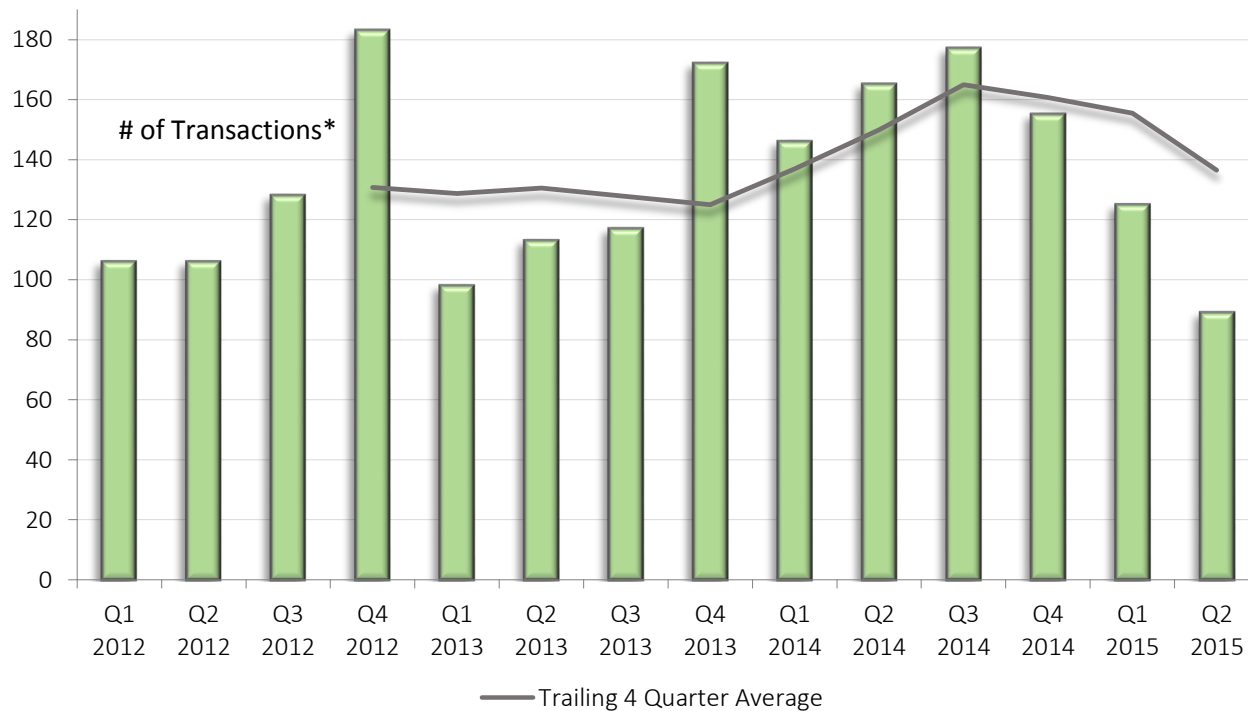


Mezzanine Market Perspective



*Mezzanine investments of \$3 MM and greater with the target located in the U.S. and Canada. Includes select unitranche and senior secured financings with pricing or other features similar to mezzanine.

Breaking Down the Market

Following a record 2014 for the mezzanine market, Q1 2015 volume was down more than 10% versus Q1 2014, with **120 different firms** completing **126 transactions** during the quarter. As a comparison, overall M&A activity was up 2% YoY for Q1 2015. While at first glance volume for Q2 2015 appears to have weakened, the decrease is overstated given there is a lag in capturing the most current quarter's data, and the full picture is not yet clear. Over 17% of the mezzanine deals completed in the first half of 2015 have been by new groups. Similar to 2014, over half of 1H 2015's deals involved a sponsor, and 79% of these deals were to support an acquisition.

Notable Mezzanine Transactions

- In April, **Pathlight Capital** provided Exxel Outdoors LLC with mezzanine debt to support its acquisition of American Recreation Products LLC ("ARP") from the Kellwood Company, LLC, a portfolio company of Sun Capital Partners, Inc. Senior debt was provided by Wells Fargo. Based in Boulder, CO, ARP makes and sells outdoor equipment and apparel.
- Balance Point Capital Partners** provided senior subordinated notes to OnRamp Access LLC ("OnRamp"), a Housatonic Partners portfolio company, in April. OnRamp is based in Austin, TX and operates multiple enterprise class data centers that provide cloud-delivered computing capacity, managed hosting and colocation services.
- In May, **Peninsula Capital Partners** financed Fox Three Partners' acquisition of Burlington Medical Supplies, a Newport News, VA-based provider of radiation protection and patient comfort products.

Mezzanine Market Perspective

Notable Mezzanine Transactions (cont.)

- In May, **Maranon Capital** led a mezzanine investment, which also included **GCM Financial**, to support The Riverside Company's acquisition of Health & Safety Institute ("HSI") from DW Healthcare Partners. Maranon Capital also provided an equity co-investment and MidCap Financial provided additional financing to support the transaction. Based in Eugene, OR, HSI provides professional safety and health certification services, and was advised by Harris Williams.
- Also in May, **Monroe Capital** provided a subordinated debt facility as part of the debt recapitalization that supported the sale of Lineage Capital's stake in Mud Pie, LLC. Fifth Third Bank and SunTrust Bank also provided debt financing, which helped return Mud Pie to "100 percent family ownership." The Stone Mountain, GA designer and manufacturer of baby, gift, and pet products was represented by TM Capital.
- **Patriot Capital** provided subordinated debt and equity in May to Premium Inspection and Testing ("Premium"), a Calvert Street Capital Partners ("CSCP") portfolio company. Along with capital from First Merit Bank, Premium used the financing to acquire Quad City Testing Laboratory and Quad City Calibration. Livingston Partners advised CSCP on the financing. Premium provides non-destructive testing and inspection services to midstream oil and gas companies as well as customers in the nuclear, civil infrastructure and defense industries.
- **Audax Mezzanine** made a pair of investments in Q2 2015, the first of which was in May to support Tricor Pacific Capital's acquisition of Gold Standard Baking, LLC ("GSB") from Arbor Investments. Audax was a co-investor in senior subordinated notes and co-investor in preferred and common stock. GSB manufactures and markets frozen baked foods and is based in Chicago, IL. In June, Audax provided senior subordinated notes and a co-investment in common stock as part of the financing of The Riverside Company's buyout of AWP Inc. (dba Area Wide Protective) from Blue Point Capital Partners. Madison Capital, NewStar Financial, and MidCap Financial also provided a \$124.5 million senior credit facility. AWP, located in Kent, OH, provides traffic control services.

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