

# PARALIGN

## CAPITAL PARTNERS

*Working in parallel with clients to achieve optimal, fully-aligned solutions.*

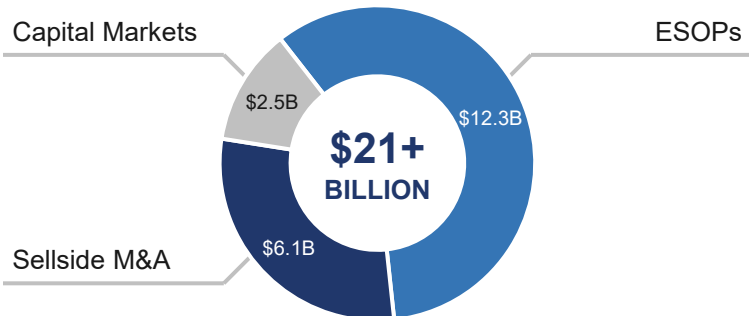
### About Paralign & Our Investment Strategy

- Paralign Capital Partners, LLC (“Paralign”) is a merchant bank focused on providing bespoke advisory services to, and sponsoring subordinated investments in, domestic family- and founder-owned businesses in the middle market.
- Our proprietary investment solution combines expert structuring and transaction execution for (i) owners pursuing an Employee Stock Ownership Plan (“ESOP”) recapitalization of their business, as well as (ii) existing ESOP-owned enterprises seeking solutions to pursue growth, with our capital to align investors with sellers, companies, and their employees in the generation of superior risk-adjusted returns<sup>1</sup>, while supporting employee ownership and the accrual of retirement assets and wealth for the benefit of the company’s employees.
- Further aligning us with both investors and clients, in addition to significant capital invested in each investment, Paralign offers each client an option to defer up to 50% of our transaction fee on a pari passu basis, identical to our investments and client reinvestment.
- Paralign invests exclusively in our clients and the transactions we structure, ensuring that all opportunities are thoroughly vetted, proprietarily-sourced, and never competitively shopped to other capital providers. Our investments are made pari passu (equal in all regards) with the reinvested interest of our clients, with such reinvestment by the proprietor making up at least ~50% of pro forma enterprise value, ensuring their unwavering belief in, and commitment to, the business and its employees.
- The unrivaled alignment of investors, owners, and employees generates durable and mutually beneficial partnerships.

### Investment Banking and Advisory Services

*Best-in-class advisory services to domestic, middle market (\$10.0 - \$100.0+ million EBITDA) family- and founder-owned companies, with a focus on assisting sellers with unwavering belief in their business and a desire to partner with their employees.*

### Total Transaction Value Executed by Paralign Partners<sup>2</sup>



### Representative Clients<sup>3</sup>



### Investment Capabilities & Track Record

*Paralign invests exclusively in our clients in support of their ESOP-owned business. This provides LPs with access to proprietary deal flow without competitive processes following significant diligence by the Paralign team, absent an adversarial counterparty.*



September 2023

- Specialty rental equipment provider. Since our investment in 2023, Paralign and the Company have:
  - Secured a \$70.0 million bank ABL to fund significant growth
  - Analyzed and successfully expanded to new markets
  - Realized ~50% EBITDA growth since our investment



JDS Industries

September 2024

- Leading specialty distributor of trophies, gifts, and awards. Facilitated by our investment and advisory services, the Company:
  - Converted to ESOP ownership in 2024
  - Secured a syndicated credit facility led by J.P. Morgan Chase to enable future growth
  - Completed an add-on acquisition at a highly attractive valuation, meaningfully increasing EBITDA contribution through cost-synergy realization

### Key Paralign Contacts

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1. There is no guarantee that investments will achieve expected returns. All investments involve risk, and performance will vary based on company performance, market and economic conditions, and other factors.  
 2. Total transaction value executed by Paralign’s partners throughout their careers.  
 3. Includes clients of Paralign professionals at prior firms.

# INVESTMENT PLATFORM OVERVIEW



Paralign sponsors investments of \$10-\$50+ million via junior notes (provided with substantial warrants) that enable equity-like returns<sup>1</sup>, but credit-like downside protection<sup>1</sup> in support of our newly created and preexisting ESOP-owned company clients.

