenses. Historical returns achieved by any prior funds or individual investments are not a prediction of future performance or a guarantee of future results, and there can be no assurance that these or comparable returns will be achieved or unrealized values will be realized at values indicated on investments individually or in the aggregate made by any fund advised by Nautic. For important disclosures see additional endnotes at the rear of this presentation. Certain performance shown herein represents a compilation of all or a subset of investments of multiple investment funds; therefore, no investor in any of these funds would have recognized or will recognize these results. Such results reflect aggregate performance across multiple funds which were not managed as a single fund or portfolio, with investments that were made over a long period of time and over the course of various market and macroeconomic circumstances.

Q3 2018 Valuation



Note:  
 1. Distributions to Paid-in ("DPI") is calculated as aggregate limited partner distributions divided by aggregate limited partner capital contributions. Values for Fund VI, Fund VII, and Fund VIII represent blended values for Nautic Partners VI, L.P. and Nautic Partners VI-A, L.P.; Nautic Partners VII, L.P. and Nautic Partners VII-A, L.P.; and Nautic Partners VIII, L.P. and Nautic Partners VIII-A, L.P.; respectively  
 Historical returns achieved by any prior funds or individual investments are not a prediction of future performance or a guarantee of future results, and there can be no assurance that these or comparable returns will be achieved or unrealized values will be realized at values indicated on investments individually or in the aggregate made by any fund advised by Nautic. For important disclosures see additional endnotes at the rear of this presentation. Certain performance shown herein represents a compilation of all or a subset of investments of multiple investment funds; therefore, no investor in any of these funds would have recognized or will recognize these results. Such results reflect aggregate performance across multiple funds which were not managed as a single fund or portfolio, with investments that were made over a long period of time and over the course of various market and macroeconomic circumstances.

# Experienced and Highly Motivated Team

Name	Title	Age / Tenure
<u>Managing Directors - Deal Execution</u>		
Bernie Buonanno	Executive Committee	52 / 25
Chris Corey	Executive Committee	42 / 10
Chris Crosby	Executive Committee	47 / 17
Habib Gorgi	Executive Committee	62 / 33
Scott Hilinski	Executive Committee	50 / 23
Chris Pierce	Investment Committee	40 / 11
<u>Business Development</u>		
Jim Beakey	Managing Director	51 / 12
Scott Quigley	Vice President	36 / 1
<u>LP Relations</u>		
Allan Petersen	Managing Director	41 / 12
<u>Deal Execution</u>		
Keith Farrow	Principal	33 / 8
Chris Vinciguerra	Principal	34 / 9
<b>Bobby Sheth</b>	<b>Principal</b>	40 / 0
<i>Planned New Hire</i>	<i>Principal</i>	
<i>Planned New Hire</i>	<i>Principal</i>	
Dan Killeen	Vice President	31 / 2
Nick Vidnovic	Vice President	34 / 3
Sean Wieland	Vice President	33 / 3
Johannes Essl	Senior Associate	34 / 3
Chris Overmyer	Senior Associate	32 / 3
<i>Planned New Hire</i>	<i>Senior Associate</i>	
<i>Planned New Hire</i>	<i>Senior Associate</i>	
<i>Planned New Hire</i>	<i>Senior Associate</i>	
Nick Bashour	Associate	25 / 0
Chris Boe	Associate	27 / 1
Anosh Shah	Associate	30 / 2
<b>Pending New Hire</b>	<b>Associate</b>	
<i>Planned New Hire</i>	<i>Associate</i>	
<u>Operating Advisors<sup>(1)</sup></u>		
Rick Crosier	Dave Harrington	
<b>Jerry Knutson</b>	<b>John Manzi</b>	
Pete Nelson	<b>Alan Wong</b>	
<i>Planned New Addition</i>	<i>Planned New Addition</i>	

Recent /  
Planned  
Additions

- 8 Managing Directors have over 145 years of collective private equity experience at Nautic
- Talented group of investment staff members at the Principal, Vice President, Senior Associate, and Associate levels
- 6 additional new investment staff hires planned
- 22 operations staff members, led by CFO/CCO Chuck Bartolini, provide compliance, finance & accounting, tax, human resources, and information technology capabilities
- Operating Advisors contribute valuable hands-on skills and industry expertise

