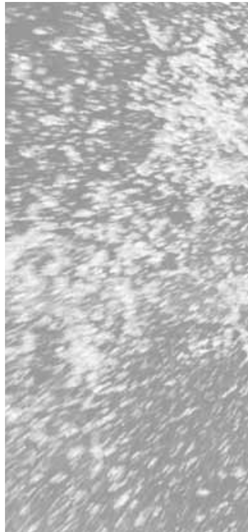
DEBTWIRE
NORTH AMERICA



NORTH AMERICAN DISTRESSED DEBT OUTLOOK 2012

JANUARY 2012

BINGHAM

MACQUARIE

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METHODOLOGY

Bingham McCutchen LLP and Macquarie Capital (USA) Inc. commissioned Debtwire to interview 100 distressed debt investors, including hedge fund managers, sellside trading desks and other asset managers on their expectations for the North American distressed debt market in 2012. Interviews were conducted over the telephone in November and December of 2011. Responses were collated by Debtwire and presented to the commissioning firms in aggregate.

FOREWORD

Skimming through the latest restructuring headlines could lead the casual investor to believe the hype that restructuring is back – and with a vengeance. While specialists dedicated to the sector are emboldened by the bout of year-end market volatility, digging into Debtwire's North American Distressed Debt Outlook 2012 shows only cautious optimism for opportunities in the coming year.

Providing discourse on strategies for capitalizing on current market conditions, respondents agree that anyone waiting for the asset class to mirror its 2009 heyday, when defaults peaked at 11.5%, will have to wait. The majority of respondents to Debtwire's seventh annual survey predict a more frantic pace of workouts – nearly 70% of like-minded investors think defaults will be above 2% in 2012 and 21% of that faction pins the rate at 3.1%-4%.

A booming primary market and a flood of buyside liquidity kept many at-risk borrowers out of bankruptcy court last year, although investors are adamant about liability management not being able to save certain industries from their secular decline over the longer term. For three years running, participants have highlighted financial services, real estate, consumer and energy/chemicals as the most sought-after areas for distressed investment.

Despite indecision on the fruitfulness of the distressed market over the next 12 months, some of the largest players in the niche have already weighed in on the extended horizon. Gearing up for a frothy future workout cycle catalyzed by significant maturities beyond 2013, 68 distressed funds – including heavyweights Oaktree Capital Management, Cerberus Capital Management, and Avenue Capital Management – are passing the hat to investors seeking $47.4bn of new capital, according to investment research and data provider Preqin.

Hedging their bets

Directionally, the Debtwire forecast depicts 2012 as a wait-and-see period for investors to re-assess risk appetite in a vastly different global environment that's being shaped by a changing political landscape, regulatory changes, and economic instability. To no one's surprise, Europe was flagged as the most dangerous cloud hovering over the markets, with 69% highlighting the sovereign financial crisis as the single most significant factor impacting distressed investing and trading volumes.

Adding to the macro uncertainty, bursts of good news on the employment and housing fronts have done little to quell fears of a double-dip recession in the US. However, more than half of respondents agree that the outcome of the upcoming presidential election looms large over the markets and the US economy will be better served by a newly elected administration.

How the various factors combine to impact speculative grade credit remains to be seen. With the Barclays Capital High Yield Index posting a 4.98% gain and the US High Yield Loan Index returning 1.06% last year, leveraged buyers have yet to fully decide on how to allocate money in the coming quarters.

Recent whipsaws in the fickle equity market aside, distressed investors chasing yield have also been drawn to stocks as a fall back option away from the quiet default landscape. As the divisive debate over the attractiveness of equity strategies rages on, participants couldn't decide whether stock-related instruments would be heaven-sent or damned in 2012. Thirty-seven percent of survey takers selected common shares as their top instrument presenting the most opportunity. Meanwhile, 34% selected an equity strategy as the least attractive option.

A similar dynamic played out in the second most popular instrument, preferred/mezzanine, which was named most attractive by 33% and the least sought after by 26%. In a sign that the appetite for risk is increasing, the popularity of the second lien loan trade soared year-over-year.

Either way, the slog of scouring for non-traditional, event-driven ways to cash in on vulnerable capital structures is an ever-changing search. In an effort to stir the tranquil pot of still eerily low default rates, nearly half of respondents expect activist strategies to rise in 2012, and a resounding 45% predict the opaque market for secondary claims trading will also boom.

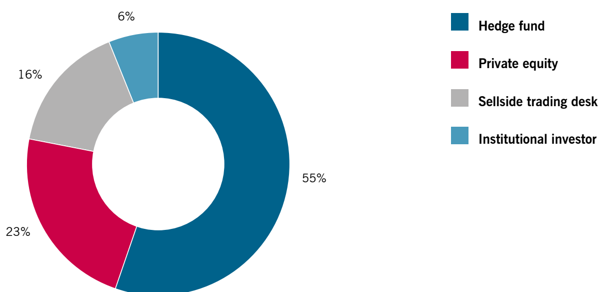
Aja Whitaker-Moore
Debtwire

Mick Solimene
Macquarie Capital

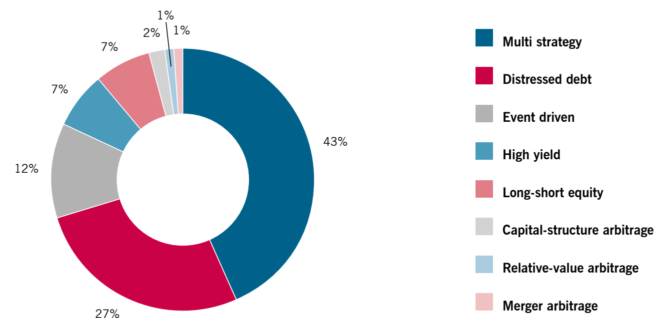
Michael Reilly
Bingham McCutchen LLP

SURVEY FINDINGS

Which of the following best describes your firm?



What best describes your core investment strategy?



Hedge funds demonstrated resilience this year, despite being plagued by volatility and underperformance in 2011. The asset class returned with force, accounting for 55% of survey respondents, up from 26% in the prior year, and from 46% of the participants in the 2010 outlook.

Meanwhile, the number of trading desks and institutional investors taking part in the study fell by double digits year-over-year as the buyside and sellside adapt to new regulations and the evolution of today's investment bank.

"It was a difficult year for many investors in the distressed space. Managing losses was the watchword, and those who have weathered the storm are surely hopeful that 2012 will bring better opportunities."

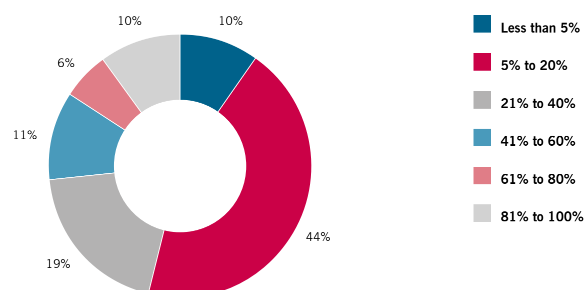
James Roome, Partner, Bingham McCutchen LLP

Putting all of the eggs in a single investment basket continues to fall out of fashion, particularly for pure distressed investors operating in a low default rate environment. Though most classifications stayed flat, the numbers of study participants describing distressed as their core investment strategy fell to 27% from 36% last year. In tandem, the number of investors ticking the multi strategy box soared to 43% from 36% in the 2011 survey.

