

Alternative Credit Fund Lending Against US Government Contracts



For Institutional Investors Only

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An aerial photograph of a large aircraft carrier sailing on the ocean. The carrier's deck is visible, with several fighter jets parked in rows. The ship is moving towards the right side of the frame, leaving a white wake behind it. The sky is a clear, deep blue.

EXECUTIVE SUMMARY

LCM Operates As a Senior-Secured Corporate Lender to US National Security & Space Contractors

“ Leonid Capital Management serves as a critical link in the kill chain of US National Defense.”

Lt Col Chase Eiserman | US Air Force, AFWERX Accelerator Program

LCM focuses on exploiting the disconnect in the understanding of the credit quality of US Government contracts, particularly in the National Security arena

Our 2TB proprietary database of over 15MM historical government contract performance reports demonstrates that actual default rates in this space are:

1% of 1% (0.012%)

The market has not recognized the underlying quality of these credits, which has kept any group from meaningfully underwriting government contracts as a means for debt financing.

US government contracting is **meaningfully less efficient**, which leads to **higher yields and lower default risk**

WHAT WE DO

LCM Operates As a Senior-Secured Corporate Lender

Advance Rate⁽¹⁾

50% Max
LTV

Transaction Size

\$3MM
(average)

Interest Rate

Prime +
10 -19%

Term

3 Years
(average)

As payments are received, both principal and interest payments are collected, drawing down principal exposure risk consistently over the contract term.

Contract Size

\$10MM over 3 years

Payments

Principal and Interest
Collected on Every
Milestone Payment
Received

Primary Security

Assignment of Claims

(Government Process to lay claim to
financial proceeds)

Cash Control

Direct Pay from Defense
Finance & Accounting
Service / US Treasury

Department of Record

Department of Defense

Underwriting

Full Corporate and
Personal Underwriting,
Including Contracting
History

Additional Security

Corporate Guarantee,
Blanket Liens Filed

1. The terms described are for representative transactions. Not all transactions may have similar terms. In particular, advance rates, loan sizes, interest rates and maturities may differ significantly from transaction to transaction

DOD-vetted 'Trusted Capital Provider' with a vast network of high-level Government relationships and a deep understanding of Contracting



“ Our partnership with LCM has provided our founders the opportunity and freedom to develop critical next-generation technologies and services. ”

Christian Melton, Director, US Air Force Accelerator Program | MassChallenge

FUND PERFORMANCE

TTM Track Record⁽¹⁾

32

Portfolio Transactions

\$22.2M

Total Contracts Financed

15

Government Agencies

24.2%

Gross Yield, Unlevered

17

Unique Borrowers

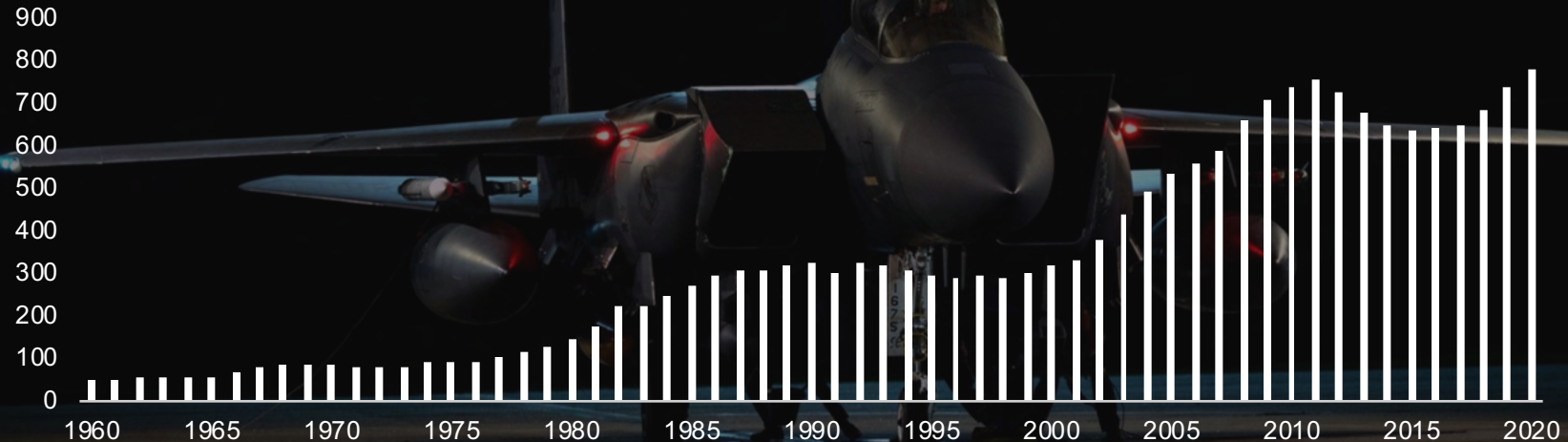
+694%

Increase in YoY Originations

1. Past performance is not indicative of future results. Gross yields do not reflect expenses, fees and carried interest, which will reduce returns to investors. See disclaimers herein for important disclosures

