

The Enhanced *Arch* Note

Non-Dilutive Equity Substitute for Sponsor-Backed Companies

- **What We Do:** Provide flexible, non-dilutive debt to solve equity needs. We do this by getting a fund-level guarantee (not GP) to support the loan.
- **Our Firm:** The *Arch* Note fund is managed by Enhanced Capital. Founded in 1999, Enhanced Capital has made more than 175+ debt investments across 20+ investment vehicles.

INVESTMENT STRUCTURE

- **Investment Size:** \$2 to \$40 million
- **Financial Sponsors:** > \$50 million AUM
- **Structure:** Holdco or Opco loan backstopped by a fund-level guarantee
- **Guarantee:** Backed by either:
 - **Portfolio NAV:**
 - No dry powder needed
 - In or out of investment period
 - **Uncalled Capital:**
 - More flexible than capital call lines
 - Can convert into NAV loan

TYPICAL TERMS

- **Maturity:** 1 to 5 years
- **Amortization:** None
- **Call Protection:** Flexible
- **Coupon:** ~11% rate (Cash + PIK)
- **Warrants:** None
- **Borrower Financial Covenants:** Lite
- **Minimum Equity:** None

BORROWER CRITERIA

- No restrictions on company size
- Negative or Positive EBITDA
- Any industry
- North American focus

EXPERIENCE:

- 15+ Recent Transactions
- Multiple Repeat Sponsors
- Holdco, Junior and Senior Loans

SPONSORS INCLUDE:

- Private Equity Funds
- Family Offices
- VC Funds
- Funds of Funds

Doug Cruikshank

Managing Partner
(646) 829-3623

deruikshank@enhancedcapital.com

Rafael Castro

Senior Principal
(646) 829-3607

rcastro@enhancedcapital.com

Rich Davis

Director
(646) 829-3639

rdavis@enhancedcapital.com

Enhanced Capital

600 Lexington, Suite 1401, NY, NY 10022
(212) 207-3385

www.enhancedcapital.com/archnote.html

Why Do Sponsors Use the *Arch* Note?

To fund equity needs at the cost of debt



Negative EBITDA

Support portfolio companies in a turnaround, strategy pivot or growth equity investments that typically require follow-on capital.



Deleveraging

Appease lenders by raising debt at holdco and using proceeds to delever at opco. Structural subordination eliminates the need for any intercreditor negotiations.



M&A

Finance 100% of tack-on acquisitions with debt.
Reduce the equity check for new LBOs through holdco debt.
Finance unproven synergies with debt.



Limited Powder

Free up uncalled capital commitments pledged to capital call lines.

Unlike capital call lines, we do not require periodic line "clean ups" or any amortization.



Quick & Certain Closing

We evaluate critical fund level information upfront to provide an executable term sheet quickly.

No need for a quality of earnings report.

Ability to close under 30 days.



Bridge to Sale / Refi

Due to a cost-effective prepayment schedule, the *Arch* Note is well suited for situations where the sponsor is planning to exit or refinance the investment within 12 to 24 months.

15 deals in 18 months

Repeat sponsors