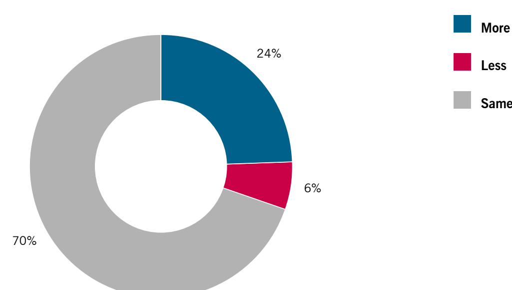
"Today's low default rate environment, coupled with volatile risk-free rates and an uncertain growth outlook, require asset managers to remain flexible and opportunistic in order to generate acceptable returns for their investors. Further, throughout 2011, the wave of consolidation by asset managers across varying core and non-core investment strategies, resulted in an increase in multi strategy market participants."

David Miller, Managing Director, Macquarie Capital

What percentage of your firm's overall assets is dedicated to distressed debt?



In 2012, do you plan on allocating more, less or the same percentage of assets to distressed debt than you did in 2011?



Distressed debt remained a core piece of a diversified portfolio, although the strategy still felt the impact of consecutive years of dwindling opportunities. Looking ahead, the 2012 forecast calls for a significant uptick in speculative grade defaults as the market prices in a more stringent lending backdrop and the impact of the sovereign debt crisis remains unknown.

The sweet spot for distressed allocations sat in the 5% to 20% range, while some more aggressive players increased their bets. The number of respondents who carved out 21% to 40% of assets under management for distressed increased to 19% versus 12% in last year's Outlook. Those participants that doubled down with more than 80% of their portfolios ticked up to 10% from 8% in the prior study.

"It is unlikely that defaults will meaningfully increase without an uptick in interest rates or a worsening of economic conditions. However, given that the European financial crisis remains unresolved and could still result in spill-over effects in the US market, a number of players are increasing their distressed allocations to remain poised to capitalize on new opportunities as they arise."

Mick Solimene, Senior Managing Director, Macquarie Capital

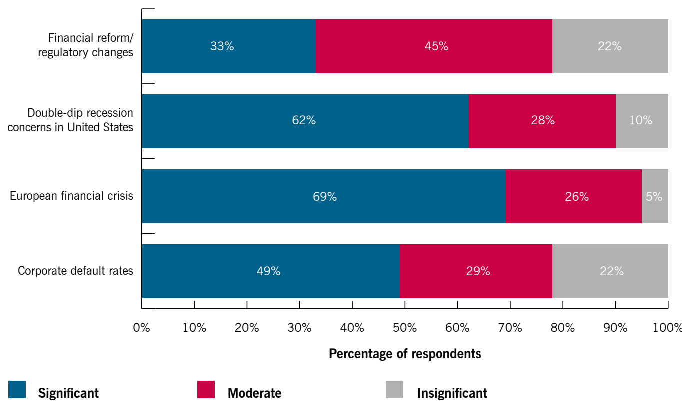
While restructurings may be on the rise for the moment, the vast majority of survey takers are preparing for more of the same and plan to set aside the identical amount of distressed debt dollars. However, fewer participants thought less was more, with only 6% aiming to cut their allocation versus the 15% who answered the same question in 2011. Twenty-four percent of the sample plans to increase distressed exposure, up from 21% last year.

"With a lot of uncertainty in Europe as well as in the US, respondents are predicting at least as much or even more distressed activity in 2012. Only a handful (6%) are running away from the distressed market, a pool of respondents that has decreased substantially from the 2010 and 2011 surveys."

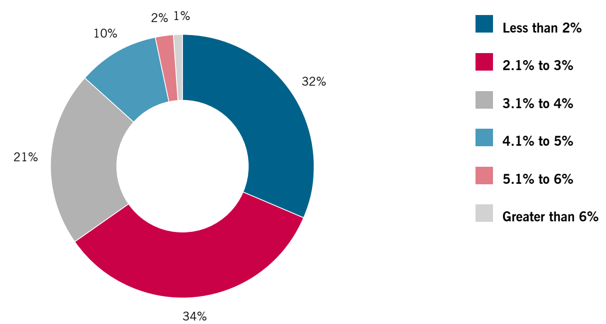
Jan Bayer, Partner, Bingham McCutchen LLP

SURVEY FINDINGS

How significant an impact will each of the following have on distressed debt investing/ trading volume in 2012?



S&P predicts the US corporate trailing speculative grade default rate will stand at 1.6% by June 2012. In what range do you expect the default rate to be over the next year:



Rescue plans and bailouts had little impact on the investor psyche over the past 12 months, as fears over the European financial crisis intensified. Scrutiny once reserved only for peripheral sovereign nations widened to balance sheets across the eurozone.

Sixty-nine percent of study participants flagged the European crisis as the most significant factor that will impact distressed debt investing and trading volume this year, a 10% increase when compared to the 2011 Outlook. The likelihood of a double-dip recession also picked up steam, coming in a close second in the minds of 62%.

“European developments have occupied the forefront of investment conferences worldwide, through emerging markets and OECD-land. Companies and investors remain unsure what the continued policy muddle is leading to, and many folks are deploying conservative strategies, and hoarding cash.”

James Terry, Partner, Bingham McCutchen LLP

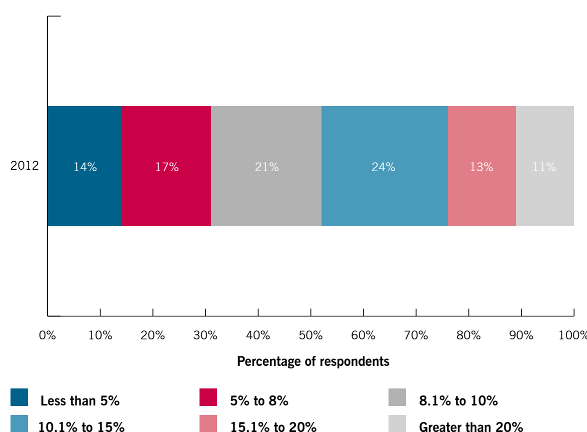
The annual debate over default rates is in full swing. Consensus over the litmus test for distressed activity is never reached, but 68% of respondents agree on one thing - defaults will exceed 2.1%.

Roughly one third of participants are relatively unshaken by the recent market volatility and remain firmly parked in the 2.1% to 3% camp. But a breakdown of the more bearish faction shows another third of respondents are betting on a less than 2% rate, while 21% think defaults will rise to 3.1% to 4%, and 10% bet on an increase to 4.1% to 5%.

“Driven by continued low interest rates, default rates remain below their historical averages of 3% to 4%. Everyone expects the other shoe to drop someday, but not too quickly if the Fed's liquidity measures remain in place.”

