



GP Led Transactions Webinar

September 2021

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Introduction



Solomon Owayda
Founding Partner, Mozaic Capital

Over 30 years of experience investing and managing institutional private equity portfolios

Background:

- Managing Director at Siguler Guff
- CIO of SVG Advisers
- Director of Alternative Investments Program at CalSTRS
- Currently a trustee of \$17.8 billion pension fund The Church Pension Group (Chairman of the Investment Committee)

Education:

- M.B.A., University of Wisconsin
- B.S., Marquette University



Christine Patrinos
Founding Partner, Mozaic Capital

Over 15 years of experience in private equity investing, portfolio management and transaction structuring

Background:

- Investment professional at HarbourVest Partners; advised and invested over \$700 million in private equity fund interests.
- Investment banker at Citigroup (NY)
- Currently a board member of City Year Seven Generations Board in Boston.

Education:

- M.B.A., Massachusetts Institute of Technology
- B.S., Babson College



Fred Lee
Managing Director, Revelation Partners

Head of Business Origination at Revelation
Over 14 years of banking and investment experience

Background:

- Managing Director at Bridge Bank (Life Sciences Group)
- Investment banker at Citigroup

Education:

- B.S., B.A., University of California, Berkeley

Secondary Market Update

Compelling Market Conditions

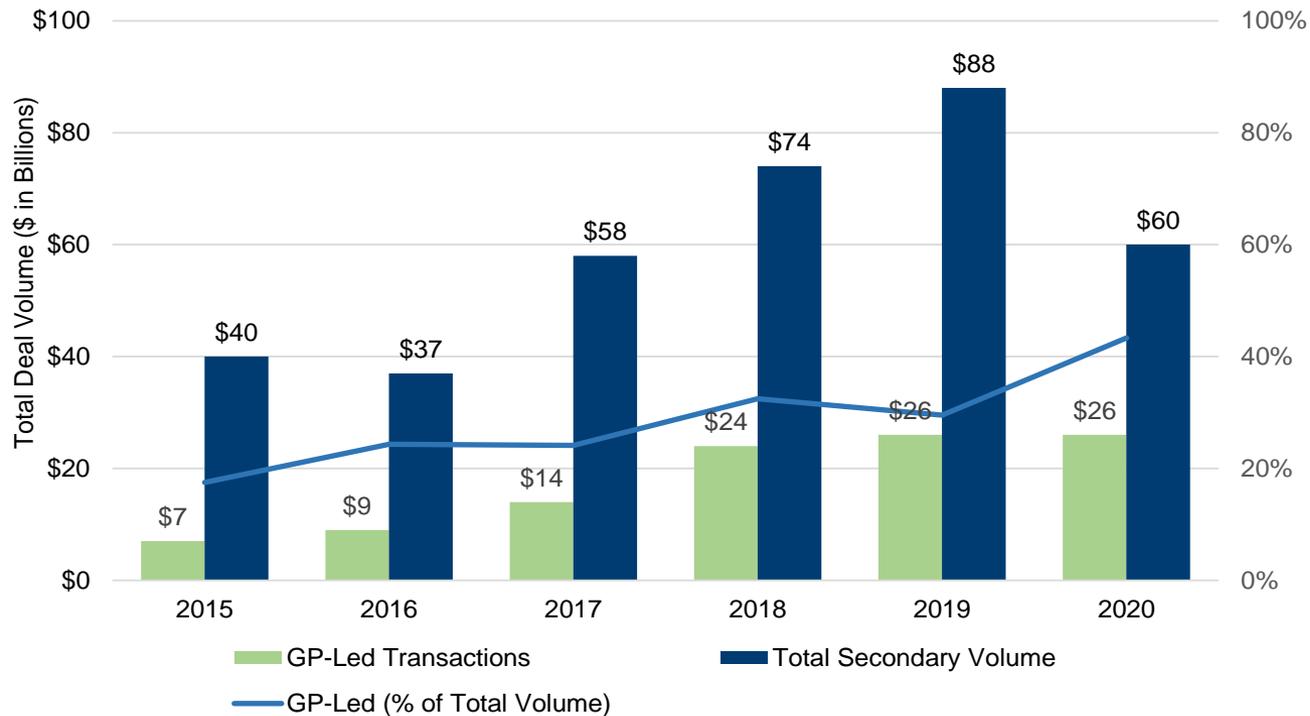
- Global financial markets continue to rally and secondary market activity is accelerating at a swift pace
- Secondary transaction volumes are on track to surpass the record levels seen in 2019, totaling \$55 billion in the first half of 2021
- Secondary fundraising activity continues to be strong, and dry powder remains plentiful, with an estimated over \$150 billion still waiting to be deployed
- Robust activity driving a highly competitive secondary market, with assets being traded at premium pricings
- GPs are increasingly utilizing the secondary market as a portfolio management tool to extend runway for value creation, crystallize gains, reset GP economics, raise additional capital and provide flexibility and liquidity for LPs

