



## **Jet Fuel for the Growth Engine of America®**

Access to capital enables business owners to take risks, innovate, grow their companies, create jobs, and generate wealth. Small business owners – the captains of the Growth Engine of America™ - can accelerate the growth process prudently and sustainably with the support of strategic capital deployed in a manner aligned with all stakeholders.

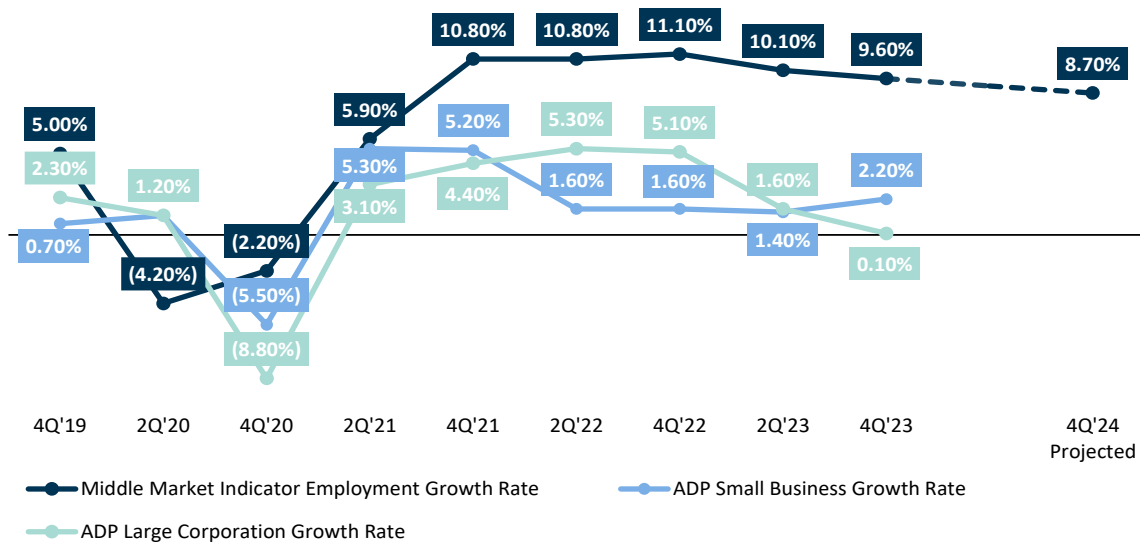
Just turn on CNBC and you will see how Nvidia and Apple stock continues to increase in value, or tune into Bloomberg for headlines depicting Goldman Sachs and JP Morgan raising billions for their clients.

But these global giants are only one segment of the economy. Capitalism works for them, but it also works for companies and entrepreneurs in the Lower Middle-Market (LMM) – characterized by companies with less than \$50 million in annual EBITDA.

LMM companies generate approximately half of the U.S. GDP <sup>1</sup> and are part of the lifeblood of the U.S. economy. While not as well-known as the Fortune 500, LMM companies are an important part of a healthy and growing U.S. economy. There are over 200,000 such companies, and they employ nearly 48 million people. According to the U.S. Bureau of Labor Statistics, they create 55% of the new jobs each year in the U.S. <sup>2</sup>

And as the U.S. population ages, the demand for strategic capital is becoming more critical than ever, particularly for supporting companies with succession planning, acquisitions and other essential long-term initiatives beyond daily operations. We believe this segment of the U.S. economy provides a compelling and valuable investment opportunity.

**Figure 1: Growth Rates in U.S. Companies by Size**



Source: U.S. Small Business Administration, December 2021. Small businesses defined as an independent business having fewer than 500 employees.

The graph above highlights the sustained high growth rates in the middle market, driven by innovation and expansion into new markets, alongside significant investments in technology and talent. <sup>3</sup> The backbone of American innovation is our vibrant LMM entrepreneurial ecosystem. These companies account for a substantial portion of patents granted in the U.S., as their dynamic working culture fosters the creation of innovations that propel societal advancement. <sup>4</sup>

To generate these jobs and this significant contribution to economic growth, these LMM business owners and entrepreneurs need growth capital — capital that aligns with stakeholder interests.

