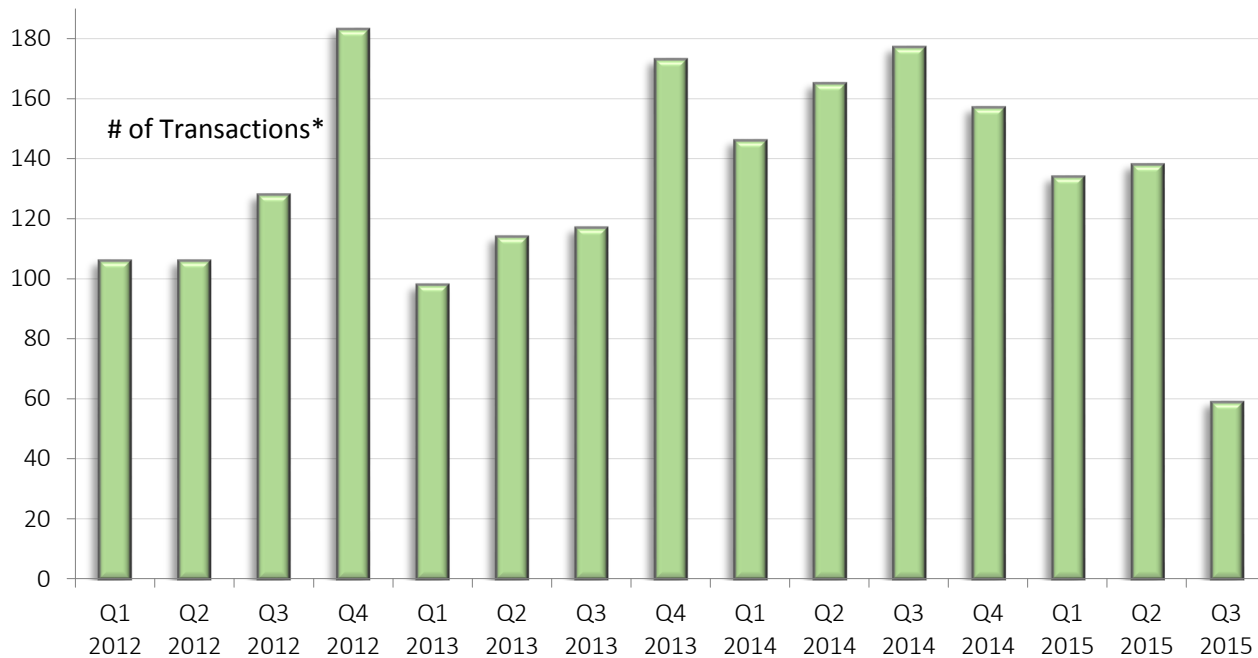


# Mezzanine Market Perspective



\*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

While year-over-year activity for the 12-month period ending June 2015 increased only slightly (from 601 to **606**) in terms of completed mezzanine transactions, the median mezzanine investment size increased from \$8.1 million to \$10 million. Of the **189 different investors** that completed a deal during this time, 27% were new firms. Also, even though the majority of transactions are sponsor-backed, 55 of the 606 deals were to support a corporate acquisition. While at first glance volume for Q3 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.

## Notable Mezzanine Transactions

- **Cyprum Investment Partners ("Cyprum")** completed two transactions in July, one of which was a sponsorless mezzanine investment in M-D Building Products, Inc., an Oklahoma City, OK-based manufacturer of weatherization products used to reduce energy leaks around windows and doors. The second deal was to support the acquisition of Weaber, Inc. by its President and CEO. Cyprum provided the Lebanon, PA hardwoods and lumber products manufacturer with preferred equity and subordinated debt.
- **Babson Capital Management ("Babson")** financed High Road Capital Partners' add-on of Ariad Communications by BlueSpire Marketing in July. In addition to Babson's subordinated debt and equity investment, senior debt financing was provided by Fifth Third Bank, U.S. Bank and Royal Bank of Canada. The Toronto, Canada provider of marketing services was represented by Petsky Prunier.
- In July, **Fidus Investment Corporation** provided subordinated notes and common equity to support the platform investment in Vanguard Dealer Services LLC ("Vanguard") by Southfield Capital. Vanguard is located in Fairfield, NJ and is an agent and administrator of finance and insurance products and services to franchised automobile dealers. Additional financing was provided by East West Bank in the form of senior debt and Woodbridge International was Vanguard's financial advisor.

## Notable Mezzanine Transactions (cont.)

- **Kian Capital (“Kian”)** completed two deals in July, the first of which was a \$5.25 million senior subordinated debt investment in SPATCO Energy Solutions (“SPATCO”). SPATCO is a distributor and servicer of liquid handling equipment to the petroleum and industrial markets and is based in Charlotte, NC. Kian also partnered with Oakland Standard Co. to acquire Motor City Fastener, Inc. (“Motor City”), a supplier of fasteners and related products to the automotive, trucking, defense, construction and automation tooling industries. Kian invested senior subordinated debt and preferred equity. Motor City, based in Hazel Park, MI, was represented by EdgePoint.
- In July, **Graycliff Partners (“Graycliff”)** provided subordinated debt to Stone Source LLC (“Stone Source”) to support a recapitalization by majority owner Founders Equity. Located in New York City, Stone Source supplies natural stone and other decorative surface products. Also in the third quarter, Graycliff, alongside **Patriot Capital**, invested in Super Color Digital, an Irvine, CA-based customized printing solutions provider of grand format graphics, event structures, and visual solutions for Fortune 500 corporations and trade show managers.
- In September, **Crown Capital Partners** provided Petrowest Corp. (“Petrowest”) with \$15 million in subordinated debt, which bears a fixed interest rate of 11% per annum. Petrowest also granted warrants to Crown Capital Partners. Petrowest is a publically traded corporation based in Alberta, Canada that provides pre-drilling and post-completion energy services to the oil and gas industry, as well as gravel crushing and hauling for non-energy sector customers.

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