

Financing Update

Second Quarter 2022

Economic Uncertainty Takes Toll on Capital Markets

Executive Summary

Following a record quarter of deal volume, preliminary estimates show a decline in early-stage investing activity of 24.5%. Meanwhile, IPO fundraising has been a mere fraction of what we experienced in 2021, and stock markets, as a whole, are down this year, suffering the worst first-half of a year since 1970. This has been brought on by already-tight supply chains and the Russia-Ukraine war driving prices – and inflation – significantly higher. To combat inflation, the Fed has risen rates from near-zero in the first quarter to a range of 2.25-2.50% as of late July. More rate hikes are expected, and capital markets are showing hesitation to put money to work. Furthermore, banks are making it harder to borrow, raising lending standards and spreads on loaned funds.

Despite the gloom and doom rhetoric, investors remain flush with cash, fundraising has been particularly strong during the quarter, and there remain sectors of growth to which investors are more than happy to deploy capital.

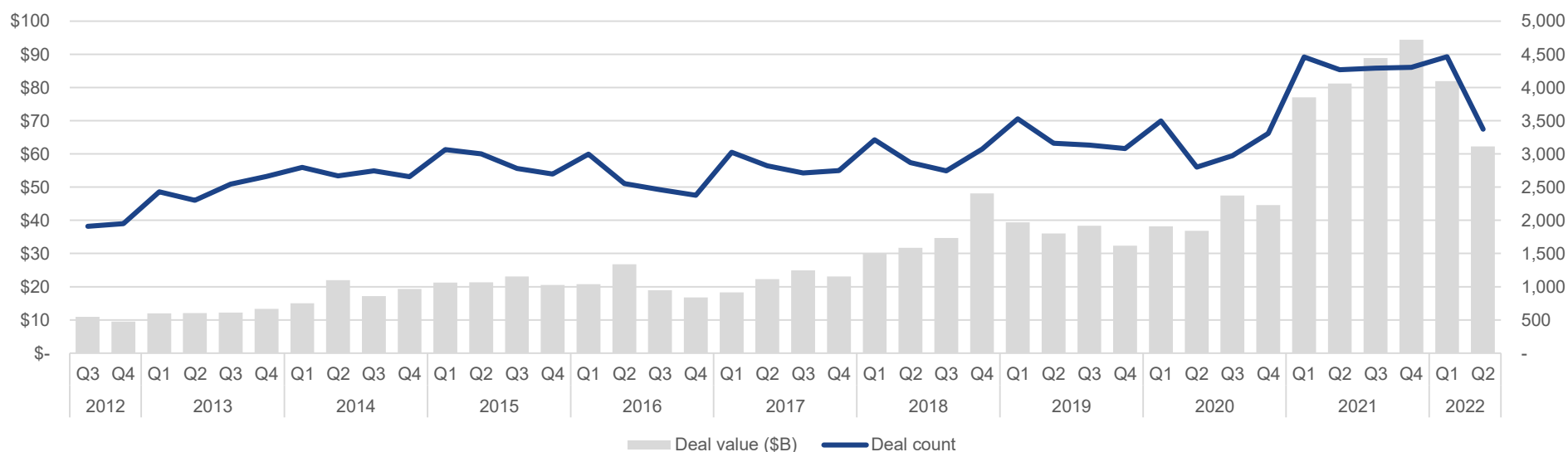
As always, contact us if you would like to receive information about activity in your specific industry or geography, or if you would like to discuss options for your business.

Q2 Financing Highlights

- Nearly 3,400 investments were made in early-stage companies in the second quarter, racking up more than \$62 billion in value
- Despite declining interest in deploying capital, activity was still elevated relative to historical levels, and fundraising has remained particularly strong
- Rising interest rates, battling heightened inflation, are leading to decreased investment. The Fed is expected to raise its benchmark rate again in September
- Midwest activity softened again, capturing \$310 million across 50 deals
- Great Lakes activity declined but remains strong relative to historical levels
- After a record-breaking year, IPO activity remains sharply depressed in 2022

