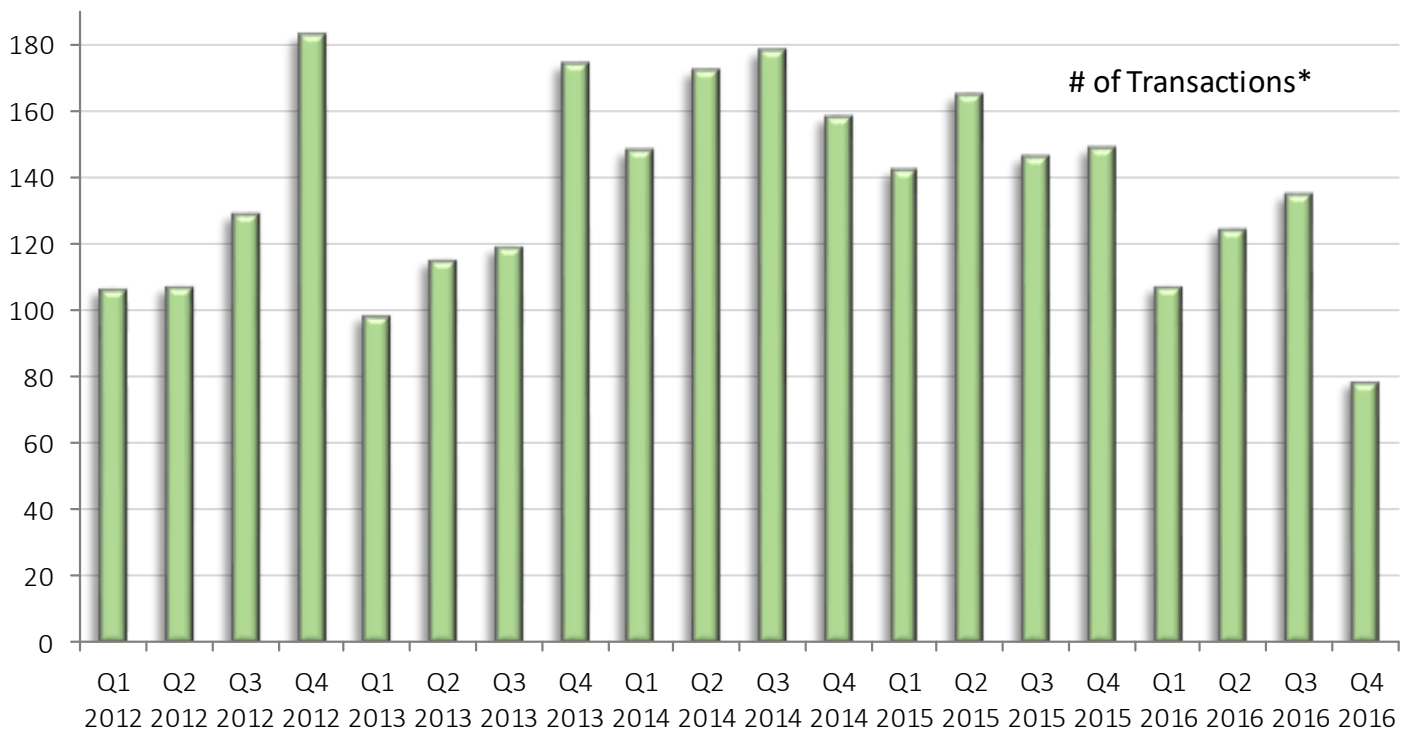


Mezzanine Market Perspective



*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

For the 12-month period ending September 2016, the number of completed mezzanine transactions was down 16% year-over-year, from 611 to **515**. This is an improvement from the prior quarter and further indication that the market continues to recover from the slow first quarter. For comparison, overall M&A for the same period is down 10% year-over-year. For Q3 2016, **94 unique lenders** completed **135 deals**, the widest variance in lenders to deals in nearly two years. Of the 135 deals that were completed in the quarter, 89 (66%) involved a sponsor. The sponsor-backed deals consisted of 88 unique sponsors, signifying a very broad market.

Notable Mezzanine Transactions

- In October, newly formed Hilltop Private Capital created American Track Services through the acquisitions of American Track Generations, LLC (“ATG”) and C.J. Bridges Railroad Contractor (“CJB”). The combined company provides railroad engineering, inspection, maintenance, repair, and design and construction services. **PNC Mezzanine Capital** provided a \$14.5 million subordinated debt and equity co-investment. Deerpath Capital Management also provided capital. Grapevine, TX-based ATG was advised by Generational Equity, while Mulberry, FL-based CJB was advised by RR Mergers & Acquisitions. Annapurna Capital Management served in a merchant banking capacity for ATG during the transaction.
- Canal Holdings** provided senior subordinated debt and preferred equity to support the November acquisition of Micorp Custom Auto & Truck, LLC (“Micorp”) by Monhegan Partners. Micorp, located in Auburn, MA, wholesales and installs automotive aftermarket accessories.

Notable Mezzanine Transactions (cont.)

- In November, it was announced that **LNC Partners (“LNC”)** invested subordinated debt and equity in OutSolve, LLC (“OutSolve”). Five Points Capital provided an equity co-investment in support of the LNC-led recapitalization and Alliance Partners provided senior debt. Metairie, LA-based OutSolve’s financial advisor was BlackRose Advisors. OutSolve provides affirmative action planning and compliance services for federal contractors.
- Castleton Commodities International (“CCI”), owned by an investor group through DF Energy Acquisition LLC, acquired the Carthage upstream and midstream assets in East Texas from subsidiaries of Anadarko Petroleum Corporation in November. The transaction was financed with a reserve based lending facility arranged by JPMorgan Chase Bank, ABN AMRO Capital USA, Bank of America Merrill Lynch, Société Générale and Wells Fargo Securities, as well as an unsecured mezzanine debt investment made by funds managed by **HPS Investment Partners**. Société Générale acted as financial advisor to CCI and Vinson & Elkins LLP and Bracewell LLP were CCI’s legal advisors.
- Also in November, The Western Investment Co. of Canada Ltd. (“Western”) closed their first acquisition, the buyout of GlassMasters Autoglass Ltd. and ARG Wholesale Ltd. (“GlassMasters”). Backing the deal was **First West Capital** with \$1.3 million of amortizing subordinate debt and Toronto Dominion Bank with \$7.5 million of seven year amortizing senior secured bank debt. ATB Capital and GlassMasters management also joined Western and will each have minority stakes. Headquartered in Calgary, GlassMasters provides windshield repair and replacement services. MNP Corporate Finance acted as financial advisor to GlassMasters.
- **AEA Investors** provided mezzanine financing to Fiber Composites LLC (dba Fiberon) in December. New London, NC-based Fiberon manufactures composite decks, railings and fences. The transaction was unsponsored.
- Also in December, it was announced that KeyMe, Inc. (“KeyMe”) received a \$25 million mezzanine debt investment from **Benefit Street Partners**, an affiliate of Providence Equity Partners. Headquartered in New York City, KeyMe allows users to store, share, and duplicate their physical keys based on a digital scan. AGC Partners was the financial advisor to KeyMe.

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