

- OVERVIEW:** MB Capital, an affiliate of BDC Capital, invests mezzanine capital from \$1 million to \$5 million in companies that require additional capital outside of conventional debt or equity financing channels. This financing is typically utilized where there are strong prospects for company growth, expansion capital, management transitions or acquisitions.
- INVESTMENT CRITERIA:** MB Capital looks to identify exceptional mezzanine investment opportunities by targeting companies with the following attributes:
- ◆ Solid management team with demonstrated record of performance, experience, and integrity
  - ◆ Management team with a significant equity stake
  - ◆ Defensible market position or proprietary technology
  - ◆ Annual sales of \$7.5 million or more
  - ◆ Positive cash flow
  - ◆ Significant growth potential
  - ◆ Sufficient resources to service debt and provide collateral
- Typical situations where MB Capital financing is applicable include:
- ◆ Strategic acquisitions
  - ◆ Buyouts by internal or external management teams
  - ◆ Recapitalizations to provide shareholder liquidity or inter-generational wealth transfer
  - ◆ Patient capital to support growth
  - ◆ Equipment and owner occupied real estate purchases
  - ◆ Insufficient collateral for additional bank financing
- INVESTMENT STRUCTURE:** MB Capital investments are structured as subordinated investments with equity features. The investment term is usually for five years, requires payment of a market rate of interest and requires regular amortization of the investment. The equity component of the investment can take several forms. The first is a warrant-based arrangement structured in a typical mezzanine format, giving MB Capital the right to purchase a predetermined number of shares of stock in the client company. These warrants are usually repurchased by the client at the end of the investment period at fair market value or under a predetermined formula. As an alternative to warrants, certain clients may be offered a royalty structure that allows the company to repay the equity feature during the term of the investment with a predetermined royalty return based upon a percentage of sales of the company. This particular arrangement requires no stock ownership in the company and may provide an attractive lower-cost alternative to warrants. A combination of a warrant and royalty structure may also be offered in certain situations.
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**INVESTMENT  
PROCESS:**

The investment process formally begins with the submission of a business plan which includes:

- ◆ A brief overview of the company
- ◆ Experience and background of key management
- ◆ A description of the company's products or services
- ◆ An analysis of the served market, its size and growth prospects
- ◆ An evaluation of the competitive environment
- ◆ A discussion of the company's strategic plan
- ◆ Financial history and projections
- ◆ Amount of financing required and the proposed use of the funds
- ◆ Personal financial statement for principals

MB Capital's due diligence process includes meetings with management and onsite visits. Investment opportunities which have the support of MB Capital management are presented to the MB Capital Investment Committee for review and final approval.

**BDC CAPITAL  
OVERVIEW:**

The oldest business development corporation in the United States, BDC Capital has been recognized locally and nationally as a leader and innovator in business lending and capital investment. Many of New England's leading financial institutions invest in BDC to help promising companies expand. Over 60 years, we have invested more than \$1 billion in thousands of companies in New England.

Whether your need is \$500,000 or \$5 million, BDC Capital offers a wide range of financing solutions, including a line of credit to meet working capital needs, a term loan for the purchase of fixed assets, or a restructuring of existing debt. We can customize a financing plan that could include senior short term debt, senior long term debt, subordinated debt, mezzanine or private equity financing.

**CONTACT  
INFORMATION:**

Thomas Wooters  
500 Edgewater Drive, Suite 555  
Wakefield, MA 01880  
<http://www.bdcnewengland.com/programs-2/mezzanine-investment/>

Phone: (781) 928-1103  
Email: [twooters@bdcnewengland.com](mailto:twooters@bdcnewengland.com)

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