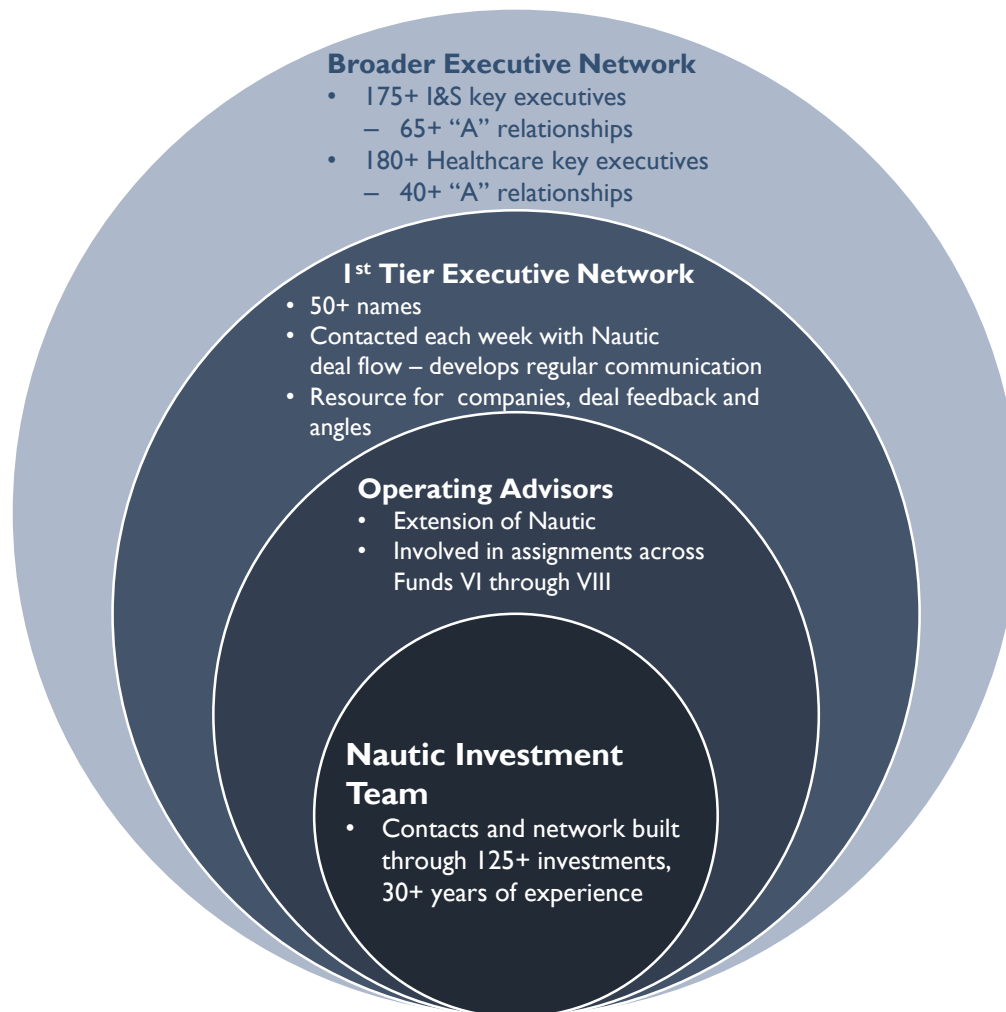
1. Operating advisors are not full time employees of Nautic and fees paid to the operating advisors will not result in offsets to the management fee



- Over two decades of healthcare private equity investing with deep experience in several subsectors within healthcare
- Deep understanding of complex healthcare trends and themes, including regulatory, compliance, provider reimbursement, employer-paid healthcare dynamics, for-profit versus not-for-profit considerations, and value proposition between constituents
- Wide-ranging healthcare network including relationships with managed care organizations and management teams
- Areas of focus:
  - ✓ Managed care
  - ✓ Outsourced services to healthcare payers / insurance administrators
  - ✓ Healthcare providers with compelling demographic, reimbursement, and market consolidation / rebalancing trends
  - ✓ Outsourced services to healthcare providers / manufacturers
  - ✓ Medical products that are clinically effective, low cost, and low/mid tech

- Disciplined investment process includes transactions with the following characteristics:
  - ✓ Stable market positions and earnings visibility
  - ✓ Identified value creation opportunities in cooperation with our Operating Advisors and management executive network
  - ✓ Fragmented industries where there are opportunities to complete add on transactions that are financially and strategically accretive
  - ✓ Management talent, either existing at the company or identified through our executive network, that is capable of executing on our pre-closing plan
  