Jonathan Alter, Partner, Bingham McCutchen LLP

What percentage return do you target for your primary distressed fund in 2012?



"Approximately two-thirds of survey participants expect the default rate to remain at 3% or below in 2012; however, given the large number of overlevered pre-Financial Crisis deals that remain outstanding, issuers will need to approach the market to avoid a default, particularly as maturity dates loom. As in years past, debt investors' willingness to amend and extend should help issuers avoid defaults in the near term."

Marty Nachimson, Managing Director, Macquarie Capital

Return expectations for credit-sensitive distressed funds remain conservative this year, though tempered optimism is squeezing the bulls and the bears toward the middle of the spectrum.

Without the benefit of hindsight, 27% of respondents heading into 2011 set a less than 5% return target and only 16% shot above the 20% mark in last year's Outlook.

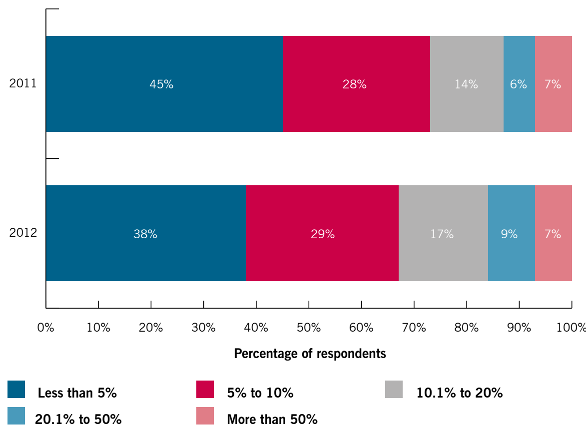
Looking forward, the number of investors shooting for less than 5% in 2012 fell to 14% and the amount of participants aiming for the 20%-and-higher bracket also dropped to 11%. The trend pushed the number of respondents targeting 5% to 8% up to 17% from 5% last year, and boosted the 8.1% to 10% range to 21% from 13% in the prior canvass.

"Almost half of the respondents are targeting at least a 10% return in 2012, despite only about a third targeting such a return in 2011. After tempering their expectations in 2010 and 2011, hedge fund managers are expecting more robust returns in 2012."

Ron Silverman, Partner, Bingham McCutchen

SURVEY FINDINGS

How much of your portfolio did you allocate to the primary leveraged finance markets in 2011 and do you plan to allocate in 2012?



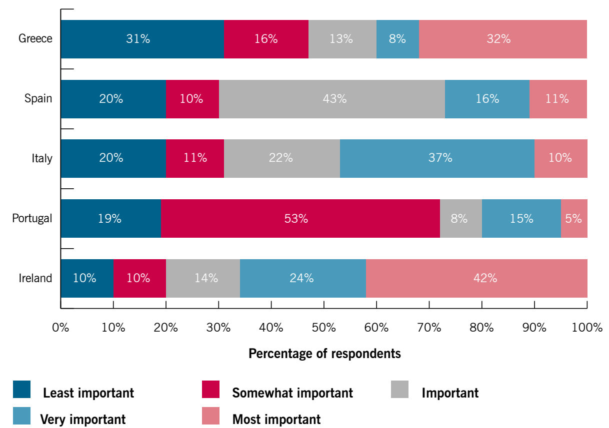
The remarkable primary market rebound and the flood of cash flowing into the high yield and leveraged loan markets over the past two years left many distressed players on the sidelines watching vulnerable companies put refinancing band-aids on their broken arms. Volume in 2011 was also robust, although 2012 expectations are being crimped by the European credit crunch and related risk aversion on the part of US financial institutions.

Despite impressive returns of 4.98% and 1.06% for junk bonds and leveraged loans in 2011, respectively, distressed fund managers still plan to play the primary market selectively. Thirty-eight percent of respondents allocated less than 5% of their portfolios to the primary market in 2012, down from 45% in 2011.

"A common theme over the past few years has been the large pool of capital sitting on the sidelines in the private equity world. Given the strong desire to put those funds to work, we anticipate increasing LBO volumes will drive higher primary market activity in 2012. As such, it is logical that investors expect to increase their allocations to the primary market."

Ford Phillips, Managing Director, Macquarie Capital

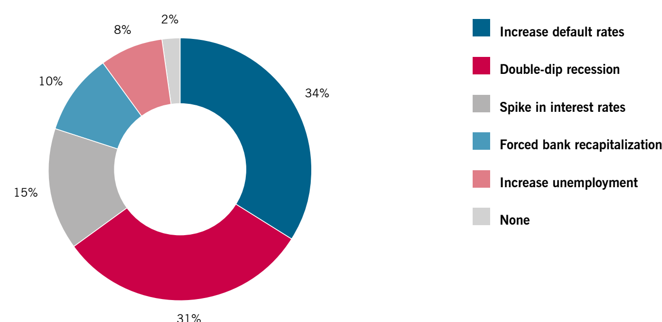
If you are targeting the PIIGS, rank the countries in order of importance:



The European Central Bank (ECB) has made bold attempts to inject liquidity into the banking system through its Long-Term Refinancing Operations arsenal. While a year-end feeding frenzy on the ECB's three-year discount loan auction staved off fears of a short-term interbank lending freeze, the measures have done little to alleviate worries about bank exposure to the most troubled eurozone countries.

Those investors with the stomach to gamble on the riskiest European sovereign debt – affectionately known as the PIIGS – have put Ireland at the top of the list, with 42% of survey respondents selecting the country as the most important component of their strategy. As Greece's creditors continue haggling over the haircut they will take as part of the country's debt restructuring, participants seemed split over the country's place in the lineup. Thirty-one percent of participants deemed Greece unimportant, and 32% voted the country the supreme concern.

What, if any, effect will a eurozone default have on the US?



"There seems to be nobody in Europe with both the technical know-how AND the political mandate to drive toward a sensible solution to the debt overhang. Unfortunately, this posture has led organizations like the ECB to seek to ameliorate the issues by injecting MORE credit into the system. Many observers are concerned that these steps will ultimately be seen as fueling the fire."

Tim DeSieno, Partner, Bingham McCutchen

"It's clear to most that a sovereign default and the ensuing impact on the eurozone could result in a range of unintended consequences. The potential impact in the US would drive a double-dip recession, leading to increased default rates and higher unemployment. Further, a sovereign default would trigger CDS settlements forcing major European banks, along with US-based institutions holding significant exposures to this region, to recapitalize."