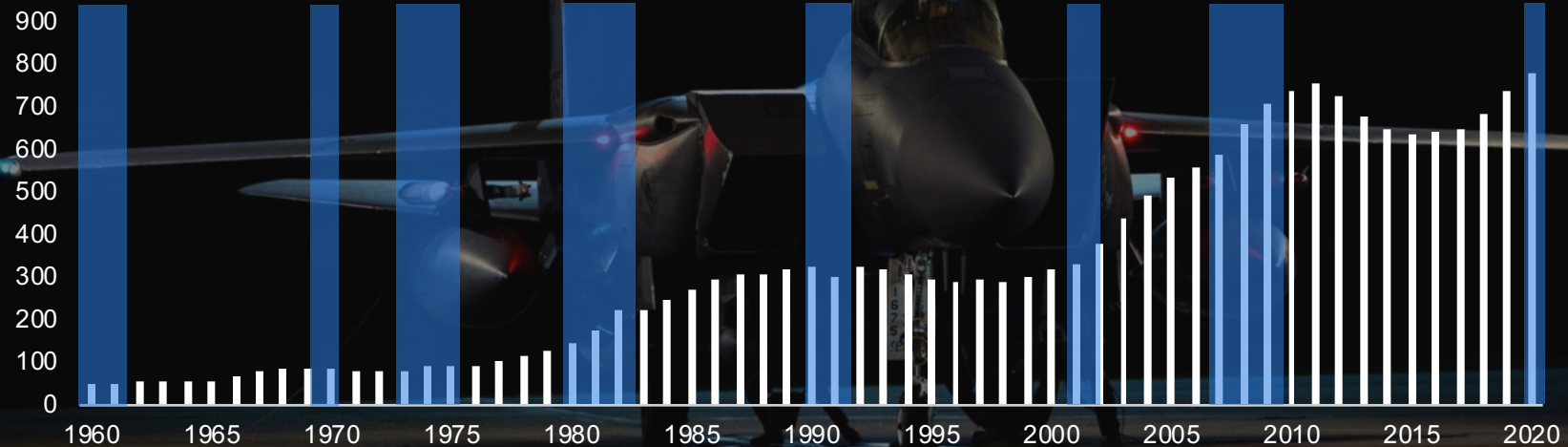
Our market grows at a 13.3% CAGR and is insensitive to presidential tenure, geopolitical climate, or macroeconomic environment

US Defense Budget (\$B): 1960 - 2022



Critically, our absolute return strategy outperforms during periods of recession

Blue bars represent periods of US recession



PRIMARY RISK MITIGATION

LCM has crafted a combination of underwriting and selection criteria, as well as post-funding risk mitigation strategies

PRE-

1) We **avoid undifferentiated procurement contracts**

2) We **avoid contracts with long tail, hidden execution risk components**

POST-

1) Any cancellation of a contract qualifies as an Event of Default, which provides us **immediate access to the corporate asset stack**.

2) If noticed for cancellation, **clients are required to file an Administrative Appeal** (adjudication process is 4-6 months), during which time they are allowed to continue billing against the contract and the USG is required to pay on those invoices, contractually, LCM would sweep all proceeds until outstanding balances are cleared.

3) If the Admin Appeal fails and there is still an outstanding amount owed, the **Client is required to file a Legal Appeal** (adjudication period 4-6 months), during which time they are also allowed to continue billing and LCM would continue to sweep until all outstanding balances are cleared.

SUMMARY OF TERMS

Niche Market, Limited Competition, Expert Vertical Focus

TARGET FUND SIZE \$40 - \$100 Million

TARGET RETURNS⁽¹⁾ Yield, Unlevered: 19% Gross; 15% Net of Fees
Yield, Levered: 1x Leverage, 20%(+) Net of Fees and Carried Interest

STRATEGY FOCUS Specialty Credit to the US National Security & Space Industries

INVESTMENT PERIOD 5 years

PREFERRED RETURN 8%

MANAGEMENT FEE 2%

PERFORMANCE FEE 20%

CLOSING DATE 2Q23

1. Targeted returns do not constitute, and should not be construed as providing, any assurance, prediction or guarantee as to the results that may be realized by the Fund in the future. In addition, the Fund intends to use leverage. While leverage presents the opportunity to increase returns, there is also the possibility of greater loss. See disclaimers herein for important disclosures



Thank you

Mission-Driven Specialty Credit

“ Our financing partnership with LEONID has provided our founders the opportunity and freedom to develop critical next-generation technologies and services. Thank you for the continued support! ”

Christian Melton (Dir)

US Air Force Accelerator Program MassChallenge