



*CapitalSpring Investment Partners VI (CSIP VI)*  
*January 2020*

# CapitalSpring Overview

## CapitalSpring Overview

- Founded in 2005; leading alternative investor focused on the franchised and branded restaurant industry
- 30 employees, including 18 investment professionals (Primary offices: Nashville, Los Angeles, New York, & Atlanta)
- \$1.7 billion invested since inception across more than 190 investments in over 60 restaurant brands

## Flagship Investment Strategy

- Senior secured debt, mezzanine capital, and opportunistic equity to support proven management teams
- Defensive focus on resilient, value-oriented segments: Quick Service, Fast Casual, & Family Dining
- Target unlevered gross returns of 14-20% IRR including a target cash yield on the debt portfolio of 10-12%<sup>1</sup>

## Proven Track Record

- \$1.0+ billion<sup>2</sup> has been invested under the Flagship Strategy
- Flagship Strategy has generated an unlevered gross and net IRR of 14.0% and 9.3% respectively<sup>3</sup>
- Flagship Strategy has realized losses and current impairments totaling 1.6% of invested capital since 2010<sup>4</sup>

## Competitive Advantage

- Unparalleled industry expertise and 14-year foundation of relationships drive non-competitive deal flow
- Proprietary data analytics/benchmarking systems optimize underwriting and portfolio management
- Strategic Operations Group with demonstrable history of improving operations and implementing ESG initiatives<sup>5</sup>

## Compelling Market Dynamic

- Limited service restaurant sector demonstrated relative/absolute stability in past recessions = Low Correlation
- High demand for alternative capital solutions from industry consolidation and generational transfer/M&A
- Absence of other dedicated restaurant investors offering one-stop financing solutions and strategic support

(1) See "Addendum: Important Notes" on pages 20-25. CSIP VI will generally not make investments underwritten by CapitalSpring to a base case unlevered IRR of less than 10%. CapitalSpring will give first priority for such opportunities to other funds and accounts that it manages such as CapitalSpring Adjacent Partners, LP and its successor funds.

(2) Excludes amounts invested by Non-Flagship Strategy vehicles alongside the Flagship Strategy funds.

(3) For further information regarding the composition and gross and net returns of the Flagship Investment Strategy, see "Addendum: Important Notes" on pages 20-25.

(4) For further information regarding the calculation of realized losses and impaired positions, see "Addendum: Important Notes" on pages 20-25.

(5) For further information regarding CapitalSpring's ESG's initiatives, see "Addendum: Important Notes" on pages 20-25.

# CSIP VI - Target Portfolio is Defensive and Diversified

## Flagship Investment Strategy

- Strategic capital solutions for proven management teams operating across the franchised/branded restaurant industry
- Identify experienced management teams and structure optimal risk/return investments to support their business objectives
- Target unlevered gross returns of 14-20% IRR including a target cash yield on the debt portfolio of 10-12%<sup>1</sup>

## Target Portfolio Construction: Defensive and Diversified

- 20-30 investments comprising senior secured debt, mezzanine capital, and opportunistic equity
- 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



(1) See "Addendum: Important Notes" on pages 20-25. CSIP VI will generally not make investments underwritten by CapitalSpring to a base case unlevered IRR of less than 10%. CapitalSpring will give first priority for such opportunities to other funds and accounts that it manages such as CapitalSpring Adjacent Partners, LP and its successor funds.

(2) 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.

# Flagship Track Record of Attractive Risk-Adjusted Returns<sup>1</sup>

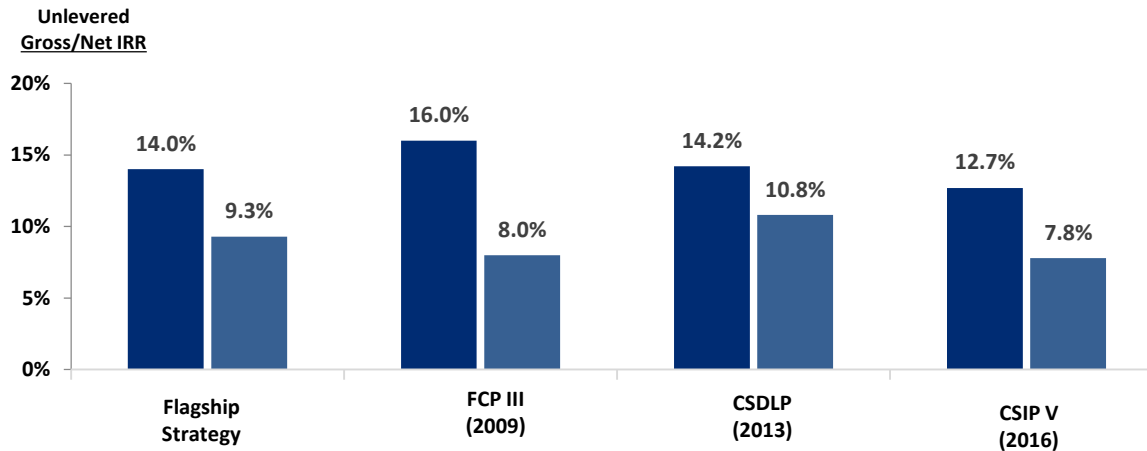
\$1.0+ Billion  
Invested<sup>2</sup>

110+  
Investments Completed

14.0%  
Unlevered Gross IRR<sup>3</sup>

9.3%  
Unlevered Net IRR<sup>3</sup>

## Historical Performance – Dedicated Vehicles (\$1bn)



- **Compelling cash yield:** outstanding debt positions across the Flagship Strategy generated a cash yield of 9.6% as of September 30, 2019<sup>4</sup>
- **Low loss experience:** realized losses and current impairments of 1.6% of invested capital since 2010<sup>5</sup>
- **Senior positioning in capital structure:** secured debt represents 61% of the total capital invested in the Flagship Strategy<sup>6</sup>
- **Structural protection:** robust covenants, call protection, credit enhancements/guarantees, etc.<sup>7</sup>
- **Governance:** establish strong position of governance/influence through various mechanisms and based on deal structure (debt: agent/required lender, springing control rights; equity: control investments, board seats)<sup>7</sup>

(1) Information provided on this slide is for the Firm's Flagship Strategy only, which includes all investments by CSIP V, CSDLP, FCP III, and SMA 1. CapitalSpring's balance sheet activity (CSFC), and its Senior Income and Legacy strategies are not included. CapitalSpring's full track record is available upon request. For additional information on the CSFC and the Firm's other investment strategies, see "Addendum: Important Notes" on pages 20-25.