VC Investment Down but Still Elevated

Quarterly US VC Activity¹



US VC Highlights

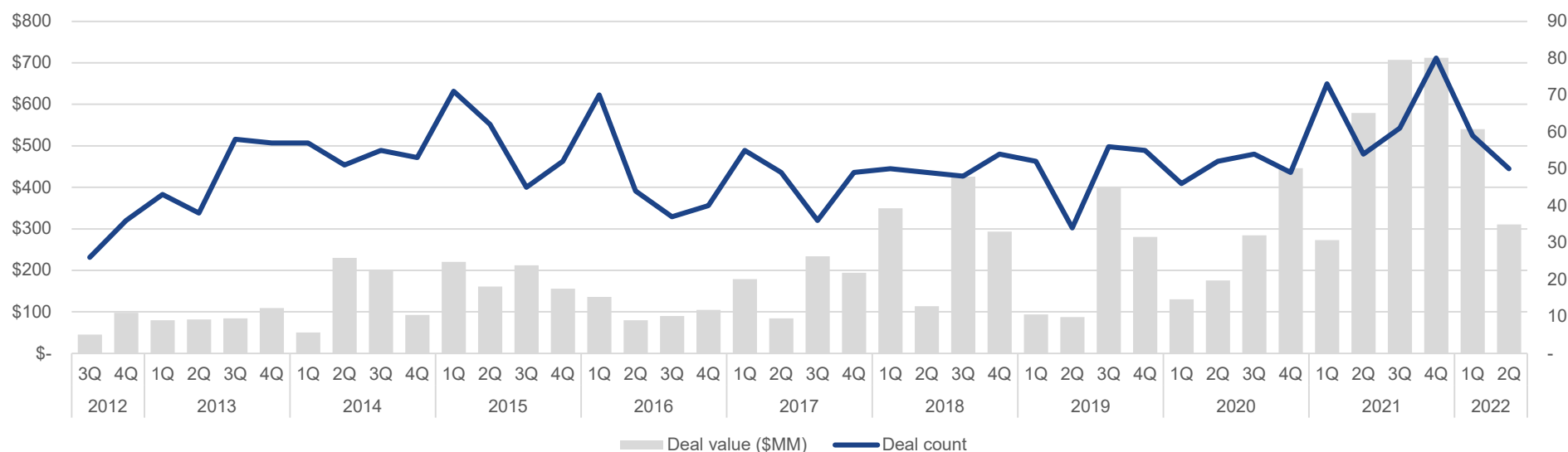
- Both deal value and count were down approximately 24% quarter over quarter, finishing the second quarter at \$62.3 billion and 3,374 deals
- Despite the decline in activity, investment activity is still strong relative to historical trends
- A bright spot for early-stage companies looking to raise capital is that fundraising remains strong – Pitchbook estimates the first half 2022 fundraising has already reached nearly 87% of full-year 2021 totals
- As usual, certain sectors attracted capital easier than others. Climate tech and biotech were such sectors during the second quarter

Notable US Q2 VC Investments

Date	Target	Investor(s)	Investment (MM USD)
Apr 11	Epic Games	Sony, Intertia Ventures, <i>et al.</i>	\$ 2,000
Jun 15	SpaceX	Novos Capital, Gaven Capital, <i>et al.</i>	1,730
May 18	Gopuff	Guggenheim Partners, <i>et al.</i>	1,500
May 10	Faire	D1 Capital Partners, <i>et al.</i>	816
Apr 01	Ramp	Stripe, Vista Equity Partners, <i>et al.</i>	748
Apr 20	The Boring Company	Vy Capital, Sequoia Capital, <i>et al.</i>	675

Midwest Activity Pares Further from Q4 Highs

Quarterly Midwest VC Activity¹



Midwest VC Highlights

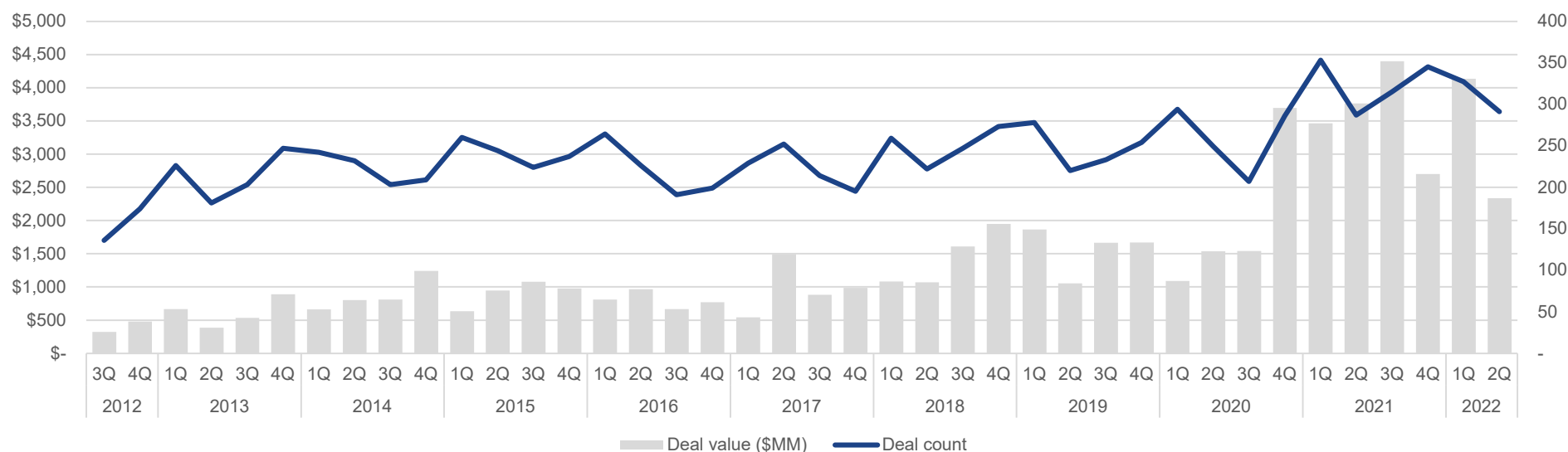
- Midwest VC activity continued to soften in the second quarter, with investors deploying roughly \$310 million spread across 50 companies
- Investment fell 43% from the first quarter and 56% from the fourth-quarter high of \$712 million. Meanwhile, deal count of 50 compared dismally to the fourth quarter high of 80 but fairly even relative to historical levels
- Healthcare-focused companies took the crown of sector investments after several quarters of information technology companies attracting the most investments

