

Economic Indicators

Economic Indicators	June 2013	May 2013
Consumer Price Index ¹	0.5	0.1
Industrial Production ²	99.1	98.7
Housing Starts	836,000	928,000
Initial Jobless Claims	335,051	293,792

¹ Represents seasonally-adjusted percentage change from preceding month

² 2007 = 100

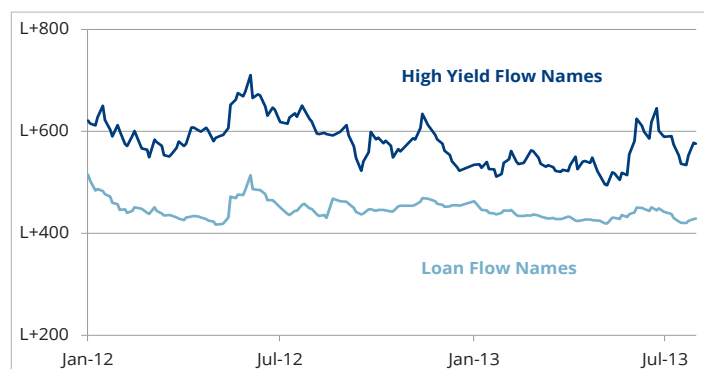
Benchmarks

Benchmarks	7/1/2013	Months Prior to 7/1/13			
		1 Month	3 Month	6 Month	12 Month
3 Month LIBOR	0.27%	0.28%	0.28%	0.31%	0.46%
Prime Rate	3.25%	3.25%	3.25%	3.25%	3.25%
10-Year Treasury	2.50%	2.16%	1.86%	1.78%	1.67%
S&P 500	1,615	1,631	1,562	1,426	1,362

Q2 2013 Update

Investors showed signs of nervousness in the 2nd half of Q2...

Average Spreads of High Yield & Institutional Flow Names

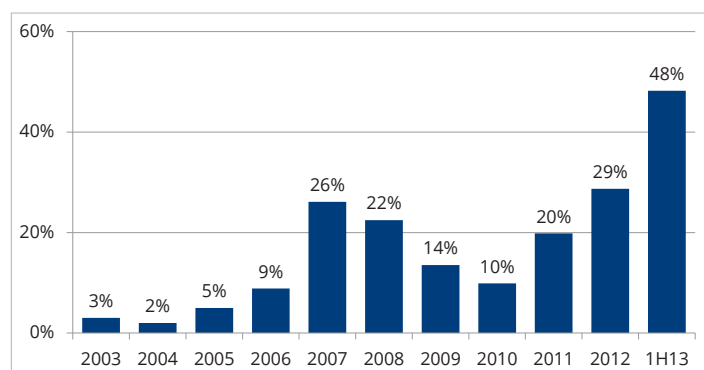


Note: Loans Spreads are Spread to Maturity, HY Spreads are Spread to Worst till 8/12/04, Option-Adjusted Spreads thereafter, reverse swapped

- Skittish investors rotated out of long-term, fixed rate loans (HY Bonds) into preferred shorter-term floating rate paper (Par Loans)
- Bonds sold off as investors looked to limit interest rate exposure
 - 10-year treasury yields hit 2.6% on June 25, the highest since August 2011
 - Investors withdrew \$11.4 billion from high yield accounts during the quarter
- Inflow activity favored mutual funds over CLOs, meaning a higher percent inflowing cash remained on the sidelines
 - Mutual funds are willing to hold cash
 - CLOs, on the other hand, tend to maintain full investment at all times

...however, lenders continue to “chase” risk in response to dearth of quality opportunities...