(2) Excludes amounts invested by Non-Flagship Strategy funds alongside the Flagship Strategy funds.

(3) For further information regarding the composition and gross and net returns of the Flagship Investment Strategy, see "Addendum: Important Notes" on pages 20-25.

(4) Cash yield is calculated as the weighted average contractual cash interest rate over the cost basis on all current portfolio debt positions across the Flagship Strategy as of September 30, 2019.

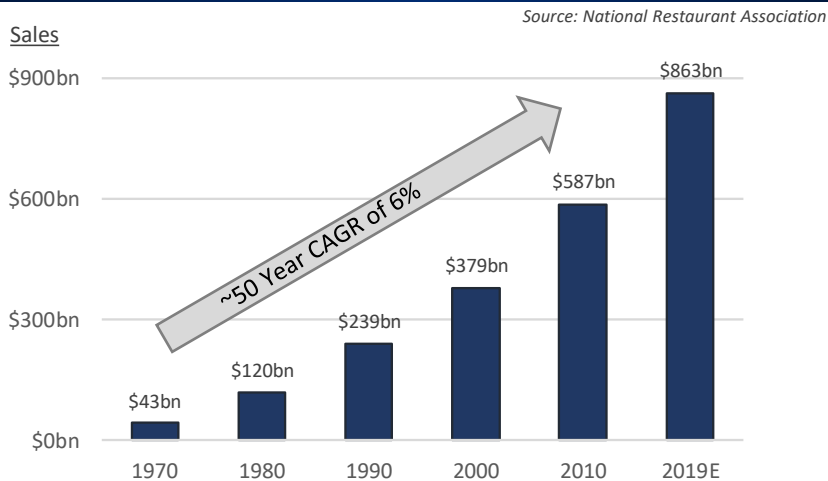
(5) For further information regarding the calculation of realized loss and impaired positions, see "Addendum: Important Notes" on pages 20-25.

(6) 22% 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.

(7) Represent examples of structural protection and governance rights across past investments and should not be viewed as a guarantee that such structural protection and governance rights will be received in all future investments.

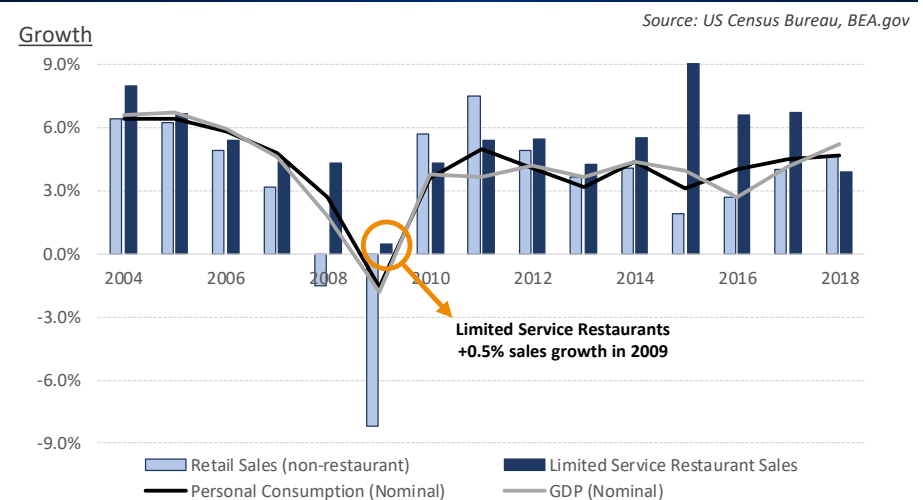
# Restaurant Industry: Attractive Fundamentals

## Large & Growing Market



- **Large and Fragmented Market:** More than 1 million restaurants in the US generated over \$830 billion of revenue in 2018<sup>1</sup>
- **Long Term Growth:** Restaurants' share of US food budget doubled from 25% in mid 1950s<sup>2</sup> to 54% by 2017<sup>3</sup>
- **Poised for Continued Growth**

## Stable & Resilient to Economic Cycles



- **Stable/Low Correlation:** Limited service restaurant segment was resilient to economic cycles (growth through '08/'09 recession)
- **Not Subject to Common Risk Factors:** Restaurant businesses typically have:
  - No technological obsolescence risk
  - No customer concentration risk
  - No inventory/receivables risk
  - No currency risk
  - No single facility dependence risk (multiple locations)
  - No financing risk (small ticket purchases)

(1) National Restaurant Association, Restaurant industry Statistics at [www.restaurant.org](http://www.restaurant.org), & "2019 Sales and Economic Forecast" dated April 2019.

(2) National Restaurant Association.

(3) USDA, Economic Research Service (<https://www.ers.usda.gov/data-products/chart-gallery/gallery/chart-detail/?chartID=58364>).