Notable Midwest Q2 VC Investments

Date	Target	Investor(s)	Investment (MM USD)
May 13	Digital Diagnostics	Undisclosed Investors	\$ 55
Jun 06	TrueAccord	Undisclosed Investors	49
Jun 14	Tesseract Ventures	UMB Financial, <i>et al.</i>	32
Apr 26	CoverCress	Chevron, Bunge Ventures, <i>et al.</i>	26
Apr 06	Immunophotonics	Zubizoom Investments, ROVAQ Ventures <i>et al.</i>	21
May 03	Generation Esports	Altos Ventures, KCRise Fund, <i>et al.</i>	19

Great Lakes Investment Remains Strong

Quarterly Great Lakes VC Activity¹



Great Lakes VC Highlights

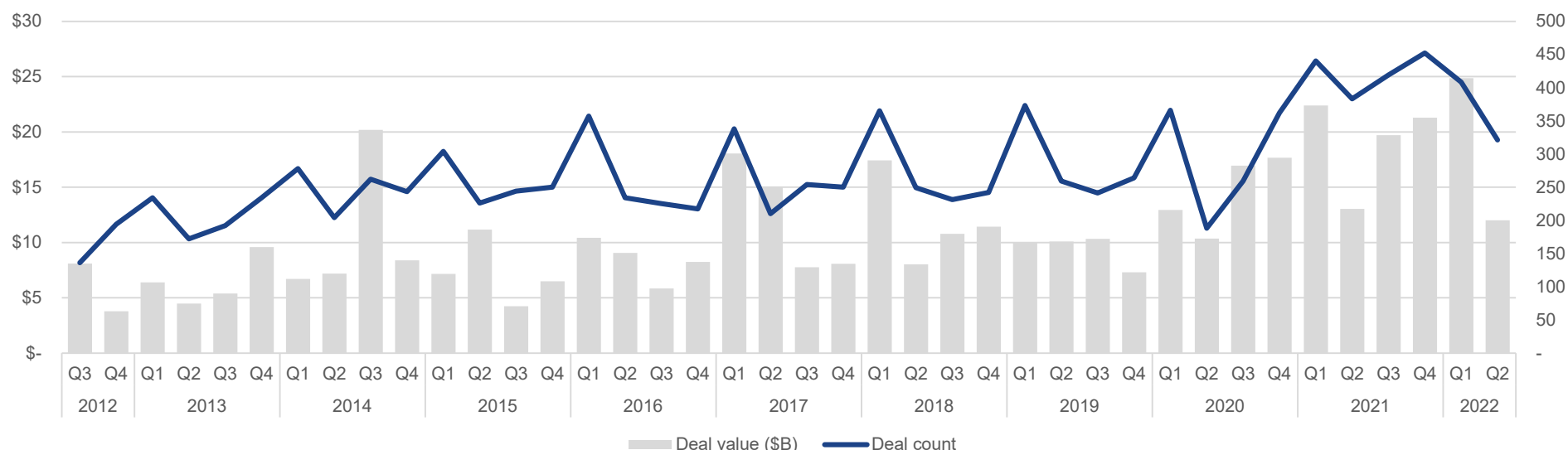
- Despite a decline in total investment, investment volume remained strong in the Great Lakes region, with ~290 investments accounting for more than \$2.3 billion
- Compared to the second quarter of 2021, investment declined 38%, but volume increased 1.4%; investment was down 43.5% from the first quarter of 2022, and volume was down 11%
- Information technology companies captured the most attention, accounting for 30.7% of deal volume; healthcare was close behind, accounting for 24.3%

Notable Great Lakes Q2 VC Investments

Date	Target	Investor(s)	Investment (MM USD)
May 24	Branch Insurance	Weatherford Capital, SignalFire, <i>et al.</i>	\$ 147
Jun 27	AmplifyBio	Undisclosed Investors	100
Apr 12	Natural Fiber Welding	Evolution VC Partners, Ralph Lauren, <i>et al.</i>	85
Jun 22	FourKites	Atlas Innovate, FedEx, SkyDeck	80
May 12	SkySpecs	Goldman Sachs, UL Ventures, <i>et al.</i>	80
May 05	Viaphoton	Trinity Capital	80

