

Fund XII Status Report

November 2024

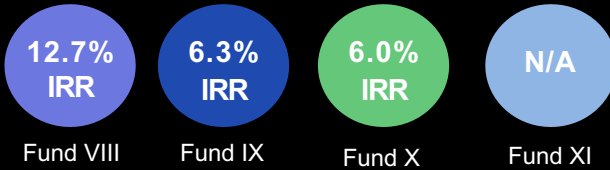
Confidential

Not for Public or Private Distribution in the USA, Canada and European Union
Only for International Institutional, Professional, Qualified and/or Wholesale Investor Use only in Permitted Jurisdictions as defined by local laws and regulations.

Executive Summary

- 1st & Main has delivered outstanding performance, with Fund VIII outperforming the S&P 500 and Russell 2000 indices.

- Key Results



- Strong strategic positioning in fintech, ESG-compliant investments, and sub-regional banking has driven superior returns.
- Fund IX and Fund X have appreciated 32% in the last 12 months.

About 1st & Main



\$6.0 billion

Capital deployed across 11 funds over 38 years



3,400

Investments with 1,100 acquired by strategic buyers



< 1.5%

Losses per fund resulting in a favorable risk-return profile



Experienced fund management team with a long track record



Proprietary, multi-layered, industry-leading, database



Sector-focused with access to a difficult-to-reach part of the investment universe

- 1st & Main has a track record of achieving superior returns, focusing on growth-oriented investments and capitalizing on market trends.
- Domain experts generating consistent returns by investing in a difficult-to-reach investment niche.



Historical Fund Performance

- Matched or outperformed public indexes over the last 16 years

	Fund VIII	Fund IX	Fund X	Fund XI
Vintage Year	2008	2014	2018	2022
Net IRR ⁽¹⁾	12.7%	6.3%	6.0%	N/A
Net MOIC ⁽¹⁾	2.15x	1.75x	1.49x	N/A
DPI	214%	84%	14%	N/A
S&P 500 CAGR	9.8%	6.2%	7.9%	N/A
Russell 2000 CAGR	8.6%	6.5%	8.0%	N/A

- Top Performers
 - Fund VIII: Sun Bancorp Inc (196.3% IRR), PBB Bancorp (109.8% IRR), Focus Bank (90.3%)
 - Fund IX: NewBridge Bank (129.5% IRR), IAB Financial Bank (85.1% IRR), PBB Bancorp (78.9% IRR)
 - Fund X: Flushing Bank (225.4% IRR), Bank Prov (152.5% IRR), Renasant Corporation (132.3%)

1st & Main Performance Metrics and Fund Liquidity Overview

- Fund IX is winding up while Funds X and XI are currently deploying

Fund	Amount of Capital Called	% of Committed Capital Called	Amount of Capital Invested	Current Market Value	Distributed LP Value	Total Value Curated	DPI
Fund VIII	\$650.0	100%	\$650.0	\$1,396.0	\$1,396.0	\$1,396.0	214%
Fund IX	\$536.0	100%	\$536.0	\$485.3	\$261.7	\$747.0	84%
Fund X	\$401.0	100%	\$401.0	\$539.3	\$17.9	\$557.2	14%
Fund XI	\$40.7	60%	\$36.0	N/A	N/A	N/A	N/A

- Fund VIII Liquidity Events
 - First Merchants | \$17.9M proceeds | 25.6% IRR
 - Eagle Bank | \$13.7M proceeds | 25.4% IRR
 - Pacific Continental | \$15.2M proceeds | 20.4% IRR

Note: Data shown as of November 15, 2024. Notes:

1) MOIC and IRR are net of management fee and carried interest, the only two fees charged. 1st & Main charges zero ancillary fees and no fee on recycled capital.

Fund XII Strategy & Data-Driven Vision

- Capitalizing on undervalued markets, sectoral growth, and emerging industry trends

1 Fund XII Strategy

- U.S.-based, subregional, financial service companies are modestly valued (10X earnings vs. S&P 500 24X earnings) as out-of-favor investments for most of the last 16 years.
- These companies are lynchpins of their communities, providing capital and banking services to local companies.
- This is an underfollowed, underrecognized, difficult-to-reach market with barriers to entry.

