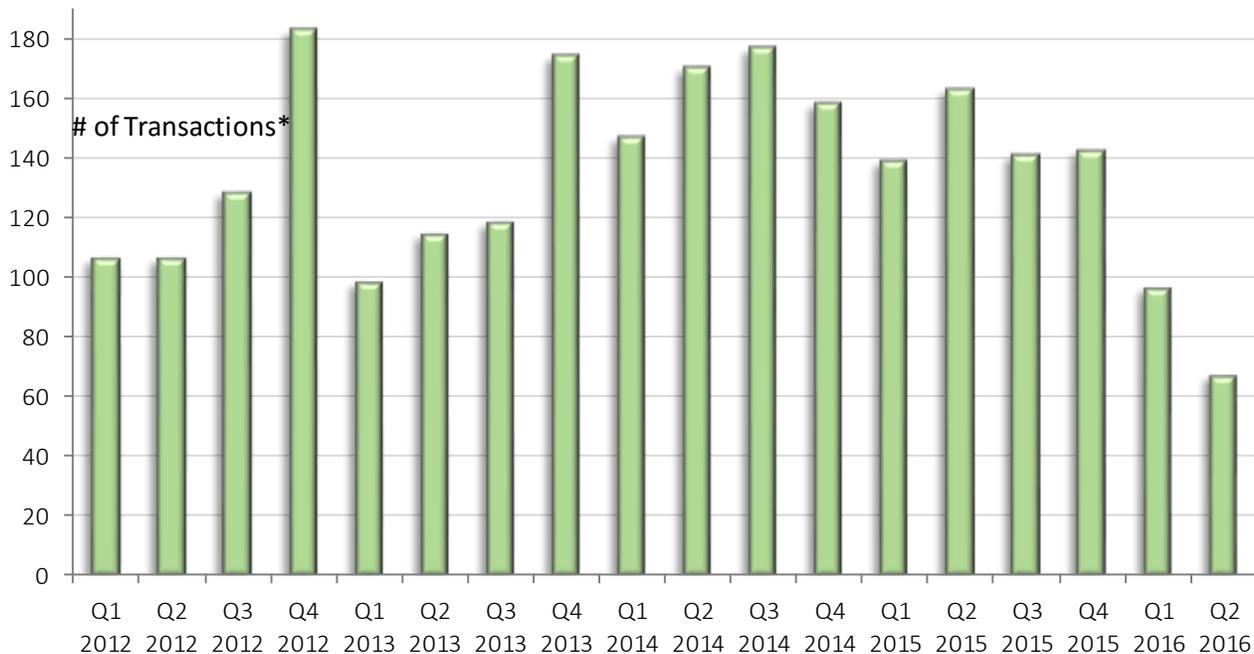


Mezzanine Market Perspective



*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

Mezzanine activity continues to pick up steam as 2016 progresses. Nevertheless, volume is down ~13% year-over-year for the period ending March 2016, even when taking into account the normal lag in capturing data. 42% of Q1 2016's deals didn't involve a sponsor, a notable increase from the 32% three-year average. For Q1 2016, **69 different lenders** completed **97 transactions**, which is the lowest ratio of deals to lenders in at least a year, highlighting the importance of lenders needing to know their market and having the right relationships.

Notable Mezzanine Transactions

- **Brookside Mezzanine Partners ("Brookside")** completed two deals in the second quarter. The first in April when they, along with **GMB Mezzanine Capital**, provided subordinated debt and an equity co-investment in support of the buyout of American Distributors LLC ("ADI") by Stonebridge Partners. Webster Business Credit also provided debt financing. ADI, located in Randolph, NJ, is a manufacturer and distributor of electronic and electro-mechanical components, systems and printed circuit boards to the commercial and military aerospace industries. In June, **Brookside** again backed the acquisition of another New Jersey based company with subordinated debt and an equity co-investment. This financing was used for Pilgrim Capital Partners' buyout of Water-Jel Technologies LLC ("Water-Jel") from the Riverside Company. Water-Jel manufactures and provides burn care products and is headquartered in Carlstadt.
- **Silicon Valley Bank** announced in May that they expanded their existing relationship with Implantable Provider Group, Inc. (dba IPG) by replacing the existing facility with a new \$15 million mezzanine debt facility. Headquartered in Alpharetta, GA, IPG is a provider of device benefit management solutions, which enables health plans to manage their surgical and implant cost more efficiently.

Notable Mezzanine Transactions (cont.)

- **Alcentra Capital Corporation** provided a subordinated loan to support the May buyout of Metal Powder Products Co. by Millstein & Co. The Westfield, IN-based manufacturer of aluminum and ferrous powder metal components was advised by Amherst Partners.
- In May, **Soaring Pine Capital Management (“Soaring Pine”)** acquired Technology Solutions, Inc. (nka Tikoo Solutions LLC), a Chicago, IL-based provider of fulfillment and construction services to the cable, wireless, telecommunications industries. **Soaring Pine** funded the transaction through a combination of equity, mezzanine, and senior debt, along with participation from management.
- WestView Capital Partners’ May buyout of Northwest Plan Services Inc. (“NWPS”) from Pine Tree Equity Partners (“Pine Tree”) was supported by senior subordinated debt and equity from **Five Points Capital**. NWPS is based in Seattle, WA and provides record keeping and administration services to retirement plans. Pine Tree and NWPS were advised by Farlie Turner & Co.
- **Farragut Capital Partners** provided \$6.5 million in subordinated debt financing for the June add-on of Dorr Oil (“Dorr Oil”) Co. to Stone Road Energy by Stone Road Capital. Rush Street Capital was the financial advisor that sourced the debt. Dorr Oil provides home heating oils and services home boilers and furnaces. Dorr Oil is located in Manchester, VT.
- In June, **AGR Partners** made a growth capital investment in Almark Foods, a Gainesville, GA-based provider of egg products to retailers, convenience stores, restaurants and salad manufacturers. The deal was structured as subordinated debt with equity warrants.
- The recapitalization of Bonita Marie International, Inc. (aka BMI Merchandise) (“BMI”) in June was sponsored by **Plexus Capital (“Plexus”)** in partnership with KLH Capital, BMI’s management and HSBC. The investment from **Plexus** consisted of a senior subordinated loan, a junior subordinated loan, and common equity. BMI supplies merchandise for redemption centers, direct-pay games, tickets or points-to-prizes games, and prize hubs located in arcades, cruise ships, restaurants, and other amusement, entertainment, and sports venues. They are located in Lakewood, NJ.

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