### Decrease In Bank Lending

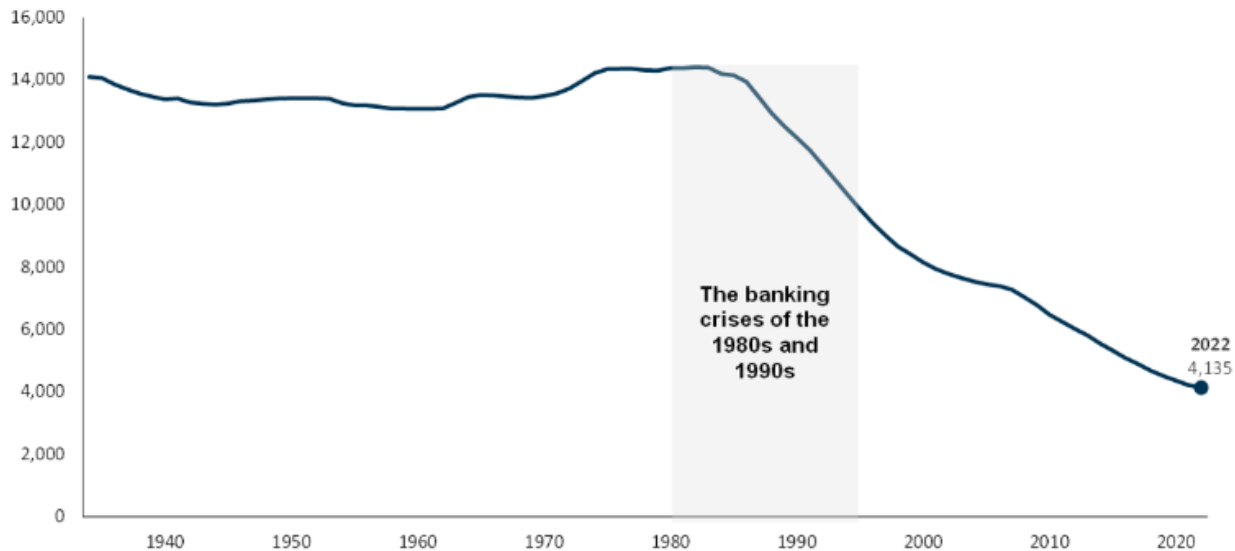
Traditionally, banks have been the main source of LMM lending. However, there’s been a significant reduction in the number of small to mid-sized banks that are able to lend to the marketplace since the Global Financial Crisis. This has been further exacerbated since the failures of Silicon Valley Bank, Signature Bank, and First Republic in 2023.

As shown below, at the lower end of the market the reduction in bank lending and a continued need for strategic value-added capital from lower middle-market businesses is due to several factors, including a retiring demographic of “baby boomer” business owners that have created potential acquisition opportunities at attractive valuations. These attractive valuations are driven by the arbitrage between less-valued smaller and more highly valued larger businesses

mainly due to the increased efficiency and availability of buyers and acquisition capital in the larger market compared to the smaller company marketplace.

## Figure 2: Decline in Commercial Bank Lenders

Total U.S. FDIC-insured commercial banks, 1934-2022



Source: FDIC

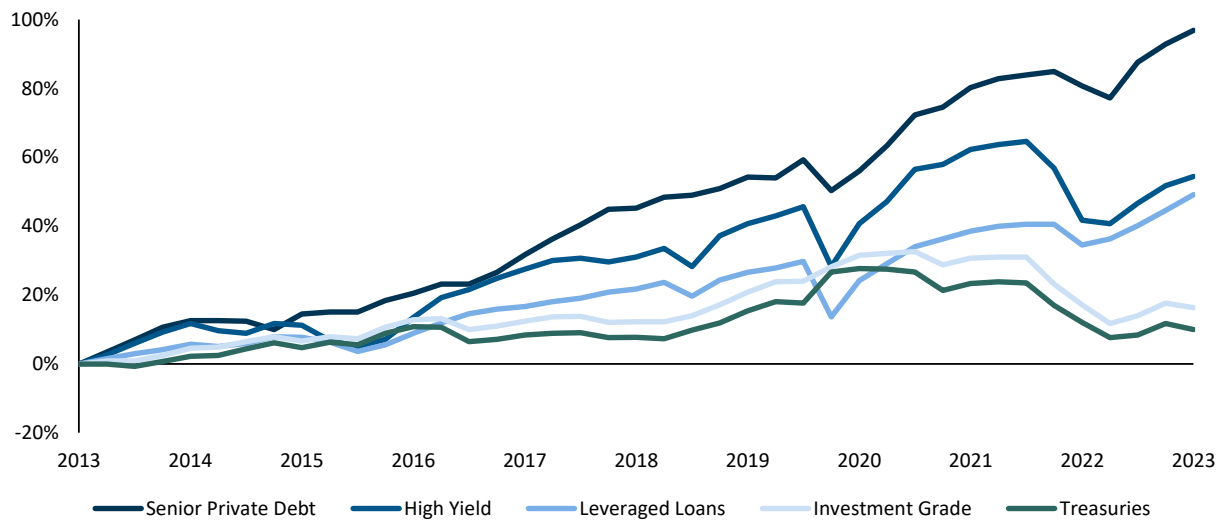
Rising bank capital ratios and conservative lending trends create opportunities for private credit to fill funding gaps.<sup>5</sup> Private credit can offer flexible, specialized financing solutions and higher yields, catering to underserved businesses and long-term projects, thus driving economic growth and investor returns.<sup>6</sup> The combination of geopolitical tension, interest rate hikes, and stubborn inflation has created conditions for non-bank private credit lenders to take share from banks that have historically retrenched during bouts of volatility.

