

INVESTMENT STRATEGY & PIPELINE

OVERVIEW OF VALHROS

VALHROS is Prytaneum's internal management and intelligence system, developed to support sourcing, diligence, and post-acquisition execution across distressed and underperforming software assets.

The system integrates financial analysis, operational diagnostics, and control planning into a single workflow that is applied consistently across all potential acquisitions. VALHROS is not a forecasting engine and does not replace investment judgment. Its purpose is to ensure that decisions are grounded in verified data, explicit assumptions, and repeatable operating standards.

VALHROS underpins how Prytaneum Partners and the Valkyrie Revival Fund identify control opportunities, structure transactions, and transition assets from revenue persistence to sustainable cash generation.

GOVERNANCE & OPERATION SYSTEM

The governing principle of VALHROS is evidence before opinion.

- Financial, legal, and operational data are sourced from primary documents and validated feeds.
- Inputs are standardized to a consistent financial and operating framework.
- Key assumptions are independently cross-checked prior to inclusion in any investment analysis.
- Diligence outputs are archived and remain auditable.

This governance framework is designed to meet the expectations of restructuring advisors, senior lenders, and control-oriented private equity operators, while materially reducing the time required to reach decision-grade conclusions.

INVESTMENT MODEL & TARGET PROFILE

We acquire and rebuild B2B software companies with durable recurring revenue that have failed to convert scale into cash flow due to execution breakdowns rather than product obsolescence.

Target Characteristics

- ARR between \$10–20 million
- Customer retention of at least 85% within 12 months post-close
- Gross margins capable of exceeding 70% following operational correction
- Full operational control at, or immediately following, close
- Positive cash conversion targeted within the first year of ownership

Our strategy is control-led, not growth-led. We prioritize pricing discipline, cost alignment, operating simplification, and balance-sheet stability before considering expansion initiatives.

PRE-ENGAGEMENT INTELLIGENCE

Prior to engaging with intermediaries, founders, or management teams, VALHROS is used to establish a baseline operating and risk profile for each potential target.

This typically includes:

- Verification of reported financial performance and ownership structure
- Preliminary valuation ranges and downside risk indicators
- A focused diligence agenda identifying claims and metrics requiring confirmation

As a result, external discussions are used to validate known issues rather than surface them for the first time.

DEAL SOURCING CHANNELS

Opportunities are sourced from multiple sourcing channels. All potential investments are subjected to the same screening and diligence standards, regardless of origin.

Primary sources include:

- Intermediary-Led Processes
Opportunities introduced by restructuring advisors, investment banks, and brokers,

typically involving operationally distressed or underperforming software businesses.

- **Lender and Capital Provider Situations**
Assets identified through lender relationships, including debt-for-control transitions, balance-sheet restructurings, and special situations involving covenant stress or impaired liquidity.
- **Direct and Management-Initiated Outreach**
Select opportunities originate directly from founders or management teams seeking a control transition rather than incremental capital.
- **LP-Originated Opportunities**
Limited Partners may introduce assets within their portfolios or networks. These opportunities are evaluated independently under the same control and diligence framework.
- **Systematic Public-Domain Screening**
VALHROS continuously screens public and semi-public software companies for recurring-revenue durability, execution failure patterns, and control feasibility, generating proprietary candidates prior to any external engagement.

No sourcing channel receives preferential treatment. Advancement is determined solely by control viability, cash conversion potential, and diligence outcomes.

DILIGENCE PROGRESSION & METHODOLOGY

Diligence is conducted in defined stages, with the scope and certainty of analysis expanding as access to information increases. VALHROS is used throughout the process to structure inquiry, test assumptions, and document findings; conclusions are explicitly conditioned on the quality and completeness of data available at each stage.

This staged approach allows Prytaneum to move efficiently without relying on unverified representations or compressing analysis prematurely.

