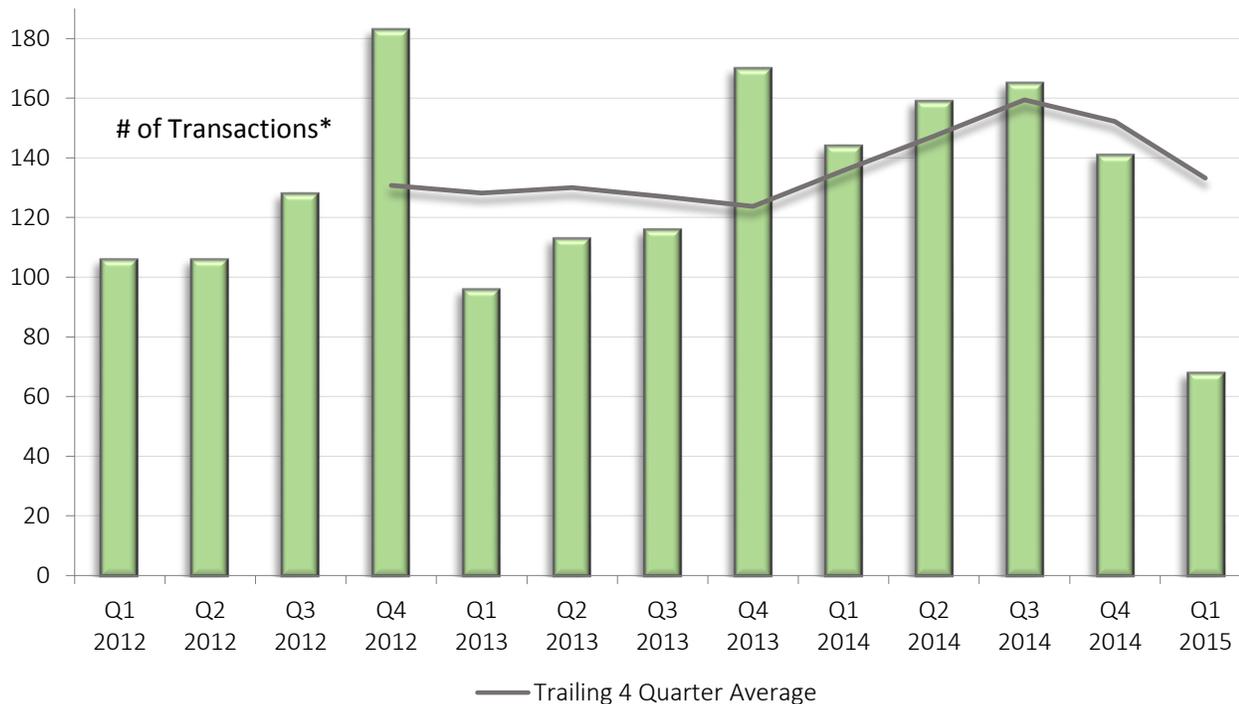


Mezzanine Market Perspective



*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

2014 was a record year for the mezzanine market, with **185 different firms** completing more than **600 transactions**. Over half of the deals were to support an acquisition, and 81% of these only had a single mezzanine lender on the deal. For the deals not in conjunction with a buyout, approximately 68% did not involve a sponsor. While at first glance volume for Q1 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

- In January, **Leeds Novamark Capital** provided subordinated debt and an equity co-investment to support the recapitalization of Quick Med Claims, LLC ("QMC") by BB&T Capital Partners, management, and Wasena Capital Management. Based in Pittsburgh, PA, QMC provides emergency medical ground and air transportation billing and reimbursement services.
- **Norwest Mezzanine Partners** and **Yukon Partners** provided subordinated debt and an equity investment in support of the acquisition of Encore Rehabilitation Services ("Encore") by Revelstoke Capital Partners in January. Ally Corporate Finance acted as administrative agent on the senior credit facility, in which Golub Capital also participated. Encore is based in Farmington Hills, MI and provides rehabilitative therapy services to nursing and assisted-living facilities.
- Also in January, the business development company **OFS Capital Corporation** provided a subordinated loan to Nudo Products, Inc. ("Nudo") to support its acquisition of Marlite Inc. ("Marlite"). Based in Springfield, IL, Nudo is a portfolio company of RFE Investment Partners. Marlite, of Dover, OH, and Nudo both manufacture laminated products such as wall finishings and panels.

Notable Mezzanine Transactions (cont.)

- Business development company **Capitala Finance Corp.** invested \$20.0 million in subordinated debt, plus warrant participation, in Tender Greens Holdings, LLC in January. Headquartered in Florida, Tender Greens Holdings, LLC grows, packs, and ships tender leaf salad greens.
- Steak 44 received a \$10.6 million subordinated debt and growth capital investment from **C3 Capital Partners** in February. The Phoenix, AZ steak and seafood restaurant was represented by Greene Holcomb & Fisher.
- ZRG Partners completed a capital raise with **Northcreek Mezzanine** in February. The investment into the executive search and talent management services provider included preferred stock, common stock and subordinated debt.
- In March, **Spring Capital Partners** invested \$5.5 million in subordinated debt, with warrants, in Falconhead Capital portfolio company Rita's Water Ice Franchise Co. ("Rita's"). SunTrust Bank also participated in the refinancing. Rita's is an international franchise that mainly sells Italian ice, frozen custard as well as other frozen desserts.
- **Bregal Sagemount** and Comerica Bank provided \$60 million in debt financing to YapStone, Inc., a San Francisco, CA based provider of electronic payment solutions to the property management market. The March deal consisted of \$20 million in subordinated debt from **Bregal Sagemount** and a \$40 million senior credit facility with Comerica Bank.

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