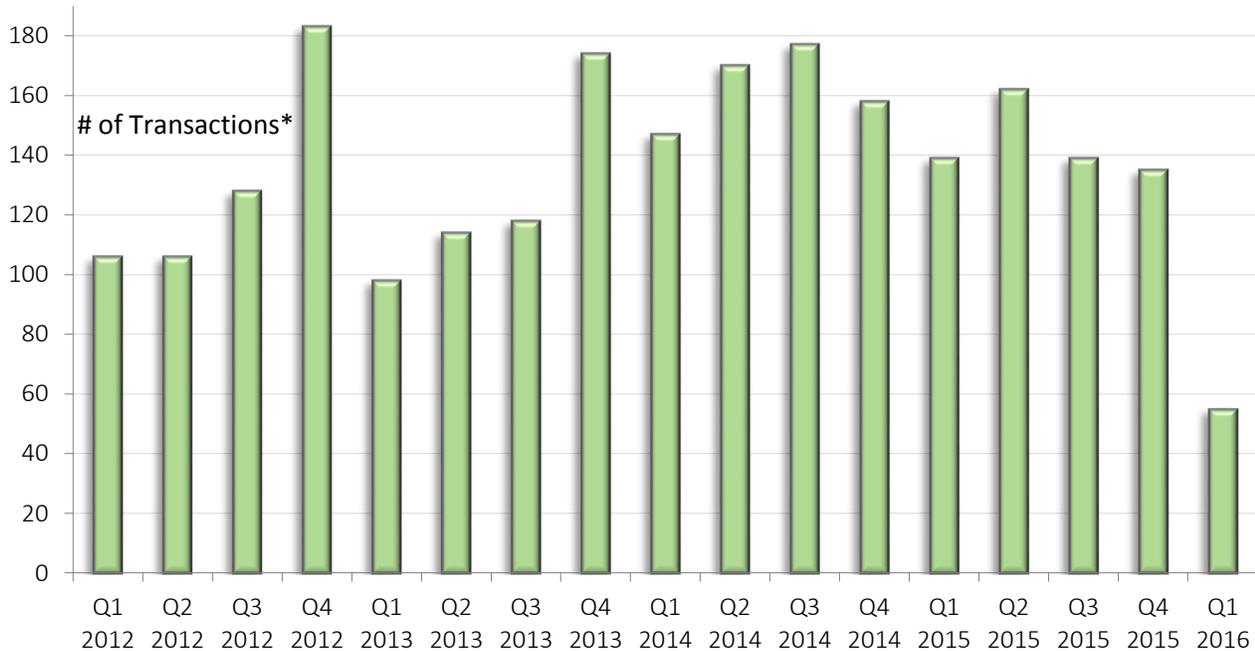


# Mezzanine Market Perspective



\*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

Apart from 2014's record year (652 deals), 2015 mezzanine transaction volume was the strongest in the past four years. In 2015, **177 different investors** completed **575 transactions**. The 30 most active mezzanine investors led the charge for 2015, as they were involved in more than half (51%) of the deals. Of the remaining 147 investors, 2015 marked the first time in at least three years that 33 of them — 22% of active mezzanine investors in 2015 — completed a deal. While at first glance volume for Q1 2016 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, **Centerfield Capital Partners** provided subordinated debt and equity in support of the buyout of Rose America Corp. (dba Hyper Pet LLC) by Guardian Capital Partners. Located in Wichita, KS, Hyper Pet designs, manufactures and sells dog toys and accessories. PNC Bank also supported the transaction with a senior loan facility and the Douglas Group advised Hyper Pet. Guardian Capital Partners received legal services from DLA Piper LLP and accounting and tax services from Marcum LLP.
- Also in January, **Seacoast Capital ("Seacoast")** supported the management buyout of Hayes Management Consulting, Inc. Cambridge Savings Bank also provided financing in addition to the subordinated debt from Seacoast. The Newton, MA-based provider of healthcare consulting services and billing and audit compliance software solutions to hospitals and medical practices was advised by Mirus Capital Advisors.
- **Boathouse Capital ("Boathouse")** recapitalized Frontier Strategy Group, a Washington, DC-based provider of information and advisory services to emerging market executives, in February. Boathouse invested subordinated debt and equity.

## Notable Mezzanine Transactions (cont.)

- **Stonehenge Partners** provided subordinated debt and equity to support the acquisition of Duncan Solutions, Inc. (“Duncan”) by Marlin Equity Partners. Milwaukee, WI-based Duncan provides parking and transportation management products and services, including enforcement technology, debt collection services and tolling solutions.
- Vance Street Capital’s February buyout of A&E Medical Corp. was supported in part by an equity co-invest and mezzanine debt from **Madison Capital Funding**. Lexington Partners, Neuberger Berman Private Equity and RCP Advisors also provided equity and BMO Harris Bank and BBVA Compass provided senior debt. A&E Medical Corp. manufactures surgical products used in cardiovascular procedures and is based in Farmingdale, NJ. Stephens Inc. and Morgan, Lewis & Bockius LLP served as financial and legal advisors to A&E Medical Corp., while Paul Hastings LLP represented the buyer.
- **Medallion Capital (“Medallion”)** sponsored the March buyout of Northern Technologies, Inc. by Arch Equity Partners. Along with subordinated debt from Medallion, Bell Capital Finance provided senior debt. Headquartered in Fargo, ND, Northern Technologies, Inc. provides geotechnical engineering and construction material testing services. Northern Technologies, Inc. received financial advice from Madeira Partners and Faegre Baker Daniels LLP was their legal counsel. Affinity Law Group was legal counsel for Arch Equity Partners.
- In March, Iron Bow Technologies LLC (“Iron Bow”) completed a recapitalization, which was financed by **American Capital, Ltd. (“American Capital”)**. The subordinated debt facility American Capital provided allowed Iron Bow to redeem the shares of non-management shareholders. Iron Bow is headquartered in Chantilly, VA and provides information technology solutions to the U.S. federal government and various commercial customers. They were advised by Bluestone Capital Partners.

*For additional information or general inquiries, contact:*

**JASON PERLROTH**

Director

212-376-6127

[jperlroth@suttonplacestrategies.com](mailto:jperlroth@suttonplacestrategies.com)

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