## The Need for Strategic Aligned Capital

However, not all non-bank private credit lenders are the same. Many providers of private credit offer capital with generic terms, documentation, and outcomes. A strategic capital partner refers to a specialized investment firm that also brings to bear their relationships and expertise to help business owners achieve their goals.<sup>7</sup>

### Figure 3: Senior Debt: Leading the Pack in Total Returns Over a Decade

June 30, 2013 - September 30, 2023



Sources: Bloomberg Index Services Limited, Cambridge Associates LLC, and Morningstar, Inc.

Strategically aligned capital in private credit tailors solutions to each client, usually delivering higher returns and better growth prospects by leveraging expertise and strategic guidance. As exhibited in the graph above, senior private debt has consistently outperformed more liquid credit strategies, demonstrating the benefits of private debt investments.

An aligned partner would potentially also provide practical advice and support, particularly when working with business owners to capitalize on competitive positioning, expanding into new markets, attracting talented professionals, institutionalizing their boards, and financing accretive acquisitions to accelerate a company's growth.

Strategic capital partners are not only in business to extract interest income from their portfolio companies; they are incentivized to help these companies and all their stakeholders succeed, often with warrants and other equity-upside participation to enhance the alignment.

As the foundation of successful capitalism, we believe this alignment appropriately distributes risks and rewards. Aligned investment of capital creates jobs, generates wealth, spurs economic growth, and may produce strong risk-adjusted returns for investors.

*Charles Millard is the former Director of the U.S. Pension Benefit Guaranty Corp. and is a Senior Advisor for Star Mountain Capital*

<sup>1</sup> U.S. Small Business Administration, December 2021. Small businesses defined as an independent business having fewer than 500 employees.

<sup>2</sup> <https://www.bls.gov/opub/ted/2024/small-businesses-contributed-55-percent-of-the-total-net-job-creation-from-2013-to-2023.htm>

<sup>3</sup>[https://www.middlemarketcenter.org/Media/Documents/MiddleMarketIndicators/2023-Q4/FullReport/NCMM\\_MMI\\_YEAR-END\\_2023\\_012524.pdf](https://www.middlemarketcenter.org/Media/Documents/MiddleMarketIndicators/2023-Q4/FullReport/NCMM_MMI_YEAR-END_2023_012524.pdf)

<sup>4</sup> See the data behind America's small businesses. | U.S. Chamber of Commerce (uschamber.com)

<sup>5</sup> <https://usafacts.org/articles/whats-behind-the-decline-in-us-banks/>

<sup>6</sup> <https://www.preqin.com/insights/research/reports/preqins-state-of-the-market-h2-2024>

<sup>7</sup> <https://www.cambridgeassociates.com/insight/private-credit-strategies-introduction/>

\*Past performance is not a guarantee of future results

**Investing in the Growth Engine of America** ® – Star Mountain provides: (i) Strategic Debt & Equity Capital to private businesses that have at least \$15 million of revenue or under \$50 million of EBITDA and (ii) Liquidity Solutions to investors and fund managers ("Secondaries") including purchasing LP interests and direct investments in lower middle-market private credit and private equity funds in addition to providing fund managers with NAV loans.

