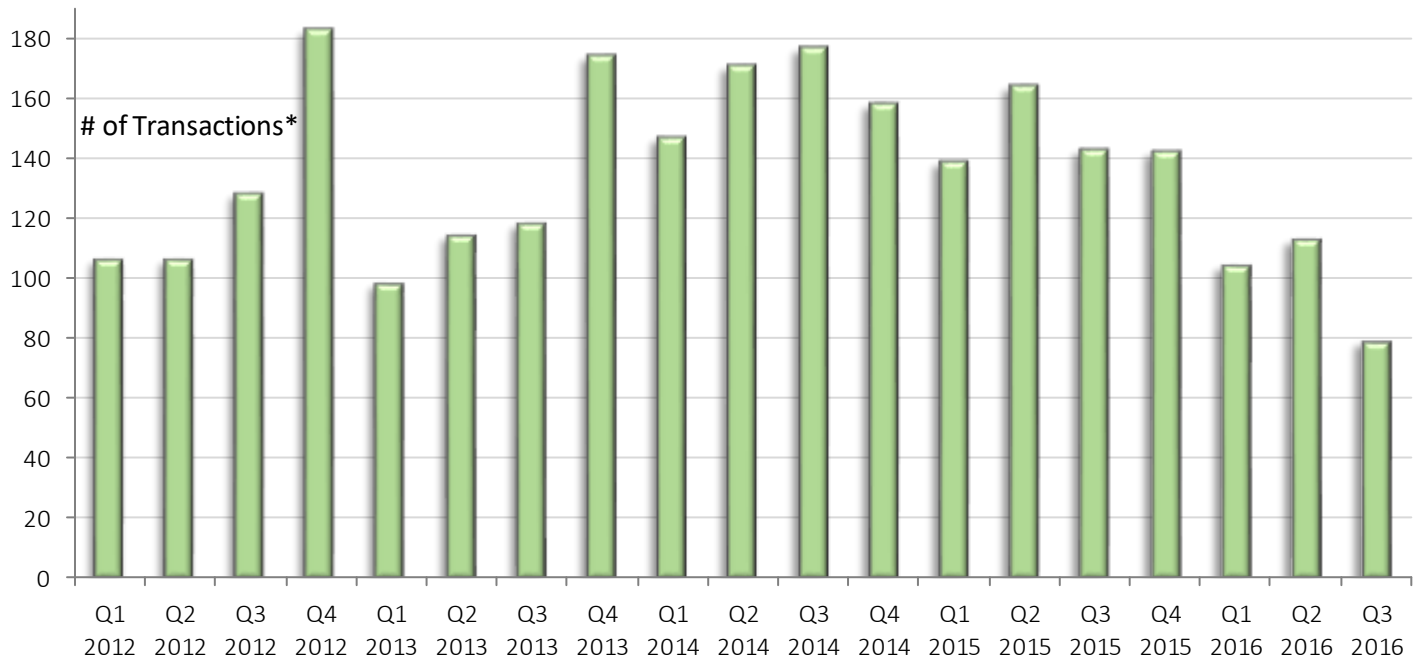


# Mezzanine Market Perspective



\*Closed 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

As we head toward the end of the year, mezzanine activity continues to bounce back from the slow start to 2016. Nevertheless, volume is down ~21% year-over-year for the 12-month period ending June 2016. Sponsor-backed deals led the charge for Q2 2016, as more than 75% of the deals completed involved a sponsor, the highest coverage since at least 2012. The trend of a low ratio of deals to lenders continued in Q2 2016, as **113 deals** were completed by **79 different lenders**. This signifies the mezzanine market has become even more competitive, particularly considering that ~15% of the different lenders were ones that completed their first mezzanine transaction.

## Notable Mezzanine Transactions

- **Caltius Mezzanine** provided mezzanine financing and an equity co-invest to support the July acquisition of the operating assets of GLM, Inc. (nka GLM Energy Services, LLC) ("GLM") by D'Orazio Capital Partners ("DCP"). Key Bank also participated in the deal by providing senior financing. DCP received legal advice from Metz Lewis Brodman Must O'Keefe and accounting advice from CliftonLarsonAllen. Based in Kenai, AK, GLM provides maintenance and repair services for gas turbines, compressors, generators, and other machinery.
- Also in July, Calimira, LLC (dba Rusty Bucket) received growth capital financing in the form of subordinated debt from **Oxer Capital**. Headquartered in Columbus, OH, Rusty Bucket operates upscale casual tavern restaurants.
- **Ironwood Capital** made a mezzanine debt investment in Farmington, CT-based Turbine Technologies Inc. ("Turbine") in August. Turbine manufactures aerospace and industrial gas turbines.

## Notable Mezzanine Transactions (cont.)

- **LBC Credit Partners** provided a secured mezzanine loan in August to support the acquisition of Fleetwood Metal Industries Inc. (“Fleetwood”) by Milestone Partners portfolio company PPHC Holdings, Inc. The senior debt financing was led by M&T Bank and Drinker Biddle & Reath provided legal advice to the buyers. Fleetwood, located in Windsor, Ontario, provides metal stampings, assemblies and tooling to auto original equipment manufacturers and suppliers.
- Akoya Capital Partners’ August buyout of Indigo Signworks (“Indigo”) was supported by subordinated debt and preferred equity from **Marquette Capital Partners**. **Merion Investment Partners** also participated in the deal. Headquartered in Fargo, ND, Indigo manufactures exterior and interior signage products. Bayview Capital Group was the sell-side financial advisor.
- The recapitalization of MECA & Technology Machine Inc. (“MECA”) by May River Capital was sponsored by **Northstar Capital** in the form of a \$2.5 million subordinated note and \$2.5 million in equity, as well as senior debt financing by Johnson Bank. Legal counsel for May River Capital was Paul Hastings, while Davis & Kuelthau was counsel to MECA. Green Bay, WI-based MECA manufactures tight tolerance machined components for the packaging, flexographic printing and web converting sectors.
- In September, it was announced that **Aldine Capital Partners** supported Corridor Capital’s investment in Connecting Point Marketing Group Inc. with subordinated notes and an equity co-invest. TCF Capital Funding also contributed senior secured financing. The Rye, NY provider of business networking and information events was represented by investment bank Business Capital Exchange and law firm Davis, Malm & D’Agostine. Morgan, Lewis & Bockius represented Corridor Capital.
- Vance Street Capital’s September acquisition of Motion Dynamics Corp. (“Motion Dynamics”) was backed by BMO Capital Markets, Madison Capital Funding, Neuberger Berman Group and Northwestern Mutual Capital. BMO Capital Markets and Madison Capital Funding provided senior debt, while **Neuberger Berman Group** and **Northwestern Mutual Capital** provided mezzanine debt. Lexington Partners, Private Advisors, Madison Capital Funding, Neuberger Berman Group and Northwestern Mutual Capital co-invested equity. Motion Dynamics manufactures wire-based components primarily for the medical device, industrial and aerospace markets and is headquartered in Fruitport, MI. Vedder Price acted as legal advisor to Vance Street Capital. Motion Dynamics received legal advice from Miller, Johnson, Snell & Commiskey and Charter Capital Partners served as their financial advisor.

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