Growth Equity Investment Retreats from Strong Q1

Quarterly US Growth Equity Activity¹



US Growth Equity Highlights

- After a strong quarter of growth equity investing, total investments fell sharply in the second quarter, accounting for just \$12 billion deployed over approximately 320 deals
- Nearly 40% of second quarter value was captured by two deals: investments in Veracode and Internet Brands
- In the Midwest, there were ten reported growth equity investments during the quarter, highlighted by \$300-million investments in Orion Advisor Solutions and Summit Carbon Solutions

Notable US Q2 Growth Equity Investments

Date	Target	Investor(s)	Investment (MM USD)
Apr 29	Veracode	TA Associates Mgmt, Sixth Street Partners	\$ 2,500
Jun 07	Internet Brands	Warburg Pincus, KKR, Temasek Holdings	2,000
Jun 28	Intersect Power	TPG, Trilantic North America, <i>et al.</i>	750
May 25	Acrisure	Guggenheim Investments, <i>et al.</i>	725
Apr 28	Second Avenue	Monroe Capital, BLG Capital	400
Jun 01	Novva	CIM Group	355

Notable Midwest VC & Growth Equity Investments

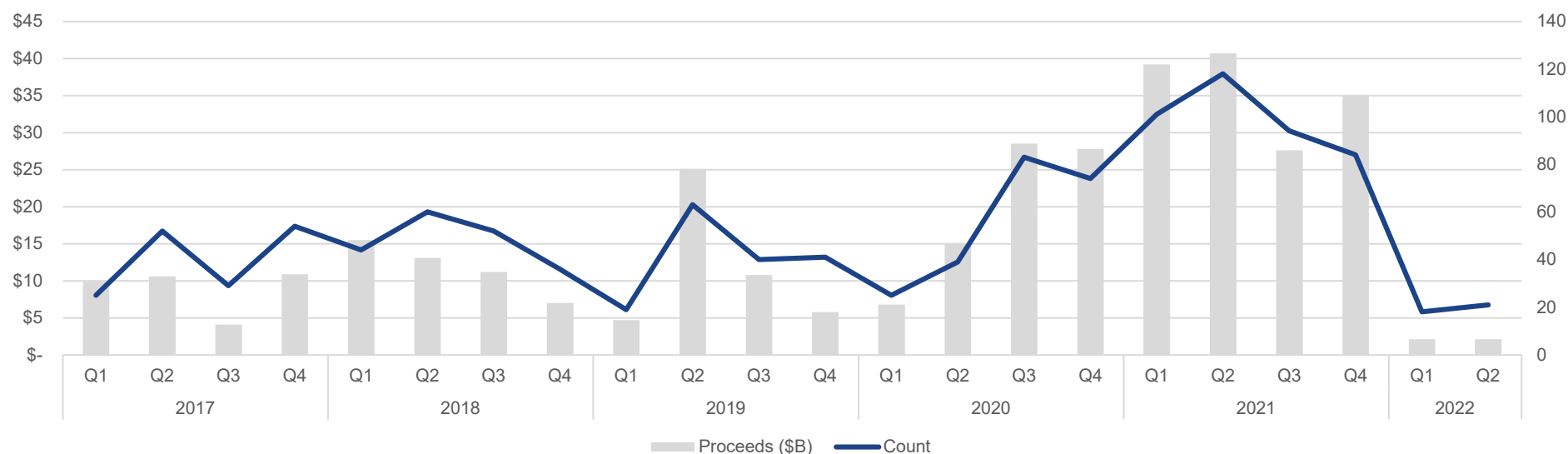
Date Closed	Target	Investor	Target City	Target Description
Apr 01	Barrier Compliance Services	GarMark Partners	Lenexa, KS	Provider of fire and life safety compliance services
Apr 01	Orion Advisor Solutions	Talent Resources Ventures	Omaha, NE	Developer of an investment advisory management platform
Apr 05	Pen-Link	Spire Capital	Lincoln, NE	Developer of data intercept and surveillance software
Apr 06	Immunophotonics	Zubizoom Investments, ROVAQ Ventures, iSelect Fund	Saint Louis, MO	Developer of a carbohydrate polymer for hypnotherapy
Apr 25	Hawaiian Bros	Crowdfunding	Kansas City, MO	Operator of a restaurant chain
Apr 26	CoverCress	Chevron, Bunge Ventures, <i>et al.</i>	Creve Coeur, MO	Provider of crop breeding services
May 01	The Rush Market	Michigan Capital Network	Omaha, NE	Operator of home décor and furnishing retail stores
May 03	Generation Esports	Altos Ventures, KCRise Fund, Kindergarten Ventures, <i>et al.</i>	Kansas City, MO	Organizer of high school-level esports leagues
May 05	Mazen Animal Health	Fall Line Capital, Kent, Addison Laboratories, <i>et al.</i>	Saint Joseph, MO	Developer of vaccines and therapeutics for animal health
May 10	SureCam	Lewis and Clark Capital, CCA Financial, Zero G Capital	Saint Louis, MO	Provider of connected dash cams and fleet management solutions
May 11	Summit Carbon Solutions	SK Ecoplant, Continental Resources, TPG, <i>et al.</i>	Ames, IA	Developer of carbon capture and storage infrastructure
May 13	Digital Diagnostics	Undisclosed Investors	Coralville, IA	Developer of an AI-based diagnostic platform
Jun 06	TrueAccord	Undisclosed Investors	Lenexa, KS	Developer of a debt collection platform
Jun 07	Holmes Murphy	Undisclosed Investors	Waukee, IA	Operator of an insurance brokerage firm
Jun 13	Paylt	Atlantic Merchant Capital, <i>et al.</i>	Kansas City, MO	Developer of a digital payment platform
Jun 14	Tesseract Ventures	UMB Financial, <i>et al.</i>	Kansas City, MO	Developer of data visualization tools and robotic technology
Jun 28	Airtonomy	Undisclosed Investors	Grand Forks, ND	Developer of drone technology