## Investment Criteria

### CLIENTS

Paralign invests exclusively in its advisory clients in their transitions to ESOP ownership or in support of existing ESOP-owned companies, supporting employee-owned and income tax-exempt businesses with access to proprietary capital

### SECURITIES

Allocated on a pari passu basis with the reinvestment by the selling shareholders, Paralign invests in non-amortizing, interest bearing subordinated debt issued with warrants to purchase up to <50% of fully-diluted equity (shared pro rata with sellers)

### SUBORDINATION

Paralign's investments are subordinated only to conservative, sensible senior financing facilities

### GEOGRAPHIC FOCUS

Headquartered and primarily operating in the United States

### SECTOR

Sector-agnostic, with an emphasis on businesses with true enterprise value unlocked by a substantial moat, identified growth opportunities, and best-in-class management teams

### COMPANY SIZE

\$10.0 – \$100.0+ million of EBITDA

### PARALIGN INVESTMENT SIZE

\$10.0 – \$50.0+ million; investment in excess of \$50.0 million offered on a co-investment basis with Paralign's investor partners

### UNDERWRITTEN RETURNS<sup>1</sup>

18.0%+ internal rate of return ("IRR") and 4.0x+ multiple on invested capital ("MOIC")

## Investment Thesis

### ALIGNMENT

- ESOP-ownership and management equity aligns hourly employees through senior leadership directly with investors, enhancing expected outcomes
- Opportunity to partner with founders who have steadfast belief – *and a 50.0%+ rollover reinvestment in* – their company, as opposed to serving as a retirement package / exit as is common in traditional private equity contexts

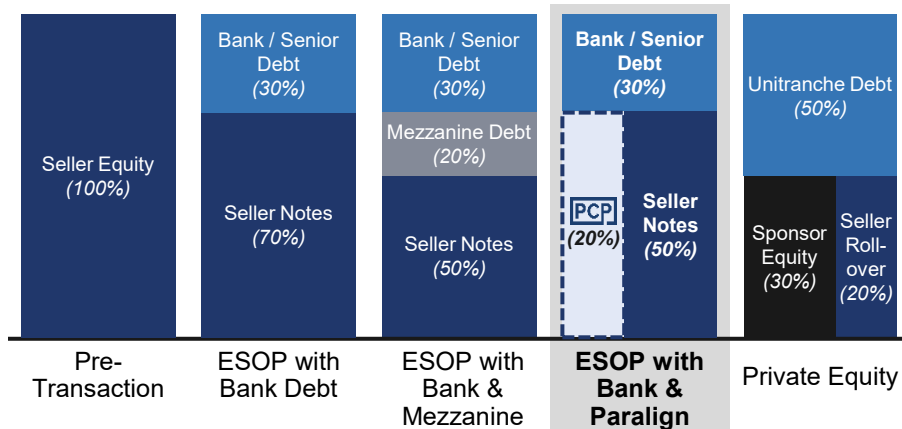
### STRUCTURE

- Debt yield, payment preference, and built-in buyer for warrants (via a "put" to the Company) provides credit-like downside protection
- Warrants in tax-exempt Company and synergistic exit opportunities provide tax enhanced, levered equity-like return profile, asymmetric with mitigated downside risk<sup>1</sup>
- Investment opportunities are never subject to competitive auction processes

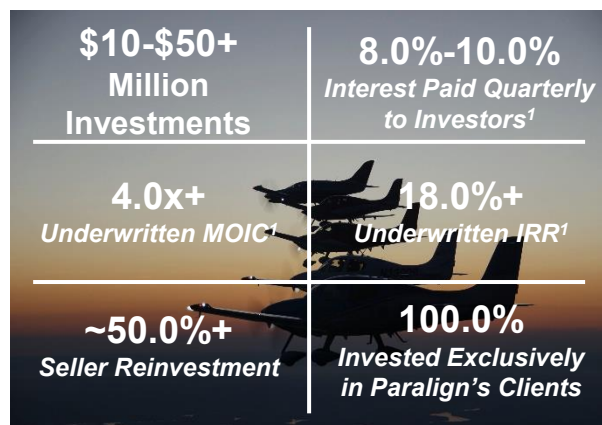
### EXPERTISE

- Paralign professionals have decades of experience structuring ESOP transactions and advising ESOP-owned businesses to maximize returns for their stakeholders
- Having conducted deep, unfiltered sell-side diligence with full transparency into our advisory clients, investments can be made with a knowledge set that is much greater than in traditional sponsor transactions

## Paralign's Investment Structure<sup>1</sup>



## Paralign Investment Overview



**As the financial advisor to the Company, Paralign is uniquely positioned to develop defensible structures with attractive risk-adjusted returns<sup>1</sup>, while our status as a pari passu investor aligns us with our clients, supporting "cooperative negotiation" in architecting and designing instruments for investment.**

1. There is no guarantee that investments will achieve expected returns. All investments involve risk, and performance will vary based on company performance, market and economic conditions, and other factors. Excludes management fees and carry payable to Paralign.