# Compelling Investment Opportunity

## High Demand for Capital

- Ongoing capital needs from active, non-sponsored consolidators/acquirers in a fragmented industry
- Generational transfers driving merger and acquisition activity across the industry
- Franchisors encouraging consolidation and refranchising with increasing preference for larger franchisee platforms

## Insufficient Capital From Traditional Sources

- Traditional bank lenders have limited flexibility and restrictions on capital they can provide
- Larger, sophisticated operators seek creative/flexible and strategic capital partners to fund expansion
  - Number of mega-franchisees generating >\$100 million in revenue increased from 12 in 1989 to 135 in 2017<sup>1</sup>

## CapitalSpring is Well-Positioned to Capitalize

- Franchisors increasingly endorsing alternative financing solutions to support growth of strongest franchisees
- Absence of dedicated alternative capital providers offering “one-stop” flexible financing solutions to restaurant sector
- CapitalSpring positioning is unique: creative capital solutions, strategic support, best practices, and benchmarking
- CapitalSpring has established its reputation as a trusted/strategic capital partner and an industry thought leader

Market Dynamic and Inefficiencies Can Result in:

- **Attractive risk-adjusted returns**
- **Enhanced call protection<sup>2</sup>**
- **Structural protections and return enhancements<sup>2</sup>**

(1) Franchise Times' Restaurant 200, August 2017.

(2) 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.

# CapitalSpring's Competitive Edge

## Deep Industry Expertise

*14+ year history investing in the restaurant industry with learnings from over 190 investments (\$1.7 billion+)*

## In-House Operations Team

*Dedicated Strategic Operations Group including two veteran executives each with 25+ years of restaurant operating experience*

## Direct Transaction Sourcing

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

capital**spring**

## Proprietary Data Analytics

*Leverage proprietary data analytics and benchmarking capabilities to improve underwriting and portfolio management*

## Creative Capital Solutions

*Sole restaurant-focused 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 turnaround management expertise/resources mitigate risk and enhance value-maximizing exits*

# Deep Industry Expertise Leveraged Over Investment Lifecycle

Transaction  
Sourcing

Due  
Diligence

Investment  
Structuring

Portfolio  
Management

Exits

- **Strong relationships built over 14+ years**

- Extensive network across the “ecosystem” facilitates successful direct origination with focus on non-sponsored opportunities
- Positioned within industry as “go-to” provider of strategic capital solutions and value-added partner
- Broad network of industry leaders bolster diligence efforts by validating data, providing insights, and serving as references
- Leverage relationships with franchisors/brands, franchisees/operators, and the finance community to drive optimal exits

- **Information advantage from proprietary benchmarking and deep industry context collected over past decade+**

- Complementary financial and operations due diligence leverages proprietary benchmarking capabilities and processes
- Broad industry intelligence allows for early identification of positive/negative trends and precise remedial action
- Data intensive and technology-driven investment process drives underwriting/surveillance efficiencies and surety of close

- **Best practices and other critical learnings from evaluation of thousands of restaurant investment opportunities**

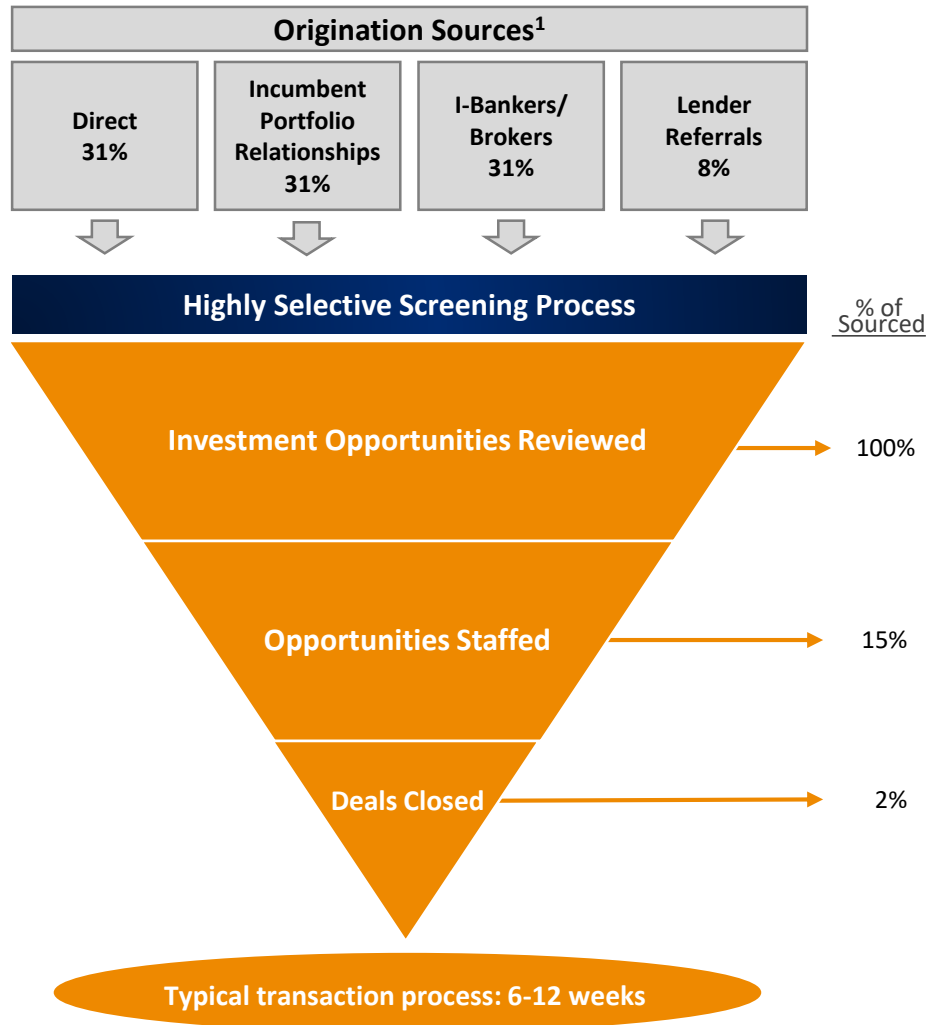
- Creative structuring and selection of optimal risk/return “angles” refined over 190+ completed transactions
- Proactive portfolio optimization with best practice implementation & leveraging of portfolio scale
- Deep understanding of: i) restaurant-specific opportunities/risks; ii) dynamics across brands, management teams, landlords, employees, etc.; and iii) industry valuations and exit optimization

- **Dedicated Strategic Operations Group with over 50 years of restaurant management and turnaround experience**