Vikram Chitkara, Senior Vice President, Macquarie Capital

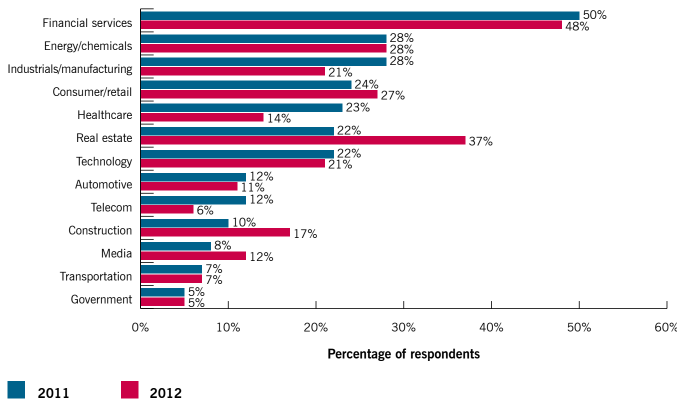
Much conversation over the past two years has centered on the "what if" ramifications of a eurozone default. While the impact would reverberate throughout the world, respondents agree that the most tangible fallout would be an increase in default rates and a certain slip into another recession. In stark contrast to the current rate profile, 15% of participants zeroed in on an interest rate spike as the chief concern.

"It is far from clear what the ramifications of a eurozone default would be. Some observers believe that a Greek default might even be met with the market's sigh of relief, enabling even a rally on the theory that the authorities were 'facing the music.' Others observing Spain and Italy (even France?) worry that a material default would cause rapid decline in confidence in the international financial system, which might have more 'Lehman-like' consequences."

Barry G. Russell, Partner, Bingham McCutchen LLP

SURVEY FINDINGS

Which three sectors did you prefer to allocate your investments in 2011 and which will you prefer in 2012?



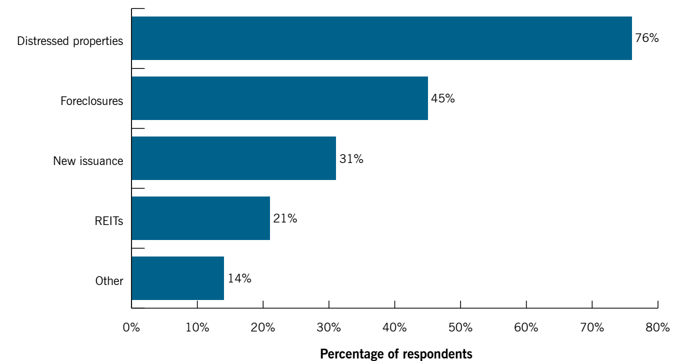
The global financial services sector is under a microscope amid the Euro crisis and the high-profile collapses of MF Global and PMI Group, taking the top spot in both 2011 and 2012. Even more notable, interest in the real estate sector surged as 37% of investors agreed there is still money to be made in the ailing industry, up from 22% targeting the segment in 2011.

Focus on consumer/retail, construction, and media increased modestly year-over-year, while interest in the strengthening industrials/manufacturing, healthcare, and telecom sectors is waning.

"Once again, it is survival of the fittest on Wall Street, as the world's distressed players saw in 2011 with the failure of MF Global. Respondents are expecting to see another round of distressed activity in the financial sector, both in Europe and in the United States. For the third straight year, respondents are saying that they will see tremendous growth in real estate, but will they actually put their money where their mouths are?"

Hal Horwich, Partner, Bingham McCutchen LLP

If you invested in real estate in 2011, what methods did you use?

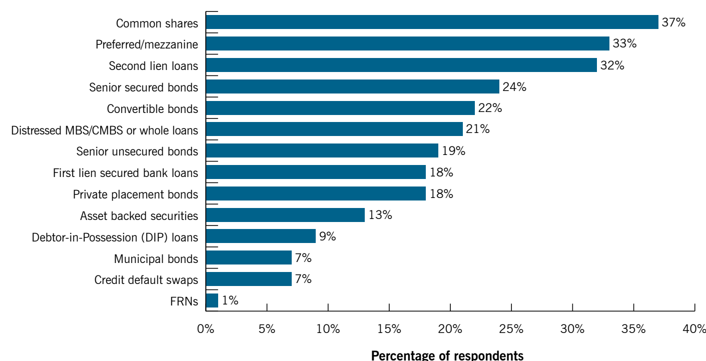


Respondents were asked: In last year's survey the real estate sector was ranked the top sector for distressed debt investing. Did you allocate a significant portion of your portfolio to real estate? Of the 29% who answered yes, 76% put money to work through distressed properties, while 45% thought foreclosures were the way to go. Investing through new issuance and REITs also had a strong showing, with 31% and 21%, respectively.

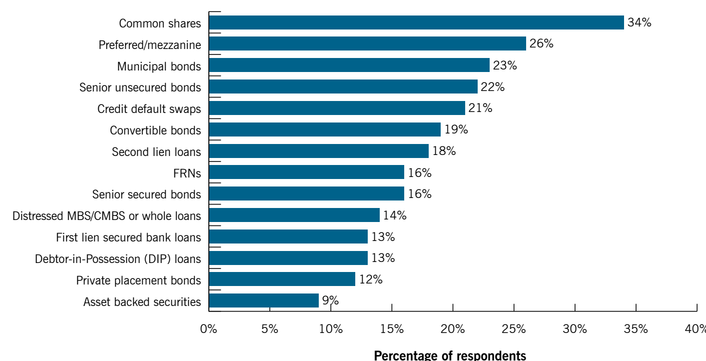
"Despite the macro issues facing large financial institutions throughout 2011, many smaller institutions made a considerable effort to clean-up problem assets on their balance sheets. While the market has not always fully rewarded these companies and has in many cases taken a "wait-and-see approach," we believe investors are primed to start investing in those institutions that face the best market prospects. Additionally, after years of continued underperformance, managers are betting that the real estate market is due for a rebound in 2012, spurred by low interest rates and declining inventories."

Andrew Krop, Senior Vice President, Macquarie Capital

Which three instruments do you think will offer the most attractive opportunities for investors in 2012?



Which three instruments do you think will offer the least attractive opportunities for distressed investors in 2012?



Despite the volatility in the Dow, a majority of participants project securities with equity upside will provide the most attractive opportunities in 2012. Common shares remained the top pick by respondents as the No. 1 most attractive opportunity for the second consecutive year. However, this year's results showed common shares losing some ground in popularity, garnering 37% of respondents' picks compared to 51% in the 2011 Outlook.

Staying close to equity, preferred/mezzanine came in second at 33%, but convertible bonds slid from 2011, coming in at 22% this year versus 37% in the 2011 Outlook when they ranked as the No. 2 selection.

On the flip side, second lien loans made a leap in popularity to No. 3 at 32%, compared to No. 7 last year at 14%.

"The improved view toward second liens this year, away from first liens last year, represents a marked shift, and may reflect perceived stability in typical first lien asset coverage at 1-3x EBITDA, and more upside, and risk, for typical second liens at 4X EBITDA and above."

Ed Smith, Partner, Bingham McCutchen LLP

Just as common shares were the top selection for most attractive opportunities, the asset class proved polarizing, coming in as the top pick as the least attractive instrument in 2012. The biggest yearly swing came with first lien loans, which were tagged as the least attractive by only 13% this year, compared to 48% and the top selection in the 2011 Outlook.

"Half empty or half full? A relatively equal proportion of respondents think common equities will be the worst, and the best, opportunities for 2012. Can they both be right? The contrasting views seem to reflect the risk in the market based on macro-economic uncertainty, the sovereign-debt crisis and short-term political fixes. Bears see the risk that the problems will linger; bulls see the reward in undervalued equities."

