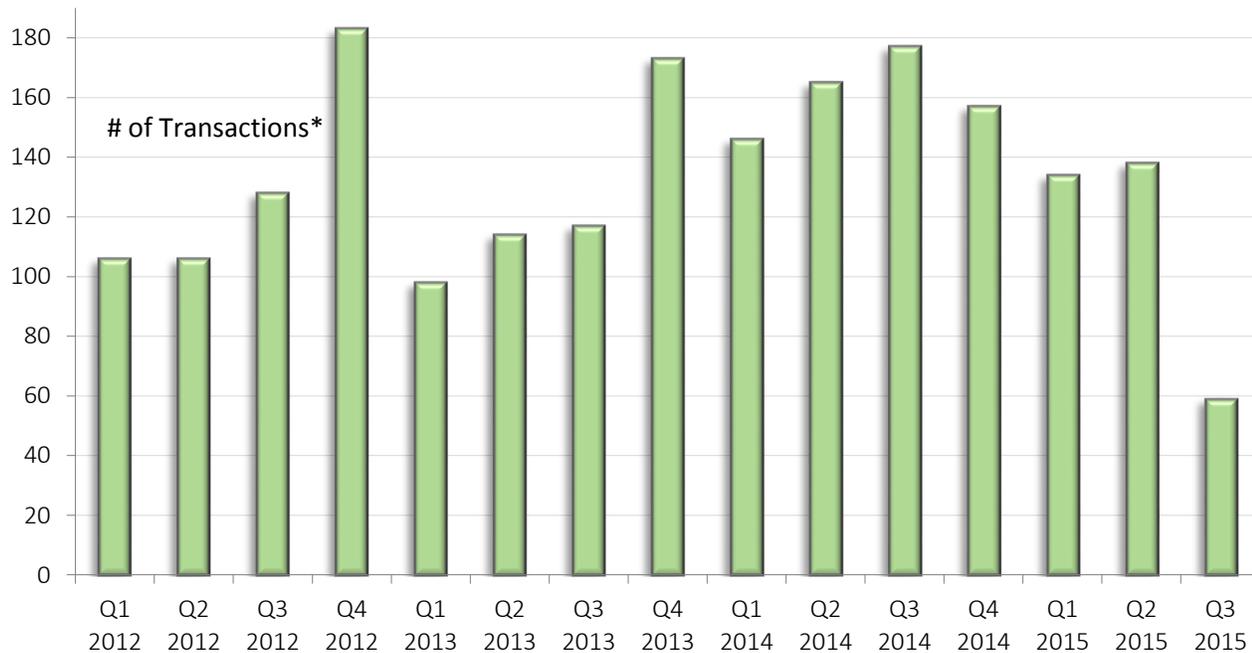


Mezzanine Market Perspective



*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

While year-over-year activity for the 12-month period ending June 2015 increased only slightly (from 601 to **606**) in terms of completed mezzanine transactions, the median mezzanine investment size increased from \$8.1 million to \$10 million. Of the **189 different investors** that completed a deal during this time, 27% were new firms. Also, even though the majority of transactions are sponsor-backed, 55 of the 606 deals were to support a corporate acquisition. While at first glance volume for Q3 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

- **Cyprum Investment Partners ("Cyprum")** completed two transactions in July, one of which was a sponsorless mezzanine investment in M-D Building Products, Inc., an Oklahoma City, OK-based manufacturer of weatherization products used to reduce energy leaks around windows and doors. The second deal was to support the acquisition of Weaber, Inc. by its President and CEO. Cyprum provided the Lebanon, PA hardwoods and lumber products manufacturer with preferred equity and subordinated debt.
- **Babson Capital Management ("Babson")** financed High Road Capital Partners' add-on of Ariad Communications by BlueSpire Marketing in July. In addition to Babson's subordinated debt and equity investment, senior debt financing was provided by Fifth Third Bank, U.S. Bank and Royal Bank of Canada. The Toronto, Canada provider of marketing services was represented by Petsky Prunier.
- In July, **Fidus Investment Corporation** provided subordinated notes and common equity to support the platform investment in Vanguard Dealer Services LLC ("Vanguard") by Southfield Capital. Vanguard is located in Fairfield, NJ and is an agent and administrator of finance and insurance products and services to franchised automobile dealers. Additional financing was provided by East West Bank in the form of senior debt and Woodbridge International was Vanguard's financial advisor.

Notable Mezzanine Transactions (cont.)

- **Kian Capital (“Kian”)** completed two deals in July, the first of which was a \$5.25 million senior subordinated debt investment in SPATCO Energy Solutions (“SPATCO”). SPATCO is a distributor and servicer of liquid handling equipment to the petroleum and industrial markets and is based in Charlotte, NC. Kian also partnered with Oakland Standard Co. to acquire Motor City Fastener, Inc. (“Motor City”), a supplier of fasteners and related products to the automotive, trucking, defense, construction and automation tooling industries. Kian invested senior subordinated debt and preferred equity. Motor City, based in Hazel Park, MI, was represented by EdgePoint.
- In July, **Graycliff Partners (“Graycliff”)** provided subordinated debt to Stone Source LLC (“Stone Source”) to support a recapitalization by majority owner Founders Equity. Located in New York City, Stone Source supplies natural stone and other decorative surface products. Also in the third quarter, Graycliff, alongside **Patriot Capital**, invested in Super Color Digital, an Irvine, CA-based customized printing solutions provider of grand format graphics, event structures, and visual solutions for Fortune 500 corporations and trade show managers.
- In September, **Crown Capital Partners** provided Petrowest Corp. (“Petrowest”) with \$15 million in subordinated debt, which bears a fixed interest rate of 11% per annum. Petrowest also granted warrants to Crown Capital Partners. Petrowest is a publically traded corporation based in Alberta, Canada that provides pre-drilling and post-completion energy services to the oil and gas industry, as well as gravel crushing and hauling for non-energy sector customers.

For additional information or general inquiries, contact:

JASON PERLROTH

Director

212-376-6127

jperlroth@suttonplacestrategies.com

**Sutton Place Strategies, LLC (SPS) analysis and reports have been prepared for informational and marketing purposes only and are not intended to be used as a complete source of information on any particular company or trend in the industry. SPS accepts no liability in contract, negligence or otherwise for any error or omission in the information, data, or analysis provided by SPS. SPS does not make any representations, warranties or covenants of any kind, express or implied, and shall have no responsibility or liability for the business or other decisions based upon the use of SPS’s reports or the results obtained from the use of information and reports provided by SPS, or the analysis or interpretation of content or data used in connection with, resulting from or derived from the use of information or reports provided by SPS.*

All materials in this presentation remain the intellectual property of Sutton Place Strategies. SPS grants a limited, personal, non-exclusive, non-transferable, revocable license to access, display, and use such reports and downloadable content for non-commercial purposes only. Any republication of Sutton Place Strategies’ reports or downloadable content must include proper citation to SPS or be explicitly approved in writing by Sutton Place Strategies’ authorized personnel prior to republication. All rights not specifically granted herein shall be reserved to SPS.