Percent of First-Lien Loans with One Maintenance Financial Covenant (Excludes Covenant-Lite Deals)



Source: S&P LCD

- LBO leverage ratios rose moderately on the quarter to post-recession highs
 - Leverage ratios rose to 5.3x, up 39% from 2009 lows and only 13% below 2007 highs
 - Second-lien loan issuance remained strong, up 113% for the YTD period relative to the same period in 2012 (on pace to exceed all-time high set in 2007)
- Recapitalization loan volumes set new all-time highs as borrowers capitalized on the favorable financing environment
 - Recap financing hit \$27.8 billion in Q2, an increase of 56.1% over Q1
 - Increases in recap volumes drove second-lien loan volumes to \$10.6 billion in Q2, the highest quarterly volume since the recession
- Covenant protections remained loose during Q2
 - Covenant-lite was 44% in Q2, however it did decline to a 7-month low of 27% in June
 - Non covenant-lite loans had fewer covenants with higher cushions

...the historic bull market for issuers is showing signs of aging.

- Rates remain near historic lows despite recent increases
- Opportunities to capitalize on this environment include:
 - Balance sheet refinancing
 - Dividend recapitalizations in lieu of sale of business
 - Strategic acquisitions
 - Financing for growth projects
- We would welcome an opportunity to review current market conditions and discuss your current financing options

Providing Middle Market Debt Financing Advisory Services on a Global Scale



has completed a growth equity financing and strategic partnership



has completed a management-led leveraged recapitalization with Senior Secured Credit Facilities provided by



and Senior Subordinated Notes by



\$75,000,000

Senior Secured Revolving Credit Facility



provided by



\$250,000,000

Senior Unsecured Revolving Credit Facility



VALLEY PROTEINS, INC.

provided by a syndicate led by



\$63,500,000



has completed a \$12,000,000 Senior Subordinated Note financing provided by



plus senior secured financings with



\$25,000,000

Senior Debt Financing



\$10,000,000 Revolving Credit Facility
\$15,000,000 Senior Term Loan

provided by



owner of leading OTC brands:



has amended its senior credit facility with



Revolving Credit Facility



LaSalle Bristol
a subsidiary of



Heywood
Williams

provided by



\$535,500,000

Senior Credit Facility



New Enterprise Stone & Lime Co., Inc.

provided by a syndicate led by



\$65,000,000

Senior Credit Facility



provided by



\$153,000,000

Senior Credit Facility



provided by



\$160,600,000

Financial Restructuring



VALLEY PROTEINS, INC.

\$20,000,000 Senior Revolving Credit Facility

\$65,000,000 Senior Term Loan
\$45,500,000 Second Lien Term Loan
\$30,100,000 Subordinated Notes

Navigating the ever-changing financial landscape demands an independent advisor with the experience to develop and evaluate multiple structures and the relationships to drive successful transaction execution.

To learn more, contact TM Capital's Leveraged Finance Team.

About TM Capital

TM Capital Corp. is a partner-owned investment banking firm based in New York, Boston and Atlanta, which has completed over 250 transactions with a combined value in excess of \$13.5 billion. Since 1989, we have advised clients navigating a full range of critical transactions, including complex mergers, acquisitions, debt and equity financings, minority and majority recapitalizations, restructurings, and advisory services including takeover defense, fairness and solvency opinions, valuations, as well as litigation support. We have built deep industry expertise in key sectors and our team regularly publishes research highlighting current and emerging trends in targeted industries and markets. TM Capital is a member firm of M&A International Inc., the world's leading alliance of mid-market investment banks with over 600 M&A professionals in 40 countries. Members have closed over 1,300 transactions totaling more than \$75 billion in value over the past five years. For more information, visit www.tmcapital.com.

TM Capital's Leveraged Finance Team



Robert C. Grien

Managing Director

rgrien@tmcapital.com
212-809-1434



Jerome S. Romano

Managing Director

jromano@tmcapital.com
617-259-2206

New York
641 Lexington Avenue
30th Floor
New York, NY 10022
Tel: 212.809.1360

Boston
200 Clarendon Street
25th Floor
Boston, MA 02116
Tel: 617.259.2200

Atlanta
15 Piedmont Center NE
Suite 1010
Atlanta, GA 30305
Tel: 404.995.6230



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www.tmcapital.com