

The Past, Present and Future

We started Hunting Dog Capital in 2006 with the vision of creating an investment vehicle that could deliver solid, risk-adjusted returns to investors by providing growth capital to smaller US companies in the form of debt as opposed to equity. We thought it would be helpful to write and reflect on what we have done, what we have been doing and where we go from here.

What We Have Accomplished

Since inception, we are proud of the results:

- More than fifteen years of direct-lending experience to lower, middle-market growth companies, including extensive turnaround/workout experience
- Originated and structured approximately \$220 million in loans across 32 positions¹
- Generated approximately **13.1% gross IRR** and 1.5x multiple of invested capital (“MoIC”), without use of fund leverage, across all investments²
- Created or saved hundreds of well-paying jobs

Along the way, we have experienced many high and lows, but more importantly, we have learned a tremendous amount, including the ingenuity and dynamic nature of small businesses across different industries and geographies. Though stressful at times, we have absorbed these lessons to constantly refine and improve our lending process from start to finish. Most importantly, we have helped these small companies that are the main driver of economic growth and hiring succeed by providing flexible, growth capital when it was most needed. We have created lasting relationships and had fun along the way.

Our Recent Efforts

When our third fund became fully invested, the natural and conventional next step would be to raise a larger fund and keep hunting. However, we took a step back and made what we believe to be the unorthodox decision to focus all our time and attention on two remaining positions that through different circumstances, we ended up with operating control. We made this decision because not only did we feel that it was in the best interest of our investors, who have been gracious with their support and patience, but also the many related stakeholders, including the employees and their families. In other words, while not our intent, we became owners by default, not by design. While this has taken us out of lending for a few years, we believe that it has been worth it and let the results speak for themselves:

- *Pet Brands* – Headquartered in Dublin, Ohio, Pet Brands is a leading provider of health and wellness solutions for dogs and cats in the treat and consumable categories. Since gaining operating control in 2018, the company:

¹Amount represents total principal loan commitments, including unfunded and syndicated commitments, for investments completed on behalf of HDC’s three funds (“Funds I-III”) and a predecessor portfolio (“Pre-Fund”).

² As of June 30, 2021.

- Hired a new well-respected consumer packaged goods CEO
- Transitioned from a third-party re-packer to a value-added creator and owner of intellectual property with proprietary brands
- Repatriated and sourced to US-based suppliers to not only de-risk and simplify the supply chain, but also to meet growing consumer preference for US-made products
- ***Achieved record profitability and increased EBITDA by a CAGR of ~78.6%***
- ***Unrealized MoIC of ~4.3x***
- ***Clean Water*** – Headquartered in Dayton, Ohio, Clean Water Environmental, LLC, is an environmentally-friendly and a technologically-advanced, leading processor of hazardous and non-hazardous industrial wastewaters and recycler of oil and recalled airbag inflators. Since gaining operating control in late 2017, the company has:
 - More than doubled headcount to meet increasing demand
 - Completed a major upgrade to main processing facility to enable higher-margin streams at lower operating expenses
 - ***Achieved record profitability and increased EBITDA by a CAGR of ~223.7% (10x)***
 - ***Unrealized MoIC of ~2.0x***

Now, with stable foundations built and poised for future growth, we are well-positioned to exit these companies with the knowledge that we made the right decision for all stakeholders. Unlike most other lenders, we have an intimate understanding and appreciation of the daily challenges faced by lower, middle-market companies. Our hands-on, day-to-day experience running these companies has sharpened our edge and focus as a lender for our next phase of growth.

We're Enthusiastic About the Future

At our core, we are lenders to small, US-based growth companies with tangible assets as collateral. Hunting Dog Capital fills the void left by larger commercial banks and more traditional lenders. When we started, we believed that inherently this was “good” under the notion that helping small companies grow would create jobs, strengthen communities and reinforce the entrepreneurial spirit on which this country was founded. We also had proof that confirmed and validated our original investment thesis: providing growth capital to smaller US companies in the form of debt could deliver strong, uncorrelated, compounded returns. We have proven this thesis remains true for over fifteen years.

