

# Merchant Banking Income Fund

## Executive Summary

## Risks & Disclaimers

This presentation does not constitute an offer to sell an interest, or a solicitation of an offer to make an investment, in the proposed investment fund described herein. No such offer or solicitation will be made prior to the delivery of definitive documentation relating to the Fund. The Presentation does not purport to be complete and is qualified in its entirety by reference to the more detailed discussion contained in the actual text of the offering documents. Neither the U.S. Securities and Exchange Commission nor any other governmental authority or commission, has approved or disapproved an investment in the Fund.

This Presentation is being provided to each recipient on a confidential basis solely to assist the recipient in deciding whether or not to proceed with a further investigation of an investment in the fund. Each recipient agrees that without written permission, it will not use this presentation for any other purpose or share it with any person other than advisers with whom the recipient is consulting regarding a potential investment in the fund.

An investment in the Fund is suitable only for sophisticated investors for whom the investment constitutes only a small part of such investors' investment program and who fully understand and who have the financial resources necessary to withstand the risks involved in the specialized investment program in which the fund will engage. No assurance can be given that the fund's investment objective will be achieved. Prospective investors should carefully review this presentation and the offering documents, understand the risks set forth in the presentation and the offering documents, and make such investigations as they deem necessary to arrive at an independent evaluation of an investment in the fund. Prospective investors should consult with legal counsel and financial, accounting, regulatory and tax advisors to determine the consequences of an investment in the fund, and the relationship of such an investment to their overall investment program and financial tax position.

Each prospective investor is invited to meet with a representative of the fund to discuss with, ask questions of and receive answers from such representative concerning the terms and conditions of the fund.

Selected Risk Factors include: Limited transferability of interests. Potential for fund to incorrectly evaluate the borrower. Potential for loss of all Investor capital. Dependence on key personnel. Limited operating history of Fund. Conflicts of interest related to Manager. No minimum contingency in offering.

For a full discussion of all risk factors related to this investment, please refer to the offering's Private Placement Memorandum.

## **The Company**

JB Capital L.L.C. (“The Company”) is a direct private lender formed to provide responsive, creative capital solutions to middle market companies and small corporate borrowers. Unlike traditional banks and finance companies, The Company can provide flexible capital in a wide variety of structures including senior, mezzanine, preferred and uni-tranche.

The Company intends to raise funds in an “Evergreen” structure through the sale of Class A ownership units in Merchant Banking Income Fund, L.L.C. (“The Fund”). Proceeds from this offering will be used to originate or purchase structured finance instruments in privately held companies in North America. Each structure will generally have terms of one to three years. The Company structures the terms of the investments to the facts and circumstances of the transaction and the prospective portfolio company, negotiating a structure that aims to protect our rights and manage our risk while creating income for our investors.

## **Management Team**

“The Fund” will be managed by, JB Capital Management, L.L.C. (the “Manager”) whose leadership and individual Managing Partners bring more than four decades of experience in capital markets, investment banking and investment management.

### **Jeremy Hill | Founder / Managing Partner**

Mr. Jeremy Hill is known for his entrepreneurial vision and financial expertise. He has served as the Founder and President of JB Capital, a corporate finance and advisory firm that has provided nearly \$500 Million in capital to privately held companies across the United States. For more than fifteen years he has originated and executed investments alongside commercial banks and leading alternative investment managers throughout the country, developing a recognized acuity for creating innovative solutions to complex situations. He has a proven track record of creative collaboration, has earned multiple awards and shared his expertise as a guest on CNBC, and served as a trusted advisor to a number of growth companies.

## **Investment Strategy**

We provide responsive, creative capital solutions to privately held middle market companies and small corporate borrowers. By stepping in where banks can't and private equity cannot afford to, we are able to deliver outsized risk adjusted returns without the use of leverage or fees.

The Fund will create a portfolio of short-term credit investments in growing US-based technology, healthcare, consumer, and professional services companies that will provide consistent stable returns for our investors, non-correlated to market volatility.