- We have identified and will proactively target subsectors that are impacted by the following key themes, which we believe will be catalysts for growth:
  - ✓ BPO and tech-enabled services
  - ✓ Inspection and safety
  - ✓ Globalization
  - ✓ Infrastructure
  - ✓ Demographic change
  - ✓ Education
  - ✓ Automation
  - ✓ Industrial distribution

## Network



## Tools and Other Resources

- Dedicated Nautic resource
  - ✓ Sources, develops, and manages Nautic’s executive network
  - ✓ Focused on uncovering executive angles to provide conviction for investment theses
- Weekly email of deal flow to 1<sup>st</sup> Tier Executive Network
  - ✓ Consistent touchpoints with Nautic’s identified top-tier executive talent
  - ✓ Self-selecting, knowledgeable feedback on deal opportunities and angles
- Use of DealCloud database to carefully track broader network
  - ✓ Ability to screen for executives with relevant experience and competencies
  - ✓ Resources for due diligence, management meetings, or portfolio co. operations
- Negotiated agreements with key relationships to deliver executive introductions outside of a search process
  - ✓ Lancor Executive Search
  - ✓ Harvey & Co.
  - ✓ CMF Associates
  - ✓ Investment banker contacts
  - ✓ *Important for finding backable CEOs, future board members or pre-LOI diligence resources and management angles*

- Completing strategic, carefully selected add-on acquisitions for our portfolio companies is a core part of Nautic's value creation

## Nautic Track Record

- Fund VI -- 18 add-on acquisitions closed to date
  - ✓ Over \$105 million of EBITDA at closing, including estimated synergies
  - ✓ Weighted-average purchase multiple of acquisitions was approximately 5.6x, including estimated synergies
- Fund VII -- 21 strategic acquisitions closed to date
  - ✓ Over \$50 million of EBITDA at closing, including estimated synergies
  - ✓ Weighted-average purchase multiple of add-ons is approximately 4.9x, including estimated synergies

## Value Creation Path

- Nautic believes its add-on acquisitions have created value through:
  - ✓ **Multiple expansion:** By being integrated into larger enterprises, add-on companies can improve valuation multiples by removing limitations such as sub-standard scale, regional isolation, or customer concentration
  - ✓ **Cross-selling / revenue synergies:** Increased market potential may exist through cross-selling into complementary customers, sales channels, or geographies
  - ✓ **Complementary assets / capabilities:** Merging companies may fill personnel or capability gaps in each, bolstering marketability or eliminating the need for a separate hire or capital investment
  - ✓ **Cost synergies:** Acquisitions can increase purchasing power and reduce operating costs within the organization
  - ✓ **Financing:** Increasing a platform's scale via acquisition often yields better debt financing terms that enhance equity returns

- Nautic supports its portfolio company management teams in assessing and implementing operating initiatives that grow revenue, increase margins, and mitigate risk through the addition of better people, processes, and systems
  
- Across Funds VI through VIII, we have supported over three-fourths of our portfolio companies on at least one of these five initiatives:
  - ✓ Growth Strategy
  - ✓ Business & Pipeline Development
  - ✓ Pricing Assessment
  - ✓ Cost Management
  - ✓ IT / Systems
  
- Engagement with portfolio companies on these operating initiatives depends on where opportunities and/or needs exist, and Nautic endeavors to add significant value when its engagement is warranted
  - ✓ In all cases, Nautic relies on management to execute these initiatives
  - ✓ Nautic's role is to help set priorities, introduce third parties for support, or engage ourselves as appropriate

<b>Target Fund Size</b>	\$1.25 billion. Commitments in excess of or less than this amount may be accepted at the discretion of Nautic Capital IX, L.P. (the “General Partner”), the general partner of each of Nautic Partners IX, L.P. and Nautic Partners IX-A, L.P. (together, the “Fund”).
<b>GP Commitment</b>	At least \$50 million.
<b>Investment Focus</b>	Primarily middle-market private equity and equity-related investments in a variety of growth, consolidation, and buy-out opportunities generally within the healthcare, industrial products, and outsourced services sectors in North America.
<b>Commitment Period</b>	Six years from the effective date of the Fund.
<b>Term</b>	Ten years, subject to two consecutive one-year extensions at the discretion of the General Partner and one additional one-year extension at the discretion of the General Partner with the consent of the advisory board of the Fund.
<b>Management Fees</b>	During the commitment period, 2% per annum of aggregate commitments to the Fund. Thereafter, 2% per annum of aggregate commitments invested in unrealized investments.
<b>Transaction Fees</b>	Any directors’, transaction, break-up, advisory, or other similar fees, net of expenses, will be credited 100% against the management fee.
<b>Preferred Hurdle</b>	8%
<b>Carried Interest</b>	20%; back-ended carry (European distribution model)
<b>GP Clawback</b>	Yes