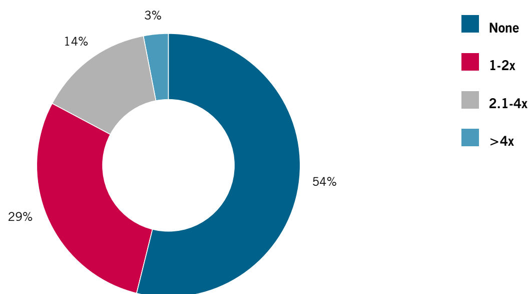
Michael Reilly, Partner, Bingham McCutchen LLP

"The polarized classification of common shares and preferred/ mezzanine instruments reflects the volatility that plagued equity markets in 2011. However, high volatility and lack of consensus on investment theses typically create opportunity for outsized investor returns."

Mick Solimene, Senior Managing Director, Macquarie Capital

SURVEY FINDINGS

How much leverage did you use in managing your fund in 2011?

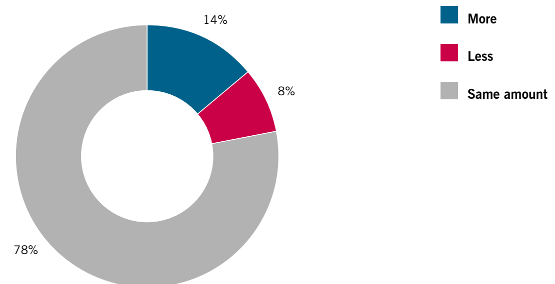


Leverage continues to be a divisive subject, as a slight 54% majority of participants claimed not to use any leverage during 2011, roughly flat from the 55% who noted abstinence from leverage in last year's survey. While the 2.1-4x and 1-2x leverage levels both made marginal upticks year-over-year, respondents using more than 4x fell by 57% to 3% in 2011, down from 7% in 2010.

"Despite increasing their use of leverage during 2010 to boost returns, fund managers appear to have learned their lesson regarding the potential dangers of high leverage multiples. Whether investors will continue to be happy with the safety lower leverage provides, even at the expense of increased returns, will be seen as the fledgling recovery in the US economy is tested and the Eurozone saga continues to unfold."

David Miller, Managing Director, Macquarie Capital

If you did use leverage in 2011, do you anticipate using more, less or the same amount in your portfolio in 2012?

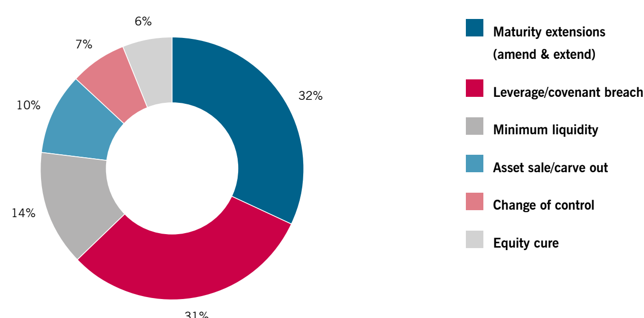


The trends for leverage in 2012 appear to be steady, with a healthy 78% majority of participants indicating intentions to use the same amount in 2012. Moreover, the 8% who plan to use less next year matches the 8% who answered the question the same way a year ago. However, the 14% who responded that they intend to use more leverage next year trumps the 11% who answered similarly in the 2011 study.

"Leverage usage continues to be a difficult choice for fund managers given the uncertainties of the potential effects of the EU debt/recovery plan and the continued tightening of available credit."

Lisa Valentovish, Partner, Bingham McCutchen LLP

What do you think will be the most common catalyst for amendments in 2012?



For the second straight year, maturity extensions and covenant breaches led the way as respondents' top two selections for amendment triggers. However, with much of the 2012 bank debt maturity wall already cleared out, the percentage of those who selected maturity extensions as the most popular catalyst pales in comparison to the 47% level in the last Outlook. Also notable, projections of change of control driven amendments held flat this year at 7%, reflecting expectations that M&A activity will hold at its current rate. Likewise, asset sale related amendments came in this year at 10%, slightly higher than the 7% selected for 2011.

"Covenant breaches and maturity extensions reflect a company that is just surviving, but not able to meet its business plan or likely to be able to refinance. That's a company that won't be able to retire debt, and will have to restructure or be sold someday."

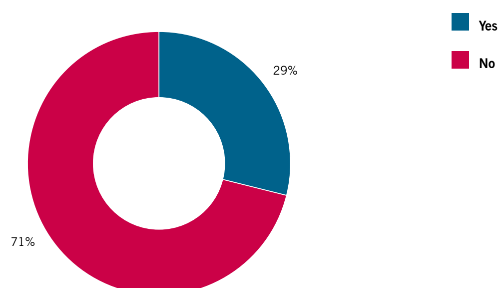
Mark Deveno, Partner, Bingham McCutchen LLP

"With so much of the maturity wall having been shifted further into the future, issuers have the opportunity to turn their focus back to fundamentals. Unfortunately for M&A advisors, the much hoped for surge in change of control activity isn't anticipated to materialize in the upcoming year."

Marty Nachimson, Managing Director, Macquarie Capital

SURVEY FINDINGS

In 2011, did your fund participate as a lender in any DIP or exit financing transactions?



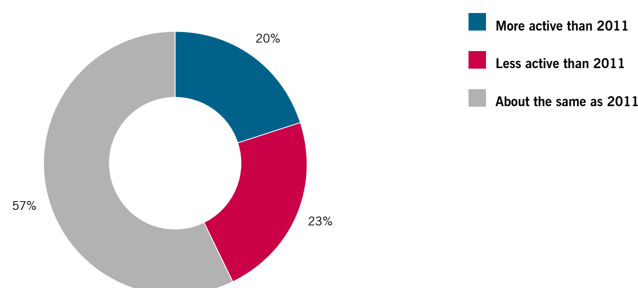
The conservative year for defaults and bankruptcies culminated in less investment opportunities in DIP and exit lending. The 29% of respondents who participated in DIP lending marked a drop from the 35% who responded affirmatively last year.

While the movement is not extreme or unexpected, it is remarkable since the 2010 results were identical to the previous two years, a three-year streak of matching responses that was broken this year.

"While DIP Lending may not initially appear to have significant upside in terms of traditional returns measured in fees and interest, it has important strategic and investment value, particularly for distressed players and prepetition secured creditors. Though the 2011 results show a drop-off in activity, we may see a more activist approach to defaults in 2012, and defensive DIPs will continue to remain an important tool for existing lenders to protect their investments and secure a seat at the table to help guide the debtor's exit strategy."

Julia Frost-Davies, Partner, Bingham McCutchen LLP

If so, how active do you expect to be as a DIP lender or exit lender in 2012?