- Operations expertise underlies active portfolio management for value creation (operating cost/procurement optimization, etc.)
- Portfolio companies value strategic/operations support, which creates transparent relationships, alignment, & repeat business
- Industry-specialized turnaround management expertise allows for proactive management to optimize recoveries



# Robust Deal Flow from Multi-Channel Investment Sourcing

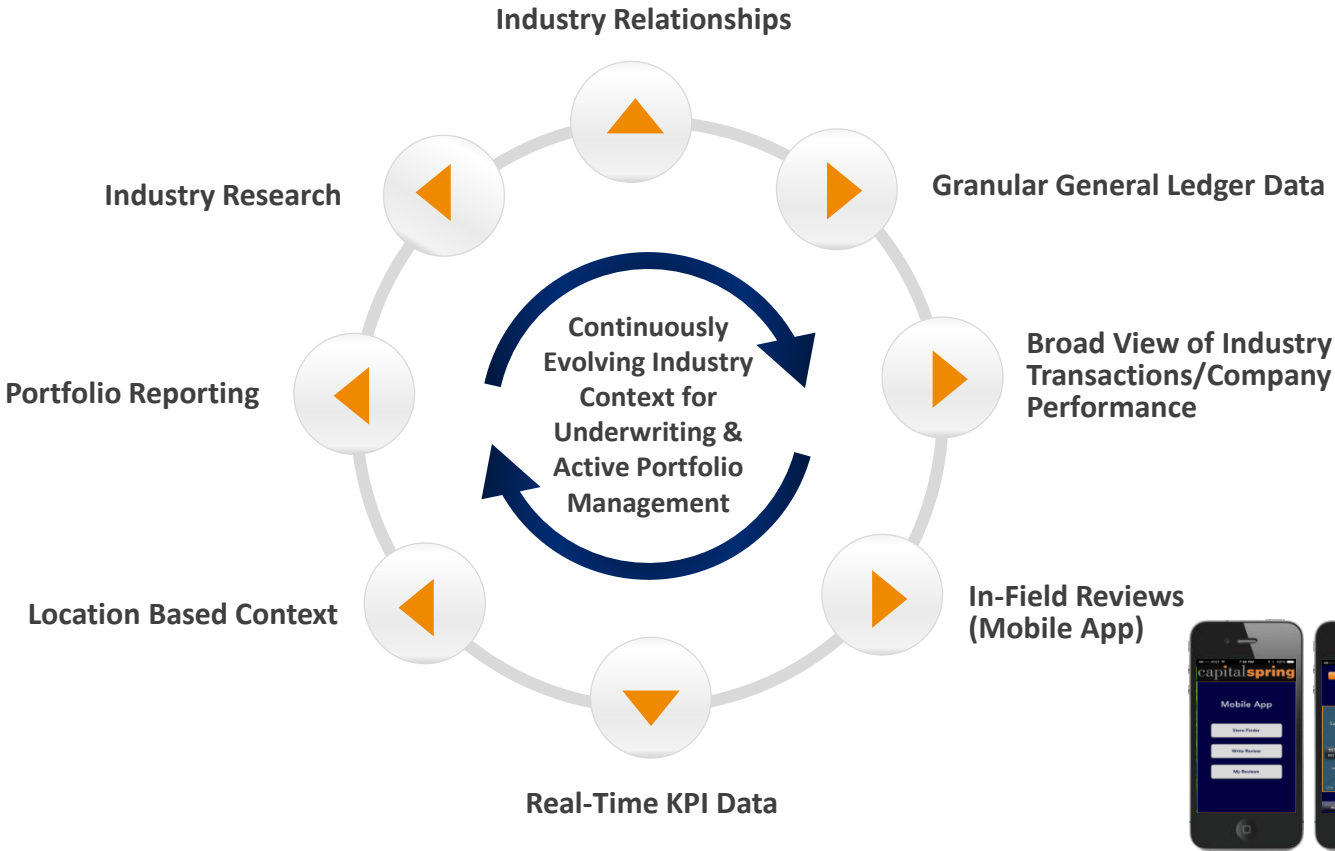


- **Significant Deal Flow** given dedicated focus on the restaurant industry and deep relationships across the restaurant ecosystem
- **Direct Origination** function results in consistent flow of non-competitive opportunities and leads to optimal investment structuring and better risk-adjusted returns
- **Highly Selective** ~2% close ratio based on 1000+ opportunities reviewed for CSIP V<sup>2</sup> and 16 investments closed to date
- **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, not PE-Sponsored Companies**, 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 investment period.

# Diligence Process Capitalizes on Information/Data Advantage



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

# Expertise & Flexibility Drives Efficient Structures

## Expertise & Flexibility

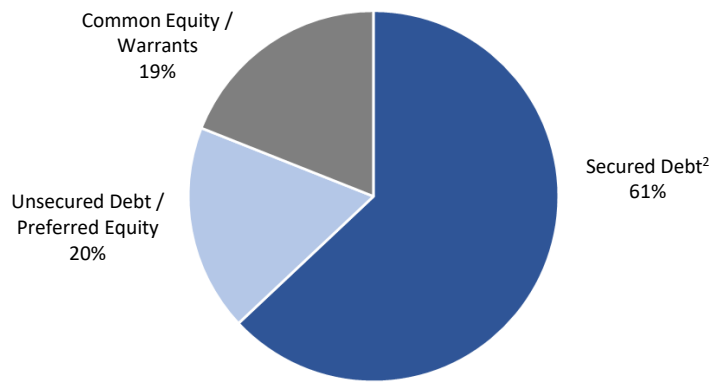
- **“One-stop” Capital Provider** – creative and flexible capital solutions encompassing both structured lending and equity
- **Solutions-oriented Approach** – tailor investment solutions to meet the needs of a transaction (not “off-the-shelf” product)
- **Industry Focus** – significant restaurant-specific 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



