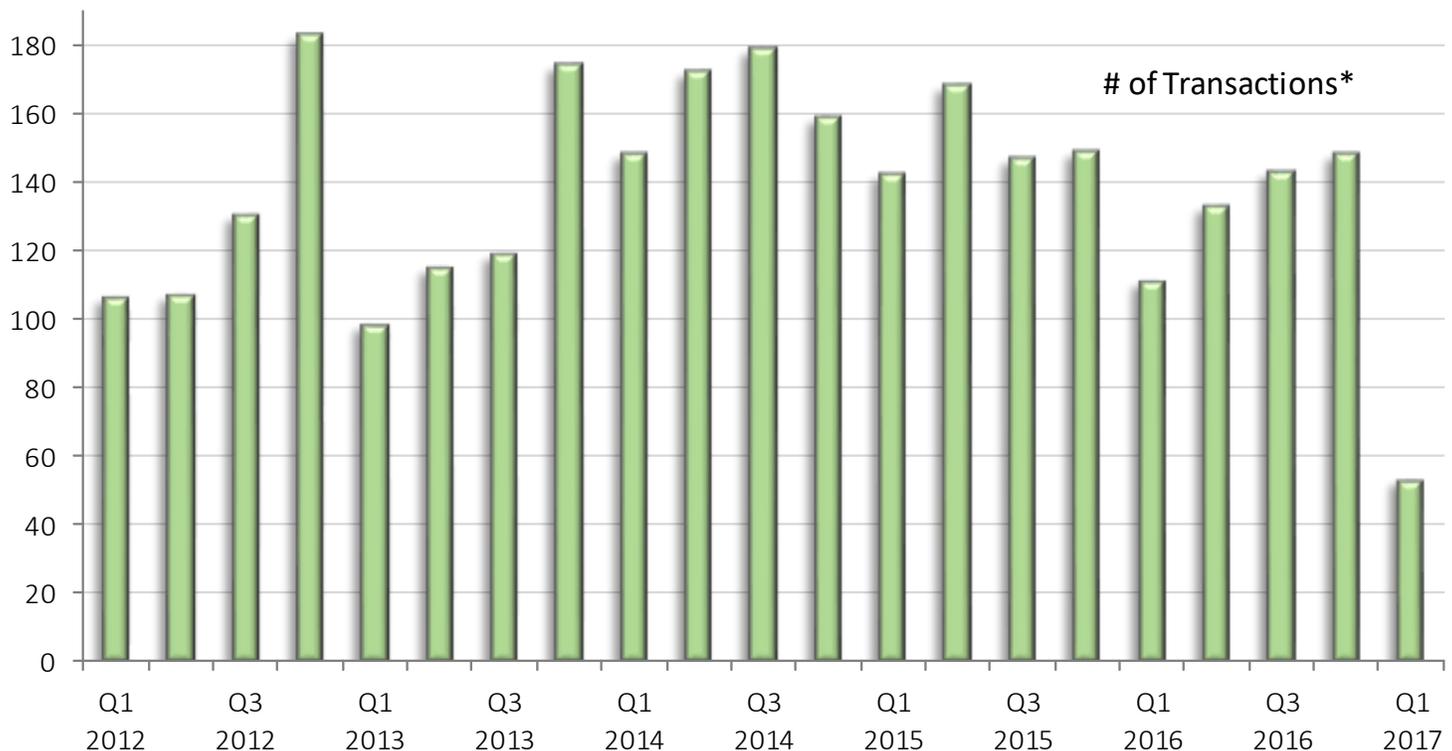


Mezzanine Market Perspective



*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

While it originally appeared 2016 was going to be lackluster for the mezzanine market, the year ended up being a solid one. In fact, momentum grew with each quarter and volume for the second half of 2016 (291 deals) was nearly on par with that of the second half of 2015 (296 deals). Overall, for the 12-month period ending December 2016, the number of completed mezzanine transactions was down 12% year-over-year, from 606 to **535**. For comparison, the number of buyouts completed for the same period was down 14% year-over-year. Consistent with prior years, 18% of all sponsored buyouts had a mezzanine component.

Notable Mezzanine Transactions

- **HCAP Partners ("HCAP")** started 2017 with a pair of mezzanine debt investments. The first was in January, where HCAP supported the recapitalization of Burke Williams, Inc., which is located Culver City, CA and operates full-service European-style day spas. Their second deal was in February, when HCAP again financed a recapitalization, this time for Oakland, CA-based Prologistics Distribution Inc. ("Prologistics"), a provider of "last mile" delivery solutions for the B2B, B2C and omni-channel markets. Cascadia Capital advised Prologistics.
- It was announced in January that Revenue Management Solutions LLC, an Oklahoma City, OK provider of services that match, post and reconcile healthcare payments to their claims or other correspondence, was recapitalized by Thompson Street Capital Partners. **Fidus Investment Corp.** invested \$12.3 million in subordinated notes and common equity, while **Northstar Capital** invested \$12.75 million in senior and subordinated notes and common equity. Thompson Street Capital Partners was advised by H&Q Advisory Partners.

Notable Mezzanine Transactions (cont.)

- Also in January, **Falcon Investment Advisors** provided senior subordinated notes and equity to support the acquisition of Seffner, FL-based Cast-Crete USA, Inc. (“Cast-Crete”) by Stonebridge Partners. Castle Crow & Co. and Stockwell Capital were also part the deal. Cast-Crete manufactures precast concrete products for the building industry. Washington Partners represented Cast-Crete.
- **Independent Bankers Capital Fund** provided subordinated debt and an equity co-investment to support the February acquisition of PMA Photometals of Arizona, Inc. (“PMA”) by Ancor Capital Partners. Also financing the deal was First American Bank with senior debt. PMA, located in Phoenix, AZ, designs and manufactures private-label and branded chemically etched metal crafting. Aramar Capital Group advised PMA.
- The February acquisition of BestMark, Inc. (“BestMark”) by Generation Growth Capital was supported by senior debt from Bell Capital Finance and mezzanine financing from **ExMarq Capital Partners**. Headquartered in Minnetonka, MN, BestMark provides customer experience measurement and mystery shopping intelligence services. Madeira Partners acted as financial advisor to BestMark.
- Edgewater Capital Partners’ February acquisition of BASF’s Inorganic Specialties business (nka Callery) was supported by \$11.5 million in subordinated debt and equity from **Greyrock Capital Group**. Twin Brook Capital Partners also participated in the deal. Callery, based in Evans City, PA, develops and produces specialty inorganic chemicals used as reagents in the synthesis of molecules for various industries.
- In March, **BlueArc Mezzanine Partners** completed its second deal out of its recent fund, having provided \$7 million of senior subordinated debt to SpineSmith Holdings, LLC (dba Celling Biosciences). Celling Biosciences is an Austin, TX-based provider of implants and biologics for surgical fixation, correction and tissue regeneration of the spine. Silicon Valley Bank is the senior lender to Celling Biosciences.
- Joining JPB Partners on their March buyout of Hometown Hospice and HomeCare Inc. (“Hometown”) with mezzanine debt and equity was **Tecum Capital Partners**. Hometown is a hospice and home health services provider located in Brookfield, WI.

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