



# Boundary Street Capital

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BSCP SBIC I, LP



Boundary  
Street

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## EXECUTIVE SUMMARY

# A Differentiated Credit Platform

*Boundary Street, in partnership with Columbia Capital, offers deep technology sector focus and an advantaged SBIC fund structure to capitalize on the gap in the U.S. senior lending market*

<b>Sector Focus</b>	<ul style="list-style-type: none"><li>• Communications Infrastructure &amp; Technology ("CIT") expertise drives superior underwriting</li><li>• Thesis driven transaction sourcing</li></ul>
<b>Prudent Structure and Strong Returns</b>	<ul style="list-style-type: none"><li>• Emphasis on secured lending: primarily Unitranche or controlling Last-Out loans</li><li>• Strong covenants, with superior pricing, cash pay and low market correlation</li><li>• Net returns to investors of ~14%</li></ul>
<b>Market Whitespace</b>	<ul style="list-style-type: none"><li>• CIT businesses operating between breakeven and \$10m of EBITDA</li><li>• Market forces create persistent whitespace</li><li>• Ability to generate strong risk adjusted returns</li></ul>
<b>Columbia Capital Value-Add</b>	<ul style="list-style-type: none"><li>• Billions of dollars invested in CIT businesses over multiple decades</li><li>• Enhanced underwriting and portfolio management</li><li>• Ability to take control and workout downside scenarios</li></ul>
<b>SBIC Advantage</b>	<ul style="list-style-type: none"><li>• Access to guaranteed, low cost, stable, fixed-rate leverage with 10 year term</li><li>• Possible UBTI relief for tax-advantaged LPs</li></ul>

<sup>(a)</sup> Please refer to the end notes for important additional information concerning the performance information and/or metrics set forth in this slide.

# Introduction to Boundary Street



*The collective investment experience of Columbia and the Management Team uniquely positions BSCP SBIC I, L.P. (the "Fund") to identify attractive CIT credit opportunities*

## Columbia Capital

- 20+ years of CIT equity investing
- >\$2.7b invested<sup>(a)</sup>
- >\$4.0b gross proceeds<sup>(a)</sup>
- 2.0x realized multiple on invested capital<sup>(a)</sup>
- Deep network of CIT executives and advisors



- Value-added lending partner
- Conduct equity-like due diligence for senior credit
- Proactively source investments
- Experience to identify key credit trends on an ongoing basis
- Maximize outcomes for underperforming investments

## Management Team

- 7+ years investing exclusively in CIT credit at CapitalSource
- >\$1b of loans committed in the CIT sector<sup>(a)</sup>
- \$0 Credit Losses on CIT sector investments<sup>(a)</sup>
- Proven origination and credit management processes

Boundary Street will not pursue opportunities with Columbia Capital businesses

<sup>(a)</sup> Please refer to the end notes for important additional information concerning the performance information and/or metrics set forth in this slide.

# CIT Sector Focus

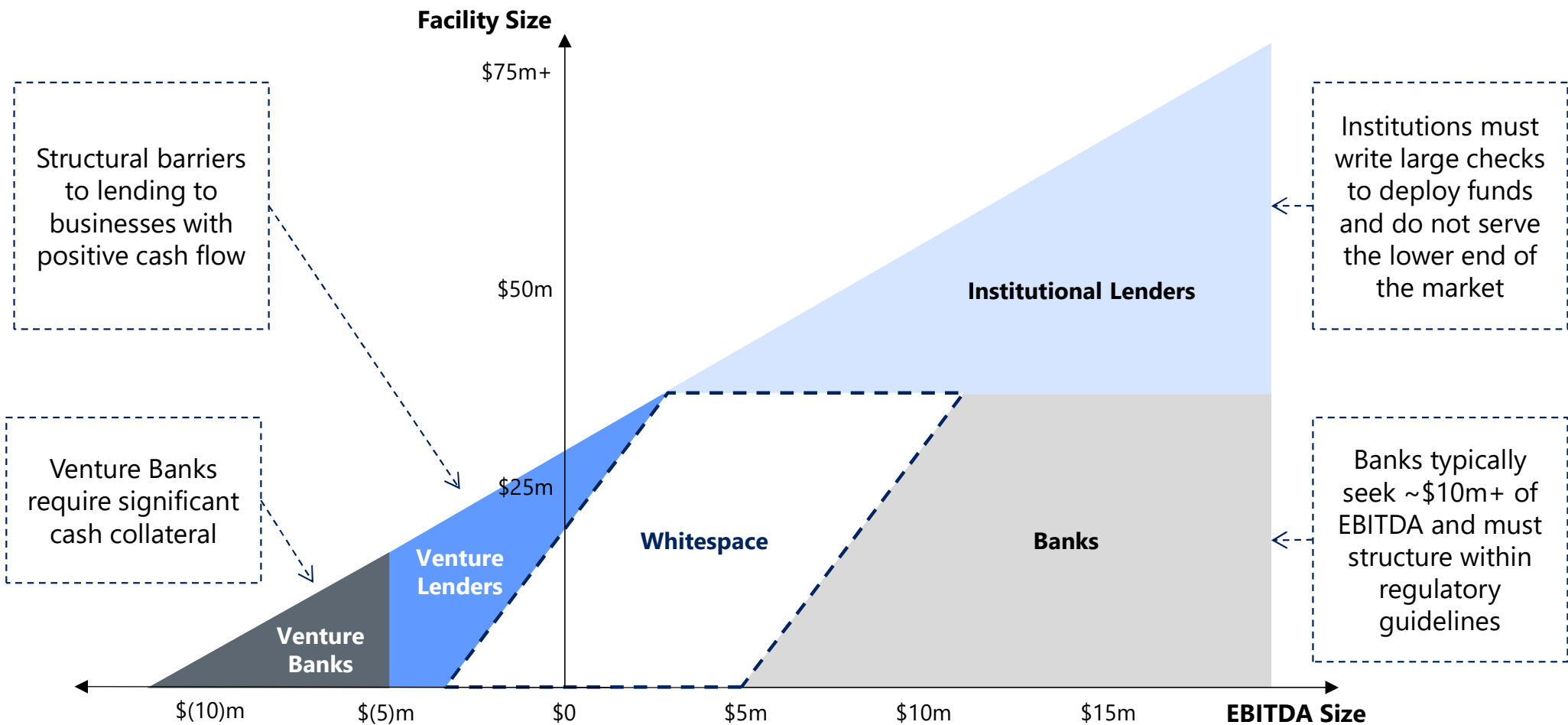
*Boundary Street focuses entirely on the CIT sector which demonstrates strong secular growth with recurring revenue business models*

<b>Secular Growth Trends</b>	<b>CIT sectors continue to support substantial growth</b> <ul style="list-style-type: none"><li>• US IP traffic expected to grow 3-fold by 2021<sup>(a)</sup></li><li>• US internet traffic in 2021 will be 168x 2005 levels<sup>(a)</sup></li><li>• Mobile traffic expected to nearly double by 2021<sup>(a)</sup></li></ul>
<b>Utility-like Characteristics</b>	<b>CIT infrastructure and services are mission critical and reflect utility-like stability</b> <ul style="list-style-type: none"><li>• Multi-year enterprise contracts</li><li>• Low customer churn</li><li>• ARPU growth from increasing utilization</li></ul>
<b>End-User Diversification</b>	<b>17% of all US business investment is spent on CIT sector goods or services<sup>(a)</sup></b> <ul style="list-style-type: none"><li>• This ubiquitous need for CIT services means that most CIT businesses have a highly diversified end-user base across industries</li></ul>
<b>Lower Market Volatility</b>	<b>During the Great Recession of 2008-2009, the CIT sector experienced half the volatility of the market from peak to trough ("PTT") <sup>(a)</sup></b> <ul style="list-style-type: none"><li>• CIT PTT revenue declines of 7% versus 14% in the broader market</li><li>• CIT PTT EBITDA declines of 9% versus 23% in the broader market</li></ul>

<sup>(a)</sup> Please refer to the end notes for important additional information concerning the performance information and/or metrics set forth in this slide.

# Market Opportunity

*Significant capital flows to scaled private credit funds and bank regulatory constraints have created meaningful whitespace for niche lenders in the lower end of the middle market*

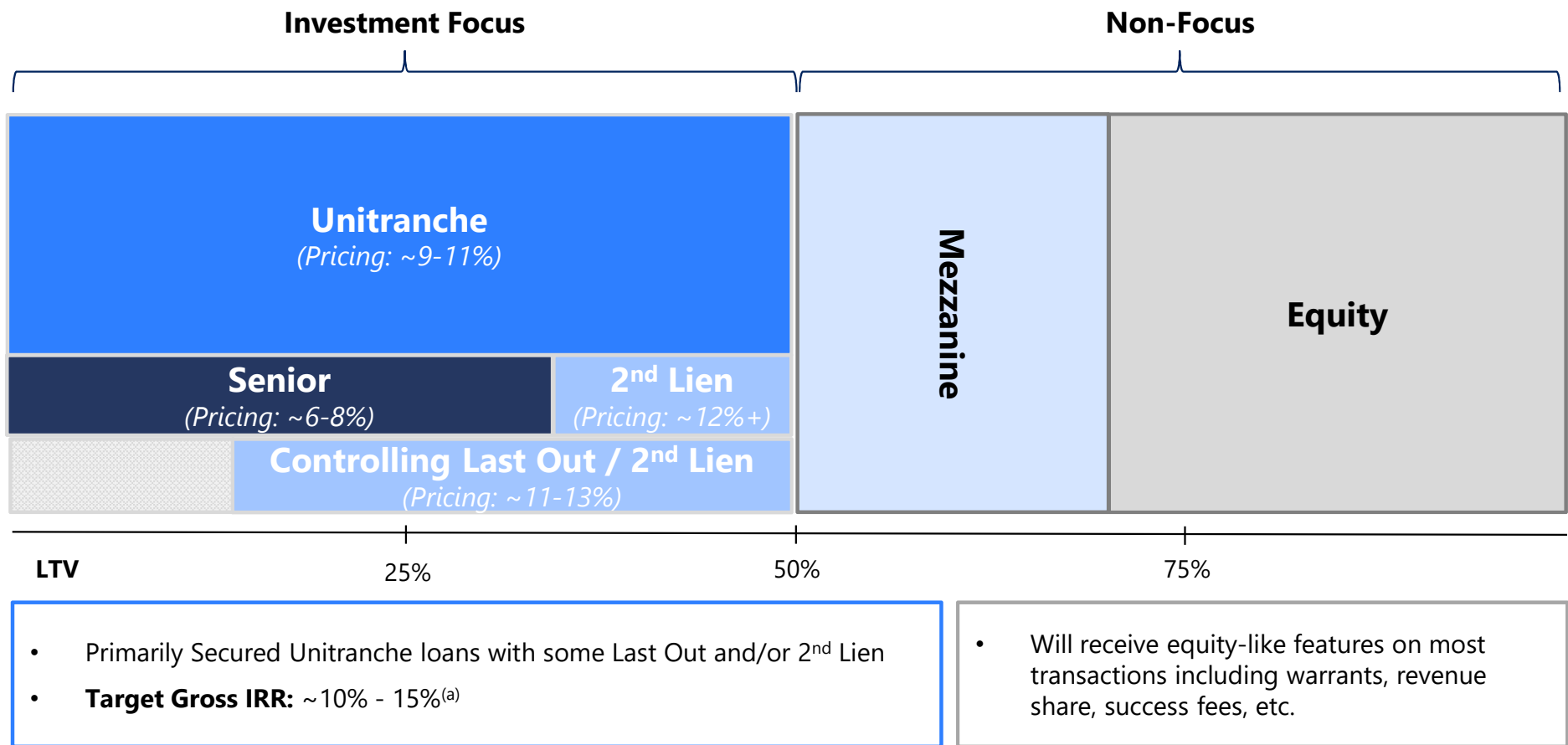




# Secured Loan Orientation

*Boundary Street will invest exclusively in the debt capital structure, targeting Senior, Unitranche, and controlling Last-Out / 2<sup>nd</sup> Lien positions, generally less than 50% LTV*

## Representative Borrower Capital Structure



<sup>(a)</sup> Please refer to the end notes for important additional information concerning the performance information and/or metrics set forth in this slide.

# Durable Enterprise Value Focus

*Boundary Street is deeply focused on lending to CIT businesses providing mission critical services, with highly recurring revenues and durable enterprise values*

	Industry Sub-Sectors	Business Models	Facility Structures
Core Focus	Data Center	Recurring Revenue	Agency Control
	Networks	Mission Critical Assets	Strong Covenants
	Wireless	Enterprise Customers	Lien Seniority
	Software	Growth/Late Stage	Collateral Secured
	Technology Services	High Switching Cost	Monitoring Rights
Non-Core	Hardware Man.	Start-Up	Cov-Lite
	Semiconductors	Business to Consumer	Syndications
	B2C Applications	Commodity Services	Flexible CA Terms

# Investment Committee

*The Fund's Investment Committee will be comprised of deeply experienced Partners with deep insights across investment cycles, asset classes and the CIT industry*



**Kawmy**



**Hutchison**



**Kersey**



**Siegel**



**Fleming**



**DeCorte**

Team						
Sector Expertise	CIT	Technology	Comm. Infrastructure	CIT	Comm. Infrastructure	CIT
Representative Investments	 DATA BANK  	  	  	  	  	  

# SBIC Overview and Benefits

*The SBIC license provides access to fixed rate financing that is low-cost and reliable, resulting in the ability to generate strong returns with lower risk assets and de minimis financing risk*

<b>Low Cost</b>	<ul style="list-style-type: none"><li>• As of March 2019, the all-in cost of SBIC financing is equivalent to a fixed 3.75% over the 10 year availability period</li><li>• A variable rate portfolio and fixed price leverage drives outperformance in a rising interest rate environment</li></ul>
<b>Stable Capital</b>	<ul style="list-style-type: none"><li>• Deployed funding available for up to 10 years</li><li>• Debenture program eliminates duration mismatch risk</li><li>• Interest only; no required interim amortization</li></ul>
<b>Availability</b>	<ul style="list-style-type: none"><li>• SBIC license uniquely enables the Fund to lend in the identified whitespace</li><li>• From 2007-2009, the peak all-in cost of SBIC financing was 6.78%, consistent with the pre-crisis all-in cost of SBIC financing (average of 6.81% in 2006)</li></ul>
<b>Tax Advantaged</b>	<ul style="list-style-type: none"><li>• SBIC financing may allow tax-exempt investors to invest in a levered credit platform without generating UBTI<sup>(a)</sup></li></ul>

<sup>(a)</sup> Please refer to the end notes for important additional information concerning the performance information and/or metrics set forth in this slide.