## Efficient Structures & Risk/Return Angles

- **Risk/Return Efficiency** – industry expertise combined with flexible solutions creates efficient structures and risk/return
- **Enhanced Protection<sup>1</sup>** – multi-year call protection/make-wholes, strong covenants, guarantees, credit enhancements, etc.
- **Incremental Investments** – contractual right of first refusal on follow-on investments allows Firm to grow with its winners
- **Diversified/Defensive Portfolio** – credit-oriented portfolio with opportunistic 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) 22% 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 and Risk Mitigation



## ESG Considerations

- Food Safety
- Energy efficiency
- Water management
- Waste management
- Labor compensation
- Training/career development



## 4-Wall Optimization

- Performance dashboards & benchmarks
- Menu analysis/price elasticity
- COGS
- Controllable expense savings
- Labor analytics and efficiency
- ADP portfolio pricing
- Take-out/catering /delivery integration
- Credit card fee management
- Workers comp mitigation
- All insurance coverages



## Unit Development

- Site selection, including psychographic & demographic solutions
- Construction cost engineering
- National account ordering
- Prototype design
- Soft cost efficiencies
- Pre/post opening marketing
- Projection analytics
- Project scheduling



## Procurement

- Hedging strategies
- Menu analysis
- Co-op vetting
- Third party procurement services
- Portfolio based pricing
- Paper goods
- Beverage contracting
- Distribution/broadliners



## Technology

- Server/cloud-based POS
- Back office modules
- BOH equipment
- Digital menu boards
- Kiosk terminals
- Mobile order & payment
- Facilities management
- Drive-through enhancements



## Marketing

- Loyalty
- Social media
- Digital (SEO, other)
- Media buy programs
- Website
- Gift cards
- LSM & LTOs
- Coupons/bounce-backs
- General ROI analysis

Portfolio benefits from CapitalSpring's Strategic Operations Group, risk management protocols, proprietary benchmarking analytics, and best practices learned from 14+ years of restaurant investing

# Embedded in the Restaurant Industry

**Franchisors**  
View CapitalSpring as a strategic capital partner to support their platform franchisees

**Deal Intermediaries**  
Value CapitalSpring's financing capabilities and its ability to effectively execute transactions



**Restaurant Owner/Operators**  
Value CapitalSpring's solutions-oriented approach, industry expertise, and value-add relationships

**Suppliers**  
Value CapitalSpring's access to franchisees, franchisors, and independent chains



CapitalSpring is a capital partner of choice in the restaurant industry because of its deep sector knowledge, operations expertise, and broad network of relationships across the industry

# Illustrative Transactions

# Company A

## Background

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

## Need

- Buyer was new to the restaurant space, and was focused on finding a partner with strong industry expertise that could prove 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
- Family office needed to target a platform with a strong management team that would stay involved post acquisition

## Financial Summary

**Total Capital Need:** **\$104.00M**

### Sources

- |                             |          |
|-----------------------------|----------|
| • CapitalSpring Senior Debt | \$74.00M |
| • Buyer Equity              | \$30.00M |

### Uses

- |   |          |
|---|----------|
| • Restaurant Business Purchase              | \$98.00M |
| • Operating Cash, CapEx & Transaction Costs | \$6.00M  |

**SL EBITDA% of Revenue** ~12%

**Actual LTM EBITDA** ~\$12.90M  
*(After operational improvement)*

## 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 was instrumental towards 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 non-restaurant portfolio companies, Buyer consolidated the credit with other investments and refinanced CapitalSpring’s debt during year 3, triggering the pre-payment penalty
- Upon exit, CapitalSpring realized an IRR of 12.7% and an MOIC of 1.24x

The above case study has been camouflaged to protect confidentiality. See also “Addendum: Important Notes” on pages 20-25 for additional information about the investment case studies.

# Company B

## Background

- Family dining brand with deep history and brand equity
- ~20 units operating on the West Coast
- Strong average unit volume (~2.5x segment avg) and superior value prop
- Positive SSS growth +4% annual average over last 12 years
- Multi-generational family ownership with long tenured management team
- Seller owned multiple restaurant real estate properties
- Many opportunities to update and professionalize the business

## Need

- With ownership seeking to diversify assets for estate planning and an aging executive management team with no clear succession plan, a 100% asset sale was the clear path for the company
- Ownership and management strongly desired a single OpCo / PropCo buyer that would focus on the restaurant business and continuing to grow the business while keeping the strong culture that had been cultivated over many decades, all without sacrificing brand integrity

## Financial Summary

**Total Capital Need:** **\$100.00M**

### Sources

• Real Estate Sale-Leaseback	\$70.00M
• CapitalSpring Senior	\$20.00M
• CapitalSpring Equity	\$10.00M

### Uses

• Real Estate Purchase	\$70.00M
• Restaurant Business Purchase	\$28.00M
• Working Capital and Capex	\$2.00M

**SL EBITDA% of Revenue** ~14%

**Actual LTM EBITDA** ~\$5.50M  
*(After operational improvement)*

## CapitalSpring Solution

- Recognizing the tremendous strength of the brand, value offering, locations, and organizational culture, CapitalSpring designed a comprehensive offer that allowed the sellers to interface with a single buyer with no financing contingency
  - ❖ Sale-leaseback financing for real estate properties
  - ❖ Single source for the remaining capital need
- Thoughtful analysis to accept significant pro-forma assumptions
- Commitment to maintain the company culture through unit growth
- CapitalSpring resources delivered strong performance results
  - ❖ Implemented new leadership and elevated existing employees
  - ❖ Improved restaurant operating processes and systems
  - ❖ Improved menu engineering, procurement, and marketing
  - ❖ Updated and professionalized above-store support center
  - ❖ Inserted multiple technology solutions to assist restaurant managers with daily operations
  - ❖ Opened 5 new units – record AUVs and avg ROIs in excess of 50%

The above case study has been camouflaged to protect confidentiality. See also "Addendum: Important Notes" on pages 20-25 for additional information about the investment case studies.