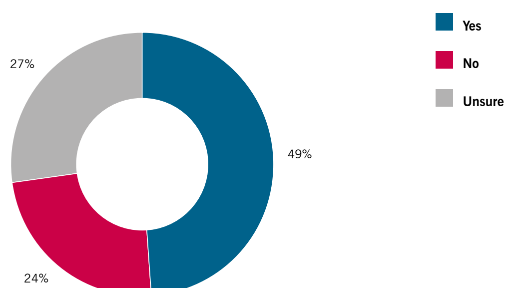
Although the last two months of 2011 stirred up an increase in corporate bankruptcies, a 57% majority of participants expects DIP lending to continue to maintain its backseat status in 2012, implying that a recent surge in Chapter 11 cases is not expected to be sustainable.

However, the survey results present a bit of a mixed bag because the 23% predicting less activity in 2012 is down from the 37% who predicted less activity in 2011. Moreover, the 20% predicting more activity in 2012 is up from the 18% who predicted an increase in 2011.

"With the extreme volatility still present in markets, paired with a general sense of uncertainty around the sustainable level of Chapter 11 filings expected in 2012, it is not surprising that many participants felt torn over whether the DIP market will be more or less active in 2012."

Ford Phillips, Managing Director, Macquarie Capital

Do you expect activist strategies to become more prevalent in 2012?



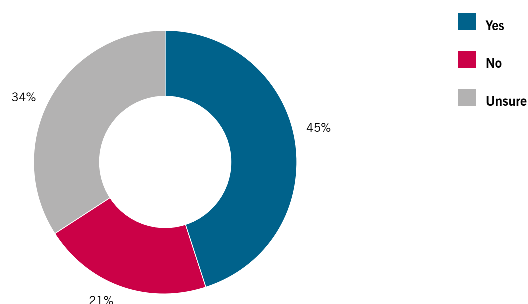
A robust primary market in the first half of 2011 kept the default rate low, forcing distressed investors to be more creative when scouting for pockets of activity. The lull in traditional workouts led to the execution of several activist strategies that included filing notices of default over alleged covenant violations (TXU, Dynegy, Graham Packaging), and pressuring management turnover (Reader's Digest).

Nearly half of the participants expect to take part in activist strategies in 2012, but the jury is still out for 27% who are undecided. Nearly a quarter of respondents are ruling activism out this year.

"Yes, as default rates and 'distressed' product inventory levels remain relatively low, we should expect to see an increase in activist strategies designed to assert control over distressed situations."

Jared R. Clark, Partner, Bingham McCutchen LLP

Do you expect the secondary claims trading market to expand in 2012?



The lull in traditional restructurings in 2011 forced more distressed funds to invest in the esoteric secondary claims trading market.

A robust 45% of respondents expect claims trading to expand in 2012, reflecting assumptions that the market will swell due to an increase in participants and an uptick in Chapter 11 activity.

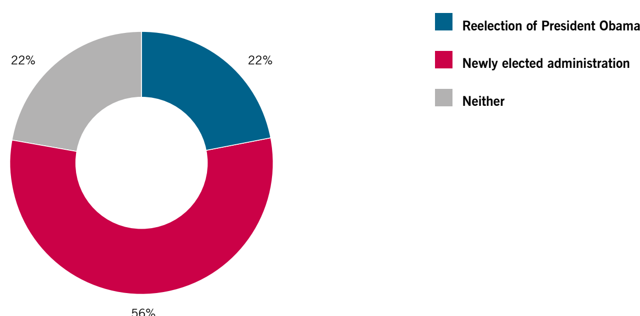
Over the 11-month period through November 2011, monthly bankruptcy claim transfers topped 1,000 during four months, compared to two months during the February through November period in 2010, according to research group SecondMarket.

"From Iceland to Mexico and back to the United States, trading in claims against companies in insolvency proceedings is a meaningful component of strategy for increasing numbers of investors. In many places, the practice is relatively new, and it has encountered some surprising procedural barriers, as rules and systems are established and interpreted."

Bill Govier, Of Counsel, Bingham McCutchen LLP

SURVEY FINDINGS

Which political outcome is more beneficial to the US economy?



Much of the market's daily volatility this year stemmed from political and financial unrest in Europe. With a US presidential election year underway, a majority of participants expect the outcome to impact domestic economic health. A newly elected administration will positively impact the US economy, according to a 56% majority of survey participants.

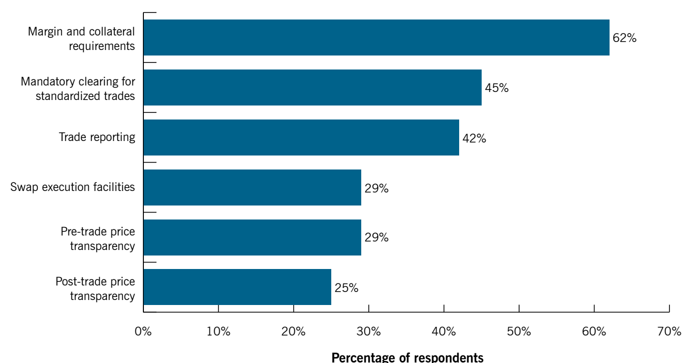
"The survey reflects continued dissatisfaction with the President's handling of the economy, as well as the widespread perception that the administration is not business-friendly. Of course, an actual Republican nominee might not have fared as well in the survey as the generic, and hopeful sounding, 'newly elected administration' did."

Steven Wilamowsky, Partner, Bingham McCutchen LLP

"2012 is expected to see a continuation of the 2011 trend of drastic swings in a still uneven US economy. The survey reflects a belief that the election of a new administration would give many the immediate feeling of a "fresh start" which should provide a positive impact on economic health. However, global factors outside of US control will continue to linger on people's minds."

Vikram Chitkara, Senior Vice President, Macquarie Capital

Now that we have moved closer towards the implementation stage, which of the following parts of the Dodd-Frank Act have transformed and will transform the CDS market the most?



A year ago in the immediate aftermath of Dodd-Frank's passage, just 8% of respondents expected that mandatory clearing for standardized trades would have the greatest transformative impact on the CDS market. But as implementation looms, the clearing requirement was cited by 45% of respondents. Trade reporting, cited last year by 12% of respondents, also staged a dramatic leap to 42%. Margin and collateral requirements remained the number one selection, but gained backing at 62% from 53% in 2011.

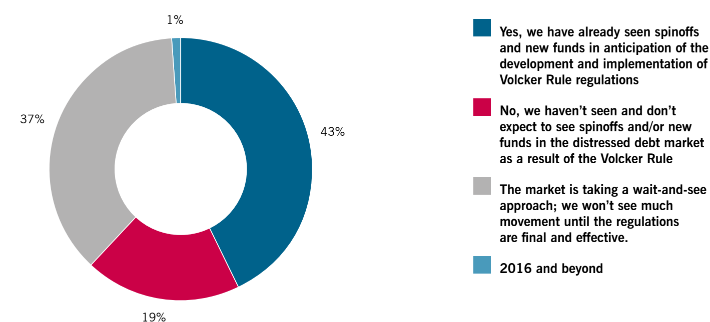
"Many banks have already begun the process of shedding their proprietary trading businesses in advance of the expected outcome of soon to be finalized regulations. Anticipate an uptick in activity as these rules are solidified and an implementation deadline is imposed."

