

Sterling & York, Ltd.

Capital Funding Facilitators & Advisors

3661 Willow Mill Drive, Lawrenceville, Georgia 30044

(770) 487-9639 * Cell (404) 281-1320

Brian@SterlingandYorkLtd.com

www.SterlingandYorkLtd.com



Brian K. Childress, Esq.
Executive Vice President



WHAT IS MEZZANINE FINANCING?

Mezzanine funding – Short term lending for the long term benefit.

Mezzanine funding, in a generic sense, is a venture capital term used to describe funding for a company that is somewhere between being a startup and IPO, or Independent Public Offering. It can come in the form of stand-alone subordinate debt (the most common) or equity transactions. Sometimes it will start off as a standard debt loan with interest, and if the initial loan is not paid back on time or in full the lender will take an equity ownership role.

Since there is a lot of risk involved for the lender, or investor the interest rate is much higher than a regular loan. The main purpose of this financing is to give a business the opportunity to get the capital they need much quicker while they wait to get a bank loan, or while they get their financing in order to improve chances of getting approved for a loan.

This additional financial leverage can facilitate:

- Mergers and acquisitions financing
- An emerging growth opportunity
- A management or other leveraged buyout
- Corporate debt refinancing
- Recapitalization
- Corporate restructuring

As subordinate debt, the rate and terms of mezzanine funding follows suit with the position it holds along the company's evolution. As late-stage venture capital, its position, in many cases, is amidst the final round of financing prior to an IPO. Committed at this level, it usually has less risk as well as less potential appreciation than at the startup level. However, there is more risk with greater potential appreciation than in an IPO.