---

## General Disclosures

The highly confidential information contained herein has been prepared solely for informational purposes. This document (the "Summary") is intended solely for the use of the individual or entity to which it is delivered. If you are not the intended recipient, you are hereby notified that any dissemination, distribution, copying or other use of this Summary is strictly prohibited. If you have received this document in error, please notify the sender immediately and permanently destroy this document. This Summary is confidential, for your private use only, and may not be reproduced, distributed or used or shared with others (other than your advisors) without the express written consent of Star Mountain Fund Management, LLC ("SMFM") in each instance. Each person accepting this Summary is deemed to agree to the foregoing and to return it to SMFM promptly upon request.

This Summary does not constitute an offer to sell or a solicitation of an offer to purchase interests in any fund, note, separately managed account or other product managed by SMFM (each, a "Product"). Any such offer or solicitation shall only be made pursuant to the final offering documents of such Product (the "Product Offering Documentation"), which should be read carefully prior to investment in such Product for a description of the merits and risks of investment in such Product. Any decision to invest in a Product should be made after reviewing the relevant Product Offering Documentation, conducting such investigations as the investor deems necessary and consulting the investor's own financial, legal, accounting and tax advisors in order to make an independent determination of the suitability and consequences of an investment in such Product. Neither SMFM nor any of its affiliates makes any representation or warranty, express or implied, as to the accuracy or completeness of the information contained herein and nothing contained herein should be relied upon as a promise or representation as to past or future performance of any Product or any other entity. Information contained in this Summary does not purport to be complete, nor does SMFM undertake any duty to update the information set forth herein.

Certain impacts to public health conditions particular to the coronavirus disease 2019 (COVID-19) outbreak may have a significant negative impact on the operations and profitability of the Products investments. The extent of the impact to the financial performance of investees will depend on future developments, including but not limited to (i) the duration and spread of the outbreak, (ii) the restrictions and advisories, (iii) the effects on the financial markets, and (iv) the effects on the economy overall, all of which are highly uncertain and cannot be predicted. If the financial performance of investees are impacted because of these things for an extended period, the Products results may be materially adversely affected.

Prior to joining SMFM's Investment Committee, some of SMFM's Investment Committee (the "IC Members") were, in their individual capacities, responsible for managing certain investments in funds and accounts with investment strategies substantially similar to the investment strategies employed by the Products managed by SMFM (collectively, the "Predecessor Investments"). This Summary presents summary information with respect to the performance and operating results of the Predecessor Investments for the period of time during which the applicable IC Member was responsible for managing such Predecessor Investment(s). The investment performance of the Predecessor Investments summarized herein is historic and reflects an investment for a limited period of time. The performance results do not reflect an investment in any Product managed by SMFM, and no representation is being made that the performance results of the Predecessor Investments managed by any IC Member, which were not managed together with any other IC Member, are indicative of the future results of any Product or investment managed by SMFM, which itself is managed by a separate investment committee.

Past results are not necessarily indicative of future results and no representation is made that results similar to those shown can be achieved. An investment in a Product may lose value. Investment results will fluctuate. No representation is being made that any Product has, will, or is likely to achieve profits or losses similar to those shown for the Predecessor Investments, any other Product, SMFM, or any particular investment decision by SMFM. It should not be assumed that the investment decisions SMFM makes in the future will be profitable or will equal the investment performance of the Predecessor Investments or any Product managed by SMFM or the IC Members. Certain market and economic events having a positive impact on performance may not repeat themselves. There can be no assurance that unrealized investments will be realized at the valuations used to calculate the information contained herein, as actual realized returns will depend on, among other factors, future operating results, the value of the assets and market conditions at the time of disposition, any related transaction costs, and the timing and manner of sale, all of which may differ from the assumptions on which the valuations used to calculate the information contained herein are based.

---

This Summary contains certain forward-looking statements, including those relating to future financial expectations, which may be identified by the use of such words as “believe,” “expect,” “anticipate,” “should,” “planned,” “estimated,” “potential,” “outlook,” “forecast,” “plan” and other similar terms. Such statements are subject to various risks and uncertainties, including, without limitation, general and local economic conditions, changing levels of competition within certain industries and markets, changes in interest rates, changes in legislation or regulation, and other economic, competitive, governmental, regulatory and technological factors, any or all of which could cause actual results to differ materially from projected results.