Source: Setter Capital Volume Report.

GP-Led Restructurings Becoming Increasingly Prevalent

GP-led transactions have become increasingly prevalent across different asset classes, sectors, and vintage years

- These deals are an important tool for efficient fund management, benefiting both GPs and LPs.



GP-led deals accounted for 43% of total secondary activity in 2020

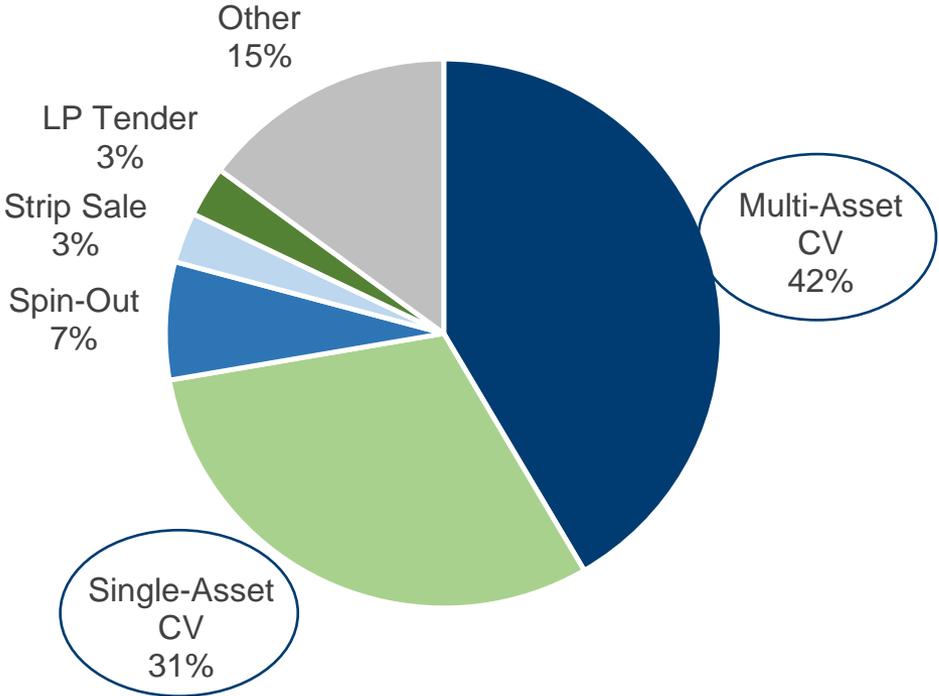
Source: Greenhill Global Secondary Market Review, January 2021

Why Restructure a Fund?