Andrew Krop, Senior Vice President, Macquarie Capital

"Dodd-Frank rulemaking is progressing and market participants recognize that significant changes are really going to happen. Mandatory clearing is among the most important changes to the market, so it is unsurprising that participants recognize the impact of its implementation."

Scott Seamon, Counsel, Bingham McCutchen LLP

Will limitations on banks' proprietary trading activities under the Volcker Rule trigger spinoffs and/or new funds in the distressed debt market?



Participants were fairly split on how the market will respond to the Volcker Rule's aim to limit proprietary trading by banks.

While 19% of participants said they don't expect spinoff funds to form as a means of picking up the slack, 37% noted the market is waiting for the regulatory fallout to become clear before making any adjustments. Meanwhile, the strongest response at 43% was that spinoffs and new funds are already taking place in anticipation of the Volcker Rule's implementation.

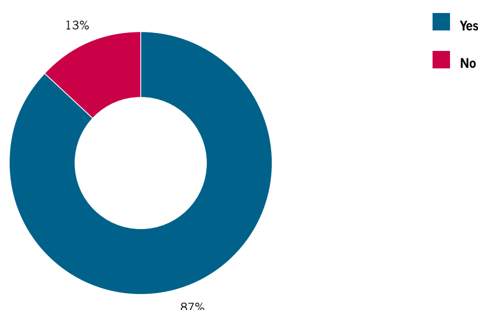
By comparison, survey participants last year were also fairly divided on the matter. When asked if the Volcker Rule would trigger the creation of new distressed funds, 48% responded "yes" and 52% responded "no".

"Both the impending implementation of the Volcker Rule and the response of regulators to continuing concerns related to capital requirements and rogue trading will likely cause spin-offs, and it might even result in a Glass-Steagall-like regulatory environment."

Amy L. Kyle, Partner, Bingham McCutchen LLP

SURVEY FINDINGS

After the wave of amend-and-extends in 2008-2010, most near-term maturity walls have been pushed out. Do you anticipate further amend-and-extend activity over the next 12-24 months?



The past several years were chock full of amend-and-extend transactions that pushed off near-term bank debt maturities. Despite those transactions, there is still roughly $350bn of bank loans set to come due within the 2013 and 2014 time period, according to Bloomberg data.

An overwhelming 87% majority of respondents expect this maturity wall will be addressed over the next two years through similar tactics that will kick the can further down the road.

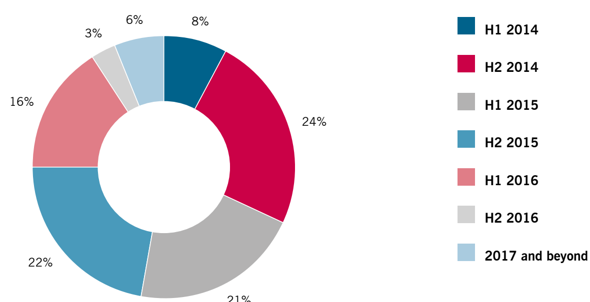
"If a borrower can only pay low-rate interest and not meaningful principal over the long haul, it will eventually have to face a true restructuring; amend-and-extend can only continue for so long. But frankly, that decision is largely up to the lenders, including the strength of their own balance sheets and their ability to address the reality of their borrowers' financial condition. Some of the three-year amendments done in 2009 will be coming due and will give us a first look at lenders' perspectives; for some I imagine it's tempting to look away, take the interest payments, and hope for a better day."

Scott A. Falk, Partner, Bingham McCutchen LLP

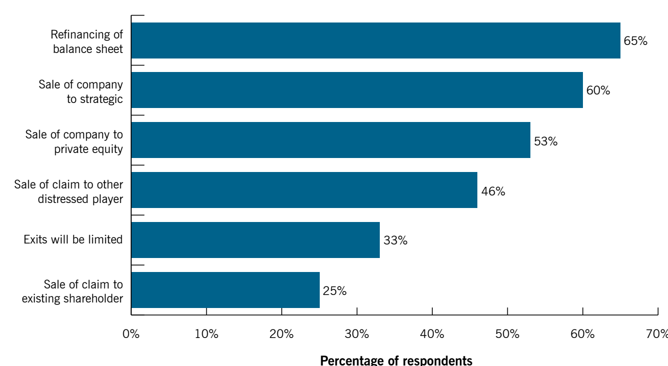
"Barring a global event that derails the credit markets, it is likely issuers, especially larger corporates, will be able to refinance or otherwise extend maturities that are upcoming in the next few years. It may be another story, however, for smaller, more levered, middle market companies."

Mick Solimene, Senior Managing Director, Macquarie Capital

If so, when do you estimate the maturity dates will be extended to:



What do you expect to be the primary source of liquidity for long-term exits from distressed debt positions?



Assuming corporate issuers do trot out amend-and-extend playbooks, the majority of participants expect the day of reckoning won't be delayed too much longer.

A 24% chunk of respondents expect that borrowers will only be able to net extensions to the second half of 2014, while 21% expect the extensions will roll into the first half of 2015 and 22% forecast extensions will roll into the second half of 2015.

Only 16% predict issuers will be granted extensions to the first half of 2016, while 9% expect maturity dates will be pushed into the second half of 2016 or beyond.

"The wide range in maturity date expectations may reflect a tale of two cities: shorter dates for those barely hanging on while they amend-and-extend, and longer dates for a true restructuring based on an improving business plan."

Andrew J. Gallo, Partner, Bingham McCutchen LLP

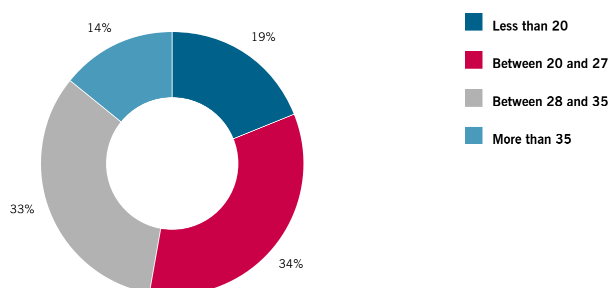
While corporate vulture funds spend much of their energy chasing down distressed debt positions, the end game is to turn that debt instrument into a positive return. For 2012, most participants are expecting monetization to come through refinancing, followed closely by sale of the corporate borrower to either a strategic of a private equity firm. A slim 33% of respondents noted that exit opportunities will be limited.

"Liquidity sources for long-term exits will vary significantly in 2012 depending on the nature of the assets of the distressed entity. Where an ongoing business does not maximize value (i.e., solar, aging intellectual property or manufacturing assets), asset sales will be the primary sources. Where significant uncertainty exists as to the timing of future business (i.e., shipping), current lenders (or buyers of such positions) will likely take control and provide short-term liquidity. For distressed assets in need of relief from too much debt and which need capital, liquidity will come from strategic combinations and/or refinancings."

Jeff Sabin, Partner, Bingham McCutchen LLP

SURVEY FINDINGS

In 2011, there have been 27 corporate bankruptcies. What do you think the number will be in 2012?