Note:

1. The foregoing information is presented as a high level summary of certain key Fund IX terms only and is qualified in its entirety by reference to Fund IX’s more detailed Limited Partnership Agreement. All terms remain subject to change prior to the final closing date of Fund IX.

# Performance Summary

(As of September 30, 2018) (\$ in Millions)	Vintage Year / # of PortCos	Total Fund Size	Total Capital Invested	Total Realized Proceeds(d)	Unrealized Value(e)	Total Value	Gross MOIC(a)	Gross IRR(a)	Net MOIC(a,f)	Net IRR(a,f)
<b>FEP I ("Fund I")</b>	1986									
Exited Investments	30		\$90.9	\$286.2	--	\$286.2	3.15x	30.9%		
Total Investments	30	\$90.9	\$90.9	\$286.2	--	\$286.2	3.15x	30.9%	2.51x	23.9%
<b>FEP II / Chisholm Partners II, L.P. ("Fund II")</b>	1993									
Exited Investments	12		\$92.7	\$340.1	\$0.0	\$340.1	3.67x	50.7%		
Total Investments	12	\$92.7	\$92.7	\$340.1	\$0.0	\$340.1	3.67x	50.7%	3.38x	39.0%
<b>FEP III / Chisholm Partners III, L.P. ("Fund III")</b>	1996									
Exited Investments	16		\$201.5	\$683.0	\$0.0	\$683.0	3.39x	44.3%		
Active Investments	1		\$19.8	\$4.4	\$4.6	\$9.0	0.45x	(0.0)		
Total Investments	17	\$225.2	\$221.3	\$687.4	\$4.6	\$692.0	3.13x	39.2%	2.52x	24.2%
<b>FEP IV / Chisholm Partners IV, L.P. ("Fund IV")</b>	1999									
Exited Investments	27		\$430.8	\$560.3	\$0.0	\$560.3	1.30x	3.3%		
Total Investments	27	\$515.5	\$430.8	\$560.3	\$0.0	\$560.3	1.30x	3.3%	1.06x	0.7%
<b>Nautic Partners V, L.P. ("Fund V")</b>	2000									
Exited Investments	20		\$788.1	\$2,431.1	\$0.0	\$2,431.1	3.08x	30.5%		
Active Investments	3		\$120.2	\$31.2	\$77.8	\$109.0	0.91x	-0.9%		
Total Investments	23	\$1,083.7	\$908.3	\$2,462.3	\$77.8	\$2,540.1	2.80x	27.8%	2.10x	17.0%
<b>Nautic Partners VI, L.P. ("Fund VI")</b>	2007									
Exited Investments	11		\$535.0	\$2,143.8	\$7.6	\$2,151.4	4.02x	35.6%		
Active Investments	3		\$210.0	\$65.0	\$203.6	\$268.7	1.28x	2.9%		
Total Investments	14	\$783.7	\$744.9	\$2,208.8	\$211.2	\$2,420.0	3.25x	24.4%	2.47x	18.1%
<b>Nautic Partners VII, L.P. ("Fund VII") (1)</b>	2014									
Exited Investments	5		\$197.1	\$586.9	\$11.4	\$598.2	3.04x	124.2%		
Active Investments	7		\$222.1	\$19.8	\$371.2	\$391.0	1.76x	21.2%		
Total Investments	12	\$530.0	\$419.1	\$606.7	\$382.5	\$989.2	2.36x	54.5%	1.97x	45.0%
<b>Nautic Partners VIII, L.P. ("Fund VIII") (1)</b>	2016									
Exited Investments	2		\$99.4	\$333.5	\$1.7	\$335.1	3.37x	169.9%		
Active Investments	6		\$320.7	\$3.1	\$384.8	\$387.9	1.21x	22.7%		
Total Investments	8	\$900.0	\$420.1	\$336.5	\$386.5	\$723.0	1.72x	79.4%	1.55x	84.5%
<b>All Nautic Investments</b>										
Total Exited Investments	115		\$2,435.4	\$7,364.9	\$20.6	\$7,385.4	3.03x	29.8%		
Total Active Investments	19		\$892.7	\$123.6	\$1,042.0	\$1,165.5	1.31x	4.9%		
Total Nautic Investments	134		\$3,328.2	\$7,488.4	\$1,062.5	\$8,551.0	2.57x	28.4%	2.04x	17.9%