<p>Extend Fund Life to Maximize Value of Assets</p>	<ul style="list-style-type: none">• Extend fund beyond originally prescribed term• Provide runway to reach value-creation milestones and maximize value of fund assets
<p>Access Additional Unfunded Capital</p>	<ul style="list-style-type: none">• Provide additional capital for offensive and defensive investment opportunities
<p>Realign LP Base / Provide Liquidity to Existing LPs</p>	<ul style="list-style-type: none">• Provide option for existing LPs to “roll” or receive immediate liquidity• Add new, committed capital partner
<p>Reset GP Economics</p>	<ul style="list-style-type: none">• Realign manager economics, including management fee and carried interest

73% of Restructurings into Continuation Vehicles

GP-Led Volume by Deal Type



Source: Greenhill Global Secondary Market Review, January 2021

Key questions

- How much time is required to maximize the value of existing portfolio assets?
- Is the portfolio concentrated?
 - Sector-focused vs. diversified?
 - Distribution of value – do a small number of assets comprise the majority of portfolio value?
- What percentage of LPs are expected to sell?
- Are LP and GP incentives aligned?
- What should the GP look for in a secondary partner?

Alternative Transaction Structures

Each GP-led transaction is highly specialized to meet the unique goals of GPs and their LPs

GP-Led
Restructuring/
Continuation Fund

GP Single Asset Sale

Tender Offer

Preferred Equity

Annex Fund

- ✓ Realize full value potential for assets
- ✓ Raise follow-on capital
- ✓ Raise primary capital

- ✓ Reset GP economics
- ✓ LP liquidity
- ✓ Extend fund term
- ✓ Urgent funding needs

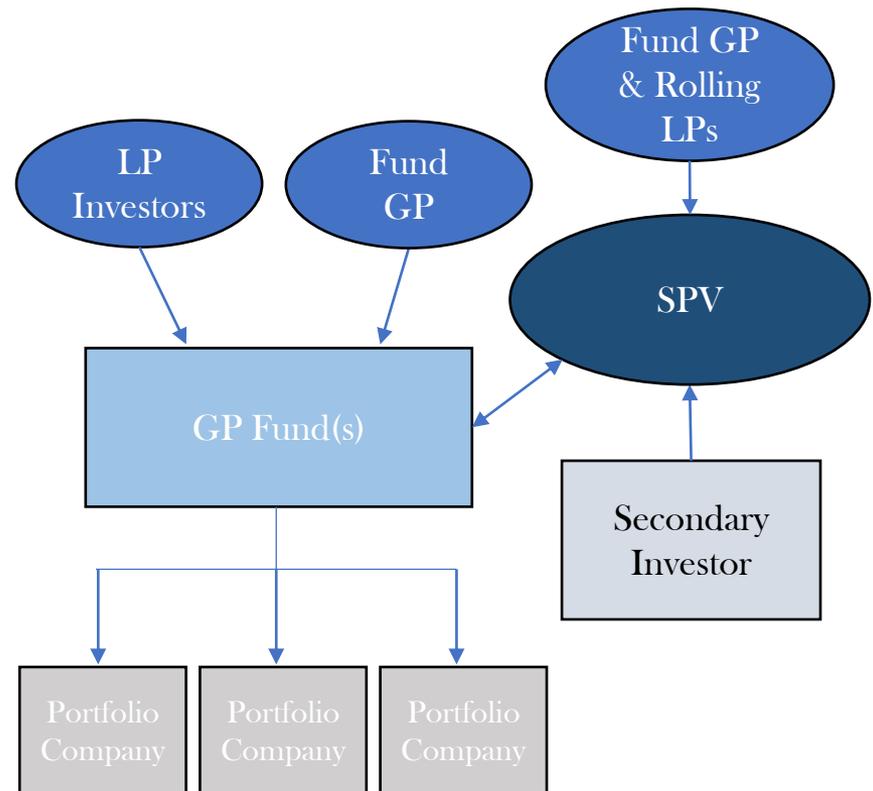
GP-Led Restructuring/Continuation Fund

GP-Led Restructuring/Continuation Fund

- Allows the GP to access capital through a new source of investors
- New GP Entity formed, capitalized by secondary buyers and current investment team