# CapitalSpring Investment Team

CapitalSpring Leadership			
<p><b>Richard Fitzgerald</b>  <b>Managing Partner, Co-Founder</b>                      Ardshiel Inc., Vice President                      CIBC Oppenheimer, Analyst                      MBA, Columbia Business School                      BA, Trinity College</p>	<p><b>Todd Foust</b>  <b>Partner</b>                      Goldman Sachs, Specialty Lending Group,                      Managing Director, Mgt. Committee                      GE Capital, Vice President                      MA, University of North Carolina                      BA, University of North Carolina</p>	<p><b>Erik Herrmann</b>  <b>Partner, Head of Restaurant Investment Group</b>                      Credit Suisse, Associate                      Circle Peak Capital, Sr. Associate                      MBA, Yale University                      BA/BS, University of Pennsylvania</p>	
Investment Team			
<p><b>Wade Daniel, CPA, CFA</b>  <b>Managing Director</b>                      PriceWaterhouse Coopers, Sr. Associate                      BS, Auburn University</p>	<p><b>Tom Kuchler</b>  <b>Managing Director</b>                      Carlson Capital, L.P., Senior Relationship Manager                      Highland Capital Management, Director                      Chase, Analyst/Associate                      MBA, Tuck School at Dartmouth                      BA, Middlebury College</p>	<p><b>Chad Spaulding</b>  <b>Managing Director</b>                      Trinity Capital, Managing Director                      Goldman Sachs, Analyst                      MBA, Harvard Business School                      BA, Brigham Young University</p>	
<p><b>Tee Isenhour, CPA</b>  <b>Principal</b>                      Seneca Financial Group, Analyst                      MA, University of Texas                      BBA, Southern Methodist University</p>	<p><b>Kaivon Abrishami</b>  <b>Senior Vice President</b>                      Levine Leichtman Capital Partners, Assoc. Director                      International Finance Corp., Emerging Markets                      Investments                      BS, Georgetown University</p>	<p><b>William Billington</b>  <b>Vice President</b>                      H.I.G. Capital, Associate                      JP Morgan, Analyst                      BS, Washington and Lee University</p>	
<p><b>Jason Ruiz</b>  <b>Vice President</b>                      Praesidian Capital, Associate                      Sumitomo Mitsui Bank, Analyst                      BS, Boston College</p>	<p><b>Bryan Dickenson</b>  <b>Senior Associate</b>                      Ancor Capital Partners, Sr. Associate                      Deloitte Corporate Finance, Analyst                      BA, Texas Christian University</p>	<p><b>Michael Nash</b>  <b>Senior Associate</b>                      Corridor Capital, Analyst                      Trinity Capital, Analyst                      MS, Tulane University                      BS, Tulane University</p>	<p><b>Jason Wat</b>  <b>Senior Associate</b>                      BS, New York University</p>
<p><b>Joshua Zhang, CFA</b>  <b>Associate</b>                      BS, New York University</p>	<p><b>Patrick Tan</b>  <b>Analyst</b>                      Accenture, Analyst                      BS, Cornell University</p>	<p><b>Henry Brown</b>  <b>Portfolio Analyst</b>                      Captain D's, Financial Planning &amp; Analysis Mgr.                      BS, Babson College</p>	

# CapitalSpring Portfolio Operations & Administration

## Strategic Operations Group

**Jim Balis**  
**Managing Director**  
 Restaurant Management Group, Founder  
 Café Enterprises, CEO  
 Sticky Fingers, CEO  
 57-unit Dunkin Donuts Franchisee, CEO  
*BA, Duke University*  
*Certified Turnaround Professional*

**Chad Cohen**  
**Principal**  
 Blockhead Burritos, COO  
 Subway, Franchisee  
 Hale & Hearty Soups, District Mgr. Director of Training  
 Boston Market  
*BS, University of Massachusetts - Amherst*

## Finance and Accounting

**Christina Houghton, CPA**  
**Chief Financial Officer**  
 American Capital Sr. Floating, Controller  
 Apollo Investment Corporation, Controller  
 PricewaterhouseCoopers, Audit  
*BS, University of Richmond*

**Chad McIntyre**  
**Director of Finance**  
 Rosewell Capital, CFO  
 Healthcare Realty Trust, AVP, Dir.  
 J.C. Bradford, Corp Fin.  
*BBA, Middle Tennessee State University*

**Craig Segars, CPA**  
**Corporate Controller**  
 RentPath LLC, Director of Sales Strategy & Analytics  
 Smith & Howard, PC, Assurance and Accounting  
 Services Sr.  
*MS, Kennesaw State University*  
*BBA, Kennesaw State University*

**Bryan Parsels**  
**Vice President**  
 Avondale Partners, Analyst  
*BA, Vanderbilt University*

**Elizabeth Morrissey, CPA**  
**Senior Fund Accountant**  
 Mars Petcare, Sales Finance, Sr. Accountant  
 PricewaterhouseCoopers, Audit  
*MS, Auburn University*  
*BS, Auburn University*

**Denise Cochran**  
**Director of Loan Servicing**  
 Ares Management, VP Loan Servicing  
 American Capital, Director of Shared Services  
 & Sr. Manager of Loan Servicing  
 Allied Capital, Senior Accountant  
*BS, Johnson & Wales University*

**Adrienne Misko**  
**Head of Shared Services**  
*BFA, Ohio University*

## Legal

**T.A. McKinney**  
**General Counsel/Chief Compliance Off.**  
 Timbre Advisors LLC, Counsel  
 MeehanCombs, LP, General Counsel  
 FrontPoint Partners, L.P., General Counsel/Partner  
 Davis Polk & Wardwell, Associate  
*JD, Columbia University School of Law*  
*BA, University of Kentucky*

## Investor Relations

**Kristin Reilly**  
**Head of Investor Relations**  
 GoldenTree, International Business Dev.  
 BofA Merrill Lynch, Vice President  
 Arthur Andersen, Audit  
*MBA, Columbia Business School*  
*BS, Boston College*