# DIFFERENTIATION

# Differentiated Sector Focus

*Boundary Street focuses entirely on the CIT sector which demonstrates strong, uncorrelated growth with recurring revenue business models*

<b>Secular Growth Trends</b>	<b>CIT sectors continue to support substantial growth</b> <ul style="list-style-type: none"><li>• US IP traffic expected to grow 3-fold by 2021<sup>(a)</sup></li><li>• US internet traffic in 2021 will be 168x 2005 levels<sup>(a)</sup></li><li>• Mobile traffic expected to nearly double by 2021<sup>(a)</sup></li></ul>
<b>Utility-like Characteristics</b>	<b>CIT infrastructure and services are mission critical and reflect utility-like stability</b> <ul style="list-style-type: none"><li>• Multi-year enterprise contracts</li><li>• Low customer churn</li><li>• ARPU growth from increasing utilization</li></ul>
<b>End-User Diversification</b>	<b>17% of all US business investment is spent on CIT sector goods or services<sup>(a)</sup></b> <ul style="list-style-type: none"><li>• This ubiquitous need for CIT services means that most CIT businesses have a highly diversified end-user base across industries</li></ul>
<b>Lower Market Volatility</b>	<b>During the Great Recession of 2008-2009, the CIT sector experienced half the volatility of the market from peak to trough ("PTT") <sup>(a)</sup></b> <ul style="list-style-type: none"><li>• CIT PTT revenue declines of 7% versus 14% in the broader market</li><li>• CIT PTT EBITDA declines of 9% versus 23% in the broader market</li></ul>

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# Differentiation by Lender Type

*Boundary Street's unique combination of sector focus, SBIC access, and Columbia affiliation make it possible to capitalize on market whitespace*

## Adjacent Competitors

Venture Banks	 
Venture Lenders	  
Banks	  
Institutional Lenders	 

## Boundary Street Differentiation

- Ability to finance Non-Sponsored deals
  - Ability to underwrite enterprise value not simply cash on hand or next venture round
- Ability to finance Non-Sponsored deals
  - Able to access back-leverage to support investments with positive cash flow
- Equity-like due diligence of credit
  - Lend to enterprise value vs. only cash flow
  - Not subject to bank-specific regulations
- Focused on making \$10-\$20m investments, below the minimum check size for institutions
  - Fixed fund size limits 'hold-size creep'

# Differentiation by Market Type

*Historical data evidences that loans made to Company's with less than \$15 million of EBITDA provide attractive risk adjusted returns, justifying the size premium*

## Key Comparative Findings

### Comparison by Vintage

<\$15m EBITDA Borrowers have largely outperformed the \$15-\$50m and \$50m+ EBITDA loan indices.

### Comparison by Year

<\$15m EBITDA Borrowers exhibited strong financial performance through the last crisis.

### Inverse Relationship between Size and Risk

Larger-sized facilities demonstrated higher historical price volatility.

### Enhanced Recoveries

Academic research has found that borrower size is not the principal root of credit recoveries.

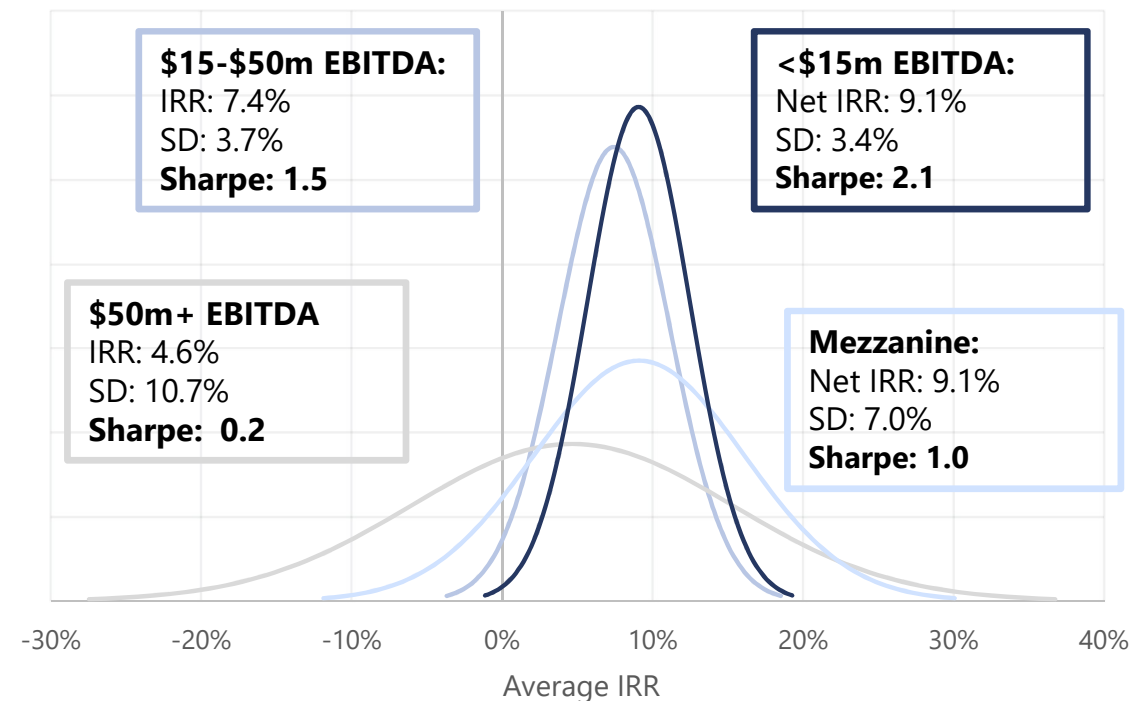
### CIT Sector Stability

CIT sector business' revenues and EBITDA declined by only half of that of the broader market declines during the last financial crisis.

## Illustrative Return Distribution

Smaller borrowers exhibited lower volatility and better returns than larger borrowers

Volatility and IRR by Asset Class



<sup>(a)</sup> Please refer to the end notes for important additional information concerning the performance information and/or metrics set forth in this slide.



# Structural Advantages of Market Size

*Boundary Street's Senior Credit investments offer attractive diversification to traditional private credit loan structures, especially when considering the current state of the US Loan Market*

## S&P Global

"Right now roughly 78% of the more than \$1 trillion in outstanding U.S. leveraged loans are cov-lite, compared to just 29% in 2007, at the peak of last credit cycle ..."

"the average discounted recovery rate on cov-lite loans undertaken before 2010 is 78%. That figure drops to 56% for cov-lite loans originated in 2010 and after"

## MOODY's

"Over the past five years, protections that restrict certain borrower behavior, provide warnings of credit deterioration and trigger enforcement rights have eroded as covenant flexibility has expanded, leaving investors with less covenant protection than at any other time in recent history."

## Bloomberg

"The leveraged loan market just achieved something it hasn't been able to do since 2008 -- moved within \$100 billion of the U.S. high-yield bond market."

	Broadly Syndicated Market	Lower Middle Market
<b>Maintenance Covenants</b>	Rare	Always
<b>Estimated Recovery Rates<sup>(a)</sup></b>	56%	80%
<b>Total Leverage</b>	~5.0x-7.0x	~3.0x-5.0x
<b>Amortization</b>	1% per annum	>50% over loan term
<b>Use of Proceeds</b>	LBO / Dividend Recap	Growth Capital
<b>LP Co-Investment Opportunities</b>	Limited	Yes

<sup>(a)</sup> Please refer to the end notes for important additional information concerning the performance information and/or metrics set forth in this slide.

# Uncorrelated to the Market

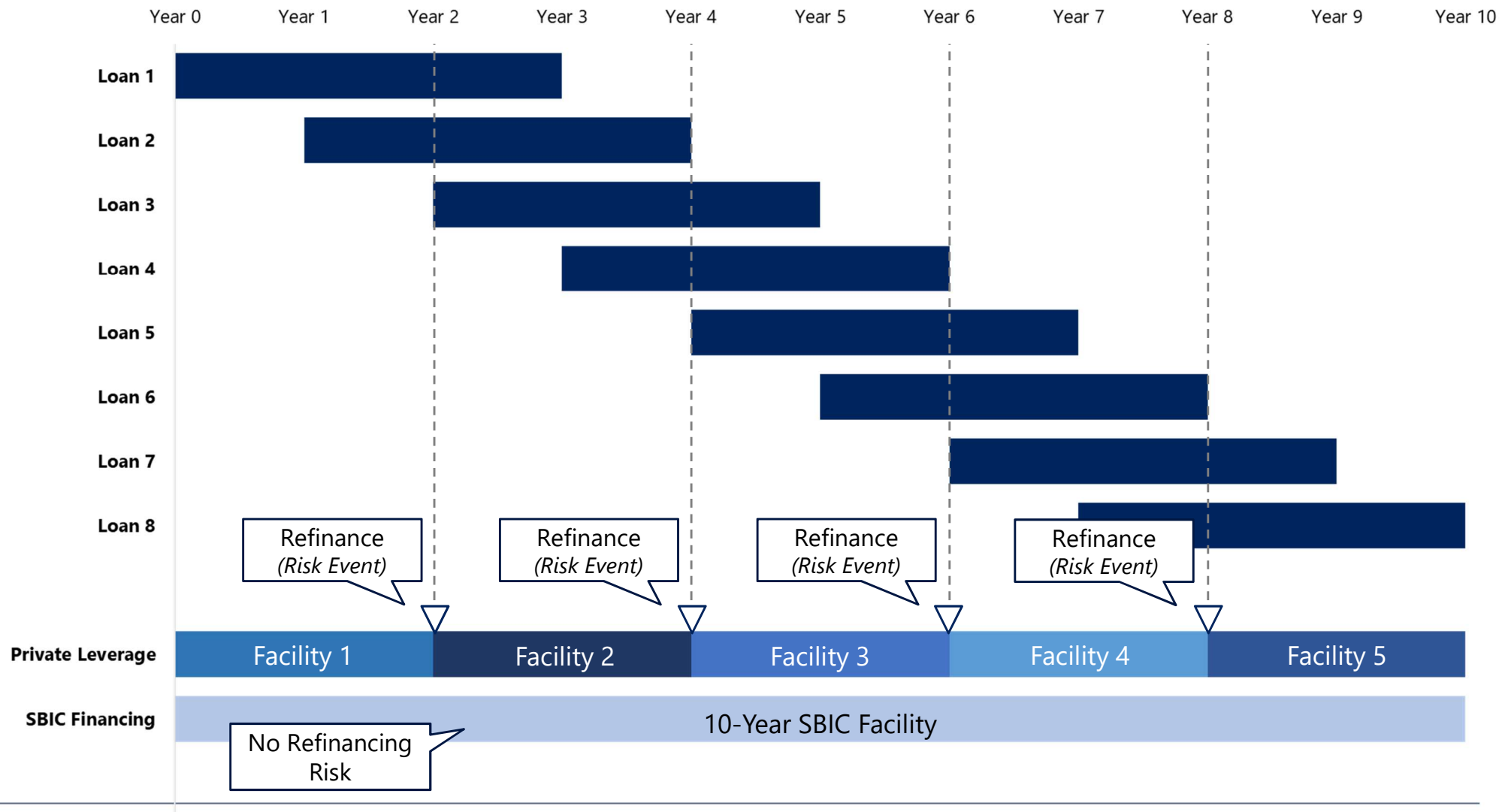
*Funds focused on the <\$15m of EBITDA market have a low correlation with the S&P 500 ("Market"), even before considering BSCP-specific factors such as seniority, industry and ability to control*

	Description	Relationship
<b>&lt;\$15m EBITDA Focused Funds vs Market</b>	<ul style="list-style-type: none"> <li>Low correlative relationship when comparing annual asset-level performance of &lt;\$15m EBITDA focused funds against the annual total return of the Market</li> </ul>	<ul style="list-style-type: none"> <li>Correlation: 7.0%</li> <li>Beta: 0.014</li> </ul>
<b>&lt;\$15m EBITDA LP Returns vs Market</b>	<ul style="list-style-type: none"> <li>Even when considering the impact of 1.0x fund leverage and fees on performance the correlative relationship to the Market remains low</li> </ul>	<ul style="list-style-type: none"> <li>Correlation: 7.0%</li> <li>Beta: 0.027</li> </ul>
<b>Further Mitigating Factors</b>	<ul style="list-style-type: none"> <li>Additional factors, specific to Boundary Street and not reflected in the above analysis, are likely to provide for an even lower correlative relationship</li> </ul>	<ul style="list-style-type: none"> <li>Defensive industry-focused</li> <li>Predominantly senior secured focus</li> <li>Ability to take control</li> </ul>

Please refer to the end notes for important additional information concerning the performance information, data, and/or findings set forth in this slide.