Key Highlights:

- Provides GP with the opportunity to extend the timeline for portfolio companies, furthering the ability to extend growth
- Existing investors given the option to sell interest for cash liquidity or hold interest in new entity
- Access to follow-on capital to expedite company growth and realize full value
- Ability to reset GP terms and economics
- No asset transfers, no title transfers
- LPAC approval required



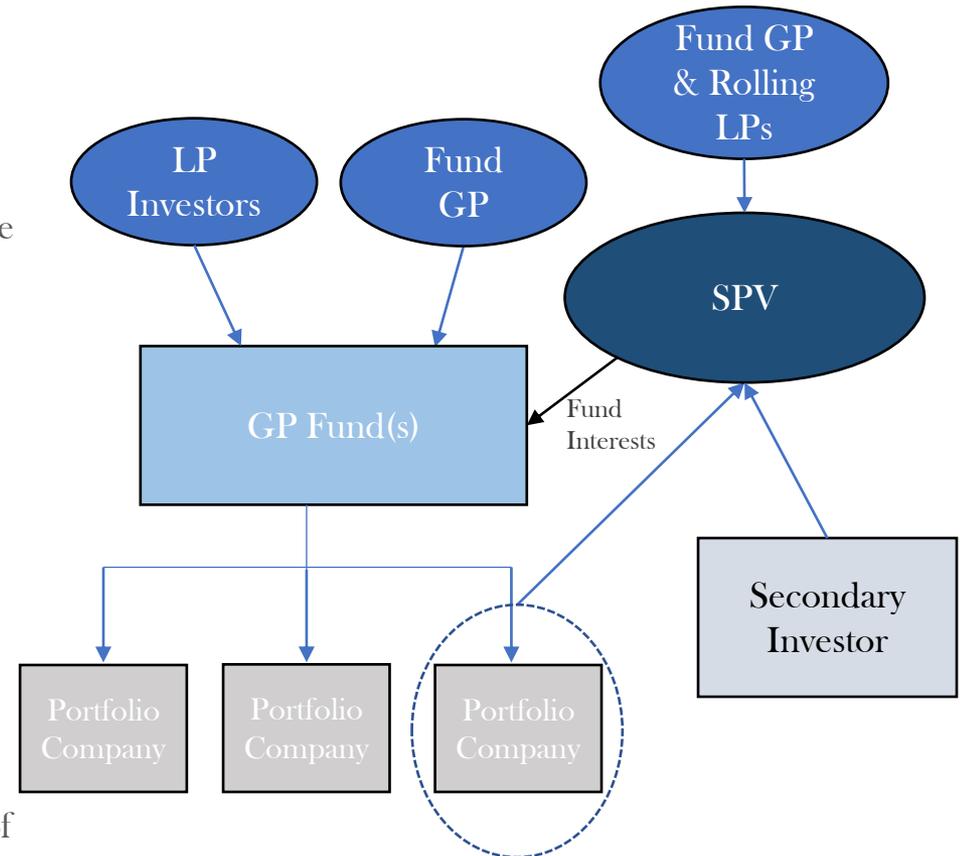
GP Single Asset Sale

Portfolio Company / Asset Sale

- GP works with secondary investor(s) to transfer a single portfolio company from the Existing Fund to a New fund
- Structure provides liquidity when a traditional sale might not be optimal
- Potential access to follow on capital, extended hold and GP continues to manage asset

Key highlights:

- Fund contributes portfolio company to the New Fund in exchange for interests
- Provides GP more time to develop the portfolio company, reset management fees and carried interest tied to future growth
- New investor(s) will expect GP to roll a portion of the existing carried interest in the new vehicle
- Fairness opinion generally required