Calculations contained in this Summary have been made based on in some cases limited available data, unaudited financial models and a number of assumptions which may prove to be unwarranted or inaccurate. Because of these limitations, the financial information should not be relied upon as a precise reporting, but rather merely a general indication of past or projected performance, based on financial statements which may be unaudited, estimated and subject to change. Unless otherwise indicated, performance data is presented unaudited, “net” of management fees, performance allocations and other fund expenses (i.e. legal and accounting and other expenses as disclosed in the relevant Product Offering Documentation) and reflects the reinvestment of dividends, as applicable. The performance information presented herein may have been generated during a period of extraordinary market volatility or relative stability in a particular sector. Accordingly, the performance is not necessarily indicative of results that SMFM may achieve in the future.

In constructing the target returns provided herein, SMFM relied on certain proprietary assumption and elections, which include but are not limited to the observation and extrapolation of historical gross asset returns on investments executed by SMFM employees and affiliates.

In calculating target returns, SMFM utilizes certain mathematical models that require specific inputs that, in some cases, are estimated, and certain assumptions that ultimately may not hold true with respect to any investment. These estimates and assumptions may cause actual realized returns to deviate materially from modelled expectations. These models, including the estimates and assumptions, are prepared at the time of investment and reflect conditions at the time of such investment. The target returns are premised on a number of factors including, without limitation, the opportunities that the SMFM investment team is currently seeing and/or expects to see in the future, which opportunities are uncertain and subject to numerous business, industry, market, regulatory, competitive and financial risks that are outside of SMFM’s control. There can be no assurance that the assumptions made in connection with the target returns will prove accurate, and actual results may differ materially, including the possibility that an investor will lose some or all of its invested capital. The inclusion of the target returns should not be regarded as an indication that SMFM considers the target returns to be a reliable prediction of future events, and the target returns should not be relied upon as such. In addition, the targeted returns do not take into account fees or expenses. Actual net investor returns will be reduced materially by these amounts.

The returns of several market indices are provided in this Summary for comparison purposes only and the comparison does not mean that there necessarily will be a correlation between the returns of any Product, on the one hand, and any of these indices, on the other hand. The indices have not been selected to represent an appropriate benchmark against which to compare a Product’s performance; but, rather, are disclosed to allow for comparison of the Products’ performance to that of certain well-known and widely recognized indices. The returns of the Products differ from these various indices in that, among other reasons, the Products are actively managed and may use leverage. Such indices are unmanaged and are not subject to fees and expenses, including transaction costs, typically associated with private investment funds. In addition, the Products’ holdings may differ from the securities that comprise the indices and the differences may be material. Investments cannot be made directly in indices and such indices may re-invest dividends and income.

Awards and recognitions by unaffiliated rating services, companies, and/or publications should not be construed by a client or prospective client as a guarantee that he/she/it will experience a certain level of results if SMFM is engaged, or continues to be engaged, to provide investment advisory services; nor should they be construed as a current or past endorsement, testimonial endorsement, recommendation or referral of SMFM or its representatives by any of its clients or any other third party. Rankings published by magazines and others are generally based exclusively on information prepared and/or submitted by the recognized advisor. Moreover, with regard to all performance information contained herein, directly or indirectly, if any, readers should note that past results are not indicative of future results. The description and the selection methodologies of each award and recognition are subjective and will vary.

---

Certain statements made in this presentation refer to the potential reduction of risk. These statements should be read to indicate that SMFM believes that certain indicated factors may somewhat reduce but not eliminate certain common elements of risk in typical markets. No securities investment is without risk.

**Certain Risks of Investment**

The Products are NOT subject to the same regulatory requirements as mutual funds, including mutual fund requirements to provide certain periodic and standardized pricing and valuation information to investors. An investment in any Product will involve significant risks due to, among other things, the illiquid, highly speculative nature of the investments. Investors must be able to withstand a total loss of their investment. There is no public market for the Products, and interests therein generally will not be transferrable. For more detailed information on the risks involved with an investment in a Product, please refer to the Risk Factors Section of the Product Offering Documentation.

THE ABOVE RISK DISCLOSURE IS NOT COMPLETE. THE ABOVE IS NOT A COMPLETE LIST OF THE RISKS AND OTHER IMPORTANT DISCLOSURES INVOLVED IN INVESTING IN A PRODUCT AND IS SUBJECT TO THE MORE COMPLETE DISCLOSURES CONTAINED IN THE PRODUCT OFFERING DOCUMENTATION, WHICH MUST BE REVIEWED CAREFULLY.