Note:

1. Due to the short investment period of certain early investments, the Gross IRR and Net IRR as of the valuation date are not a meaningful measure of performance and are expected to decrease over time

Gross MOIC and Gross IRR include all realized proceeds and unrealized value but do not reflect amounts distributed to investors, which are reduced by carried interest, management fees, and other partnership expenses. Net MOIC and Net IRR reflect deductions of carried interest, management fees, and other partnership expenses. The historical returns achieved by any prior funds or individual investments are not a prediction of future performance or a guarantee of future results, and there can be no assurance that these or comparable returns will be achieved or that unrealized values will be realized at values indicated on investments individually or in the aggregate made by any fund advised by Nautic. See additional endnotes at the rear of this presentation for important disclosures. Certain performance shown herein represents a compilation of all or a subset of investments of multiple investment funds; therefore, no investor in any of these funds would have recognized or will recognize these results. Such results reflect aggregate performance across multiple funds which were not managed as a single fund or portfolio, with investments that were made over a long period of time and over the course of various market and macroeconomic circumstances.

- a) Multiple of Invested Capital and Internal Rates of Return: Gross internal rate of return (“Gross IRR”) and gross multiple of invested capital (“Gross MOIC”) are calculated by utilizing cash inflows and outflows on a deal-by-deal basis. As a result, Gross IRR is calculated on an individual portfolio company level and on a fund level. Gross IRR begins on the first day of the month that the first cash outflow occurred. Subsequent cash inflows (Realized Proceeds, as defined below) and cash outflows (i.e., follow-on investments, if applicable) are accounted for as of the first day of the month such cash flows occurred. Lastly, for investments that have not been realized, Gross IRR assumes that such investments are sold at their Unrealized Value (as defined below) as of the first day of the month subsequent to the end of the measurement period (i.e., 4/1/2018 for the period ending 3/31/2018). Unlike Net IRR, Gross IRR (and therefore Realized Proceeds and Unrealized Value) does not reflect investor level cash flows. Investor-level Gross IRR will vary from the Gross IRRs shown herein. Gross MOIC is calculated as (i) the sum of Realized Proceeds and Unrealized Value, as defined below; divided by (ii) total invested capital.

Net internal rate of return (“Net IRR”) is calculated based on limited partners’ actual cash flows, and the fair value of limited partners’ capital accounts as of the measurement date, after taking into account management fees, partnership expenses, management fee offset amounts, management fee waiver, carried interest and other expenses borne by investors. Net multiple of invested capital (“Net MOIC”) is (i) the sum of (A) aggregate distributions to limited partners and (B) the value of the limited partners’ remaining interest in the fund or investment vehicle, divided by (ii) aggregate capital contributions made by limited partners. Net IRR and Net MOIC are calculated on a fund level only and are not calculated on a portfolio company level. Net IRR is calculated with the same first-of-the-month cash flow assumptions as Gross IRR. Net IRR and Net MOIC for certain funds reflect the impact of utilizing a capital call line of credit to finance investments prior to issuing a capital call to limited partners. The related delay of limited partner contributions will impact limited partners’ Net IRR and may impact limited partners’ Net MOIC. Similarly, Nautic calculates its Net IRR and Net MOIC on an aggregate basis for all of its limited partners and, as a result, an individual limited partner’s Net IRR and/or Net MOIC may vary from Net IRR and Net MOIC presented by Nautic based upon the timing of the limited partner’s capital contributions or, in the case of Net IRR, whether or not such limited partner also utilizes a first-of-the-month convention.