# Uniquely Stable Financing

*The low cost of SBIC capital provides fund managers with pricing flexibility across cycles while the 10-year term on SBIC debentures avoids the problems of duration mismatch*



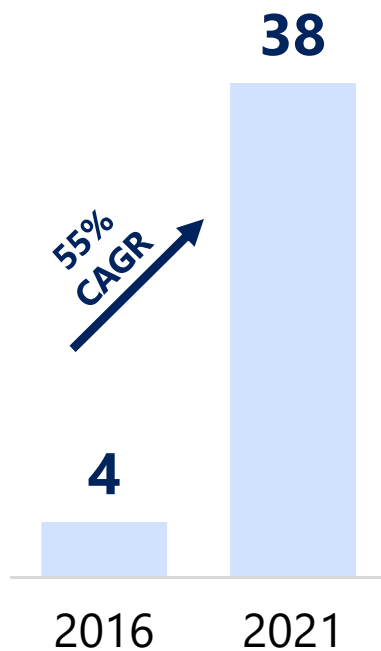
**CIT SECTOR**

# Digital Revolution Drives Sector

*The digital revolution will continue to drive investment, expansion and consolidation in the CIT sector*

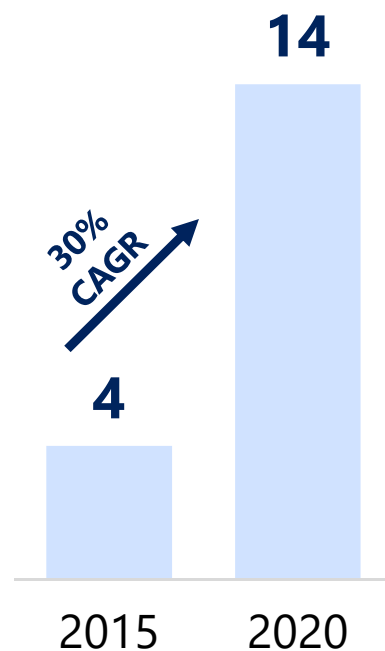
## Mobile Video Consumption<sup>(a)</sup>

(Exabytes/month)



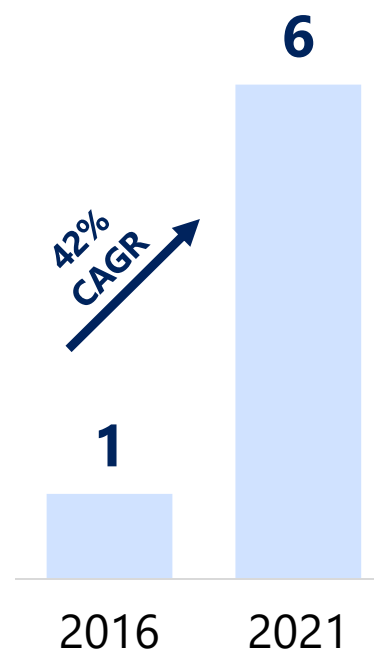
## Cloud Data Center Traffic<sup>(a)</sup>

(Zettabytes/month)



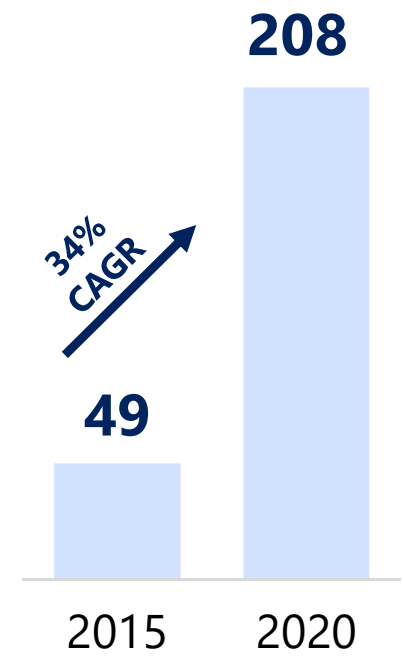
## Mobile Data Consumption<sup>(a)</sup>

(GB/user/month)



## Number of IoT Devices<sup>(a)</sup>

(Billions)

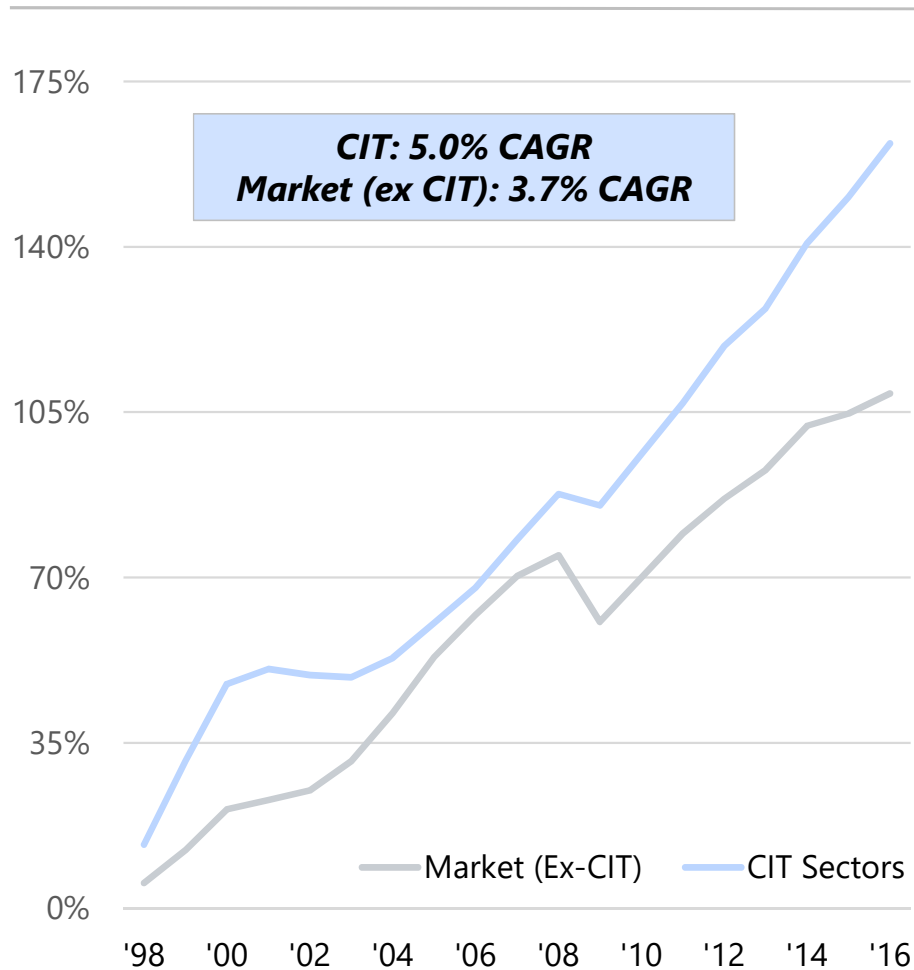


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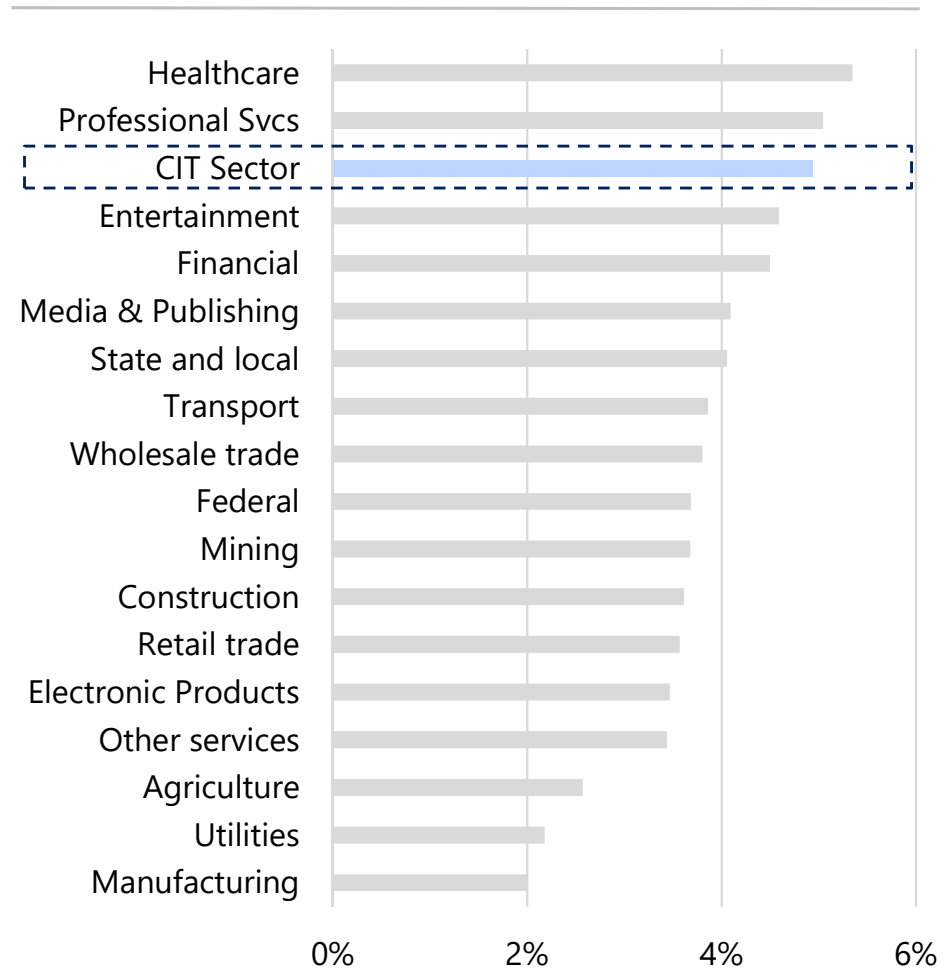
# Strong Secular Growth

*CIT sector growth rates have consistently outperformed other sectors over the past 20 years*

**20-Year Sector Growth<sup>(a)</sup>**



**20-Year Sector CAGR<sup>(a)</sup>**

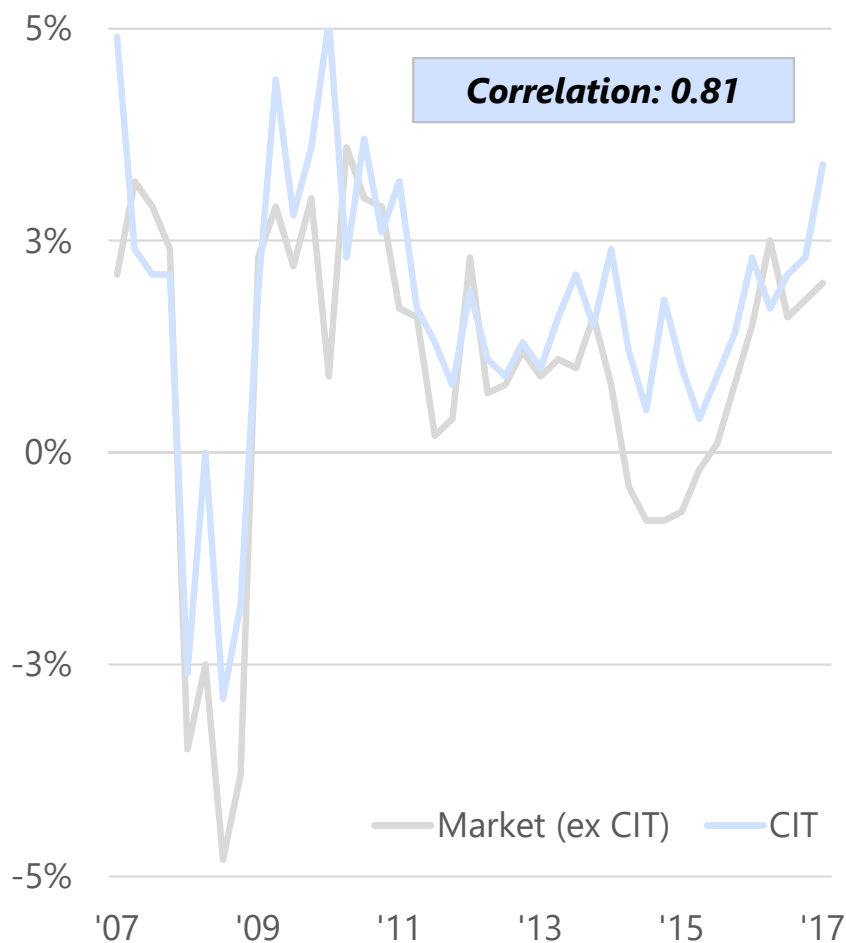


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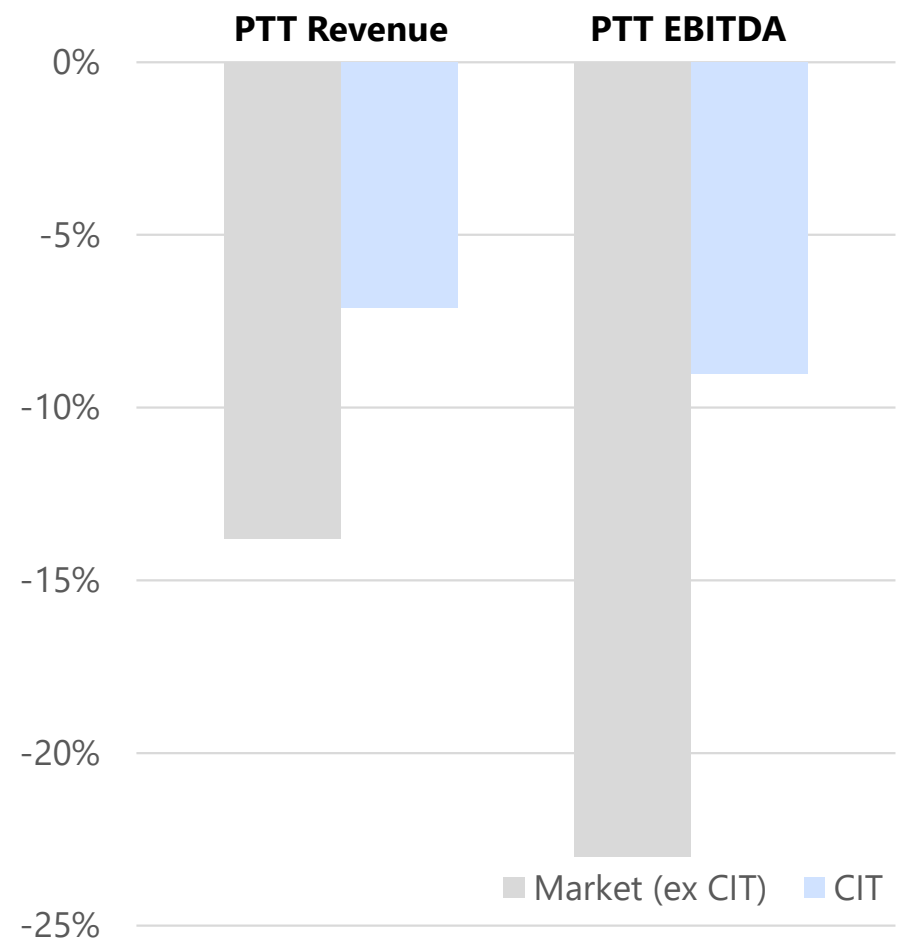
# Stability and Lower Market Correlation

*Over the last 10 years, CIT businesses in the Russell 3000 grew faster, with less volatility, than the rest of the market*

