

TM capital's Middle Market Loan Report

An M&A International Inc. firm 

October 2012

Economic Indicators

Economic Indicators	August 2012	July 2012
Consumer Price Index ¹	0.6	0.0
Industrial Production ²	96.8	98.0
Housing Starts	750,000	733,000
Initial Jobless Claims	320,219	369,826

¹ Represents seasonally-adjusted percentage change from preceding month

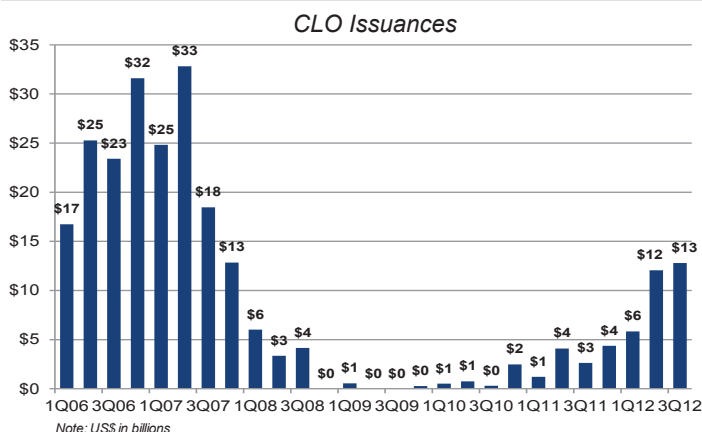
² 2007 = 100

Benchmarks

Benchmarks	10/1/2012	Months Prior to 10/1/12				
		1 Month	3 Month	6 Month	12 Month	
3 Month LIBOR	0.36%	0.42%	0.46%	0.47%	0.37%	
Prime Rate	3.25%	3.25%	3.25%	3.25%	3.25%	
10-Year Treasury	1.64%	1.57%	1.61%	2.22%	1.99%	
S&P 500	1,444	1,407	1,362	1,419	1,131	

Fall 2012 Update

Supply-driven credit rally accelerated in the third quarter...

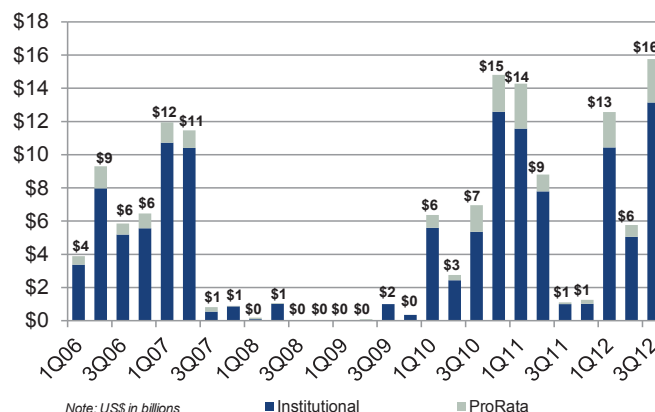


- Loan demand exceeded supply by \$17.3 billion
 - Q3 inflows of \$15.6 billion plus loan supply contraction of \$1.7 billion
- Additional demand from high yield (HY) investors and CLO issuances
 - \$10.8 billion of Q3 net inflows, driven by high yield investors "crossing over" into the leveraged loan market
 - HY takeouts of leveraged loans totaled \$9.7 billion up from \$3.8 billion in Q2
 - CLO issuance rebounded to \$12.8 billion in Q3 2012, a post-credit crunch high (total 2012 CLO issuance exceeds all CLO issuance combined from 2008-2011)

...leading to structures and pricing indicative of a "bubble" peak...

- Leverage levels crept up, while equity contributions and cost of capital went down
 - Average debt multiples of middle market loans rose to 4.3x (4.0x for LBO loans)
 - Average LBO equity contributions declined to 38% (vs. 40% in Q2)
 - Average LBO loan yields declined to 6.31% in the quarter from 7.49% in Q2 (a decline of 118 basis points)
- Loose structures with "PIK-toggles" and dividend recaps are back in fashion
 - 31% of new Q3 deals were "covenant-lite"
 - 7 "PIK-toggle" deals offered YTD
 - Four dividend recaps with "PIK-toggle" structures have been completed in the past few weeks

Dividend Loan Volume



...and while we cannot predict when this will end, it is hard to see much upside in the environment.

- Companies with use for leverage should consider taking immediate advantage of this environment
 - Refinance current balance sheet
 - Dividend recap in lieu of sale of business
 - Strategic acquisitions
- TM Capital would be happy to speak to you about your financing options

Sources: Standard and Poor's LCD, S&P / LSTA Leveraged Loan Index, Credit Suisse, Moody's, GE Capital, Bloomberg, TM Capital

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 Rob Grien at 212.809.1434, rgrien@tmcapital.com or Jerome Romano at 617.259.2206, jromano@tmcapital.com.

Providing Middle Market Debt Financing Advisory Services on a Global Scale

mi
micromeritics

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

SUNTRUST
and Senior Subordinated Notes by

WJP
WESTBURY PARTNERS

\$75,000,000
Senior Secured Revolving Credit Facility

Fleet
Laboratories

provided by

WELLS FARGO

\$250,000,000
Senior Unsecured Revolving Credit Facility

VP VALLEY PROTEINS, INC.

provided by a syndicate led by

WELLS FARGO **usbank** **PNC**

\$63,500,000

DIVERSITECH

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

PennantPark
Investment Corporation

plus senior secured financings with

REGIONS **GE Capital**

\$25,000,000
Senior Debt Financing

TechHealth
Simplifying the Process of Care

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

provided by

SUNTRUST

Fleet
Laboratories

owner of leading OTC brands:

Fleet **summer's eve** **CASEN Fleet**

has amended its senior credit facility with

SUNTRUST

Revolving Credit Facility

LaSalle Bristol
a subsidiary of

HW
Heywood Williams

provided by

ColeTaylorBank

\$535,500,000
Senior Credit Facility

New Enterprise Stone & Lime Co., Inc.

provided by a syndicate led by

M&T Bank National City

\$65,000,000
Senior Credit Facility

OMEGA PROTEIN

provided by

ABLECO
FINANCE LLC

\$153,000,000
Senior Credit Facility

NATIONAL VISION

provided by

Freeport
FINANCIAL

\$160,600,000
Financial Restructuring

VP 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

LEE'S
Famous Recipe Chicken

Senior Term Loan
Revolving Credit Facility provided by

CRATOS
CAPITAL PARTNERS

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 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 41 countries. Members have closed over 1,400 transactions totaling more than \$85 billion in value over the past five years. For more information, visit www.tmcapital.com.

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