



Business Focus

Products:

- Mezzanine Debt
- Unitranche / One-Stop Debt
- Minority Equity

Company Criteria:

- EBITDA of \$3MM to \$15MM
- EBITDA Margins \geq 10%
- Defensible Market Niche or Competitive Advantage
- Stable and Diverse Customer Base
- Consistent Historical Financial Performance
- Headquartered in the United States

Financing Focus:

- Sponsored and Non-Sponsored
- Invest \$5MM to \$25MM per Transaction

Transaction Types:

- Buyouts
- Growth Capital
- Acquisitions
- Leveraged Recapitalizations
- Refinancings

Industry Experience:

- Aerospace and Defense
- Business Services
- Consumer Products
- Distribution
- Education
- Healthcare & Life Sciences
- Industrial / Manufacturing
- Security Products / Services
- Software / IT Services
- Specialty Chemicals / Coatings

News and Updates

Avante Had a Great Year in 2015

Avante had a great year in 2015. Fund I continued to perform well and the fund was recently recognized by PitchBook as a top quartile performer among the 33 funds in its benchmark. In July, we held a final closing of Avante Mezzanine Partners SBIC II, LP. Within six months of launching fundraising, Fund II was oversubscribed by 33%, and closed with a total of \$250 million of capital commitments, including leverage from the Small Business Administration. Fund II received strong commitments from new and existing investors including pension funds, family offices, banks, and other institutional investors.

In 2015, we expanded our team and were grateful to receive several noteworthy recognitions. In July, Aaron DiCenzo joined our team as a Vice President in our Los Angeles office and Dan Moss was promoted from Vice President to Principal. In May, Jeri Harman was selected among The Most Influential Private Equity Investors in Los Angeles according to the Los Angeles Business Journal. And recently, Jeri was featured on the cover of Mergers & Acquisitions magazine and selected among The Most Influential Women in Mid-Market M&A. Congrats Jeri!



2015 was also a very active year for Avante with 4 highly successful exits, 3 new investments totaling a gross \$42 million including our first investment in Fund II, and 2 add-on investments supporting existing portfolio companies. A summary of our 2015 activity can be found on the next page.

Avante is hiring! We are seeking to add an associate to our execution team in Los Angeles. Qualified candidates should email Paul Hayama, Partner, at phayama@avantemezzanine.com.

Please visit our website (www.avantemezzanine.com) for additional detail about our news headlines or to learn more about Avante.



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New, Add-On, and Exited Investments

<p>New</p>	<p>New</p>	<p>New</p>
<p>Software</p> <p>Telestream</p> <p>Nevada City, CA</p> <p>Sponsored By</p> <p>GENSTAR CAPITAL</p> <p>Undisclosed</p> <p>January 2015</p>	<p>Healthcare</p> <p>Community Psychiatry <small>Improving Mental Health of Children</small></p> <p>Sacramento, CA</p> <p>Sponsored By</p> <p>NEWHARBOR CAPITAL</p> <p>Unitranche Debt & Equity</p> <p>July 2015</p>	<p>Healthcare Products</p> <p>KATAHDIN <small>The surface is only the beginning.</small></p> <p>Hudson, MA</p> <p>Management-Backed Growth & Acquisition Financing</p> <p>Subordinated Debt & Equity</p> <p>December 2015</p>
<p>Add-On</p>	<p>Add-On</p>	<p>Exit</p>
<p>Pet Products</p> <p>Supported a follow on investment:</p> <p>cloud star.</p> <p>Sponsored By</p> <p>FRONTENAC COMPANY</p>	<p>Business Services</p> <p>Supported a follow on investment:</p> <p>GLOBAL ID THE GLOBAL ID GROUP</p> <p>Sponsored By</p> <p>INVERNESS GRAHAM INVESTMENTS</p>	<p>Software</p> <p>Successfully exited:</p> <p>Telestream</p> <p>Sponsored By</p> <p>THOMA BRAVO</p> <p>31% gross unlevered IRR</p>
<p>Exit</p>	<p>Exit</p>	<p>Exit</p>
<p>Healthcare Products</p> <p>Successfully exited:</p> <p>advancedcath</p> <p>Sponsored By</p> <p>INVERNESS GRAHAM INVESTMENTS</p> <p>28% gross unlevered IRR</p>	<p>Children's Entertainment</p> <p>Successfully exited:</p> <p>Pump It Up Bounce U</p> <p>Sponsored By</p> <p>TREGARON CAPITAL</p> <p>17% gross unlevered IRR</p>	<p>Consumer Products</p> <p>Successfully exited:</p> <p>SunBriteTV</p> <p>Sponsored By</p> <p>BUNKER HILL CAPITAL</p> <p>18% gross unlevered IRR</p>



Avante Team

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Avante Activity and Market Observations

Key Avante Statistics in 2015:

- Reviewed 639 deals
- Deal sources included private equity firms, intermediaries, entrepreneurs, other mezzanine funds, and senior lenders
- Top Sectors: Business Services-26%, Consumer-15%, Manufacturing-15%, IT Services/Software-12%, Healthcare/Life Sciences-11%,
- Top Uses of Proceeds: LBO-67%, Acquisition-10%, Refi-10%, Growth-8%,
- Geography: West-35%, Central-32%, East-18%, Southeast-15%

Observations and Outlook:

- Deal quality continued to be mixed and competition to purchase high quality companies remains high.
- We are beginning to see some carryover from the credit tightening in the syndicated and larger markets. Certain groups have pulled back (BDCs, commercial banks, etc.), while others have stepped in to fill the void (SBICs, private debt funds, etc.).
- Although more muted, we believe the general market tightening will translate to slightly lower leverage and higher pricing in the lower middle market in 2016, especially for credits with some cycle exposure.

Upcoming Events

- **February 23** – Avante partner attending the 2016 Recurring Revenue Conference in Los Angeles, CA.
- **February 24** – Avante partner attending the 2016 Plan Consortium West Conference in Los Angeles, CA.
- **March 1-3** – Avante partner attending the 2016 ACG Utah Intermountain Growth and 8th Annual Western Ski Conferences in Park City, UT.
- **March 9-11** – Avante partner attending the 9th Annual Women's Private Equity Summit in Half Moon Bay, CA.
- **March 31** – Avante partner speaking at the Women & Investing Panel at the NASP's California 5th Annual Day of Education in Private Equity Conference in Los Angeles, CA.
- **April 13-14** – Avante partners attending the SBIA Western Private Equity Conference in Santa Monica, CA.