**Mara Engel**  
**Associate**  
 Bain & Company, Marketing & Admin  
*BA, Ithaca College*

# CSIP VI – Primary Fund Terms

## CSIP VI – Overview of Fund Terms<sup>1</sup>

<b>Fund Size</b>	
Target Size	\$750 million
Leverage	Unlevered <sup>2</sup>
<b>Fund Term</b>	
Term	7 years
Investment Period	4 years
Extension Provisions	Two 1-year extensions at GP discretion; One 1-year extension with LPAC consent
Recycle Provision	Permitted during investment period (principal only)
<b>Fee Structure</b>	
Carried Interest	20%, subject to 7% preferred return and 100% catch-up
Management Fee	0.5% on commitments; 1.5% on invested capital
Management Fee Offset	100% of upfront fees paid by portfolio companies offset against management fees
<b>Distributions</b>	
	Quarterly

(1) This document is qualified in its entirety by any applicable offering memorandum prepared in connection with the offering of investments in CapitalSpring (the "Offering Memorandum"). The Offering Memorandum together with the applicable organizational and governing documents for any investment made in CapitalSpring should be carefully read before any investment is made. If there is any inconsistency between this document and the offering documents, including the Offering Memorandum, such offering documents shall govern in all respects. For a more complete description of the risk factors associated with an investment with CapitalSpring, including the potential for investors to lose some or all of their investment, please refer to the Risk Factors and Conflicts of Interest sections in the Offering Memorandum.

(2) Fund will utilize a capital call facility, which will be solely used to bridge capital calls, and borrowed capital is not expected to be outstanding for more than 90 days.

# Addendum: Important Notes

## Important Notes Regarding Composition and Gross and Net Returns of Flagship Investment Strategy

### 1. *Flagship Composition*

Flagship Strategy represents investment activity made by FCP III, CSDLP, CSIP V, and one separately managed account that invests alongside CSIP V.

### 2. *Calculation of Gross and Net IRR for the Flagship Strategy*

Gross and Net IRR for the Flagship Strategy have been prepared by combining the gross and net cash flows of all relevant investment vehicles comprising the Flagship Strategy and treating them as if they derived from a single fund. Net IRRs are calculated for investors after giving effect to the deduction of carried interest, taxes, transaction expenses and other operating expenses borne by investors, excluding the impact of corporate tax expense at blocker entities and are gross of any required tax withholding from distributions made to foreign investors. Gross and net returns for the Flagship Strategy exclude investments made by the balance sheet vehicle (CapitalSpring Finance Company LLC (“CSFC”) and its subsidiaries). A net return of CSFC would not be meaningful since CSFC has significant operating expenses, no fees that would materially impact net returns calculation, and an investment mandate that allows for investments that are not held by the Flagship Strategy funds.

## Important Notes Regarding Valuations and Internal Rates of Return

### 1. *Internal Rates of Return*

IRR is the annualized implied discount rate calculated from a series of cash flows. It is the return that equates the present value of all capital invested in an investment to the present value of all returns of capital, or the discount rate that will provide a net present value of all cash flows equal to zero. All IRR calculations presented herein are unaudited. IRRs presented herein (except with regard to the IRRs of exited investments) assume the realization of all Fund investments at their estimated fair market value in the judgment of CapitalSpring (see note 2 below) as of the date indicated. Actual realized returns on unrealized investments will depend, among other factors, on future operating results, the value of the assets and market conditions at the time of disposition, any related transactions costs, and the timing and manner of sale, all of which may differ from the assumptions on which the valuations used herein are based. Accordingly, the actual realized returns on these unrealized investments may differ materially from the returns indicated herein which would cause IRRs experienced by relevant fund investors to differ materially from those presented herein.

“Portfolio Gross IRRs” are measured without regard to either the timing of investor level inflows and outflows or whether all of the returns would, if distributed, be payable to such investors and thus do not reflect the rate of return experienced by investors. Portfolio Gross IRRs are calculated prior to the deduction of carried interest, management fees, taxes, transaction expenses and other expenses borne by Fund investors (which amounts are expected to be substantial and, if reflected, would reduce returns). Investors will not experience Gross IRRs.

“Net IRRs” are calculated for investors after giving effect to the deduction of carried interest, taxes, transaction expenses and other expenses borne by investors, excluding the impact of corporate tax expense at blocker entities and are gross of any required tax withholding from distributions made to foreign investors.

# Addendum: Important Notes (Cont'd)

## **Important Notes Regarding Valuations and IRR (Cont'd)**

### *2. Valuation of Investments*

Valuations of investments presented herein are unaudited and reflect CapitalSpring's estimate of the fair market value of such investments as of 9/30/19 unless otherwise specified. Valuations are inherently volatile and subject to change and may not necessarily be indicative of the inherent value of the underlying investments or the actual value to be realized from such investments. Valuations for unrealized investments that are not publicly traded are calculated at fair value consistent with generally accepted accounting principles in the United States and CapitalSpring's Valuation Policy. Please refer to the CapitalSpring Valuation Policy for more details regarding the methodologies utilized by CapitalSpring in valuing its investments. There can be no assurance that investments will be ultimately realized at or above the levels reflected herein.

## **Important Notes Regarding Methods of Preparation of Net Loss Experience**

Impaired positions include investments that have not been fully exited and the proceeds received to date (interest, dividend, fee and principal repayments) coupled with the remaining estimated fair market value aggregates to an amount that is less than the total invested capital in the investment. Investments may be exited for an amount that is less than GAAP Cost generating a realized loss, but so long as the IRR is positive (i.e. total proceeds received including interest, dividends, fees and principal proceeds exceeds invested cost), then the investment will not be captured as a loss. Note: for GAAP and tax reporting, there may be positions that generate realized losses that are excluded from this disclosure because there was ordinary income that exceeded any capital losses recorded. The loss percentage is calculated as the total amount of realized losses and impairments relative to cost basis, as described above, as a percentage of the \$1.0+ billion of capital deployed in the Flagship Strategy. Any losses incurred on the same investments held by CSFC have been excluded from the calculation. Additionally, CSFC has made investments that met the investment objectives of the Flagship Strategy funds but were not held by the Flagship Strategy funds. As such, losses from these instruments only held by CSFC have been excluded from the loss rate reported.