Diligence Progression and Access Milestones

1. Public-Domain Assessment

An initial assessment is performed using public disclosures, historical financials, litigation records, market signals, and other open-source data. This stage determines whether a target meets baseline criteria for engagement and control feasibility.

2. Intermediary or Broker Discussion

Where applicable, preliminary discussions are held with brokers or advisors to clarify transaction context, capital structure, and known constraints. Information obtained is treated as directional until independently verified.

3. Management Discussion

A management call is typically conducted to test reported metrics, assess operational posture, and address gaps that cannot be resolved through public information alone. Outputs refine diligence priorities rather than form final conclusions.

4. Pre-LOI Data Room Access

For select targets, limited data-room access is provided prior to LOI execution. This enables deeper review of revenue composition, customer concentration, cost structure, and contractual terms, while identifying areas requiring further validation.

5. Post-LOI Full Diligence

Upon execution of an LOI, full data-room access is used to complete quality of earnings analysis, technology and security assessment, operational review, and transition planning. This stage supports final investment approval and execution readiness.

At each milestone, findings are updated, versioned, and re-scoped based on the level of access achieved.

DILIGENCE EXECUTION FRAMEWORK

Within each stage of access, VALHROS supports a structured diligence workflow designed to maintain consistency and auditability.

Phase 1: Data Ingestion

Primary documents and relevant feeds are collected and validated against source records.

Phase 2: Standardization

Financial, contractual, and operational data are normalized into a unified operating and financial framework.

Phase 3: Review and Resolution

Coverage gaps, inconsistencies, and unsupported assumptions are flagged and resolved prior to investment committee review.

Where direct and complete data-room access is available, this framework allows full diligence cycles to be completed within a single business day without compromising evidentiary standards.

DILIGENCE OUTPUT & INVESTMENT COMMITTEE GOVERNANCE

All diligence outputs are archived and remain auditable. Investment committee materials explicitly document:

- The level of information access achieved
- Outstanding verification items, if any
- Required control actions at close to mitigate unresolved risks

Speed is therefore a function of preparedness and access, not reduced rigor.

CURRENT DEAL PIPELINE - JANUARY 2026

- 31 companies screened
- 8 qualified candidates in active diligence

Pipeline Composition

- 4 private SaaS acquisitions with operational control at close
- 2 debt-for-control transitions
- 1 court-supervised process (363 sale)
- 1 small-cap public take-private under review

Status

Execution is intentionally paused pending capital formation. All diligence work, operating plans, and valuation models are complete and prepared for transaction documentation once funding is secured.

STRATEGIC PARTICIPATION FOR LIMITED PARTNERS

Limited Partners may participate as capital providers, asset originators, or both.

VALHROS enables Prytaneum to:

- Underwrite LP-originated opportunities under a consistent control framework

- Assume operational authority post-close
- Restore cash conversion through disciplined execution
- Distribute recurring cash yields to participating LPs

This structure emphasizes compounding cash yield through controlled execution rather than portfolio expansion.

SAMPLE INVESTMENT COMMITTEE MEMORANDUM - REDACTED

Project Halcyon — Direct Control Acquisition

- Structure: All-cash purchase (private SaaS)
 - Verified ARR: \$14.3 million
 - Valuation Range: \$13–16 million enterprise value
 - Key Risks: Technical debt, moderate churn sensitivity, limited IP documentation
 - Control Plan: Pricing, treasury, and infrastructure authority at close
 - Operating Objective: Material margin expansion/free cash flow generation in 12 months
 - Status: Diligence complete; pre-LOI; capital allocation pending
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CLOSING PERSPECTIVE

VALHROS is not positioned as a differentiator in isolation. It is the system through which Prytaneum enforces consistency, evidentiary discipline, and operational control across all investments.

For Limited Partners, this translates into:

- Clear visibility into assumptions and risks
 - Repeatable execution standards
 - A focus on cash yield rather than narrative-driven outcomes
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