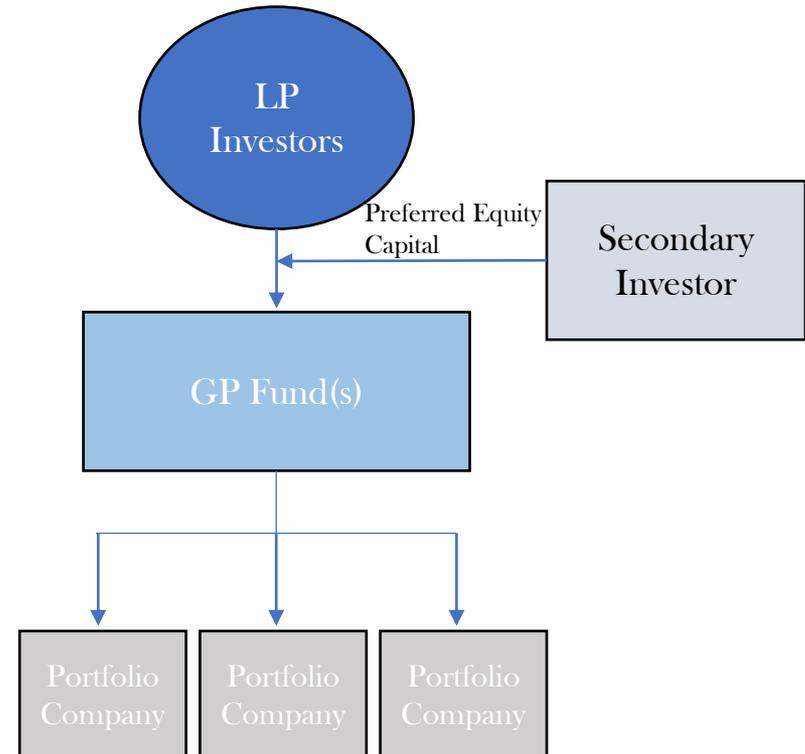
Preferred Equity

Preferred Equity

- Preferred Equity allows GPs to access capital through a secondary investor
- Investor holds a preferred position, earlier distributions, and a pre-determined rate of return

Key Highlights

- Access to follow-on capital to facilitate portfolio company growth and realize full value
- Optionality for earlier distributions to LPs
- Little to no change to investor base or economics of the fund
- GP has more flexibility to apply new capital across the entire fund
- Existing LPs retain fund upside