The IRRs with respect to the aggregate Firm performance are calculated as one continuous fund from the Firm’s first investment in 1986 and incorporating the underlying fund revenue and expenses, including assumed expenses, as applicable, for all funds (see also footnote (f)). In the case of Fund I, Fund II, Fund III, and Fund IV, as defined below, any capital managed on behalf of Fleet-related entities has been treated on the same basis as the respective fund’s Chisholm Partners fund, and has therefore been calculated to take into account any fund management fee and carried interest that applied to the respective fund’s Chisholm Partners fund, even though such Fleet-related capital may not have been subject to such management fees and carried interest.

Each of Fund VI, Fund VII, and Fund VIII are comprised of two funds, Nautic Partners VI, L.P., Nautic Partners VII, L.P., or Nautic Partners VIII, L.P. (as applicable, the “Main Fund”) and Nautic Partners VI-A, L.P., Nautic Partners VII-A, L.P., or Nautic Partners VIII-A, L.P. (as applicable, the “Blocker Fund”). Each fund’s Main Fund and Blocker Fund invest in parallel in all investments pro rata according to capital commitments. Each of the investors in Fund VI, Fund VII, and Fund VIII had the option to elect which fund to invest in (i.e., the Main Fund or the Blocker Fund) based on its specific circumstances. Each fund’s Blocker Fund is required to make certain investments through blocker structures, which are not required of such fund’s corresponding Main Fund. Such blocker structures may result in each fund’s Blocker Fund recognizing lower returns and higher expenses in connection with such investments as compared to such fund’s corresponding Main Fund. The performance information of each of Fund VI, Fund VII, and Fund VIII, including the aggregate Firm performance, is presented as if all investors had invested in each fund’s Main Fund. As of September 30, 2018, the Net MOIC and Net IRR for (i) Fund VI’s Blocker Fund are 2.5x and 17.9%; (ii) Fund VII’s Blocker Fund are 1.9x and 43.6%, respectively; (iii) Fund VIII’s Blocker Fund are 1.5x and 83.0%, respectively

- b) Exited Investments, Active Investments: Exited Investments reflect all investments in which the corresponding fund has sold, liquidated, or otherwise exited its ownership in the entity, its operating subsidiaries, or its operating assets. Active investments reflect all investments in which the corresponding fund still retains an active interest in the entity, its operating subsidiaries, or its operating assets.

- c) Historical Investment Performance: Investment Performance includes all Nautic investments since 1986, including:

- i) Fund I – Comprised of investments made solely by entities related to Fleet Financial Group totaling \$90.9 million of invested capital.
- ii) Fund II – Vintage year of 1993 (August) and comprised of Chisholm Partners II, L.P. (“CPII, L.P.”) and co-investments made alongside CPII, L.P. by any Fleet-related entities. This represented the first opportunity for third-party investors to co-invest alongside the Fleet entities.
- iii) Fund III – Vintage year of 1996 (October) and comprised of Chisholm Partners III, L.P. (“CPIII, L.P.”) and co-investments made alongside CPIII, L.P. by any Fleet-related entities including Kennedy Plaza Partners, an employee co-investment vehicle.
- iv) Fund IV – Vintage year of 1999 (July) and comprised of Chisholm Partners IV, L.P. (“CPIV, L.P.”) and co-investments made alongside CPIV, L.P. by any Fleet-related entities including Kennedy Plaza Partners II, LLC, an employee co-investment vehicle.
- v) Fund V – Vintage year of 2000 (June) and comprised of Nautic Partners V, L.P. (“NPV, L.P.”) and Kennedy Plaza Partners III, LLC, an employee co-investment vehicle. This represented Nautic’s first fully-independent private equity investment fund.
- vi) Fund VI – Vintage year of 2007 (May) and comprised of Nautic Partners VI, L.P., Nautic Partners VI-A L.P., Nautic Partners VI AIV – No. 1, L.P., Nautic Partners VI-A AIV – No. 1, L.P. (collectively “NPVI, L.P.”), and Kennedy Plaza Partners VI, L.P., an employee/executive co-investment vehicle.
- vii) Fund VII – Vintage year of 2014 (July) and comprised of Nautic Partners VII, L.P. and Nautic Partners VII-A L.P.
- viii) Fund VIII – Vintage year of 2016 (January) and comprised of Nautic Partners VIII, L.P. and Nautic Partners VIII-A, L.P.



