



Accessing Mezzanine Capital

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PNC Mezzanine Capital “At a Glance”



- Founded within PNC Financial Services Group, Inc. in 1989
- Consistent provider of mezzanine capital for over 20 years
- Completed 80 investments in 49 portfolio companies to support 121 transactions
- Invested \$582 million since inception
- Currently investing \$350 million PNC Mezzanine Partners III, LP
- Targeting \$10 million to \$45 million per investment
- Broad industry and business model focus
- Nine dedicated professionals with over 100 years of collective private equity and capital markets experience
- Distinguished by a relationship driven, active approach

What is Mezzanine Capital?

- Layer between senior debt and equity
- Subordinated debt with equity participation
- Credit analysis based on cash flows to service debt
- Higher risk / higher return
 - Expected returns in the high teens / low twenties
 - Lending based on EBITDA multiple
- Less dilutive than equity
- Can be used for growth, buyouts, acquisitions or recapitalizations

What is Mezzanine Capital: Example

(\$000s)		Cumulative Multiple of EBITDA	%
	<u>\$ Amount</u>		<u>%</u>
Revolver	\$2,000	0.4x	8.00%
Senior Loan	8,000	2.0x	32.00%
Subordinated Debt	7,500	3.5x	30.00%
Equity	7,500	-	30.00%
	<u>\$25,000</u>	<u>5.0x</u>	<u>100.00%</u>

Key Criteria for Attracting Mezzanine Capital

- Focus is on stability of cash flows
- Market position of business
 - Barriers to competition
 - Market share
 - Margins
- Customer profiles
 - Diversity
 - Repeatability
- Capability of Management
 - Track record
 - Depth
 - Incentives

Key Criteria for Attracting Mezzanine Capital

Continued

- History of stable and growing cash flow

- History in recession

- Margin fluctuations

- CAPEX needs

- Proven growth strategies

- Strategy reflects history

- Growing market

Partnership Approach

Ongoing Relationships

- Partnership is the core philosophy of PNC Mezzanine
- Reputation for consistent, thoughtful support of financing partners for over 20 years
- Flexibility in structuring to match client needs
- Rapid response throughout the life of the investment
- Ability to diligence and underwrite prima facie risks

Sponsors

- *Audax Group*
- *Brentwood Associates*
- *CIVC Partners*
- *Code, Hennessy & Simmons*
- *Hamilton Robinson & Co.*
- *Lincolnshire Management*
- *River Associates*
- *Svoboda Capital Partners*
- *Trivest*
- *Wind Point Partners*

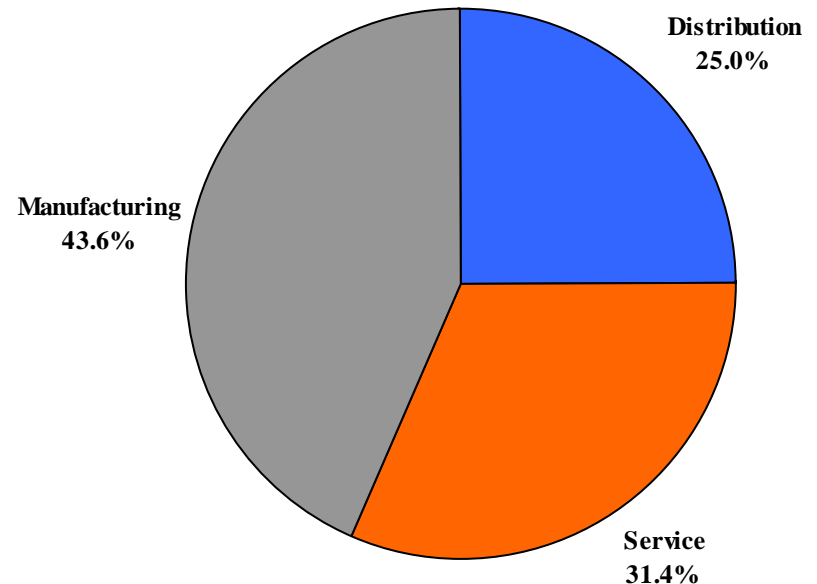
Senior Lenders

- *CapitalSource*
- *Comerica*
- *Dymas Capital*
- *Fifth Third Bank*
- *GE Antares*
- *Key Bank*
- *Madison Capital*
- *M&T Bank*
- *PNC Bank*
- *Wells Fargo*
- *Foothill*

Investment Criteria

- Investments in well-established, profitable companies
 - *Defensible market position*
 - *Growth opportunities*
 - *Support existing management teams, sponsors and entrepreneurs*
- Broad transaction experience
 - *Leveraged Buyouts*
 - *Management Buyouts*
 - *Recapitalizations*
 - *Acquisitions*
 - *Growth*