**LTM  $\Delta$ , CIT vs. Rest of Market (ex CIT)<sup>(a)</sup>**



**Peak to Trough ("PTT") Declines in Great Recession<sup>(a)</sup>**

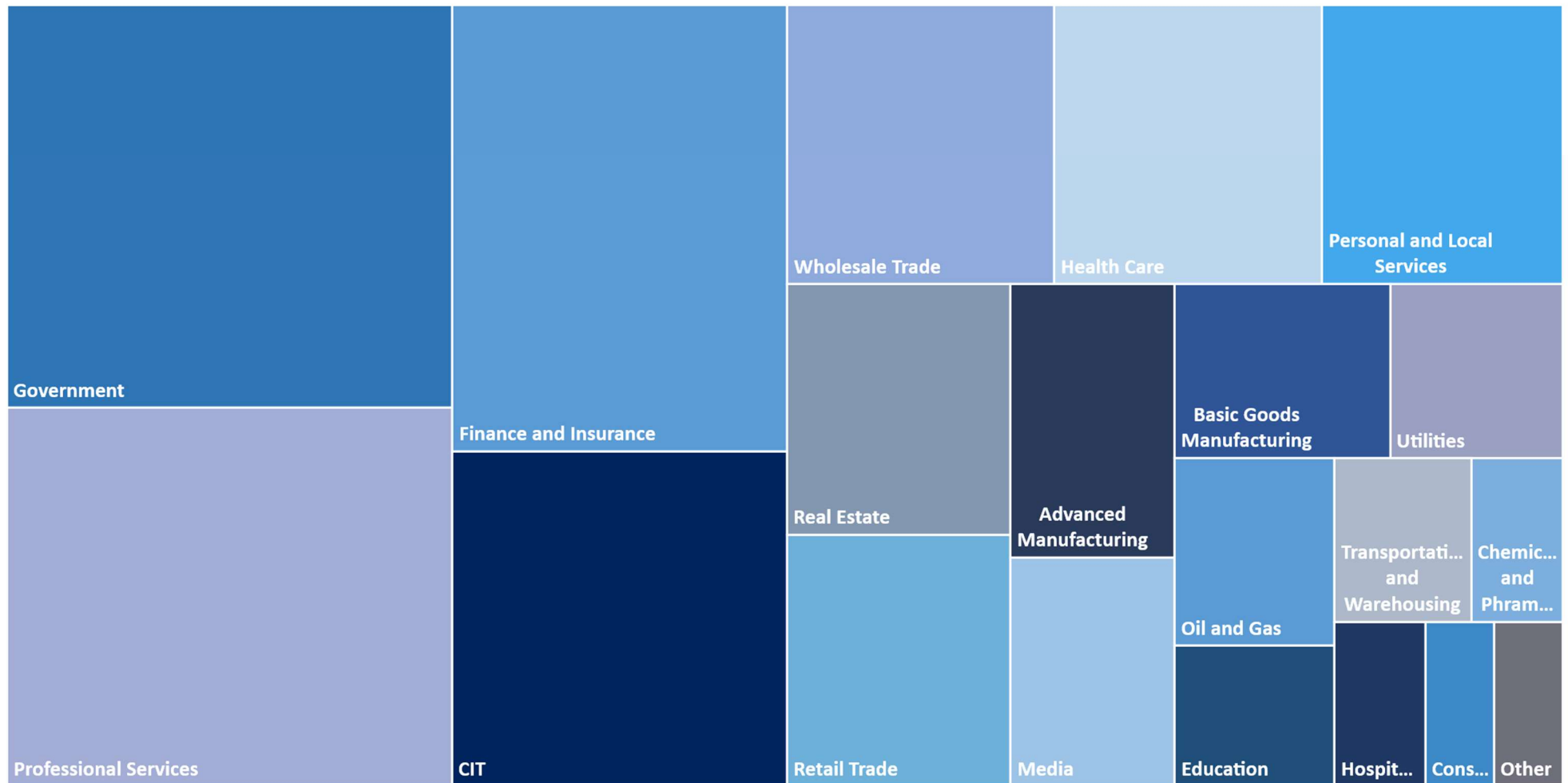


<sup>(a)</sup> Please refer to the end notes for important additional information concerning the performance information and/or metrics set forth in this slide.

# Enterprise CIT Diversity

*The Enterprise CIT sector enjoys meaningful end-user diversity*

**Enterprise CIT Output by End-User Industry<sup>(a)</sup>**



<sup>(a)</sup> Please refer to the end notes for important additional information concerning the performance information and/or metrics set forth in this slide.



# Boundary Street Subsector Focus

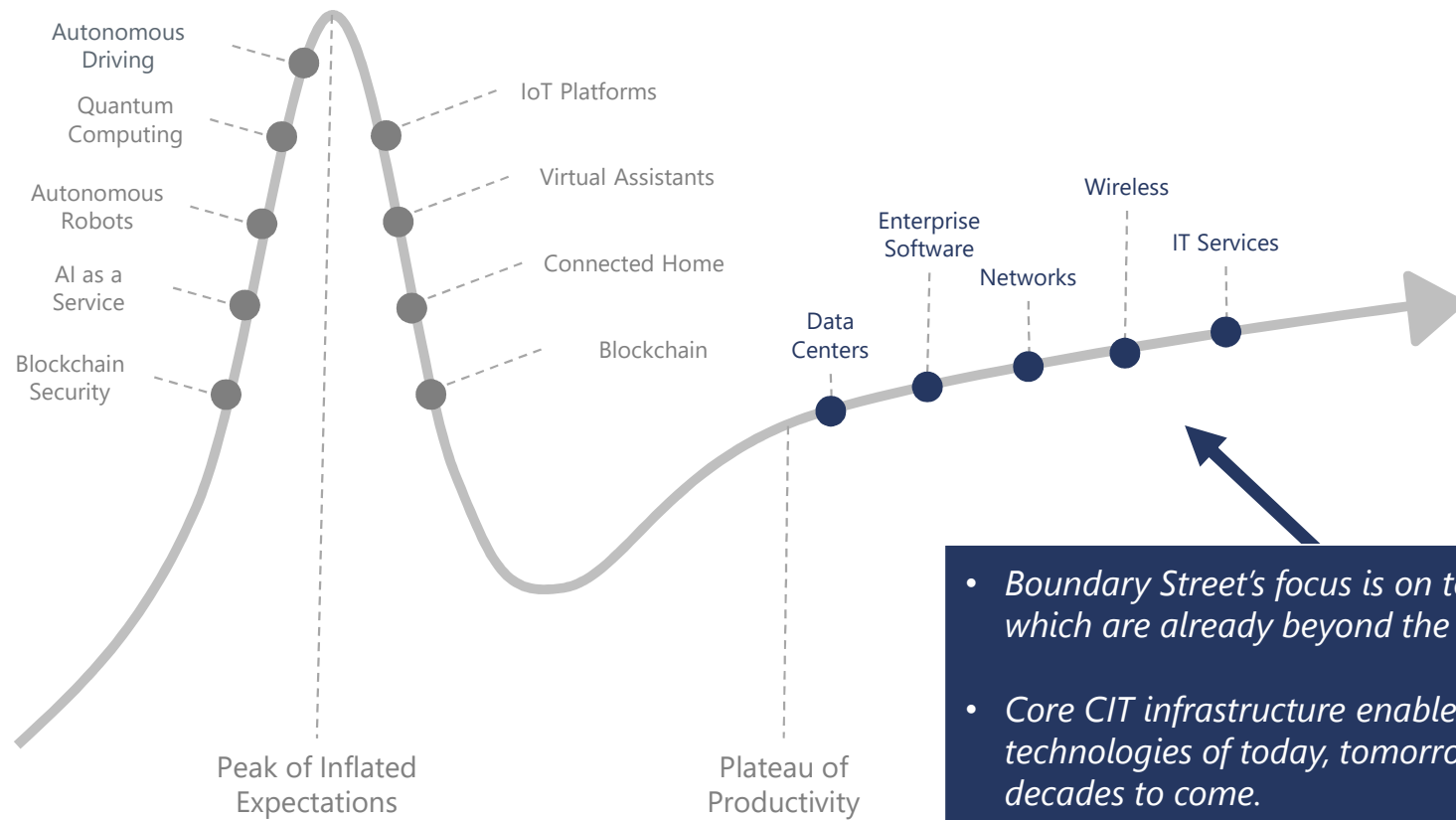
*The Fund will focus on the following communication infrastructure and technology industries within the broader telecommunications and information technology sectors.*

Telecommunication & Information Technology Sector	Communications Infrastructure and Technology	Data Center	<ul style="list-style-type: none"> <li>Data center operators and cloud services providers</li> </ul>	Core Focus
		Networks	<ul style="list-style-type: none"> <li>Physical and non-physical connectivity infrastructure that transmits data from one place to another</li> </ul>	
		Wireless	<ul style="list-style-type: none"> <li>Wireless towers and small cell networks</li> </ul>	
		Software	<ul style="list-style-type: none"> <li>Enterprise application and infrastructure software</li> </ul>	
		Technology Services	<ul style="list-style-type: none"> <li>Managed service providers, security technology, IT outsourcing, and data &amp; analytics</li> </ul>	
	Other Tech & IT	Hardware Manufacturing	<ul style="list-style-type: none"> <li>Manufacturers and assemblers of IT Hardware equipment</li> </ul>	Non-Core
		Semiconductors	<ul style="list-style-type: none"> <li>Research, development and design of computer processor components</li> </ul>	
		B2C Applications	<ul style="list-style-type: none"> <li>Consumer-focused software applications</li> </ul>	

# Avoiding the Technology Hype Cycle

*Technological cycles typically disintermediate businesses early in their 'Hype Cycle' or late in their technological obsolescence.*

Illustrative Technology Hype Cycle



- *Boundary Street's focus is on technologies which are already beyond the Hype Cycle.*
- *Core CIT infrastructure enables the technologies of today, tomorrow, and decades to come.*

## FUND TERMS

# Material Fund Terms

<b>Fund Size</b>	\$175m target with a \$200m hard cap
<b>Fund Leverage</b>	\$175m hard cap
<b>Distributions</b>	Substantially all of the Fund's income, on a quarterly basis
<b>Investment Period</b>	Five years from closing with full recycling after distributions
<b>Harvest Period</b>	Five years
<b>Management Fee</b>	Management fees of 1.50% charged on assets under management
<b>Incentive Compensation</b>	15% carried interest subject to an 8% preferred return
<b>Co-Investment</b>	Limited Partners may have the ability to co-invest in Fund investments based on criteria to be agreed upon

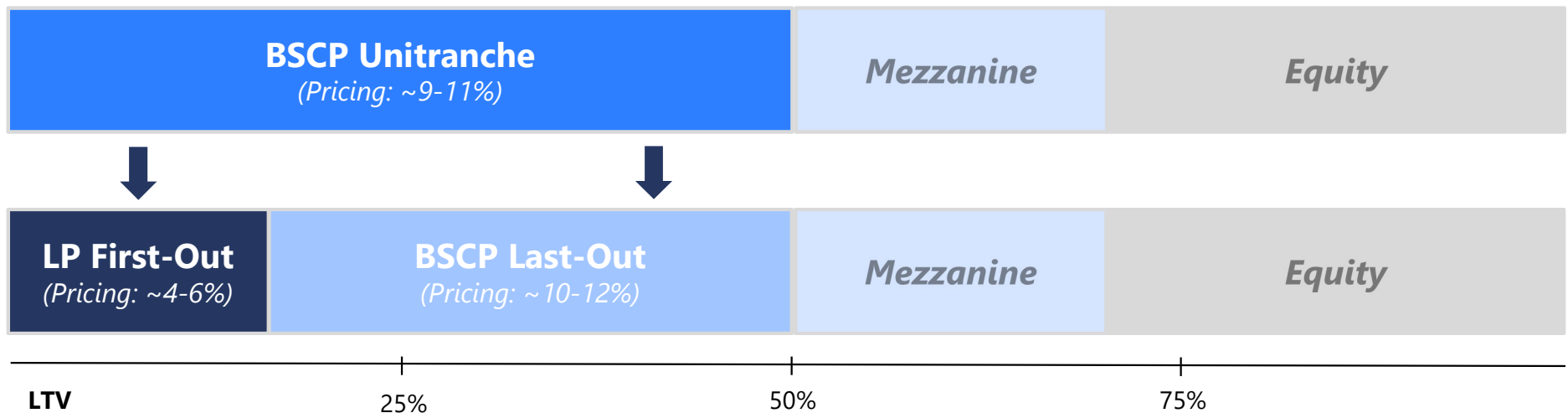
# Co-Investment Structure

*Co-Investment will provide Boundary Street with the ability to either exceed its target hold size (e.g. partner in tranche) or adjust tranche-level economics (e.g. creating a First-Out position)*