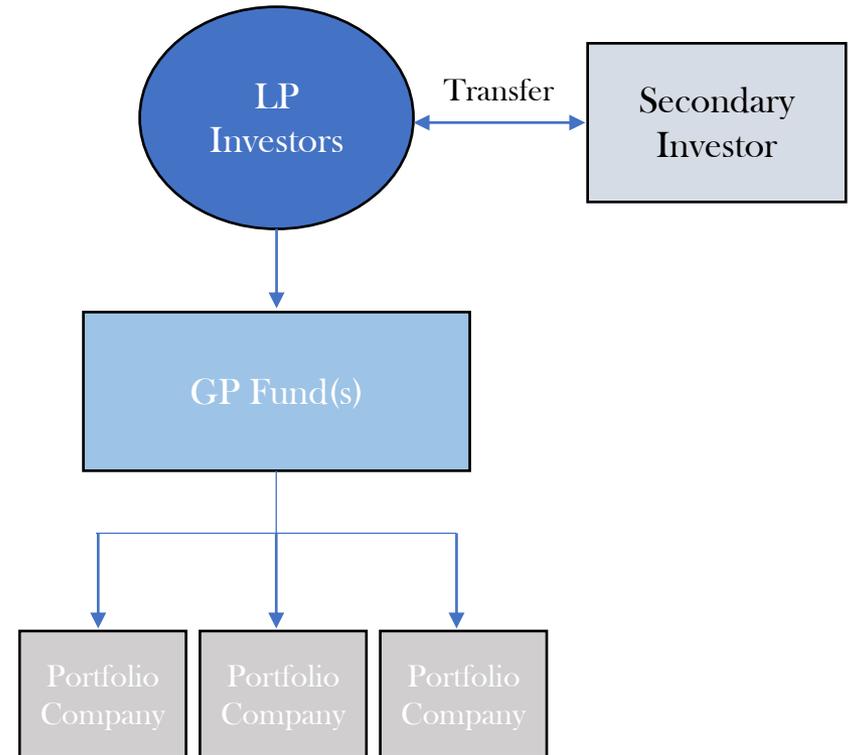
Tender Offer

Tender Offer

- Tender Offer allows GPs to provide liquidity to their existing LPs by identifying secondary investors who would purchase their interests

Key Highlights

- Simplest method of providing liquidity, with no new vehicles and no time extensions
- Allows existing LPs to continue with same terms
- May include a stapled primary component from the new secondary investors for next fund



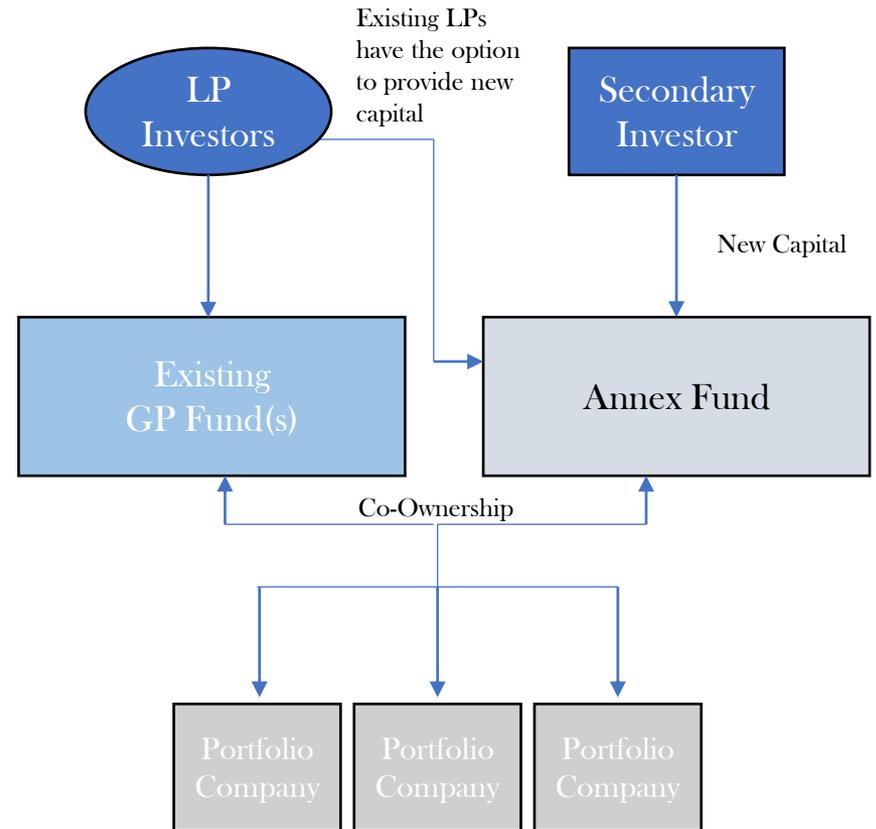
Annex Fund

Annex Fund

- Annex fund allows GPs to access new capital without transferring the underlying portfolio companies into a new SPV
- The Annex Fund secures new capital for follow-on investments in select portfolio companies

Key Highlights

- Existing LPs have the option to participate in the new Annex Fund to avoid dilution
- Bringing in secondary investors may offer the GP a stapled primary commitment that requires the new investors to pledge capital for the GP's next fund



Investor Considerations

Existing Investors

- Motivations for and benefits of transaction need to be clearly articulated to existing LPs
- Current valuation methodology, expected transaction pricing and future projections need to be clearly understood
- Understand implications of rolling vs. selling
 - Tax considerations
 - Time to liquidity
 - Effect on IRR