Breakdown of Historical Portfolio



Investment Examples

Leveraged Buyout



Management Buyout



Recapitalization

sport&health



Growth Financing



Acquisition/Consolidation Strategy



Manufacturing Investments

<i>COMPANY</i>	<i>BUSINESS DESCRIPTION</i>	<i>INITIAL CLOSING</i>	<i>AMOUNT (\$MM)</i>	<i>TRANSACTIONS COMPLETED</i>	<i>TYPE OF FINANCING</i>
Citadel Plastics Holdings	Thermoplastic and thermoset plastic compounds	2008	\$20.1	4	Consolidation Strategy
Metal Spinners	Specialty metal components	2008	\$15.0	2	Acquisition
Stampede Meat	Processed beef products	2007	\$23.6	1	Leveraged Buyout
Davis-Standard	Plastic extrusion and converting equipment	2006	\$9.8	1	Leveraged Buyout
Century Mold	Plastic, under-the-hood automotive components	2006	\$18.0	2	Growth
Seaboard International	Specialty valves	2005	\$4.5	2	Recapitalization
InterFace Solutions	Fiber-based flooring felt and gaskets	2005	\$18.5	2	Leveraged Buyout
Vision-Ease Lens	Polycarbonate and glass optical lenses	2004	\$14.0	1	Leveraged Buyout
Gorell Enterprises	Custom vinyl replacement windows	2004	\$8.0	1	Recapitalization
Berklene/BenchCraft Holdings	Upholstered furniture	2002	\$18.0	1	Leveraged Buyout
Riddell Sports Group	Sports equipment	2001	\$19.0	1	Leveraged Buyout
Corvest Promotional Products	Promotional products	1999	\$6.2	3	Consolidation Strategy
Wastequip	Waste hauling and transportation equipment	1999	\$11.6	3	Consolidation Strategy
Hunt Valve	Specialty valves	1998	\$7.2	4	Leveraged Buyout
J.R. Moon Pencil	Novelty pencils and erasers	1998	\$4.6	1	Leveraged Buyout
KB Alloys	Specialty alloys	1998	\$5.3	2	Acquisition
S.R. Smith	Diving boards, slides and rails	1998	\$3.0	1	Leveraged Buyout
Global Material Technologies	Industrial steel wool	1997	\$6.0	2	Recapitalization
Jeffrey Chain	Industrial chains	1996	\$5.0	1	Leveraged Buyout
International Diverse Foods	Condiments and dry food mixes	1996	\$8.5	1	Leveraged Buyout
Windy Hill Pet Food	Private label pet food	1996	\$10.1	6	Consolidation Strategy
The Stiffel Company	Brass and decorative lamps	1995	\$4.3	1	Leveraged Buyout
Weasler Engineering	Agricultural and turf drivelines and components	1995	\$4.7	1	Leveraged Buyout
Brandt	Coin counting equipment	1994	\$6.0	1	Management Buyout
DeVlieg-Bullard	Machine tool parts and equipment	1994	\$4.0	8	Consolidation Strategy
M. Kamenstein	Housewares	1992	\$4.0	1	Leveraged Buyout
National Picture & Frame	Picture frames	1992	\$2.5	1	Leveraged Buyout

Service & Distribution Investments

COMPANY	BUSINESS DESCRIPTION	INITIAL CLOSING	AMOUNT (\$MM)	TRANSACTIONS COMPLETED	TYPE OF FINANCING
<u>Service</u>					
Sport & Health	Health clubs and day spas	2009	\$20.0	1	Recapitalization
Virginia Waste Services	Integrated waste disposal services	2008	*	1	Management Buyout
Bolttech	Industrial bolting services and products	2007	\$21.8	2	Leveraged Buyout
The CAPS Group	Graphic arts services	2006	\$21.8	3	Consolidation Strategy
ABP Corporation (Au Bon Pain)	Bakery cafés	2005	\$20.0	1	Management Buyout
Miller Heiman	Sales process management and training	2003	\$15.0	2	Recapitalization
Urban Cable Works	Cable system operator	1999	\$10.0	1	Leveraged Buyout
IntelliRisk Management	Debt collection services	1999	\$18.0	15	Consolidation Strategy
Avborne	Aircraft maintenance and repair	1998	\$22.1	3	Consolidation Strategy
Sygnnet Communications	Cellular telephone services	1996	\$2.3	2	Consolidation Strategy
<u>Distribution</u>					
Cape Electrical Supply	Electrical and telecomm products	2007	\$21.8	4	Consolidation Strategy
ACI Electronics	Hi-rel electronic components	2007	\$18.5	1	Consolidation Strategy
Wheaton Industries	Laboratory containers and instruments	2006	\$9.5	1	Leveraged Buyout
AAMP of America	Aftermarket audio accessories	2006	\$15.9	3	Leveraged Buyout
Global Promo Group	Promotional products	2000	\$15.8	2	Consolidation Strategy
Oriental Trading Company	Value-priced toys, novelties, giftware and home decor	2000	\$16.6	1	Leveraged Buyout
Communication Dynamics	CATV/Telecommunications products	1998	\$19.0	11	Consolidation Strategy
Utiliserve	Electrical products	1997	\$6.8	5	Consolidation Strategy
Tweeter Home Entertainment Group	Consumer electronics	1997	\$7.0	2	Consolidation Strategy
Colorado Prime	Meat and dry goods	1995	\$5.0	1	Recapitalization
South Central Pool Supply	Pool products	1993	\$5.0	3	Consolidation Strategy
All-Pak	Scientific and hazardous waste packaging	1990	\$3.5	1	Management Buyout