Notable Great Lakes VC & Growth Equity Investments

Date Closed	Target	Investor	Target City	Target Description
Apr 01	ShipFusion	Kayne Anderson Capital Advisors	Carol Stream, IL	Developer of an e-commerce fulfillment and inventory management software
Apr 04	bloxRoute Labs	SoftBank Investment Advisors, Blindspot Ventures, <i>et al.</i>	Chicago, IL	Developer of a blockchain platform
Apr 12	Natural Fiber Welding	Evolution VC Partners, Ralph Lauren, <i>et al.</i>	Peoria, IL	Manufacturer of plant-based materials
Apr 14	BiomEdit	Anterra Capital, Viking Global Investors	Fishers, IN	Developer of microbiome innovation platform
Apr 19	Hometown Ticketing	Nexa Equity, BPEA Private Equity	Columbus, OH	Operator of an online ticketing platform
Apr 20	Amount	SenaHill Partners	Chicago, IL	Developer of a financial platform intended to help banks to digitize retail product offerings
Apr 21	Revenova	Viking Global Investors	Bannockburn, IL	Developer of a cloud-based transportation management software
May 01	Hunt Club	WestCap	Chicago, IL	Operator of a full-service recruitment firm
May 02	Solinftec	Lightsmith Group, Unbox Capital, Circularis Partners	West Lafayette, IN	Developer of a digital agricultural platform
May 05	Viaphoton	Trinity Capital	Aurora, IL	Manufacturer of communications and networking equipment
May 09	Strive Asset Management	Founders Fund, Flex Capital, Narya	Columbus, OH	Operator of an asset management agency
May 12	Foxen	Summit Partners	Columbus, OH	Developer of financial services technology
May 12	SkySpecs	Goldman Sachs Asset Management, <i>et al.</i>	Ann Arbor, MI	Operator of renewable energy asset management
May 12	The CAM Collective	Taubman Capital Management	Chicago, IL	Operator of a group of association management companies
May 13	Tovala	Beringea	Chicago, IL	Provider of meal kits and smart ovens
May 24	Branch Insurance	Weatherford Capital, SignalFire, Acrew Capital, Narya, <i>et al.</i>	Columbus, OH	Operator of an insurance platform
May 25	Acrisure	Abu Dhabi Investment Authority, Guggenheim Investments, <i>et al.</i>	Grand Rapids, MI	Provider of insurance brokerage services