c) (continued): Fund I investments were proprietary investments of Fleet and no third-party investors invested in Fund I. Fund I was not a traditional private equity fund, but a collection of investments made through various investment vehicles on behalf of Fleet and certain of its affiliates. Fund I is referred to as a “fund” solely for illustrative purposes. Investments for Fund I were sourced, diligenced, and executed by Habib Gorgi and Robert Van Degna (the “Managers”) but required perfunctory approval via unanimous consent of an executive committee consisting initially of Mr. Van Degna and two Fleet representatives and later in Fund I the committee consisted of both Managers and one Fleet representative. The Fleet representatives approved every transaction that was proposed to them. Beginning in 2001, Mr. Van Degna stepped back from day-to-day activities at Nautic, but remained involved as a member of the Investment Committees of Fund IV and Fund V. Mr. Van Degna has not been involved in subsequent funds. Since Fund I was a collection of proprietary investments on behalf of Fleet and its affiliates, a traditional management fee and carried interest were not charged. However, all fee income received by Fund II and Fund III through August 4, 2000 was paid to the Fleet entity that was in the investor group associated with the specific portfolio company which generated the fee. Each of the Chisholm funds in the Fund II or Fund III investor group paid a management services fee, approximately equal to the management fee they received, to the Fleet entity that employed the staff. Additionally, Fleet bore the expenses to employ and incentivize the Managers and other employees working on private equity investing. Because these expenses cannot be accurately compiled, they are not reflected in the returns of Fund I. To compute Fund I’s Net IRR shown in this presentation, Nautic has assumed the investments were made in a traditional private equity fund that charged a 2% management fee on committed capital during the investment period and a 1.65% management fee during the post-investment period on funded capital less distributed capital, as well as a 20% carried interest after return of capital. No other expenses except for the management fee were included in these calculations. These calculations are estimates and meant for illustrative purposes only (see footnote (f) for details on calculations). The returns of Fund I may have been materially lower had it been a traditional private equity fund that charged a management fee, bore traditional partnership expenses, and charged carried interest.

Fund II consisted of approximately 90% proprietary Fleet capital and offered the first opportunity for third-party capital commitments alongside Fleet. Fund III (approximately 80% proprietary Fleet capital) and Fund IV (approximately 60% Fleet capital) continued the trend of permitting more third-party commitments alongside Fleet. Fleet’s co-investment with these funds did not bear a traditional management fee or carried interest. Third-party capital invested in these funds paid a 2% management fee throughout each fund’s term, a 20% carried interest and bore traditional fund expenses. Investments for Fund II, Fund III and Fund IV were sourced by the Managers and their team. Investment decisions in connection with Fund II, Fund III and Fund IV were made as follows: (i) with respect to the Fleet entities, by an investment committee comprised of the Managers and a Fleet representative; (ii) with respect to the Kennedy Plaza Partners co-invest entities, by the Managers; (iii) with respect to the Chisholm entities in Fund II and Fund III, by the Managers; and (iv) with respect to the Chisholm entity in Fund IV, by an investment committee comprised of four partners, two of whom were the Managers. All investments made by the Managers and their team while they were employees of Fleet are reflected in Fund I through Fund IV except for certain passive investments that were brought to Fleet as a result of Fleet’s investment in third-party private equity funds (approximately eight passive investments were made). These co-invest opportunities were passive investments and were not sourced or led by the Managers and therefore are not included in the investment history. In addition, the Managers and their team made certain investments on behalf of Fleet and its affiliates in third-party private equity funds made in a fund of funds structure. These fund of funds investments are also not included in the investment history since Nautic does not make fund of funds investments. Additionally, in March 2013 the successor to Fleet for regulatory reasons sold certain direct and indirect interests in various portfolio companies to an entity formed by certain Nautic professionals. Since these interests continue to be managed in connection with the other applicable investment vehicles, this transaction has not been treated as a realization event.

d) Realized Proceeds: This represents the sum of gross proceeds generated from dispositions, distributions from flow-through entities, dividends, fee income (including all fees received by the general partner, whether or not such fees resulted in reductions to the management fees or other benefits to the investors), and interest prior to payment of management fees and partnership expenses, which in the aggregate, may be substantial.