## **Important Notes Regarding Target Returns**

References herein to "target gross return" or other variations thereon or comparable terminology are provided as indicators as to how CapitalSpring intends to manage CSIP VI and are not intended to be viewed as indicators of likely performance returns to investors. "Target all-in yield" includes both cash and payment-in-kind interest. There can be no assurance that the target returns or yield will be met or that CapitalSpring will be successful in finding investment opportunities for CSIP VI that meet these anticipated return parameters. The magnitude of market inefficiencies experienced over the course of the investment period may partially dictate overall returns, as may general economic conditions and restaurant trends. Please refer to the Confidential Offering Memorandum of CSIP VI under the caption "Risk Factors and Conflicts of Interest" for a detailed discussion of the many risks and uncertainties that could cause CSIP VI's actual net returns to be lower than the target returns discussed herein. Investors will not experience gross returns. Carried interest, management fees, taxes, transaction expenses, and other expenses borne by the Fund investors (which amounts are expected to be substantial) will cause net returns to investors to be significantly lower than gross returns.

# Addendum: Important Notes (Cont'd)

## Investment Strategy & CSFC Overview

### 1. *Flagship Strategy (2010 - present)*

Launched in 2010, the Flagship Strategy invests in senior secured debt, subordinated debt, unitranche investments, mezzanine / preferred capital, and, to a lesser extent, common equity investments in franchised and branded restaurants and food / food retail businesses, real estate linked to restaurants and food / food retail businesses, and other related businesses that serve the restaurant and food / food retail industries.

Vehicles include: CSIP V, CSDLP, FCP III, and SMA 1

Total deployed capital: \$1.0+ billion

### 2. *Senior Income Strategy (2018 - present)*

Launched in 2018 through CSAIP, the Senior Income Strategy invests predominantly in 1st lien current pay loans to companies in the branded restaurant and restaurant related industries and anticipates utilizing a modest amount of leverage to enhance the target return profile. In addition, CSAIP has first priority on overflow opportunities from CSIP V.

Vehicles include: CSAIP

Total deployed capital: \$107 million

### 3. *Legacy Strategy (2005 – 2009)*

Launched in 2005, the Legacy Strategy focused on earlier stage non-control, preferred/common equity investments primarily in small platforms (typically 1-2 units) operating in lower-tier brands. This strategy was prior to the hiring of our strategic operations team and therefore did not benefit from our current operationally-focused diligence/support and our proprietary benchmarking protocols. Fund sizes were significantly smaller and were burdened by disproportionate, fixed fund expenses and an inefficient dividend distribution model. While restaurants were a focus, the Legacy Strategy also included investments in non-restaurant, franchised businesses. This strategy has not been active since 2009.

Vehicles include: Franchise Equity Capital Partners I, Franchise Equity Capital Partners II, and CS LLC

Total deployed Capital: \$53 million

### 4. *CSFC (2010 - present)*

Permanent capital vehicle that co-invests alongside former, current and future investment vehicles. CapitalSpring owns the registered investment advisor as well as the investment advisory platform.

Total deployed capital: \$514 million

# Addendum: Important Notes (Cont'd)

## ESG Initiatives

CapitalSpring is committed to integrating environmental, social, and governance (ESG) considerations into its investment decisions, and does so in accordance with its ESG Policy. CapitalSpring considers material ESG issues in the course of its due diligence and in the management and monitoring of portfolio investments to the extent reasonably practical under the circumstances, subject, in any event, to the provisions of the Partnership Agreements of the funds concerned, and to the duty of CapitalSpring to seek to maximize the returns on investment for its investors. "Material" ESG issues are defined as those issues that CapitalSpring in its sole discretion determines have or have the potential to have a direct substantial impact on a portfolio company's ability to create, preserve, or erode economic value, as well as environmental and social value for itself and its investors. CapitalSpring's investment team is primarily responsible for ensuring that the consideration of ESG issues is integrated into investment decisions. Where additional subject matter expertise is needed, the team may utilize external resources as relevant and necessary.

The Strategic Operations Group has been instrumental towards our ESG efforts. For example, the Strategic Operations Group worked closely with one of the Firm's portfolio companies (Shari's) in CSIP V to put together an aggressive strategic energy management program dubbed SWEEP (Shari's Water/Energy Efficiency Program). The goal was to reduce energy costs and consumption without interfering with the guest experience. SWEEP has had a material positive impact on Shari's operations, including: i) >6% reduction in electrical usage; ii) >7% reduction in gas usage; iii) 19% less waste; and iv) >37% water savings across its portfolio relative to its 2012 baseline. The U.S. Department of Energy even recognized Shari's for achieving water savings as a partner in the Better Buildings Challenge, a DOE program that works with market leaders to drive the acceleration of cost-effective and proven strategies to improve the energy efficiency of the nation's buildings, manufacturing plants and multifamily housing.

Our ESG efforts continue to evolve as we further integrate ESG initiatives into our investment processes and portfolio oversight protocols.

## Important Notes Regarding Investment Case Studies

The investment case studies presented herein have been provided at your request. One investment was chosen from each of the Advisor's two most recent funds in the Flagship strategy (CSIP V and CSDLP). The investments were also chosen to illustrate the range of the Advisor's investing capabilities, from straight senior debt to a complex whole business acquisition. The investments depicted in the case studies are not representative of all investments in CSIP V and CSDLP or any future investment fund or product, and no assurance can be given that investments with comparable characteristics or returns will be acquired for any such funds or investment products in the future.

# Addendum: Important Disclosures

References in this presentation (“Presentation”) to “Flagship Strategy”, “CapitalSpring Investment Partners VI (CSIP VI)”, “CapitalSpring,” “we,” “us,” and “our” refer to CSFC Management Company LLC (the “Advisor”).

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# Addendum: Important Disclosures (Cont'd)

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Figures as of 9/30/19, unless otherwise noted.

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