HARK | CAPITAL

What We Do: With our branded *Arch* Note, we provide non-dilutive loans to portfolio companies of PE/VC funds based on the fund's NAV, not the credit profile of the individual portfolio company

Sweet spot: Funds beyond their investment period with multiple portfolio companies

Our Firm: Hark Capital, an Enhanced Capital fund, raised its first fund in 2013. We closed Fund II in August 2017

Why Do Sponsors Use the *Arch* Note? To fund equity needs at the cost of debt

Negative EBITDA

Defensive capital for pivots or turnarounds

Capital for growth equity

Deleveraging

Delever opco via holdco debt

Accelerate Return of Principal

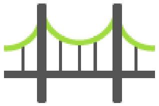
Capital for LP distributions in older funds

Repay sponsor shareholder loans

Limited LP Uncalled Capital

Free up uncalled capital commitments pledged to capital call lines

No periodic line "clean ups" or amortization



Bridge to Sale / Refi

Low prepayment penalties

Ideal for near-term exits

M&A

Finance 100% of tack-ons with debt

Win founder-owned companies: lever your investment, not the operating company

Experience
- 30+ transactions
- Repeat sponsors
- Sponsors: PE, Distressed, VC/Growth Equity

Typical Terms
- $5 to $80 million
- 1 – 5 years
- No amortization
- ~10% coupon (cash+PIK)
- No warrants
- No financial covenants for portfolio company

Investment Structure
- Backstopped by an unsecured fund-level guaranty
- Holdco or opco loan
- Uncalled capital not required

Advantages of the *Arch* Note
- Ideal for funds beyond their investment period
- Negative EBITDA OK
- Streamlined diligence
- High certainty to close

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