2 Sectoral Growth

- Small banks provide capital to small companies which provide the bulk of new jobs and innovation to the economy.
- Small banks and other small companies are investing actively in financial technology which, in turn, is spurring growth and productivity gains.
- Historically, these companies have grown assets and earnings in the 5-15% range.



3 Targeted Areas

- High growth geographic areas: California, parts of the Pacific Northwest, the Southwest, urban centers in Texas, the Southeast.
- Tech-forward banks that are developing software around digital marketing, machine learning, and cost management.
- Markets with very active merger & acquisition developments.
- Markets with M&A target scarcity.
- Companies with outsized wealth management businesses.

4 Market Trends

- Investment sentiment improving around financial services.
- Interest rate environment improving.
- Merger & acquisition environment improving.
- Expected substantial industry deregulation.
- Increase demand for financial technology.

Select Case Studies Illustrating 1st & Main Value-Add

- Leveraging expertise and deep domain knowledge to increase value of portfolio companies

- **Valley Bank**

Initial Investment

- Valley Financial Corp is a commercial lender to small, locally-owned businesses.
- Wide investment moats: geographically remote, under the radar nationally, difficult to purchase Valley shares.
- 1st & Main invested multiple times over a 10- year period including at 50-60% of book value post-Global Financial Crisis.

Value Add

- Advised management on loan portfolio operations, nonperforming loans, floor plan lending, establishing a wealth management business, and options for redeeming TARP securities issued by the bank to the U.S. Treasury.

Exit

- Valley Financial was acquired at 173% of book value.
- Gain: \$4.2M (1.95x MOIC)

- **State Bank Financial Corporation**

Initial Investment

- Joe Evans, CEO of State Bank Financial Corporation (SFC), was looking for a partner with deep capital resources.
- State Bank had the opportunity to: buy distressed banks at very attractive prices; partner with the FDIC to reduce lending risk; nurse these distressed banks back to health, and earn a significant return on investment.

Value Add

- Advised management on the acquisition and consolidation of undercapitalized banks in Georgia. Gained partnerships with the government. Recognized profit potential from distressed assets in a fundamentally good market by shrinking, selling bad assets and acquiring solid, profitable assets.

Exit

- SFC was acquired at 248% of book value.
- Gain: \$55M (2.25x MOIC)

- **Bushel**

Initial Investment

- Bushel develops tools for farmers and agribusinesses, accelerating the flow of information and transactions within the agricultural supply chain.
- Jake Joraanstad, Co-Founder and CEO of Bushel, was looking for a fintech partner to advise the company on building payments and wallet functionality within their software.
- Today, Bushel has over 240+ grain elevators that represent approximately 3,600 separate agribusiness locations.
- 1st & Main invested \$5.0M in Bushel in June 2023 and took a board seat.

Value Add

- Recruited a seasoned payments executive to lead the fintech business.
- Facilitated current and exclusive negotiations between Bushel and one of the top sponsor banks for Banking-as-a-Service to develop a payments partnership.

Risk Assessment & Fund XII Mitigation Strategy

- Proactive strategies and market insights to navigate emerging risks

- **Risks**

- Interest rate fluctuations
- Increased regulation
- Economic recession
- Geopolitical problems
- Technology obsolescence

- **Fund XII Mitigation Strategy**

- Extensively counsel our portfolio companies about asset-liability management
- Avoid companies with risky regulation practices
- Diversify portfolio geographically and by loan portfolio
- Portfolio companies have limited international exposure
- We provide extensive counselling around technology developments

- **Outlook**

- Federal Reserve well aware of the dysfunction from zero interest rates and rate volatility
- Trump Administration strongly determined to reduce regulation
- Bank balance sheets in the strongest position in 38 years
- Risk asymmetry – our small companies modestly exposed to international conflict
- Pent-up demand in the M&A market

