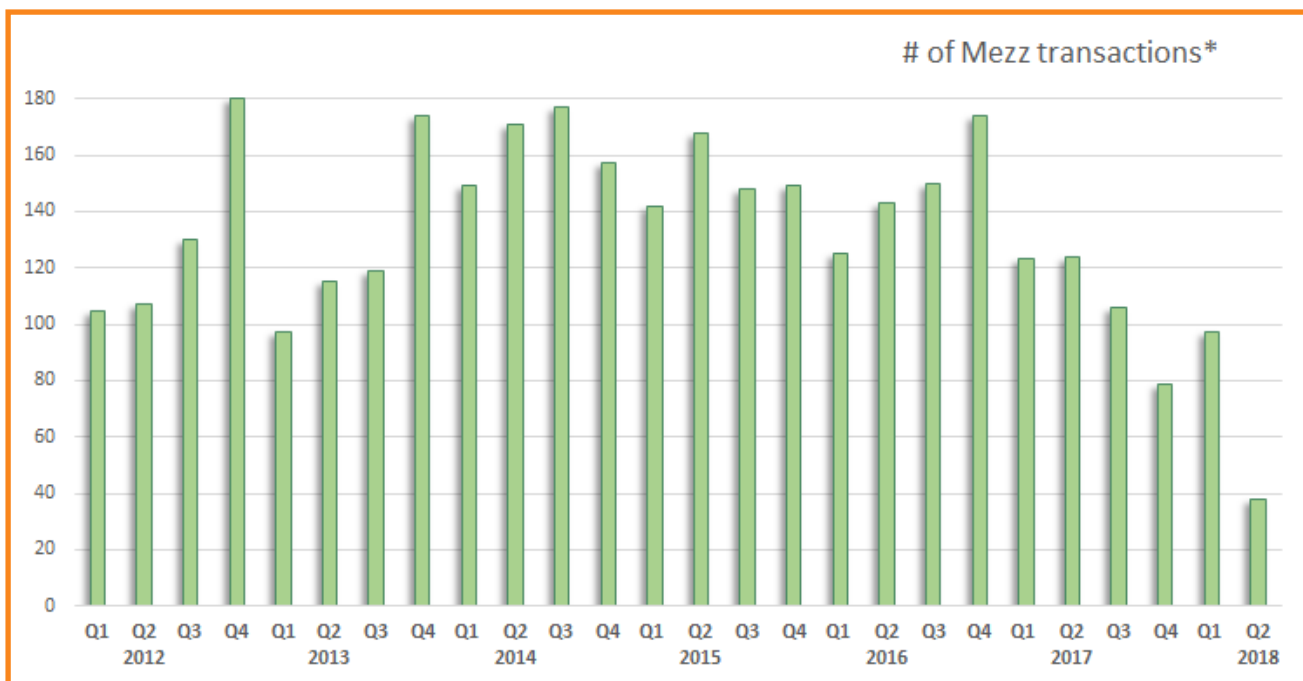


Breaking Down the Market

The year 2018 started with a continued decline in mezzanine activity. Comparing Q1 2017 with Q1 2018, activity was down 21% from 123 to **97**. Of the 97 closed mezzanine transactions in the first quarter of 2018, **76%** involved a sponsor. For the 12-month period ending March 2018, mezzanine transactions were down 31% from 590 to **406**. Of the total new platform private equity investment in Q1 2018, **12.6%** had a mezzanine component, compared to 15.3% of new platform investments in Q1 2017. Overall, the **Industrial** sector was the most active in Q1 2018, followed closely by Healthcare, IT, Food, and Services.



*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.

Notable Mezzanine Transactions

- In May 2018, Thomas H. Lee Partners completed the sale of Intermedix to publicly traded R1 RCM Inc. (RCM) for a purchase price of \$460M. Based in Nashville, Tennessee, Intermedix provides medical billing, transcription, and coding services for the healthcare industry. **TowerBrook Capital Partners** supported RCM with a subordinated debt investment, while **Ares Capital** and **Bank of America** supplied senior debt for the transaction. Evercore acted as sell-side advisor.
- Ironwood Capital** has been busy, closing a total of 5 deals in May and June. Ironwood supported the buyouts of Terra Renewal Services and Bush Industries by American Residuals Group and **Lorraine Capital**, respectively. **Landon Capital Partners** provided a minority equity investment in the Bush Industries acquisition. Ironwood also provided minority equity and subordinated debt to support the merger of Behold Home and Washington Furniture of Pontotoc, led by sponsor **Pittco Capital Partners**. Lastly, Ironwood was involved in the financing of both Consulting Solutions International and BrandFX Body Co., a portfolio company of **Stonebridge Partners**. Both transactions involved minority equity and mezzanine debt components.

Notable Mezzanine Transactions (cont.)

- In June of 2018, Huron Capital Partners sold their portfolio company GSM Outdoors (aka “Good Sportsman Marketing”) to fellow private equity firm Sentinel Capital Partners. **Yukon Partners** provided a minority equity and mezzanine investment. Robert W. Baird acted as the sell-side intermediary, with Dykema Gossett providing legal advice to Huron Capital Partners.
- EOS Worldwide, provider of systemized concepts, tools, and training for entrepreneurs, has been acquired by The Firefly Group. **New Canaan Funding** provided financing to support the acquisition. Livonia, Michigan-based EOS Worldwide was represented by sell-side intermediary Amherst Partners.
- **Patriot Capital** provided mezzanine debt in support of Aterian Investment Partners’ acquisition of Vander-Bend Manufacturing, located in San Jose, California. Vander-Bend manufactures electronic chassis, electronic panels, sheet metal cabinetry, shielding, and card cages. Doty Barlow Britt & Thieman and Weil, Gotshal & Manges provided sell-side and buy-side legal services, respectively. SSG Capital Advisors was the sell-side intermediary.
- Gladstone Investment Corporation sold its portfolio company Drew Foam Companies Inc. to Branford Castle in June 2018. The deal was supported by a minority equity and mezzanine investment from **Siguler Guff**, as well as senior debt from **TCF Capital Funding**. Craig-Hallum Capital Group acted as the sell-side intermediary and Akerman provided legal advice to Branford Castle. Drew Foam Companies Inc. manufactures expanded polystyrene products used in the construction and packaging industries.
- Turtle Southeast was acquired by Canopy Capital Partners. Based in Largo, Florida, Turtle Southeast provides asphalt milling services. **Valley National Bancorp** provided senior debt, while **Assurance Mezzanine Fund** provided equity and debt in support of the transaction. Sell-side financial services were provided by CEA Capital Advisors.

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