Where we had once seen altruism and capitalism as distinct, we now see the world differently. The opportunity to continue the same underlying investment strategy -- senior-secured debt backed with tangible assets without leverage -- and commit those efforts to social and environmental welfare is staring us in the face. We passionately believe that generating great investment returns and doing the “right” thing can and should go hand in hand.

Looking back at the experience we have had as both a lender and owner of some businesses we have made loans to has allowed us to realize that some of our best results came from companies

that fit within our ESG framework. Notwithstanding Pet Brands and Clean Water, here are a few examples:

- **Danimer Scientific** – Headquartered in Bainbridge, GA, Danimer produces a bioplastic replacement for traditional petroleum-based plastics targeted primarily to global consumer products and packaging companies. We structured a \$6.0 million senior-secured term loan, including a warrant to purchase 2% of the company, to accelerate the commercialization of its technology. The loan was repaid in full in 23 months and generated a gross, unlevered IRR, excluding the warrant, of ~15.6% (MoIC of ~1.3x). Subsequently, Danimer merged with a public company in December 2020. *As a result, as of June 30, 2021, the gross, unlevered IRR, including the warrant is ~60.7% (MoIC of ~4.1x)*
- **Cascade Kelly Holdings** – Located in Clatskanie, OR, Cascade Kelly Holdings owned and operated a facility to produce ethanol to blend with gasoline to produce cleaner burning fuel. We structured a \$7.5 million senior-secured term loan to finance additional equipment and working capital. *The loan generated a gross, unlevered IRR and MoIC of ~17.9% and 1.1x, respectfully*
- **Slic Network Solutions** – Based in Upstate New York, Slic provides high-speed broadband access to underserved, rural communities to enhance economic and educational opportunities. We structured a \$5.0 million senior-secured term loan to finance additional equipment and working capital. *The loan generated a gross, unlevered IRR and MoIC of ~18.2% and 1.3x, respectfully.*
- **Headlands Ventures (dba Mike's Bikes)** – Mike's Bikes operates a chain of bike shops across Northern California and promotes biking as an alternative form of clean transportation. We structured a \$3.6 million senior-secured term loan to finance market expansion and working capital. *The loan generated a gross, unlevered IRR and MoIC of ~13.4% and 1.6x, respectfully.*

We have identified an abundance of similar opportunities that exist in the US today. The convergence of multiple factors -- political, social and economic -- has created an unprecedented opportunity as a lender to smaller US growth companies. We want to capture that opportunity with an emphasis on being socially responsible. We will remain opportunistic and geographically agnostic, but our fourth fund will focus exclusively on opportunities that meet our ESG guidelines, particularly job creators. Since inception, we are especially proud that our actions have saved or created hundreds of well-paying jobs across the country, galvanized communities and enabled entrepreneurs who “dared to dream” to realize those dreams, provide goods and services that matter and through their ingenuity, sweat equity and perseverance have delivered solid returns for their employees, for their families and for their investors.

To capitalize on the select investments in our pipeline that meet our criteria -- senior secured with tangible assets as collateral, no leverage and socially beneficial, particularly job creators -- HDC seeks commitments to our fourth fund, HD Credit Opportunities IV, LP. However, unlike

previous funds designed for institutional capital only, we are pleased to offer the fund to individual investors as well. As always, we invest alongside our partners in every loan.

Your investment into HDC will provide the capital to lock in and underwrite these exceptional loans with our targeted, unwavering return goal of 13-18% gross IRR with zero leverage while providing quarterly distributions.

Thank you in advance. It would be an honor to be the steward of your capital and know that we are collectively putting money to work for a greater good. Please contact either of us directly if you are interested in learning more.

Two handwritten signatures in blue ink. The signature on the left is a stylized, cursive 'C' followed by a horizontal line. The signature on the right is a more complex, cursive signature that appears to be 'Zodl'.