Lower/Middle Market Capital Structure Products

	Less Expensive	Cost of	Cost of Capital		More Expensive	
Less Security More	 years, orten sweeps Usually personally guaranteed Amortizing years, stra sweep, or Asset Backed Loan "ABL" Secured by specific assets (A/R, Inventory, PP&E) L+200 – L+400 cash pay 	bt• A hybrid product providing characteristics of both senior debt and mezzanine debtg over 3-7 ight line, balloon hally d• Flexibility to negotiate termssenior debt and mezzanine debt• Secured by all the assets and equity of the companyequity, but o annual nd value• Requires a senior position to all other debt tranches• Up to 5x Total Debt/EBITDA• L+800 – L+1,000 cash 	Mezzanine Debt Some flexibility to negotiate terms Subordinate to senior debt Unsecured Up to 5x Total Debt/EBITDA Fixed 10-14% cash pay Possible 1%-4% PIK and/or 1%-10% warrants Non-amortizing	 Preferred Equity Cash or PIK pay often 6%-9% Warrants, amount to be negotiated Return must be paid before any common equity receives a return May require a board seat Targeted hold period 5-7 years 	Common Equity • Expected return on investment of 25%- 30% • Investors require boards seats • Targeted hold period 5-7 years	
	Debt			Equity		