Prospective Buyers

- Understanding current valuation, basis for expected pricing and future returns
- Long-term alignment of interests with GP
- Terms, including fee and carry
- Timeline to future exit and potential exit alternatives

Secondary Timeline

Secondary Sale Process and Key Milestones	Month 1	Month 2	Month 3	Month 4
Outline Goals and Deal Strategy	█			
LPAC Communication	█			
Data Collection	█			
Due Diligence and Data Room Preparation	█			
Prepare Marketing Materials	█			
Create Targeted Buyer List	█			
Initiate Conversations with Priority Targets, sign NDAs		█		
Open Dataroom		█	█	
Manage Buyer Due Diligence		█	█	
Obtain Initial Indications of Interest			█	
Transaction Negotiation			█	█
Confirm Lead Investor			█	█
Confirm Syndicate Parties			█	█
Legal Doc Preparation			█	█
Provide Election Forms to Existing LPs (30 days)				█
Formation of SPV/Continuation Fund				█
Coordinate LP Responses				█
Coordinate Completion of Syndicate				█
Closing				█

About Mozaic Capital



Deep expertise assisting institutional investors navigate the secondary landscape



GP LED TRANSACTIONS

Work alongside GPs to determine the best transaction structure to maximize portfolio value and execution



LIMITED PARTNER SOLUTIONS

Provide institutional investors best in class service in selling portfolios of fund interests or single fund investments

- **Seasoned investment team** with more than 60 years of combined alternative investment experience
- **Serving institutional investors and General Partners** seeking to utilize the secondary market for private equity, venture capital, real estate, real asset, co-investment and other alternative asset dispositions
- **Full-service firm** managing entire secondary sale process
- **Structuring expertise** recommending what to sell, when and to whom
- **Extensive industry relationships**, secondary market intelligence and transaction experience, with over \$2 billion of transactions completed
- **Strategic alliance** with Monument Group, an independent leading global private placement advisor. Since its founding in 1994, Monument has assisted their clients in raising \$120 billion of equity across private markets

Mozaic Capital Scope of Work



Hands-on engagement with full-service expertise



VALUATION & DUE DILIGENCE

- Portfolio due diligence and valuation
- Cash flow analysis and liquidity projections
- Recommendation of secondary strategy and marketing approach
- LPAC notification
- Set up data room
- Set timeline, process and target closing date



TRANSACTION MARKETING

- Develop transaction marketing materials
- Create customized buyer targets list to maximize pricing
- Introductory calls to potential buyers
- Negotiate and execute NDAs
- Structure bidding process
- Buyer due diligence and data room management
- Ongoing transaction updates with potential buyers
- Weekly deal updates with GP



STRUCTURING, EXECUTION & CLOSING

- Collect LOIs and provide recommendation on sale structure
- Legal document preparation
- Final transaction negotiations and identify winning buyer or syndicate
- Notification to existing LPs
- Coordinate negotiation among GP, LPs and Buyer(s) counsel
- Manage transaction closing

About Revelation Partners



Revelation Partners (“RP”) creates customized financing solutions for healthcare companies, investors, and funds

- 13-year track record dedicated to healthcare, investing across all sub-sectors
- Over \$900 million of committed capital

Healthcare expertise allows us to optimize asset valuation and maximize long-term value

- Well-versed in the unique regulatory, commercial, and legal dynamics of the healthcare sector

Experience in managing complex transactions

- RP has partnered with over ten GPs to provide customized fund solutions
- Ability to navigate a nuanced process while balancing different objectives of key stakeholder groups (GPs, LPs, LPAC, portfolio companies, etc.)

Dedicated long-term capital

- Strong capital base supports fund restructurings – redeem selling LPs and provide additional unfunded capital
- Provides certainty of deal execution



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