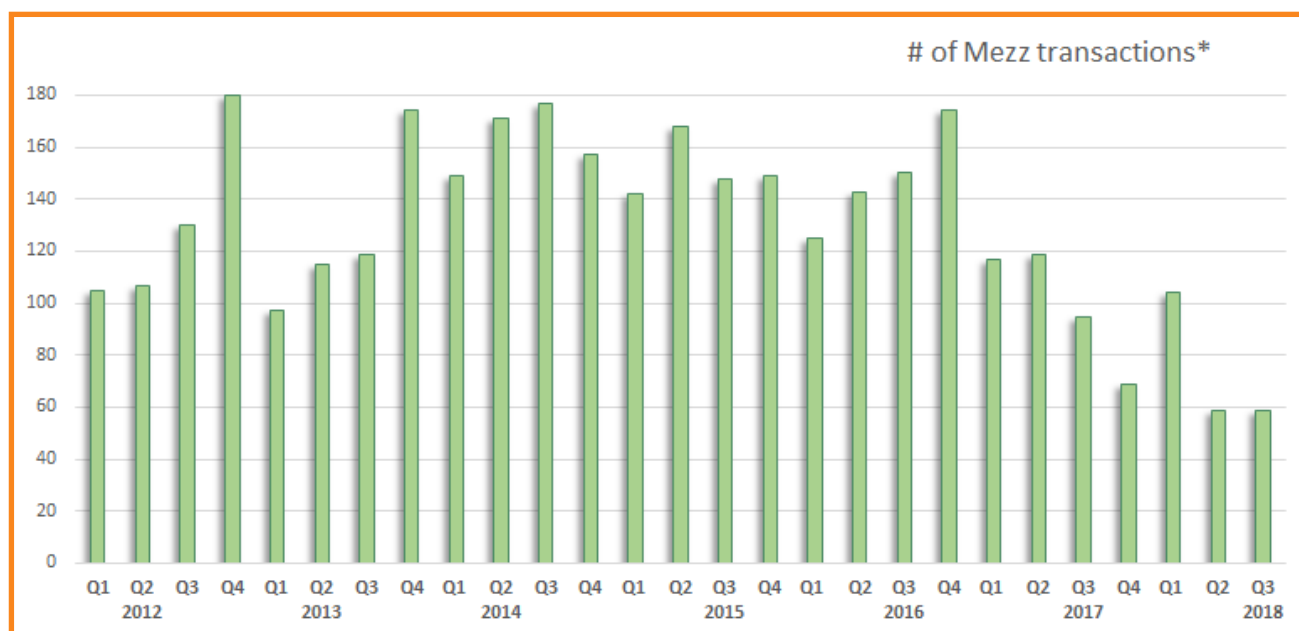


Breaking Down the Market

The YoY decline in mezzanine transactions continued in Q2 of 2018. For the 12-month period ending June 2018, activity was down 41.6% from 560 to **327**. When comparing Q2 2018 with Q2 2017 activity was down 50.4% from 119 to **59**. Of the 59 completed mezzanine transactions in the second quarter, **69.5%** involved a sponsor, compared to 76% last quarter. Overall, **7.6%** of new platform equity investments in Q2 had a mezzanine component, compared to 13.4% in Q2 2017. For the second consecutive quarter, the **Industrial** sector was the most active industry followed by IT, Materials, and Consumer.



*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 June of 2018 Canopy Capital Partners led a majority recapitalization of Turtle Southeast, a provider of asphalt milling services based in Largo, Florida. **Assurance Mezzanine Fund** supported the transaction through a mezzanine and equity investment. **Valley National Bancorp** acted as a senior lender. Providing sell-side advisory services on the deal was CEA Capital Advisors.
- Golub Capital** supported the acquisition of Inhance Technologies (fka Fluoro-Seal Holdings LLC) by Aurora Capital through their "One-Loan Debt" instrument. Inhance Technologies, based in Houston, provides fluorine-based material technologies used in the plastic and composite industries. Kirkland & Ellis LLP provided sell-side legal advice and Robert W. Baird acted as the financial advisor to Inhance Technologies.
- Carrollton, Texas based commercial and residential flooring provider, Fabulous Floors, Inc. was acquired by Tighthouse Capital Partners in late August 2018. **NewSpring Capital** provided financing for the deal through their mezzanine fund, while Pouilly Investment Co. provided a minority equity investment. Sell-side financial services were provided by Vertex Capital.

Notable Mezzanine Transactions (cont.)

- MDC Interior Solutions LLC (dba MDC Wallcoverings) of Glendale Heights, Illinois was acquired by private equity firm ShoreView Industries in August 2018. The majority recapitalization was supported by **GMB Mezzanine Capital** and **Northstar Capital** in the form of mezzanine debt and equity. **Antares Capital** provided a senior secured credit facility. Foros acted as the sell-side intermediary.
- Buffalo based private equity firm, Lorraine Capital, recently acquired Jamestown, New York based Bush Industries. **Ironwood Capital** provided both subordinated debt and minority equity in support of the transaction. Landon Capital Partners also provided a minority equity investment. Bush Industries manufactures ready to assemble and fully assembled commercial and home office furniture.
- **Northleaf Capital Partners** arranged and provided both mezzanine and senior debt facilities in support of the acquisition of Emerald Textiles, an outsourced healthcare linen service provider. Pacific Avenue Capital Partners (fka Highland Avenue Capital Partners) acquired Emerald Textiles through it's portfolio company, Encore Textile Services. **AIG Investments** also participated in the transaction through senior debt. Piper Jaffray & Co. and Cooley provided financial and legal services, respectively, to the seller, while Vercor and Jones Day acted for the buyer.
- In July of 2018, Leg Apparel, LLC was acquired by Guardian Capital Partners through it's portfolio company, McCubbin Hosiery LLC. Leg Apparel, based in New York, NY, designs manufactures, and markets leg wear and underwear products. Financing for this transaction was provided by **PNC Bank** and **Patriot Capital** through senior and mezzanine debt, respectively. **Patriot Capital** also provided a minority equity investment. Sell-side advisory services were provided by Consensus Advisors, and DLA Piper provided buy-side legal services.

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