* Not disclosed.

Key Terms for Mezzanine Capital

- Expected IRRs – high teens / low twenties
 - Coupon 12%
 - Fee 2%
 - Warrants and / or PIK to achieve total return
- Subordinated to senior loan
 - Standstill and blockage
 - Paid after secured lenders
- Restrictions on
 - Equity distributions
 - Additional debt
 - Change of control
 - Sale of assets
- Typical covenants include
 - Financial including debt / EBITDA, fixed charge coverage, etc.
 - Maintenance of management and insurance
 - Financial reporting
 - Board

Summary of Mezzanine Finance

- Risk capital secured by cash flows
- Importance of stability of business
- Returns high but less dilutive than equity
- Tax deduction lowers cost of capital for borrower
- Typically used for significant events

Biographies

Investment Professionals

Senior investment team has over 50 years of mezzanine and PE experience, led by:

David Blair, Partner

- Joined PNC in 1987 and founded PNCMC in 1989
- 21 years in mezzanine
- 10 years in commercial banking and PE

Preston Walsh, Partner

- Joined PNCMC in 1995
- 15 years in mezzanine
- 3 years in PE

Rob Marsh, Partner

- Joined PNCMC in 1998
- 12 years in mezzanine
- 6 years in high yield bonds and public equities

Supported by a dedicated team of six investment professionals:

	Years with PNCMC	Years of Relevant Experience	Title
Doug Brosius	7	10	Managing Director
Doug Phillips	7	10	Vice President
Rob Codol	2	8	Senior Associate
John Haley	2	8	Associate
Lamar Horne	1	3	Associate
Rob Burton	0	6	Associate

Biographies

DAVID J. BLAIR, Partner, founded PNC Mezzanine Capital in 1989. Previously, David was a founding member and later president of White River Capital, a bank-affiliated private equity fund and was a commercial banking officer at Manufacturers Hanover Trust Co. David is a director of VWS Holdco, Inc. (dba Virginia Waste Services) and Wheaton Science Products and has oversight responsibility for PNC Mezzanine's investment in Davis-Standard, LLC. David was previously a director of Bolttech, Inc., ABP Corporation (dba Au Bon Pain), Global Promo Group, Inc, Brandt, Inc., DeVlieg-Bullard, S.R. Smith, LLC, Stiffel, Inc. and Weasler Engineering Co. David was formerly a member of the executive committee for the Northeastern Regional Association of Small Business Investment Companies and president of the Pittsburgh Venture Capital Association.

David received a BA in economics from Williams College and an MBA from the Darden Graduate School of Business Administration at the University of Virginia.

PRESTON G. WALSH, Partner, joined PNC Mezzanine Capital in 1995. Previously, Preston was a financial analyst with Brentwood Associates, a venture capital and leveraged buyout firm. Prior to Brentwood Associates, he was a financial analyst in the merchant banking division of Morgan Stanley & Co., Inc. During business school, Preston was an associate at TCW/Crescent Capital Corporation, an investment firm focused on below investment-grade and mezzanine securities. Preston is a director of Century Mold Co., Inc., Metal Spinners, Inc. and Stampede Meat, Inc. and has oversight responsibility for PNC Mezzanine's investment in InterFace Solutions, Inc. Preston was previously a director of Miller Heiman, Inc., The Windy Hill Pet Food Company, Inc., The Riddell Sports Group, Inc., Urban CableWorks LLC, the Hunt Valve Company, the Amerin Insurance Company and the Tweeter Home Entertainment Group, Inc.

Preston received degrees in economics and engineering with honors from Princeton University and an MBA from the Anderson Graduate School of Management at UCLA, where he was a venture capital fellow.