IPO Activity Matches Q1 at Suppressed Levels

Quarterly US IPO Activity¹



US IPO Highlights

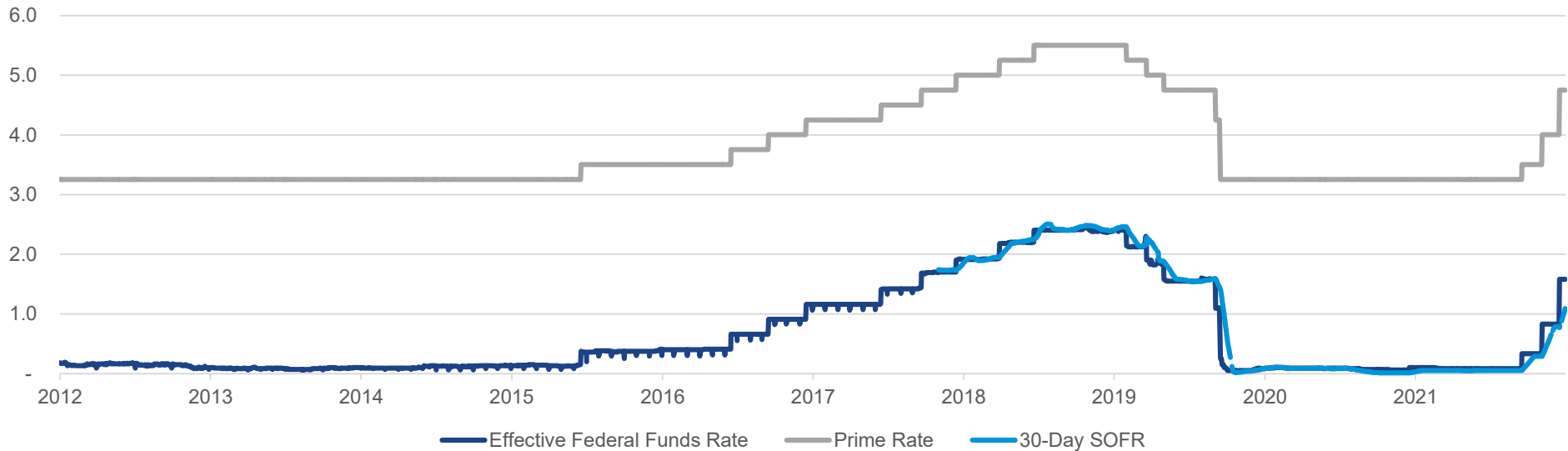
- Just 21 non-SPAC IPOs were completed in the second quarter, on par with the 18 completed during the first quarter and matching the first quarter's \$2.1 billion in proceeds
- Only six IPOs raised more than \$100 million
- New filings sunk to a six-year low, according to Renaissance Capital, but the pipeline remains full
- Leading announced deals during the quarter, J.P. Morgan Real Estate Income Trust filed for a \$5-billion offering

Notable US Q2 IPOs

Date	Company	Size (millions, USD)
May 06	Bausch + Lomb	\$ 630
Apr 13	Excelerate Energy	384
May 13	ProFrac Services	288
Apr 29	HilleVax	230
May 06	PepGen	108
Apr 26	Reallusion	53