e) Unrealized Value: Unrealized value is the “fair value” of an investment that has not been realized in accordance with Nautic’s valuation policy. Publicly traded investments are valued based on the closing market price of the securities owned by the applicable fund as of the reporting date. Non-publicly traded investments are valued using valuation methodologies that include: private market transactions, market-based public multiples, discounted future cash flows, industry specific benchmarks, and executed letters of intent or purchase agreements relating to exit transactions. The actual realized returns of unrealized investments will depend on, among other factors, future operating results, the value of the assets and market conditions at the time of disposition, any related transaction costs and the timing and manner of sale. Nautic believes that such unrealized values are reasonable and appropriate. However, there can be no assurance that proceeds will actually be realized on these investments, or that, if and when realized, the proceeds will be equal to the valuations shown.

f) Net MOIC and IRR by Fund calculations:

- i) Fund I – Fund I is not a traditional private equity fund as all investments were made solely by Fleet-related entities from 1986-1993 and certain investment made from 1995-1996. Net MOIC and Net IRR are calculated assuming these investments were made through a more traditional private equity structure in two separate pools (Pool 1 (1986-1993) and Pool 2 (1995-1996)) based on: (a) an estimated total fund size including the aggregate cost-basis of all investments and a 10% gross-up for expenses; (b) a 2% management fee based on committed capital during the investment period (six years for Pool 1 and three years for Pool 2); (c) a 1.65% management fee for six years after the investment period based on funded commitments less return of capital; (d) a 20% carried interest after return of capital; and (e) no other expenses being borne by Fund I.
- ii) Fund II – Based solely on CPII, L.P. which charged a 20% carried interest and a 2% management fee (based on committed capital during the investment period and remaining invested capital thereafter) and paid other partnership expenses. Had the Fleet entities that co-invested alongside CPII, L.P. invested through CPII, L.P. or a similar entity, the Net MOIC and Net IRR for these entities would be the same as CPII, L.P.

f) (continued): Net MOIC and IRR by Fund calculations:

- iii. Fund III – Based solely on CPIII, L.P. which charged a 20% carried interest and a 2% management fee (based on committed capital during the investment period and remaining invested capital thereafter) and paid other partnership expenses. Had the Fleet entities that co-invested alongside CPIII, L.P. invested through CPIII, L.P. or a similar entity, the Net MOIC and Net IRR for these entities would be the same as CPIII, L.P.
- iv. Fund IV – Based solely on CPIV, L.P. which charged a 20% carried interest and a 2% management fee (based on committed capital during the investment period, then 1.65% of remaining invested capital until June 30, 2010, and then 1.5% of remaining invested capital, less certain unreturned capital associated with realized losses, from July 1, 2010 until June 30, 2011) and paid other partnership expenses. Had the Fleet entities that co-invested alongside CPIV, L.P. invested through CPIV, L.P. or a similar entity, the Net MOIC and Net IRR for these entities would be the same as CPIV, L.P.
- v. Fund V – Based solely on NPV, L.P. which charged a 20% carried interest and a 2% management fee (based on committed capital during the investment period, then 1.65% (1.5% from June 30, 2010) of remaining invested capital until June 30, 2012) and paid other partnership expenses. Had Kennedy Plaza III, LLC, which co-invested alongside NPV, L.P., invested through NPV, L.P. or a similar entity, the Net MOIC and Net IRR for this entity would be the same as NPV, L.P.
- vi. Fund VI – Based solely on NPVI, L.P. which charged a 20% carried interest and a 2% management fee (based on committed capital during the investment period, then 1.65% of remaining invested capital thereafter) and paid other partnership expenses. Had Kennedy Plaza VI, L.P., which co-invested alongside NPVI, L.P., invested through NPVI, L.P. or a similar entity, the Net MOIC and Net IRR for this entity would be the same as NPVI, L.P. The Net MOIC and Net IRR for Fund VI also excludes blocker expenses associated with certain investments of Nautic Partners VI-A, L.P.
- vii. Fund VII – Based solely on Fund VII which charged a 20% carried interest and a 2% management fee (based on committed capital during the investment period, then 1.65% of remaining invested capital thereafter) and paid other partnership expenses. The Net Multiple and Net IRR for Fund VII also excludes blocker expenses associated with certain investments of Nautic Partners VII-A, L.P.
- viii. Fund VIII – Based solely on Fund VIII which charged a 20% carried interest and a 2% management fee (based on committed capital during the investment period, then 1.65% of remaining invested capital thereafter) and paid other partnership expenses. The Net Multiple and Net IRR for Fund VIII also excludes blocker expenses associated with certain investments of Nautic Partners VIII-A, L.P.