The Company believes that the landscape for middle market financing is changing. Today, bankers are forced to manage originations in accordance with credit policies that all but eliminate risk, starve creativity, and prevent potentially great companies from receiving funding. As traditional private equity funds accelerate in their need to continue to grow larger year over year, we are witnessing a shift in priorities to that of collection of assets under management first, and successful investor second.

The ever demanding need for continued growth in private equity coupled with the increasing conservative nature of traditional banks has left many good companies to look at alternative credit solutions.

## **Investment Criteria**

Our principal focus will be to provide responsive, creative capital solutions to privately held, middle market companies and small corporate borrowers in United States. We will identify and provide credit solutions to those companies exhibiting attractive risk-reward profiles and strong defensible businesses while focusing on the relative value of the security in the company's capital structure.. The Company has identified several criteria believed to be important in identifying and constructing a solid portfolio. These criteria provide general guidelines for our decisions on behalf of our fund and investors. These middle market companies and small corporate borrowers will be in a variety of industries, but will be represented by:

### Location

Opportunities happen everywhere, and we seek to work with companies whereby our investment is impactful and catalytic. As such, we will evaluate opportunities that meet our criteria independent of location, although we have a preference for US-based companies.

### Management

We will require that our portfolio companies have a seasoned management team, with strong corporate governance and proper incentives in place, including having significant equity or risk of loss in concert with our investments.

### Market

We will invest in portfolio companies that we believe have developed strong, defensible positions within their markets and exhibit the potential to maintain sufficient cash flows and profitability in a range of economic environments.

### Value Add / Contribution

We seek investments in which we will be the lead / sole investor in our tranche and in which we can add value through active participation in the direction of the company, often through board or advisory positions.

### Cash Flow

We generally invest in companies whereby we can lend at relatively low multiples of operating cash flow. Occasionally we may invest in those companies that have not reached profitability but are thought to have a clearly defined path to profitability within the term of our investment.

### Exit

Critical to our strategy is to invest in companies that we believe possess attributes that provide us with the ability to exit within the term of our investment. We endeavor to exit our investments typically through: (i) the sale of the company resulting in repayment of our position, (ii) the recapitalization of the company through which our position is replaced with debt or equity from another party or (iii) the repayment of the initial or remaining principal amount of our loan.

## Sourcing **Investments**

We effectively pass on 100% of the opportunities we do not see, making the sourcing of high quality deal flow of paramount importance. Considering the sheer volume of opportunities, this will require a proactive and varied approach including: (1) research targeting specific opportunities within our target market, (2) general marketing efforts where we make our presence, thoughts and opinions public in order to attract inbound opportunities and partner referrals, and (3) leveraging our professional network of relationships.

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### Target Market

Opportunities emerge as a result innovation, regulatory changes, demographic shifts or consumer demand. We intend to focus on markets where we have expertise and can add significant value in a short period of time, and those that have clearly identified exit opportunities. These markets will include technology and technology-enabled services, government and defense, business services and real estate.

### Marketing

Our marketing efforts are intended to generate additional investment opportunities and establish thought leadership. We believe this to be done successfully through attendance and speaking at key conferences and panels, strategic public relations and social media, including live streaming, interviews and blogging.

### Professional Network

Over the years we have developed a trusted network of executives, attorneys, advisors, tax professionals, consultants, bankers and other managers from whom come a steady stream of opportunities.

## **The Market**

Each year US lending institutions provide in excess of \$500 billion in capital to small to middle market companies across the United States. However, as a result of the global financial crisis and increased regulation of banks and other capital providers, this number for the last several years has become more uncertain. The full effects of regulation have yet to be realized by borrowers, but many have already been forced to secure new providers in order to avoid financial shortfalls.

As witnessed for the last several years, we believe there will continue to be a consolidation of banks, trends towards focusing on larger credits to fewer borrowers and a tight supply of credit due to general deleveraging. As a result, we expect the role of banks to diminish in importance as alternative credit providers continue to move closer to borrowers. This continuation of bank disintermediation will lead to a convergence of traditional fixed income and alternative investments, especially with respect to directly originated private credit. For these reasons we believe the Merchant Banking Income Fund represents an attractive investment opportunity for investors.