ROBERT M. MARSH, Partner, joined PNC Mezzanine Capital in 1998. Rob came to PNC from the high-yield bond group of Federated Investors. As an Assistant Vice President at Federated Investors, Rob was responsible for deciding on investments in a variety of industries, but predominantly energy, finance, leisure and shipping. Prior to business school, Rob was a junior analyst with Neuberger & Berman, Inc., a money management firm. During graduate school, he was a summer associate in the treasury department at PPG Industries. Rob is a director of Sport & Health Holdings, LLC and has oversight responsibilities for PNC Mezzanine's investments in Gorell Enterprises, Inc and IntelliRisk Management, Inc. Rob was previously a director of ABP Corporation (dba Au Bon Pain) and ACI Electronics, LLC. Rob is also a board member of the Pittsburgh chapter of the Association for Corporate Growth (ACG).

Rob graduated from Bucknell University with a BA in economics, and from Carnegie-Mellon's Graduate School of Industrial Administration with a MSIA. He has also received the Chartered Financial Analyst designation.

Biographies

DOUGLAS P. BROSIUS, Managing Director, rejoined PNC Mezzanine Capital in 2004 after his time as an Associate from 2000 through 2002. Prior to joining PNC Mezzanine, Doug was an investment banking analyst at Parker/Hunter Incorporated, where he specialized in providing M&A advisory services to small and middle market companies in a broad range of industries. During business school, Doug was an investment banking summer associate in the Technology & Communications Group at Raymond James & Associates. Doug is a director of Cape Electrical Supply, LLC, Century Mold Co., Inc. and VWS Holdco, Inc. (dba Virginia Waste Services), and has oversight responsibility for PNC Mezzanine's investments in AAMP of America and Citadel Plastics Holdings, Inc. and was previously a director of ACI Electronics, LLC.

Doug received a BA in Sociology and Political Science with high honors from Westminster College and an MBA from the Darden Graduate School of Business Administration at the University of Virginia.

B. DOUGLAS PHILLIPS, Vice President, joined PNC Mezzanine Capital in 2002. Prior to joining PNC Mezzanine, Doug was an investment banking analyst in the Leveraged Capital Group with Wachovia Securities, where he specialized in financial sponsor transactions. At Wachovia, Doug supported the origination, underwriting and syndication of leveraged bank loans, mezzanine debt issues and private equity investments across a broad range of industries. Doug is a director of Metal Spinners, Inc. and has oversight responsibility for PNC Mezzanine's investments in KB Alloys, Inc. Doug was previously a director of Bolttech, Inc.

Doug received a BA in Government from Harvard University and an MBA from the Kenan-Flagler Graduate School of Business at the University of North Carolina where he was inducted into the Beta Gamma Sigma honorary business society.

ROBERT B. CODOL, Senior Associate, joined PNC Mezzanine Capital in August 2007. Prior to joining PNC, Rob was an Analyst for the Sterling Group, L.P., where he evaluated and executed leveraged buyout investments in middle market industrial companies. Before Sterling, Rob was an Associate Consultant for L.E.K. Consulting LLC where he provided strategic and operations advisory services to a broad range of clients. Rob is a director of VWS Holdco, Inc. (dba Virginia Waste Services).

Rob received a BA in Economics from Northwestern University and an MBA with high honors from The University of Chicago Graduate School of Business.

Biographies

JOHN B. HALEY, Associate, joined PNC Mezzanine Capital in 2007. Prior to joining PNC Mezzanine, John worked as an Associate with Patriot Capital, L.P./Bengur Bryan & Co., Inc. for both their private equity fund and investment banking practice where he analyzed investment opportunities in business, consumer, and healthcare services. Prior to Patriot/Bengur Bryan, John was an analyst at Dominion Partners, L.C. where he provided investment banking services to middle market manufacturing, distribution and service companies.

John is a graduate of the McIntire School of Commerce at the University of Virginia with concentrations in Finance and Marketing.

LAMAR D. HORNE, Associate, joined PNC Mezzanine Capital in June 2008. Prior to joining PNC Mezzanine, Lamar was an Analyst with Wachovia Securities in its Leveraged Finance Group, where he worked on the underwriting and syndication of leveraged bank loans for middle market companies across a broad range of industries. Prior to Wachovia Securities, Lamar worked as a corporate finance intern with UBS Investment Bank in the Technology Division.

Lamar is a graduate of Morehouse College with a concentration in Finance.

ROBERT S. BURTON, Associate, joined PNC Mezzanine in May 2010. Previously, Rob was an Associate with Barclays Structured Principal Investing where he evaluated, structured, and invested in leveraged debt issuances by middle-market companies. Prior to his work with Barclays Structured Principal Investing, Rob was an Associate within Barclays' Leveraged Finance Group, where he supported the origination, underwriting and syndication of leveraged loans and high yield bonds. Before joining Barclays, Rob was an Analyst within JPMorgan's Natural Resources Group, providing M&A and corporate finance advisory services to the Chemicals and Oil & Gas industries.

Rob received a B.A. in Economics with a Concentration on Financial Markets from Colby College.