## Partner in Tranche

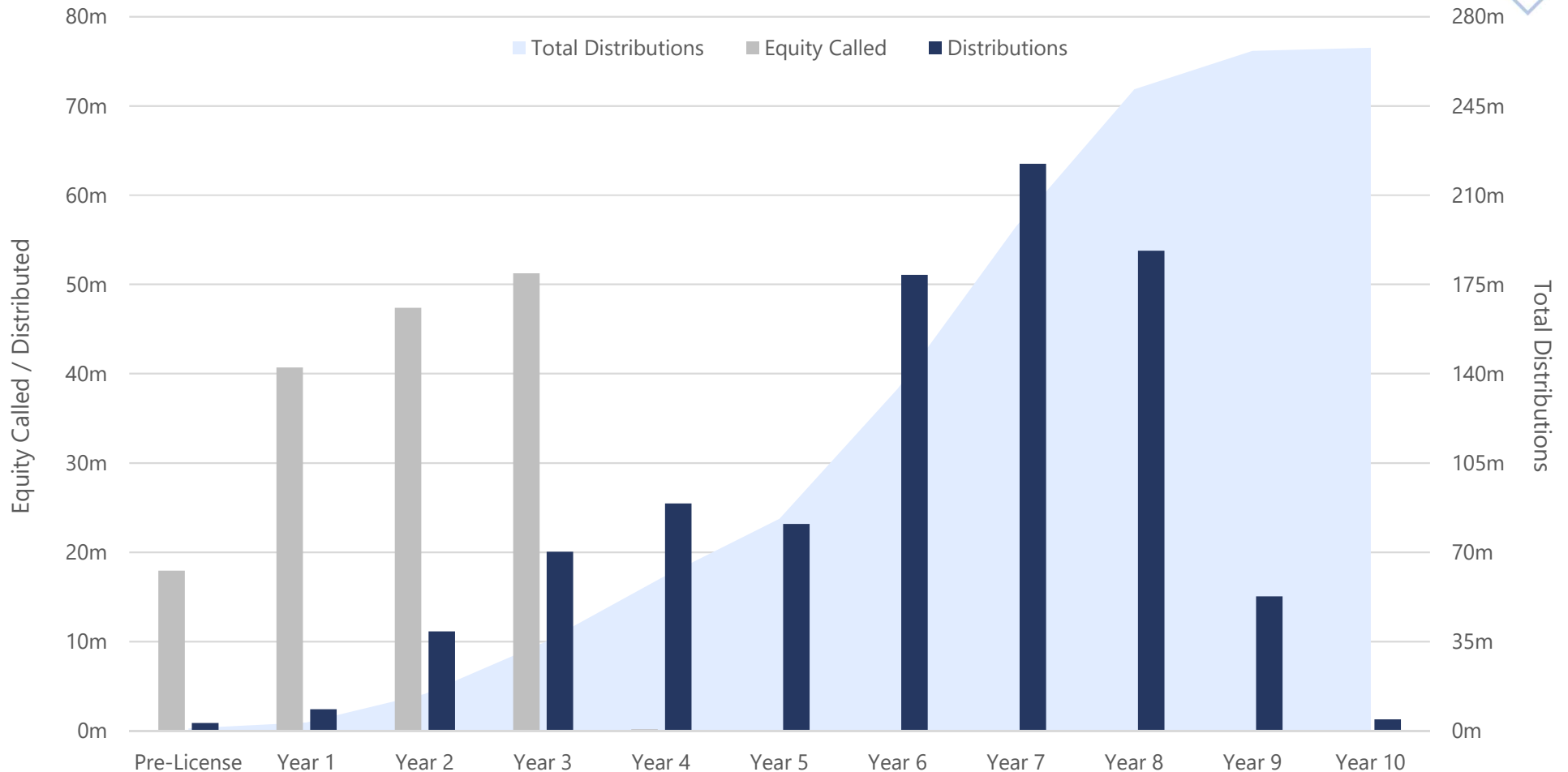


## Creating a First-Out Position



## **APPENDIX A: FINANCIAL DETAIL**

# Projected Called Equity & Net Distributions

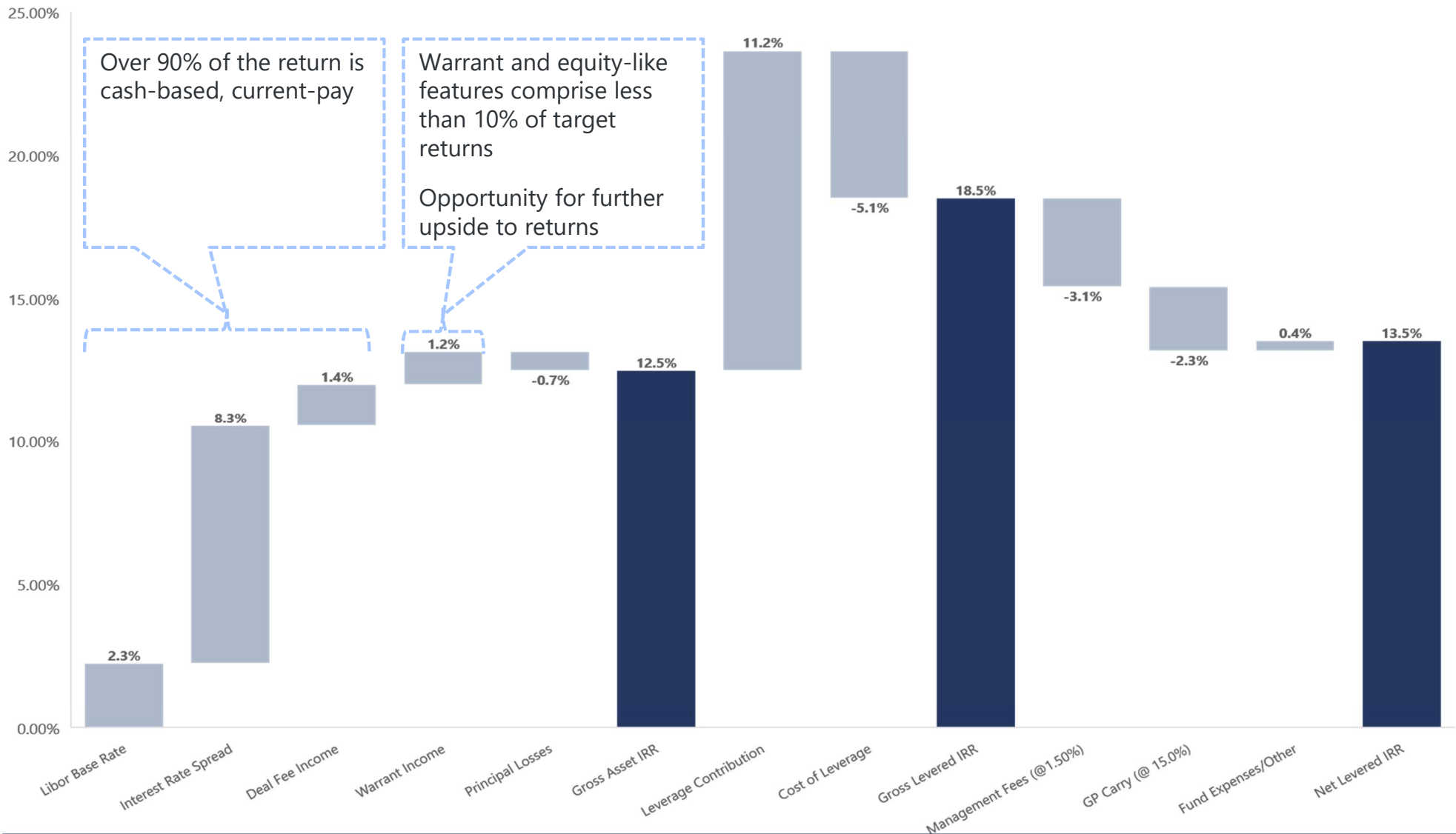


	Pre-License	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
% Equity Called	10%	34%	61%	90%	90%	90%	90%	90%	90%	90%	90%
Net DPI	-	-	0.1x	0.2x	0.4x	0.5x	0.9x	1.3x	1.6x	1.7x	1.7x

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# IRR Component Bridge

*Over 90% of fund returns will be driven by current income and fees.*



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# Strong Downside Protection

*Boundary Street's senior secured, infrastructure-focused strategy is structurally defensive from high downside events; performs well even against high downside sensitivity scenarios*

Defensive Orientation	<ul style="list-style-type: none"> <li>Focus primarily on senior secured investments with strong covenant protections</li> <li>Focus on investments in the communications infrastructure space, most of which will have a combination of mission critical assets and/or long-term recurring revenues</li> </ul>	
Historical Market Statistics <sup>(a)</sup>	<ul style="list-style-type: none"> <li><b>Loan Default Rate:</b> ~2.3% of loans incur a payment default annually</li> <li><b>Losses Given a Default:</b> 20% of loans between 1987 and 2017</li> </ul>	<ul style="list-style-type: none"> <li><b>Dollars Lost:</b> ~\$6m</li> <li><b>Net LP IRR:</b> ~14%</li> <li><b>Net CoC:</b> 1.73x</li> </ul>
Base Case	<ul style="list-style-type: none"> <li><b>Loan Default Rate:</b> ~2.3% of loans incur a payment default annually                             <ul style="list-style-type: none"> <li>Equivalent to ~6.8% default rate per loan over 3 year average life.</li> </ul> </li> <li><b>Losses Given a Default:</b> ~38%</li> </ul>	<ul style="list-style-type: none"> <li><b>Dollars Lost:</b> ~\$11m</li> <li><b>Net LP IRR:</b> ~14%</li> <li><b>Net CoC:</b> 1.70x</li> </ul>
Higher Losses Case	<ul style="list-style-type: none"> <li><b>Loan Default Rate:</b> ~10% of loans incur a payment default annually                             <ul style="list-style-type: none"> <li>Equivalent to ~30% default rate per loan over 3 year average life.</li> </ul> </li> <li><b>Losses Given a Default:</b> ~47%</li> </ul>	<ul style="list-style-type: none"> <li><b>Dollars Lost:</b> ~\$60m</li> <li><b>Net LP IRR:</b> ~8%</li> <li><b>Net CoC:</b> 1.38x</li> </ul>
Losses to Breakeven Case	<ul style="list-style-type: none"> <li><b>Loan Default Rate:</b> ~20% of loans incur a payment default annually                             <ul style="list-style-type: none"> <li>Equivalent to ~60% default rate per loan over 3 year average life.</li> </ul> </li> <li><b>Losses Given a Default:</b> ~47%</li> </ul>	<ul style="list-style-type: none"> <li><b>Dollars Lost:</b> ~\$120m</li> <li><b>Net LP IRR:</b> ~0.3%</li> <li><b>Net CoC:</b> 1.01x</li> </ul>

<sup>(a)</sup> Please refer to the end notes for important additional information concerning the performance information and/or metrics set forth in this slide.

## **APPENDIX B: SECTOR DETAIL**

# Networks Industry

## Industry Overview

- Telecommunications networks are the backbone of data connectivity.
  - Networks can include: dark fiber, lit fiber services, hosted telephony, unified communications, multiple service operators, virtual network operators, mobile network operators, mobile virtual network operators, and network services providers.
  - All consumer and enterprise data traverse a network to enable communication.
- Global IP traffic is estimated to increase nearly threefold over the next 5 years and by 127-fold between 2005 and 2021 with IP traffic growing at a CAGR of 24% from 2016 to 2021.

## Credit Strengths

- Tangible Value** – Telecommunication networks take significant capital to build out but once created provide the Company with an asset which, depending on the location, has significant enterprise and strategic value.
- Multi-year Contracts** – Customers sign multi-year contracts with its telecommunication network providers.
- Revenue Visibility** – The multi-year customer contracts and high customer retention rates provide strong revenue visibility.
- Secular Tailwinds** – IP traffic is expected to grow threefold over the next 5 years creating a huge demand for networks which provide the backbone for data connectivity.
- Customer Strength** – Customers who typically acquire commercial-grade network services tend to be strong credits as the service is mission critical to their operations

## Industry Sub-sectors



Dark Fiber



Virtual Network Operators



Hosted Telephony



Mobile Network Operator

## Typical Unitranche Loan Structure

<b>Enterprise Value</b>	9x-14x EBITDA
<b>BSCP Debt Leverage</b>	4x-6.5x EBITDA
<b>Loan to Value %</b>	~30%-50%
<b>Security</b>	First Lien on all assets of the Borrower
<b>Asset Type</b>	Contracts; Real Fiber Assets; Telecom Equipment
<b>Interest Rate</b>	9.00%-11.00%
<b>Covenants</b>	Total Leverage, Fixed Charge, Maximum Capital Expenditures, Material Contracts
<b>Recurring Revenue</b>	Yes
<b>Renewal Rates</b>	>90%

<sup>(a)</sup> Please refer to the end notes for important additional information concerning the performance information and/or metrics set forth in this slide.

# Data Center Industry

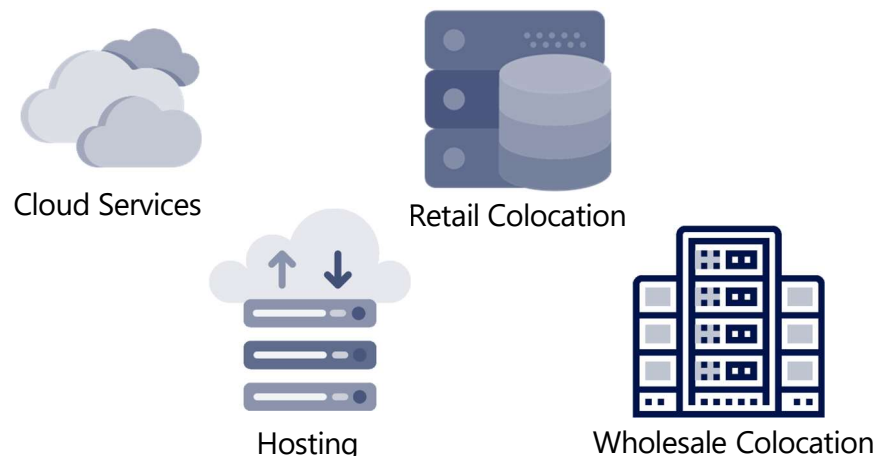
## Industry Overview

- Data center operators and cloud services providers, comprise the core of Data Center industry companies.
  - Cloud infrastructure enables enterprises to utilize all forms of technology to grow and enhance their businesses.
- The increasing focus in the adoption of advanced technologies such as cloud-based services and Internet of Things will augment the growth of the global data center market.
  - The US data center market is expected to reach values of approximately \$10 billion by 2023, growing at a CAGR of around 5% 2018-2023.

## Credit Strengths

- Multi-year contract** – Customers in the data center industry typically sign multi-year contracts.
- High Customer Retention** – Significant customer capital expenditure to move data center infrastructure with very little benefit if the data center operator is performing. This creates high customer retention rates.
- Revenue Visibility** – The multi-year customer contracts and high customer retention rates provide strong revenue visibility.
- Collateral Value** – Once built data centers have meaningful value to customers and strategic buyers as there is significant capital required for the initial build-out.
- Mission Critical** – Applications hosted by data center providers are mission critical to customers as downtime would have severe business interruption implications.

## Industry Sub-sectors



## Typical Unitranche Loan Structure

<b>Enterprise Value</b>	8x-12x EBITDA
<b>BSCP Debt Leverage</b>	3.5x-6x EBITDA
<b>Loan to Value %</b>	~30%-50%
<b>Security</b>	First Lien on all assets of the Borrower
<b>Asset Type</b>	Contracts; DC Infrastructure PP&E; Servers; sometimes Real Property
<b>Interest Rate</b>	8.00%-12.00%
<b>Covenants</b>	Total Leverage, Fixed Charge, Maximum Capital Expenditures
<b>Recurring Revenue</b>	Yes
<b>Renewal Rates</b>	>80%

<sup>(a)</sup> Please refer to the end notes for important additional information concerning the performance information and/or metrics set forth in this slide.

# Wireless Industry

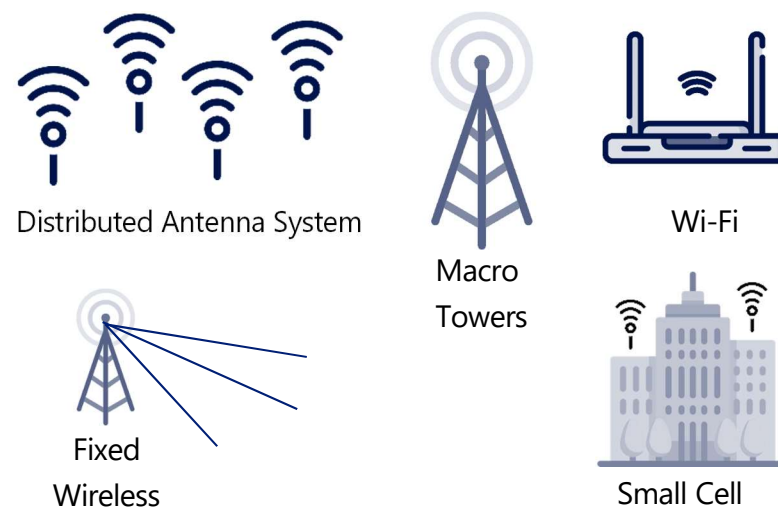
## Industry Overview

- Wireless Infrastructure, including wireless towers and small cell networks, enable mobile communication.
- The mobile landscape has changed dramatically over the last two decades, both in terms of growth in wireless devices as well as the emergence of new service platforms.
  - Device growth is accelerating in the form of connected devices and machine-to-machine application modules. These device categories are driving enormous mobile data growth and placing tremendous strain on the networks of mobile operators.
- Mobile data traffic is expected to increase sevenfold globally between 2016 and 2021, with mobile data traffic growing at a CAGR of 46% over the same period.
  - The evolution of new wireless technologies such as 5G will only continue to drive consumption of and investment in wireless technology.