Rates Increase Sharply in Q2

Benchmark Rate History

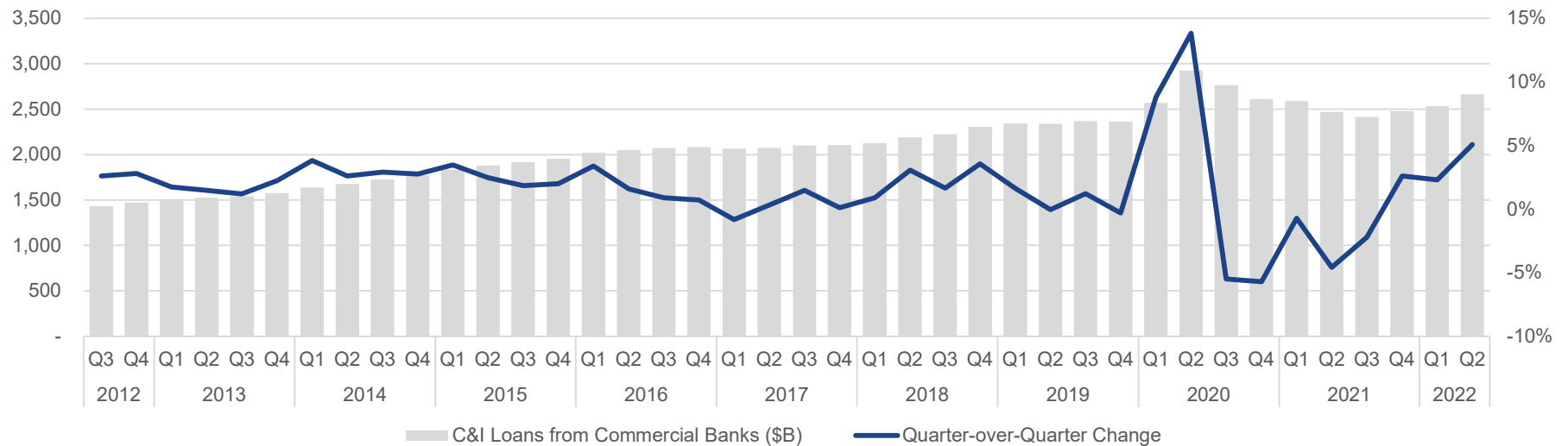


Financing Highlights

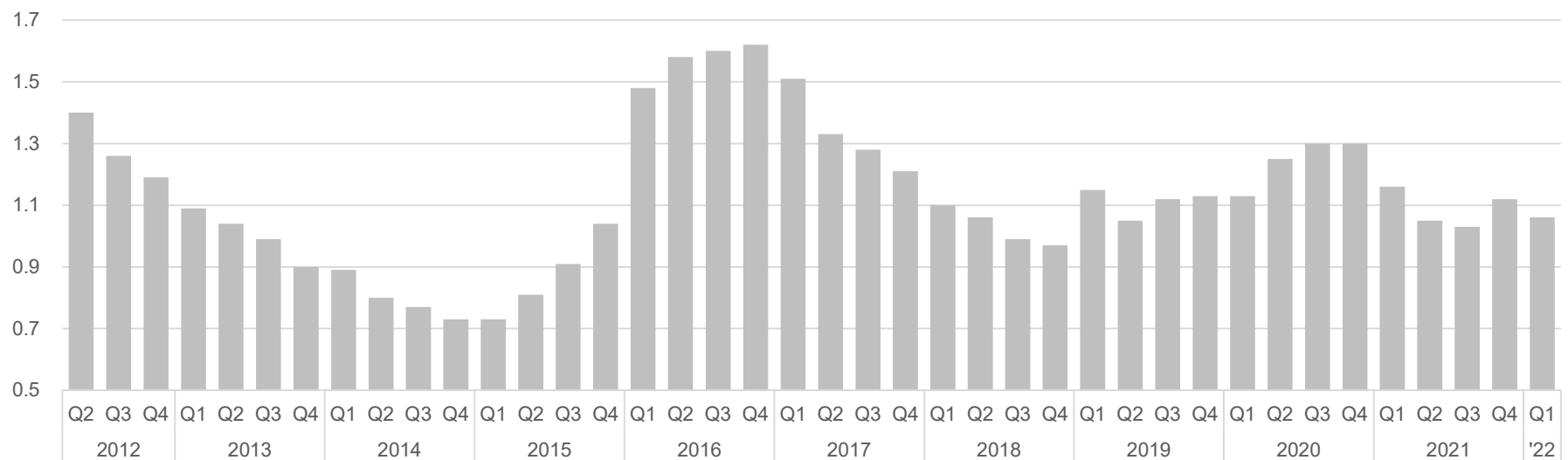
- The Federal Reserve approved its fourth interest rate hike of the year in July, setting the rate to a range of 2.25-2.50%. The first 75-basis point hike in June was the largest single rate hike since 1994.
- Many expect a further rate hike in September, currently estimating a 50-75-basis point hike, as the Fed tries to battle persisting inflation
- The Secured Overnight Financing Rate, also known as SOFR, sharply increased its 30-day average during the quarter, increasing from roughly 16 basis points at the end of the first quarter to roughly 109 basis points at the end of June
- Data shows that banks are trending toward tightening lending standards, suggesting an expected decline in credit quality. In tandem, banks are increasing spreads over their cost of funds.

Business Loans Edge Up despite Higher Rates

Commercial & Industrial Loan Assets on Commercial Bank Balance Sheets

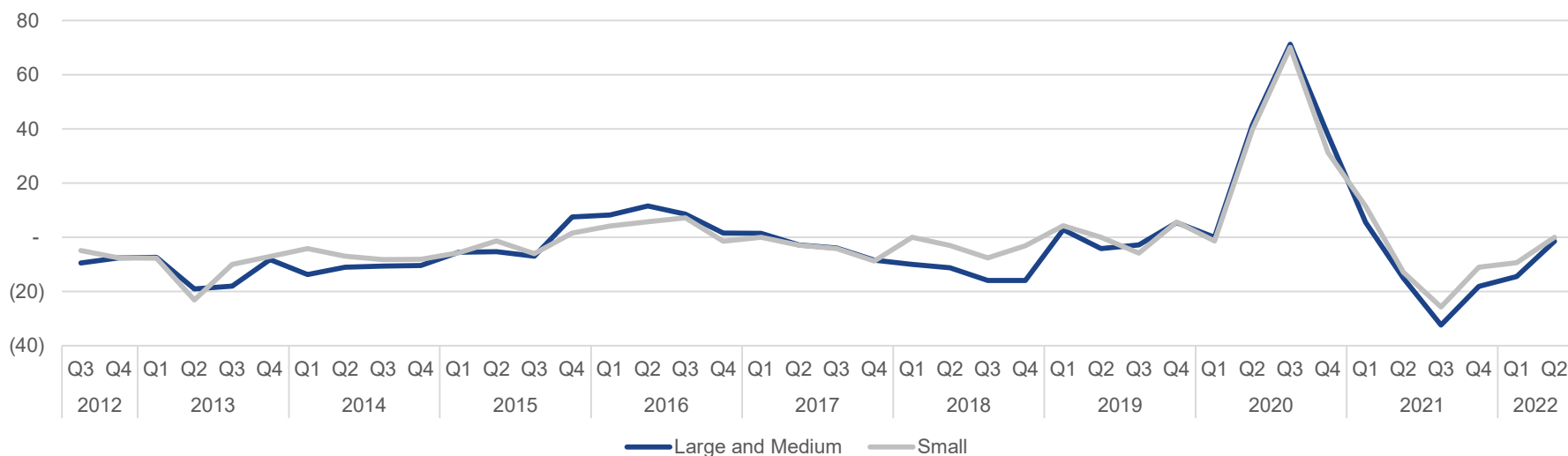


Delinquency Rate on Commercial & Industrial Loans (%)