## Credit Strengths

- Tangible Value** – Wireless infrastructure takes a significant capital to build out but once created provide the Company with a valuable asset.
- Multi-year contract** – Customers in the wireless industry typically sign multi-year contracts.
- Revenue Visibility** – The multi-year customer contracts and high customer retention rates provide strong revenue visibility.
- Secular Tailwinds** – Industry outlook is stronger than ever given the significant investment anticipated associated with new cellular technologies (5G) to handle exponential data growth.
- Customer Strength** – Customer credit is strong; typically large wireless telecommunications firms, large media content providers, or scaled private institutions (hospitals, universities, etc.).

## Industry Sub-sectors



## Typical Unitranche Loan Structure

<b>Enterprise Value</b>	20x-30x Tower Cash Flow
<b>BSCP Debt Leverage</b>	7x-12x Tower Cash Flow
<b>Loan to Value %</b>	~30%-50%
<b>Security</b>	First Lien on all assets of the Borrower
<b>Asset Type</b>	Contracts; Real Tower Assets
<b>Interest Rate</b>	8.00%-11.00%
<b>Covenants</b>	TCF Leverage, Fixed Charge, Maximum Capital Expenditures, Minimum TCF
<b>Recurring Revenue</b>	Yes
<b>Renewal Rates</b>	>95%

<sup>(a)</sup> Please refer to the end notes for important additional information concerning the performance information and/or metrics set forth in this slide.

# Software Industry

## Industry Overview

- The software industry consists of enterprise application software and infrastructure software.
  - Software is sold in a number of pricing models which include, perpetual license, term license, Software as a Service ("SaaS"), hosted term license, and platform as a service models.
- Software's direct economic impact grew by 18.7% between 2014 and 2016 years while the U.S. economy grew 6.7%.
- The capital-intensive SaaS model has become the dominant consumption and pricing model and by 2021 75% of the total cloud workloads and compute instances are expected to be run as SaaS.

## Credit Strengths

- Multi-year contract** – Customers in the software industry typically sign multi-year contracts for either SaaS or maintenance after purchasing a license. SaaS contracts are typically one-year and Licenses can be term (3-5 yrs) or perpetual.
- High Customer Retention** – Significant business disruption when changing providers leads to high customer retention.
- Revenue Visibility** – The multi-year customer contracts and high customer retention rates provide strong revenue visibility.
- Mission Critical** – Software supports meaningful back office functions for its customers. If a company were to experience financial distress the software suite would be the last thing a company would stop paying/shut off as it would no longer be able to function without it.

## Industry Sub-sectors



## Typical Unitranche Loan Structure

<b>Enterprise Value</b>	9x-11x EBITDA
<b>BSCP Debt Leverage</b>	3x-5x EBITDA
<b>Loan to Value %</b>	~30%-50%
<b>Security</b>	First Lien on all assets of the Borrower
<b>Asset Type</b>	Contracts; Intellectual Property
<b>Interest Rate</b>	9.00%-13.00%
<b>Covenants</b>	Total Leverage, Fixed Charge, Maximum Capital Expenditures, Minimum MRR, Minimum Liquidity
<b>Recurring Revenue</b>	Yes
<b>Renewal Rates</b>	>90%

<sup>(a)</sup> Please refer to the end notes for important additional information concerning the performance information and/or metrics set forth in this slide.

# Technology Services Industry

## Industry Overview

- Technology services include managed service providers, security technology, IT outsourcing, and data & analytics.
  - Technology services enable enterprises to utilize all forms of technology to grow and enhance their businesses.
- The managed services (Managed Security Services, Managed Network Services, Managed Data Center Services) market size is expected to grow from \$152.5b in 2017 to \$257.8b by 2022, at a CAGR of 11.1% during the forecast period.
  - An increase in the adoption rate of cloud deployment among SMEs, have led to the increase in the managed services market and is expected to grow at the highest CAGR during the forecast period

## Credit Strengths

- Multi-year contract** – Customers in the technology services industry typically sign multi-year contracts (1-3 years)
- High Free Cash Flow Conversion** – Relatively little capex required means significant cash flow conversion to repay debt.
- Mission Critical** – Applications hosted by and services provided by technology service providers are typically mission critical to customers as downtime of services/data or breaches in security would have severe business interruption implications.
- Customer Granularity** – Technology services tend to have highly granular customer bases which reduces the financial impact of any individual non-renewals.
- Secular Tailwinds** – As SMEs increase the adoption rate of cloud deployment and the less capital intensive / scalable IT outsourced services the market size is expected to increase by a CAGR in excess of 10% through 2022.

## Industry Sub-sectors



Business Intelligence



Managed Service Providers



Endpoint Security

## Typical Unitranche Loan Structure

<b>Enterprise Value</b>	6x-10x EBITDA
<b>BSCP Debt Leverage</b>	3x-5x EBITDA
<b>Loan to Value %</b>	~25%-50%
<b>Security</b>	First Lien on all assets of the Borrower
<b>Asset Type</b>	Contracts
<b>Interest Rate</b>	10.00%-12.00%
<b>Covenants</b>	Total Leverage, Fixed Charge, Maximum Capital Expenditures
<b>Recurring Revenue</b>	Yes
<b>Renewal Rates</b>	>90%

<sup>(a)</sup> Please refer to the end notes for important additional information concerning the performance information and/or metrics set forth in this slide.

## **APPENDIX C: ILLUSTRATIVE CASE STUDIES**



# Case Study – Project Tower

## Opportunity Overview

- Tower operator and provider of wireless tower services :
  - Operates in the Northeast and Mid-Atlantic regions providing development and managed services to tower operators.
  - Owns and operates a small portfolio of towers
- Over 50% of the Company's revenues are recurring from multi-year maintenance contracts; presently generates ~\$5m of EBITDA.
- The Company is seeking to refinance their existing lender who is limited at \$20m of lending capacity.
- Proceeds will be used to refinance or complement the existing lender, acquire small competitors in contiguous footprints, and construct new towers for their own portfolio.

## Investment Thesis

- **Recurring Revenues** – Over 50% of the Company's revenues are derived from multi-year maintenance contracts and high renewal rates. The tower portfolio provides incremental recurring revenue as the company pursues lease-up and build-outs.
- **Secular Tail Winds** – Macro sites remain the primary mode of transmitting wireless connectivity to mobile users and will continue to provide the best long-range connectivity even after the deployment of 5G networks. The Company has significant new business prospects from 5G expansions and deployments.
- **Strategic Collateral Value** – In addition to the enterprise value of the business, the tower portfolio provides a tangible base of relatively liquid collateral.

## Capitalization

	Commitment	Funding	Multiple	LTV
<b>Sr. Loan (Funded)</b>	<b>20,000</b>	<b>20,000</b>	4.0x	50%
<b>Sr. Loan (DDTL)</b>	<b>10,000</b>	-	4.0x	50%
<b>Cash Equity</b>	<b>15,000</b>	<b>15,000</b>	7.5x	-
<b>Implied Equity</b>	<b>5,000</b>	<b>5,000</b>	8.0x	-
<b>Total Capitalization</b>	<b>50,000</b>	<b>40,000</b>	8.0x	100%

(1) Implied equity presumes an EV of 8.0x and reflects value created since the original business acquisition.

## Loan Terms

<b>Security</b>	First lien on all assets of the Borrower
<b>Term</b>	Five years
<b>Rate</b>	LIBOR+6.50%
<b>Amortization</b>	0%, 5%, 10%, 15%, 20%
<b>Prepayment Fees</b>	102, 101
<b>Warrant Coverage</b>	0%
<b>Covenants</b>	Leverage, Fixed Charge Coverage, and Minimum TCF
<b>Asset Level IRR</b>	10%

<sup>(a)</sup> Please refer to the end notes for important additional information concerning the performance information and/or metrics set forth in this slide.

# Case Study – Project Leaf

## Opportunity Overview

- Project Leaf is a provider of custom, private dark & lit fiber networks provide connectivity to schools districts, enterprises and hyperscalers.
- The Company currently generates ~\$2m of EBITDA, largely leveraging a government program that subsidizes the cost of the network builds.
- The Company has generated several transformative leads to build out dark fiber for enterprise-class internet companies.
  - One deal in the pipeline would require a \$30m buildout backed by a 20-year lease from a Fortune 50 customer.
- The Founder and CEO was the former COO of a prominent global network provider whom both BSCP and Columbia Capital has backed and view as the best in the business.
  - The Founder does not want to take private equity and is seeking to put a debt structure in place to support future growth.

## Investment Thesis

- **Real Assets** – The company's real network assets have strategic value to adjacent competitors in a high-downside scenario. Loan proceeds will primarily be used to build additional real assets.
- **Prior Successful Experience with Management Team** – The management team is headed by a 25-year industry veteran who has significant experience in this sector.
  - Columbia Capital has backed the Founder/CEO twice; once he was the COO of the portfolio company that went on to go public at a \$1Bn+ valuation.
- **Mission Critical Services** – Network infrastructure services are mission critical to customers. Potential downtime associated with switching has severe business interruption implications.
- **Recurring Revenue** – The Company's revenues principally derived from multi-year network service contracts with builds that are supported by a federal government program.

## Capitalization

	Commitment	Funding	Multiple	LTV
<b>Sr. Loan (DDTL)</b>	<b>20,000</b>	-	-	-
<b>Equity<sup>(1)</sup></b>	<b>20,000</b>	<b>20,000</b>	10.0x	100%
<b>Total Capitalization</b>	<b>40,000</b>	<b>20,000</b>	10.0x	100%

(1) The CEO and former executives have committed ~\$20MM of equity in the Company, \$5MM of which has not yet been called

## Loan Terms

<b>Security</b>	First lien on all assets of the Borrower
<b>Term</b>	Five years
<b>Rate</b>	LIBOR+8.00%
<b>Amortization</b>	0%, 0%, 10%, 15%, 20%
<b>Prepayment Fees</b>	102, 101
<b>Warrant Coverage</b>	5%
<b>Covenants</b>	Leverage, Fixed Charge Coverage, and Maximum Capital Expenditures
<b>Asset Level IRR</b>	13% (exclusive of warrants; all cash-pay)

# Case Study – Project Hawk

## Opportunity Overview

- Colocation and interconnection business located inside a 21-story carrier hotel/data center, the second most-connected building, in a top US market.
- The Company currently operates 26,000 feet of available colocation space in addition to the building's meet-me-room and external dark fiber conduit.
- The Sponsor is seeking debt capital in support of a two-part acquisition strategy to: (i) acquire the colocation/meet-me-room business and (ii) subsequently purchase the building in support of further leasing and expansion.

## Investment Thesis

- **Recurring Revenues** – ~99% of the Company's colocation revenues are derived from multi-year contracts with average monthly churn of 0.4%. The Company's building is ~40% leased to tier 1 telecommunications and technology tenants under long term lease agreements (predominantly NNN)
- **Premier Carrier Hotel** – The Company's carrier neutral colocation, data center and interconnections are across the street from a fully leased major colocation facility with 300+ tenants and carriers. The Company's Meet-Me-Room and direct fiber bridge make it a desirable location for clients looking for interconnection services to this location.
- **Platform in a Major Interconnection Hub** – Company is in the premier location in a major interconnection hub on the East Coast with access to hundreds of carriers. The city is the 7<sup>th</sup> largest data center market with the 6<sup>th</sup> best occupancy rate.

## Capitalization

	Commitment	Funding	Net Multiple	Net LTV
<b>Revolver (Unfunded)</b>	<b>3,000</b>	-	-	n/a
<b>Initial Term Loan</b>	<b>25,000</b>	<b>25,000</b>	6.0x	42%
<b>Acq. Term Loan<sup>(1)</sup></b>	<b>27,000</b>	-	-	n/a
<b>Cash Equity</b>	<b>48,000</b>	<b>35,000</b>	14.2x	-
<b>Total Capitalization</b>	<b>103,000</b>	<b>60,000</b>	14.2x	100.0%

(1) Sponsor has requested committed financing to enable a complete purchase of the interconnection business and the property to support further growth and expansion

## Loan Terms

<b>Security</b>	First lien on all assets, mortgage on property
<b>Term</b>	Five years
<b>Cash Rate</b>	9.25%
<b>Amortization</b>	24-month IO; 25-year mortgage thereafter
<b>Prepayment Fees</b>	102, 101
<b>Warrant Coverage</b>	0%
<b>Covenants</b>	Leverage/Debt Yield, Fixed Charge Coverage/DSCR, Material Contracts, and Maximum Capital Expenditures
<b>Asset Level IRR</b>	10%

(\*) Case study information based on preliminary conversations with perspective borrowers and or intermediaries.

# Case Study – Project Managed Services

## Opportunity Overview

- Regional provider of managed hosting and database application services
- Founders organically grew the business to \$7MM of annual revenues and ~\$2.5m of adjusted EBITDA
- Founders are searching for proven management team to partner with for future growth.
  - New management would take control of daily operations
  - Founders expect to roll ~40% of their proceeds and remain on the executive team in chief technologist roles
- Boundary Street Management have a positive prior experience working with the new proposed management & buyout group

## Investment Thesis

- Management** – Opportunity to once again partner with a proven management team
- Recurring Revenues** – The business presently generates >60% of their annual revenues from multi-year hosting and services agreements. Management has previously proven, an ability to increase recurring revenue share over time
- Mission Critical** – The hosted applications and services are mission critical to customers. Switching costs are exceptionally and downtime has severe business interruption implications
- Growth Prospects** – Management sees a clear path to substantially increasing EBITDA over the investment period providing opportunities to increase debt capital and ultimately exit

## Capitalization

	Commitment	Funding	Multiple	LTV
<b>Sr. Loan (Funded)</b>	<b>10,000</b>	<b>10,000</b>	4.0x	33%
<b>Sponsor Equity<sup>(1)</sup></b>	<b>12,000</b>	<b>12,000</b>	12.0x	-
<b>Rollover Equity</b>	<b>8,000</b>	<b>8,000</b>	12.0x	-
<b>Total Capitalization</b>	<b>30,000</b>	<b>30,000</b>	12.0x	100%

(1) Sponsor will be purchasing 60% of the equity at closing

## Loan Terms

<b>Security</b>	First lien on all assets of the Borrower
<b>Term</b>	Five years
<b>Rate</b>	LIBOR+7.50%
<b>Amortization</b>	0%, 5%, 10%, 15%, 20%
<b>Prepayment Fees</b>	102, 101
<b>Warrant Coverage</b>	10%
<b>Covenants</b>	Leverage, Fixed Charge Coverage, and Maximum Capital Expenditures
<b>Asset Level IRR</b>	11% (exclusive of warrants)

<sup>(a)</sup> Please refer to the end notes for important additional information concerning the performance information and/or metrics set forth in this slide.

# Case Study – Project Clark

## Opportunity Overview

- Vertically oriented software business in the oil and gas industry.
- License and Maintenance revenue model; ~60% of the revenue recurs annually, providing \$25m of annually recurring revenue.
- The Company is seeking debt capital as part of an acquisition by a private equity firm.
- Proceeds would be used to support the acquisition, recapitalize the business and provide additional cash on the balance sheet for working capital.

## Investment Thesis

- **Recurring Revenues** – ~60% of the Company's revenues are derived from multi-year maintenance contracts with high renewal rates. The Company's product is deeply embedded into the clients workflows.
- **Value Added Partner** – Revenue model is less attractive than Software as a Service ("SaaS") as revenue timing is more concentrated and less visible. Many lenders highly discount or avoid providing capital to this revenue model creating an opportunity for Boundary Street to be a valued and constructive partner to support a SaaS transition.
- **Meaningful Cushion to Enterprise Value** – The Private Equity Sponsor will have meaningful cash invested in the business at close providing the senior lender with cushion to the enterprise value and incentive for the Private Equity Sponsor to continue to support the Company.

## Capitalization

	Commitment	Funding	Net Multiple	Net LTV
<b>Revolver (Unfunded)</b>	<b>3,000</b>	-	-	n/a
<b>Sr. Loan (First-Out)</b>	<b>12,500</b>	<b>12,500</b>	1.8x	14%
<b>Sr. Loan (Last-Out)</b>	<b>27,500</b>	<b>27,500</b>	5.7x	44%
<b>Cash Equity</b>	<b>51,000</b>	<b>51,000</b>	13.0x	-
<b>Total Capitalization</b>	<b>91,000</b>	<b>91,000</b>	13.0x	100.0%

## Loan Terms

<b>Security</b>	First lien on all assets of the Borrower
<b>Term</b>	Five years
<b>Rate</b>	LIBOR+8.75%
<b>Amortization</b>	Bullet - Amortization will go to First-Out Lender
<b>Prepayment Fees</b>	102.5, 101.5
<b>Warrant Coverage</b>	0%
<b>Covenants</b>	Leverage, Fixed Charge Coverage, and Maximum Capital Expenditures
<b>Asset Level IRR</b>	12%

(\*) Case study information based on preliminary conversations with perspective borrowers and or intermediaries.

## **APPENDIX D: SBIC PROGRAM OVERVIEW**

# SBIC Overview and Benefits

*The SBIC license provides access to fixed rate financing that is low-cost and reliable, resulting in the ability to generate strong returns with lower asset-level yields and de minimis financing risk*

## Leverage Availability

- 10 year interest only loans
- Up to \$175 million of Debentures and up to 66% advance rate per license
- Subsidiaries can together borrow up to \$350 million from SBA

## Costs

- SBA loans are pooled and priced in tranches
- As of the last pooling, pricing for SBA loans is as follows:
  - 1% commitment fee
  - 2.43% fee on drawdown
  - 3.19% current interest payment
  - 0.22% annual charge rate
- Over a 10 year loan equivalent to 3.75%

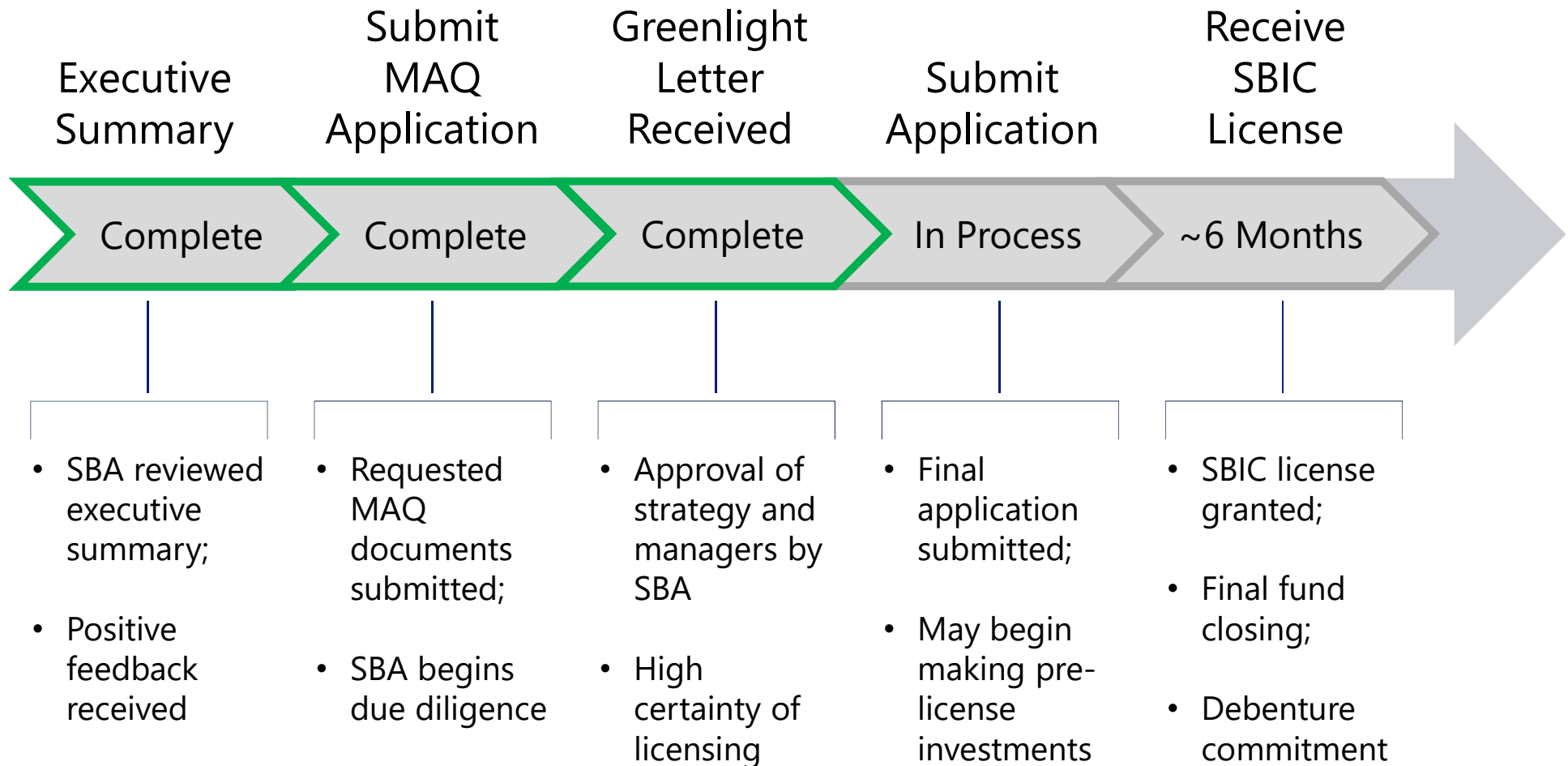
## SBIC Investments

- SBICs can only invest in “small businesses” and must invest at least 25% of its funds in “smaller enterprises”
- A small business is a company with tangible net worth of less than \$19.56 million and average after tax income for trailing two years of less than \$6.5 million
- A smaller enterprise is a company with tangible net worth of less than \$6 million and average after tax income for trailing two years of less than \$2 million
- The CIT sector has substantial carveouts for businesses that are larger than these two tests
- SBA relies on a rigorous licensing and fund administration monitoring program to provide credit vetting and as such, does not require individual credit approvals on discrete qualifying investments

<sup>(a)</sup> Please refer to the end notes for important additional information concerning the performance information and/or metrics set forth in this slide.

# SBIC Debenture Program - Timeline

*Boundary Street has received a Greenlight letter from SBA endorsing the management team and the strategy and providing a very high likelihood of licensing.*



<sup>(a)</sup> Please refer to the end notes for important additional information concerning the performance information and/or metrics set forth in this slide.



# Market Opportunity - SBIC Advantage

*The SBIC license allows the Fund to profitably lend to emerging CIT businesses where competitors using private funding sources simply cannot*

## SBIC Fund

## Private Leverage

### Investment Flexibility

- SBIC requirements are a natural complement to the strategy. SBIC provides flexibility across:
  - Investments in Small Businesses with less than \$10m of EBITDA
  - No overt requirements on underwriting metrics or EBITDA-based leverage caps
  - No individual discretion for qualifying businesses

- Private sources of fund leverage typically require:
  - Underlying Borrower to have a minimum of \$10m of EBITDA;
  - Requirement to lend based on EBITDA with leverage-based caps; and
  - In some cases, deal-by-deal discretion
  - Substantial covenant requirements at the fund and borrowing base levels

### Stable Capital

- Extended investment period with a 10-year term and repayment flexibility.
  - Deployed funding available for up to 10 years
  - No required interim amortization

- Limited investment period, heavy amortization and term introduce significant renewal / extension risk.
  - Typically 2-3-year investment period and a 5-year term.
  - Contractual amortization beginning in year 2-3

<sup>(a)</sup> Please refer to the end notes for important additional information concerning the performance information and/or metrics set forth in this slide.

# Historical Pooling Rates

*SBIC debenture rates have been priced at an average of 73bps above 10-year treasury rates since 2002; the debenture rates peaked at 5.73% in Fall 2008 (during the Great Recession)*

Pricing Date	Treasury Rate	Spread Above Treasuries	SBIC Debenture Rate
3/12/2019	2.60%	0.51%	3.11%
9/14/2018	2.99%	0.56%	3.55%
3/14/2018	2.81%	0.38%	3.19%
9/14/2017	2.20%	0.32%	2.52%
3/21/2017	2.43%	0.42%	2.85%
9/14/2016	1.71%	0.34%	2.05%
3/14/2016	1.97%	0.54%	2.51%
9/14/2015	2.17%	0.66%	2.83%
3/17/2015	2.06%	0.46%	2.52%
9/16/2014	2.59%	0.42%	3.02%
3/18/2014	2.68%	0.51%	3.19%
9/17/2013	2.86%	0.79%	3.64%
3/20/2013	1.94%	0.41%	2.35%
9/11/2012	1.70%	0.55%	2.25%
3/14/2012	2.26%	0.50%	2.77%
9/12/2011	1.95%	0.92%	2.88%
3/22/2011	3.34%	0.74%	4.08%

Pricing Date	Treasury Rate	Spread Above Treasuries	SBIC Debenture Rate
9/15/2010	2.67%	0.55%	3.22%
3/17/2010	3.64%	0.47%	4.11%
9/16/2009	3.47%	0.77%	4.23%
3/18/2009	2.94%	1.68%	4.62%
9/18/2008	3.45%	2.27%	5.73%
3/18/2008	3.39%	2.08%	5.47%
9/18/2007	4.49%	1.04%	5.53%
3/20/2007	4.54%	0.83%	5.38%
9/20/2006	4.72%	0.82%	5.54%
3/15/2006	4.73%	0.80%	5.52%
9/20/2005	4.27%	0.67%	4.94%
3/15/2005	4.54%	0.50%	5.04%
9/15/2004	4.17%	0.52%	4.68%
3/17/2004	3.66%	0.46%	4.12%
9/16/2003	4.29%	0.59%	4.88%
3/19/2003	3.94%	0.69%	4.63%
9/20/2002	3.78%	0.89%	4.67%

<sup>(a)</sup> Please refer to the end notes for important additional information concerning the performance information and/or metrics set forth in this slide.

## END NOTES

# End Notes

## ***General***

**Valuation Policy** Unless otherwise indicated, all valuations of Columbia's funds and the Columbia fund portfolio companies (whether presented on an individual fund basis, in the aggregate or otherwise) are as of December 31, 2018. The valuation policies and procedures of Columbia are available upon request.

**Unrealized Investments** While Columbia's valuations of unrealized investments are based on assumptions that Columbia believes are reasonable under the circumstances, the actual realized returns on unrealized investments will depend on, among other facts, 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 the sale, all of which may differ from the assumptions on which the valuations used in the performance information and data contained herein are based. Accordingly, the actual realized returns on these unrealized investments may differ materially from the assumed returns indicated herein. There can be no assurance that unrealized investments will be realized at the valuations shown.

**Benchmarks** Slides within this presentation make reference to aggregate performance benchmarks for venture capital funds as of a given vintage year. Unless otherwise indicated, these benchmarks are published by Cambridge Associates LLC and were provided "AS IS" and at no cost. Prospective investors are cautioned about the interpretation of such benchmarks as it relates to the track record of Columbia. The venture capital industry lacks a comprehensive set of generally accepted rules for calculating and presenting rates of return, multiples and other elements of financial performance. Columbia is not required by law to follow any particular methodology. Different methodologies and valuation assumptions may produce materially different results. Prospective investors are similarly cautioned about the use of industry benchmarks, such as "quartile" ratings. The venture capital industry lacks a comprehensive system for collecting and analyzing information from all venture capital funds, and commonly used benchmarks may suffer from a variety of deficiencies, including without limitation, inadequate sample sizes, non-representative samples and inaccurate self-reporting by survey participants.

**Projections** Projections set forth in this presentation are based upon certain assumptions about future events or conditions and are intended only to illustrate hypothetical results under those assumptions. Not all relevant events or conditions may have been considered in developing such assumptions. The success or achievement of various results and objectives, including exits, realizations of indicated valuations, and targeted performance data is dependent upon a multitude of factors, many of which are beyond the control of Columbia. No representations are made as to the accuracy of such targets or projections or that such targets or projections will be realized. Actual events or conditions are unlikely to be consistent with, and may differ materially from, those assumed.

**Past Performance** Past performance is not indicative of future results and there is a possibility of full loss of investment in a Columbia fund. The prior performance information contained herein has not been audited or verified by any independent party. There can be no assurance that a Columbia fund or other vehicle sponsored or by Columbia in the future will achieve comparable results or be able to implement its investment strategy or achieve its investment objective. Certain factors exist that may affect comparability including, among others, the deduction of fees and expenses and the payment of a carried interest as well as other factors as noted with such information. Except as otherwise explicitly noted, all information contained herein describing prior performance is on a gross basis before giving effect to management fees, the general partner's carried interest and other expenses, the application of which would reduce such rates of return. Investors may suffer the loss of their entire investment. The information provided in these materials is illustrative and no assurance is given that any indicated returns, performance or results will be achieved. Columbia does not have or undertake any obligation to update or keep current the information contained herein.

# End Notes (continued)

## Specific Notes to Presentation

**All Slides** Unless otherwise indicated herein, performance information is as of December 31, 2018 and is unaudited and preliminary.