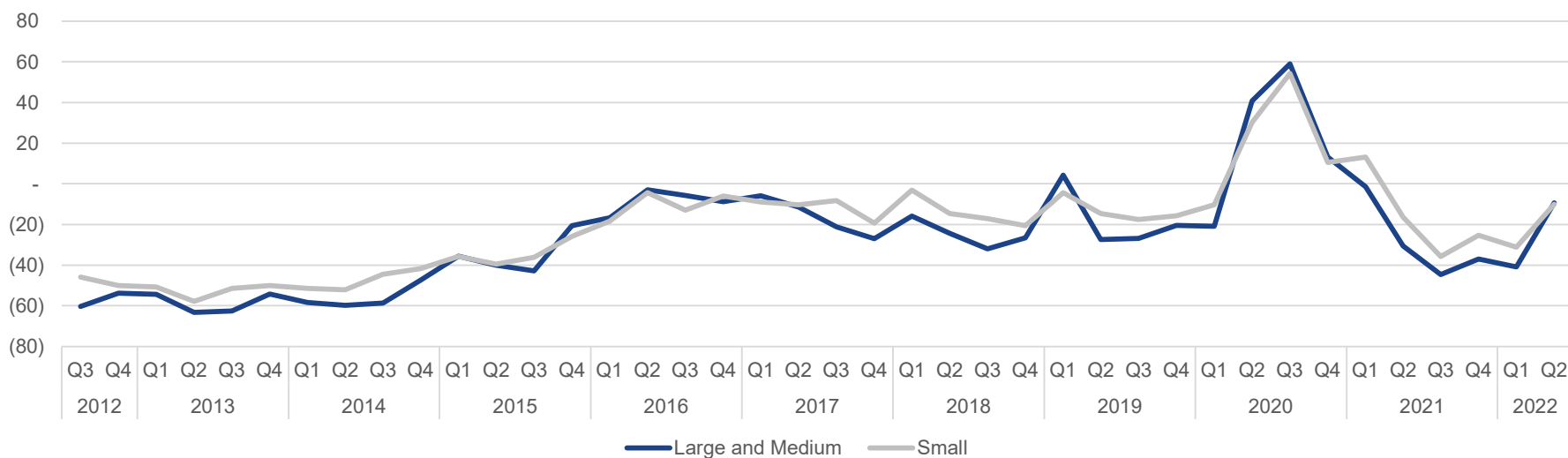


As Rates Increase, so do Lending Standards

Net Percentage of Banks Tightening Standards for Commercial and Industrial Loans to Large & Medium and Small Firms



Net Percentage of Banks Increasing Spreads of Loan Rates over Banks' Cost of Funds



Partners for Strategic Transactions

Overview

Skyline Advisors partners with growth stage and lower middle-market companies to successfully position for, and then execute, strategic transactions. Our experience includes sitting on all sides of the deal table – serving as investors in, executives of, members of the board of directors for, and advisors to high-growth companies that have successfully completed debt and equity financings, acquired other companies, and successfully exited through multiple avenues. This experience provides unique perspective on what you are undertaking, and what is required to ensure a smooth transaction and post-closing transition. Our principal's securities and real estate licenses enable a broad offering of services to ensure all strategic options are explored to optimize results.

Services

Mergers & Acquisitions

- Buy-side and sell-side
- Divestitures, spin-offs, and spin-outs
- Management buyouts
- Strategic partnerships

Corporate Finance

- Growth and acquisition capital
- Taking-private transactions
- Strategic investments
- Recapitalizations
- Debt financing (senior and subordinated)

Strategic Advisory

- Valuation analysis
- Due diligence
- Financial consulting and modeling

Industries Served

Industry agnostic with a key focus on the following:

- Industrials
- Food and agribusiness
- Technology
- Healthcare

Professionals












John Gustafson, CFA | john@skyline-advisors.com

- 20+ years in investment banking, PE, and operations
- MBA – Northwestern University
- BS in Accounting – University of Nebraska-Lincoln
- Series 62, 63, and 79 securities licenses

Mike Pechette | mpechette@skyline-advisors.com

- 30+ years in investment banking, merchant banking, and operations
- JD, Indiana University Maurer School of Law
- BS in Accounting – Indiana University Kelley School of Business

Select Transactions

 <p>Acquired by</p> 	 <p>Acquired by</p> 	 <p>Merged with</p> 	 <p>Airport lighting division acquired by</p> 	 <p>Strategic transaction with</p> 	 <p>Acquired by</p> 	 <p>Recapitalized by</p> <p>Undisclosed Party</p>	 <p>Acquired by</p> 
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