**Slides 5, 32, 33** The target net IRR range is based on current market conditions, realized transactions and the assumptions and models of the portfolio manager. The return target is subject to change without notice and should not be regarded as a representation, warranty or prediction that the fund will achieve or is likely to achieve any particular result or that investors will be able to avoid losses. The Fund's ability to achieve its return target is contingent upon, among other factors, the Fund's ability to deploy cash over time.

**Slides 5, 12** Please consult your tax advisor regarding potential tax benefits of SBIC funds and how they may or may not apply to you.

**Slide 6** Columbia Capital performance information has been provided for reference purposes only and is not indicative of the contemplated strategy.

**Slide 6** Performance figures are reflective of deals led by Mr. Kawmy and align with the attribution letter provided by CapitalSource. Available upon request is further information for Management Team members, Mr. Hutchison and Mr. Kersey, reflective of their lead underwriting contributions while operating at CapitalSource and prior employers.

**Slide 6** Performance relates to Mr. Kawmy's experience leading CIT investments on behalf of CapitalSource, a division of Pacific Western Bank, a publicly-traded, California-chartered bank. While the Fund will exclusively invest in the CIT sector (consistent with Mr. Kawmy's mandate at CapitalSource), Mr. Kawmy's performance at CapitalSource is not an indication the Fund's target performance due to differences in fund structure and investment criteria. Pacific Western Bank does not collect Management Fees or Incentive Compensation for investments, and as such performance figures do not consider fund-level fees and expenses. Additionally, this number is exclusive of the positive impact of the bank's leverage on returns.

**Slide 6** Columbia Capital summary track record metrics reflect its institutional funds and Co-investors Entities, Funds II-VII and Columbia Spectrum Partners I and II, respectively. "realized multiple on invested capital" refers to the quotient obtained by dividing the Total Value by the respective amount Invested in all realized portfolio companies in Columbia Capital's institutional funds and Co-investors Entities. Realized portfolio companies include both fully (no ownership remaining) and partially (ownership decreased due to partial disposition) realized investments.

**Slides 7, 14, 21** Secular Growth Trends data as reported in the 2017 Cisco Visual Networking Index report.

**Slides 7, 14, 23** Peak to Trough analysis is based on a comparison of revenue and EBITDA for Russell 3000 businesses (excluding CIT sector businesses) as compared to revenue and EBITDA for CIT sector businesses between 2007 and 2009 (LTM quarterly data as provided by Capital IQ). CIT Sector business within the Russell 3000 were identified as companies in the Information Technology or Telecommunications sectors.

**Slides 7, 14, 24** End User diversification derived from combining the Industry Digitization Index with each sector's respective share of GDP as provided in the McKinsey & Company, Digital America; Tale of the Have and Have-Mores, December 2015. Statistics on US Business investment on CIT as quoted in the same McKinsey & Company report.

**Slides 9, 24, 25, 31, 32, 33** Loan Profile and projected information in accordance with the Boundary Street Capital projections. The projections are subject to change without notice and should not be regarded as a representation, warranty or prediction that the fund will achieve or is likely to achieve any particular result or that investors will be able to avoid losses. The Fund's ability to achieve its return target is contingent upon, among other factors, the Fund's ability to deploy cash over time.

**Slide 12** SBIC figures based on the March 12<sup>th</sup> 2019 SBIC debenture pool pricing.

**Slide 16** The figure charts bell curves represent the average IRR for each asset class relative to its volatility (standard deviation). Probability distributions are assumed to be normal which may not accurately reflect the population. <\$15m EBITDA standard deviation data is provided by the Small Business Administration's ("SBA") 2014 Annual Report (the SBA's most recently published annual report), "The Small Business Investment Company Program (SBIC)." \$15m-\$50m EBITDA standard deviation data is provided by Cliffwater LLC for 2004-2016. \$50m+EBITDA standard deviation is from S&P/LSTA Leveraged Loan Index provided by Cliffwater LLC for 2004-2016. Mezzanine standard deviation is as provided by Cambridge Associates and cited by Nuveen for 1998-2017. Sharpe ratios presume a 2.0% risk free rate.

**Slide 16** Comparison by Vintage charted the fund vintage returns of Unleveraged Debenture SBIC Funds (<\$15m EBITDA) against that of the CDLI (\$15-\$50m of EBITDA), S&P/LSTA LLI (\$50m+ of EBITDA) and Preqin Mezzanine funds through 12/31/2014 (the last year the SBA published SBIC performance data). Returns are presented net of fees.

# End Notes (continued)

## **Specific Notes to Presentation (continued)**

**Slide 16** Comparison by Year charted the One Year Horizon IRR of Unleveraged Debenture SBIC Funds (<\$15m of EBITDA) against that of the CDLI (\$15-\$50m of EBITDA), S&P/LSTA LLI (\$50m+ of EBITDA) and Preqin Mezzanine funds through 12/31/2014 (the last year the SBA published SBIC performance data). Horizon IRRs are calculated using funds' net asset values as a negative outflow at the beginning of the period, with any distributions during the period and the funds' residual values used as a positive inflow at the end of the period. Horizon IRRs are dollar-weighted and net of management fees and carried interest.

**Slide 16** Enforcement capabilities findings are supported by the Applied Journal of Corporate Finance's Fall 2012 publication, *"Coming Through in a Crisis: How Chapter 11 and the Debt Restructuring Industry Are Helping to Revive the U.S. Economy."* Recovery findings are supported by the Kansas City Fed's research paper, *"What Determines Creditor Recovery Rates?"* Security and seniority findings are supported by Moody's August 2018 report, *"Convergence of Loan and High-Yield Bond Markets Sets Stage for Lower Recoveries in Next Downturn"* as well as Moody's December 2004 report, *"Determinants of Recovery Rates on Defaulted Bonds and Loans for North American Corporate Issuers: 1983-2003."* Covenant Lite issuance findings are based on the Q2 2018 LCD Comps Quarterly Update report. Investor patience findings are supported by the Kansas City Fed's research paper, *"What Determines Creditor Recovery Rates?"* as well as Acharya, Bharath and Srinivasan's academic research, *"Understanding the Recovery Rates on Defaulted Securities."*

**Slide 17** Quotes on cov-lite volume and recovery rates are excerpts from "Covenant-lite Leveraged Loans: After Default, Whither Recoveries?" as featured on LeveragedLoan.com (<http://www.leveragedloan.com/covenant-lite-leveraged-loans-default-whither-recoveries/>). Original analysis by S&P's Ruth Yang based on data from S&P's LossStats.

**Slide 17** Moody's quote on deterioration of covenants and credit protection is an excerpt from Moody's announcement "Loan Covenant Quality Indicator ends 2017 with weakest ever yearly score." ([https://www.moody.com/research/Moodys-Loan-Covenant-Quality-Indicator-ends-2017-with-weakest-ever-PR\\_382621](https://www.moody.com/research/Moodys-Loan-Covenant-Quality-Indicator-ends-2017-with-weakest-ever-PR_382621))

**Slide 17** Bloomberg quote on the size of the leverage loan market is an excerpt from Bloomberg Markets article "At \$1 Trillion, Leveraged Loans Are Closing In on Junk Bonds." (<https://www.bloomberg.com/news/articles/2018-05-03/at-1-trillion-leveraged-loans-are-closing-in-on-junk-bonds>)

**Slide 18** A combination of: (i) SBA's 2014 Annual Report on *"The Small Business Investment Company Program"*, (ii) SBA's *"Small Business Investment Company (SBIC) Program Overview as of December 31, 2018"*, and (iii) S&P data according to NYU's Stern school of business records.

**Slide 21** CIT subsector growth figures are based on data from the Cisco Visual Networking Index (VNI) Forecast, 2017.

**Slide 22** Sector growth figures based on the Bureau of Economic Analysis, Gross Output by Industry report, published on November 2, 2017. CIT Sectors include Broadcasting and Telecommunications, Data Processing, Internet Publishing, and Other Information Services, and Computer Systems and Related Services.

**Slide 23** Correlation analysis based on ten years ('07-'17) of quarterly changes in corporate revenue growth among Russell 3000 index businesses (excluding CIT sector businesses) compared to CIT businesses (data per Capital IQ). CIT Sector business within the Russell 3000 were identified as companies in the Information Technology or Telecommunications sectors.

**Slide 26** Combination of Gartner's 2018 Hype Cycle report and Partner estimates.

**Slide 33** Market default rates from 1999 to 2019 based on S&P LCD Comps LLI Default Rates– April 2019 for the Middle Market (EBITDA of \$50MM or less). Individual data points represent the quarterly LTM number of defaults / total outstanding issuers.

**Slide 33** Historical default rates based on the Moody's Annual Default Study: Corporate Default and Recovery Rates, 1920 – 2017

**Slides 35, 36, 37, 38, 39** Based on Management estimates

**Slides 41, 42, 43, 44, 45** Case Studies are based on preliminary conversations with prospective borrowers and/or intermediaries. Boundary Street has not executed these transactions and this information should only be taken as an example of the types of investments that the Fund may make.

**Slides 47, 48, 49, 50** Information available at [www.sba.gov/sbic](http://www.sba.gov/sbic).

# End Notes (continued)

## **Performance Calculations & Methodology for Calculation of Returns**

**BSCP Gross Unlevered IRR** represents the target gross IRR for the Fund, based on the projected timing of cash inflows and outflows, aggregated monthly (returns are annualized). This number is gross of all projected fees and expenses of the Fund, and is exclusive of the impact of the SBIC facility on projected returns. The target gross IRR is based on current market conditions, realized transactions and the assumptions and models of the portfolio manager. The return target is subject to change without notice and should not be regarded as a representation, warranty or prediction that the fund will achieve or is likely to achieve any particular result or that investors will be able to avoid losses. The Fund's ability to achieve its return target is contingent upon, among other factors, the Fund's ability to deploy cash over time.

**DPI** or "Distributions to Paid in Capital" is the quotient obtained by dividing cumulative distributions to limited partners by cumulative contributions from limited partners. This number is net of all fees and expenses of the fund.

**Invested** refers to actual dollars invested in portfolio companies.

**Gross Multiple** refers to the quotient obtained by dividing the "Total Value" by the "Invested" amount of a portfolio company.

**LIBOR-Equivalent IRR** represents the IRR that Management achieved at CapitalSource, pro forma for the LIBOR rate assumed in the modeled projections (2.25%). Note that as of 7/1/2019, the 3-Month LIBOR rate was 2.33%.

**Net IRR** or "Net Internal Rate of Return" is the internal rate of return to limited partners calculated using the cumulative contributions by limited partners, cumulative distributions to limited partners, and the remaining fair value of limited partners' investment in the fund. The calculation is based on the actual timing of cash inflows and outflows, aggregated monthly, and the returns are annualized. This number is net of all fees and expenses of a fund.

**Realized Value** refers to actual dollars collected from portfolio companies.

**RVPI** or "Residual Value to Paid in Capital" is the quotient obtained by dividing the remaining fair value of limited partners' investment in the fund by cumulative contributions from limited partners. This number is net of all fees and expenses of the fund.

**Total Fund Size** includes all parallel vehicles pertaining to a particular Columbia fund.

**Total Value** refers to the sum of the "Realized Value" and "Unrealized Value" of a portfolio company.

**TVPI** or "Total Value to Paid in Capital" is the quotient obtained by dividing the sum of cumulative distributions to limited partners and the remaining fair value of limited partners' investment in the fund by cumulative contributions from limited partners. This number is net of all fees and expenses of the fund.

**Unrealized Value** refers to the remaining fair value of any investments in a portfolio company and any outstanding escrows or earnouts from the sale of a portfolio company.

**Vintage Year** refers to the initial closing date of each Columbia fund.

## **Other Defined Terms**

**ARPU** or "Average Revenue per User" is defined as a business' (or solution's) total revenue divided by its number of users.

**Credit Losses** refer to loan losses, excluding Trading Losses.

**Deployed Capital** refers to the original loan amounts and does not include incremental funding, refinances, or recapitalizations.

**IP Traffic** or "Internet Protocol Traffic" refers to overall internet traffic, typically measured in bytes (or some derivation thereof).

# End Notes (continued)

## **Other Defined Terms (continued)**

**Junior**, “Second Lien,” or “Last Out” represents a tranche of debt that holds the second priority for repayment in the liquidation waterfall (preceded by senior debt and any asset-based facilities).

**Leverage** represents the ratio of a business’ debt facility (or facilities) to its EBITDA.

**LTV** or “Loan to Value” is defined as the ratio of a credit facility to the enterprise value of a business.

**Management** represents the three Boundary Street Partners that will be responsible for the day to day operations of the fund: Rashad Kawmy, Patrick Hutchison, and David Kersey.

**SBA** or “Small Business Administration” is a United States government agency that provides support to entrepreneurs and small businesses.

**SBIC** or “Small Business Investment Company” is a type of privately-owned investment company that is licensed by the Small Business Administration (SBA).

**Senior**, “First Lien,” or “First Out” represents a tranche of debt that holds the first priority for repayment in the liquidation waterfall. In some cases, senior debt may be preceded in the liquidation waterfall by asset-based facilities that are secured by a business’ assets (e.g. accounts receivable).

**Sponsored** refers to a business that is supported by institutional equity financing.

**Total** represents the sum of a business’ debt obligations, including Senior debt, Junior debt, and asset-based facilities.

**Trading Losses** refers to losses associated with secondary market loan trades. Note that no loan was sold for less than 99.40 as all were par or ‘near-par’ trades.

**Unitranche** refers to a hybrid credit facility that combines senior debt and subordinated debt into one loan facility at a blended interest rate that falls between the rates of the two types of debt.

## **Constituent Indices used on Slide 16:**

**<\$15m EBITDA** – Represented by Debenture SBIC Funds (Unleveraged), as provided by the Small Business Administration’s (“SBA”) 2014 Annual Report (the SBA’s most recently published annual report), “*The Small Business Investment Company Program (SBIC)*.” No adjustments have been made to the data provided.

**\$15-\$50m EBITDA** – Represented by the Cliffwater Direct Lending Index (“CDLI”), as provided by Cliffwater LLC, an investment advisory firm that focuses on the middle market. For comparison purposes, returns have been adjusted to account for management and other applicable fees as per the report [here](#).

**\$50m+ EBITDA** – Represented by the S&P/LSTA Leveraged Loan Index, as provided by S&P Global Market Intelligence, a division of S&P Global Inc. For comparison purposes, returns have been adjusted to account for management and other applicable fees in accordance with adjustments made to the CDLI.

**Mezzanine** – Represented by Preqin’s Mezzanine database and cited by the Small Business Administration’s 2014 Annual Report (the most recent published information), *The Small Business Investment Company Program (SBIC)*. No adjustments have been made to the data provided.