Much of 2011 was quiet on the bankruptcy front, but the end of the year produced a flurry of filings that included high-profile cases such as AMR Corp and MF Global, along with more under-the-radar situations such as William Lyon Homes and Delta Petroleum. Of the 27 bankruptcies this year, 10 took place after 1 November.

For 2012, participants are divided on where the trend projects. While 34% expect the number of bankruptcies to stay roughly flat between 20 and 27, a nearly equal 33% expect 2012 to feature more activity to the tune of between 28 and 35 bankruptcies.

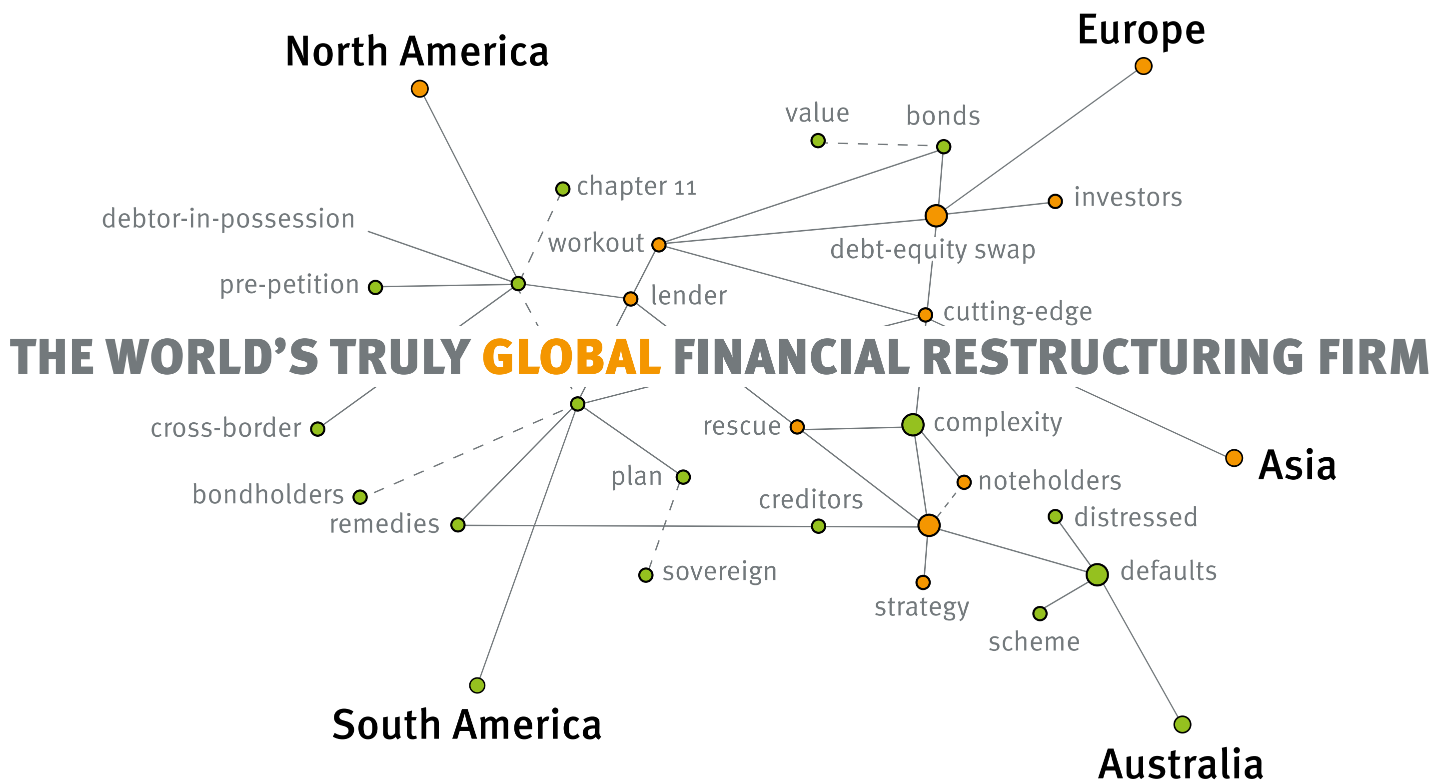
On the extreme ends of the sample, an exceptionally bearish 14% minority expect there to be more than 35 bankruptcies in 2012 while 19% of respondents project less than 20 cases.

"While the bankruptcy court dockets have been a bit leaner the past couple of years with respect to large corporate filings, we saw a slight uptick in the number of filings in 2011, as particular industries (such as solar) were hit especially hard, and others (see American Airlines) saw bankruptcy used as a tool to renegotiate contracts. While we expect a continued appetite for amending-and-extending, there are always some companies and some industries that will buck the trend and file for bankruptcy protection."

Sabin Willett, Partner, Bingham McCutchen LLP

"While default rates remain low, the 4Q11 pick-up in bankruptcy filings suggests the potential for defaults to increase in 2012. If the credit markets close again as they did in 3Q11, many legacy deals, especially 2006 & 2007 vintage LBOs, may be unable to refinance their overlevered capital structures as they begin to reach maturity dates."

David Miller, Managing Director, Macquarie Capital



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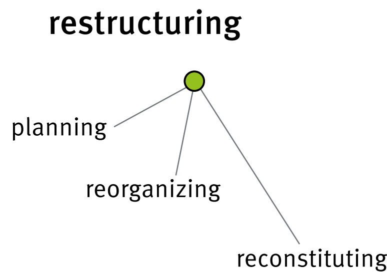


THE VALUE OF GLOBAL REACH AND INSIGHT

In 2011, Bingham played a lead role in some of the world's largest and most complex restructurings, demonstrating the ability to think creatively across borders, balance diverse interests and develop innovative solutions.

RESTRUCTURING ONE OF IRELAND'S LARGEST COMPANIES

Privately owned Quinn Group Limited had been one of Ireland's most successful companies, focusing on cement and concrete products, container glass, general and health insurance, radiators, plastics, hospitality, and real estate. Bingham represented the private placement noteholders on the €1.3 billion financial restructuring of the company, an extension of the role we had been playing since 2008. During this period, we were involved in the appointment of a share receiver, the administration and subsequent sale of Quinn's insurance subsidiary, and a complete operational and financial restructuring of the Quinn Group. The restructuring attracted a considerable amount of media and political attention. Agreement among the creditors was finally obtained through a Northern Irish law Company Voluntary Arrangement, which relieved the Group's manufacturing companies of more than €800 million of debt and delivered control of the group to the creditors.

BIGGEST CHALLENGE? Balancing the competing interests and aims of many stakeholders — the Quinn family (owners of the business), Anglo Irish Bank (a nationalized bank) and the Irish government, employees and representative bodies, the joint administrators of Quinn Insurance Limited and the High Court, the third-party purchaser of the insurance business, and many primary and secondary investors in the group's debt — to deliver a comprehensive restructuring of the group for our clients.

SECURING AN ABOVE-PAR TENDER OFFER IN A NATIONALIZED VENEZUELAN PROJECT

On Oct. 11, 2010, Venezuelan President Hugo Chavez announced the nationalization of Venezuela's largest fertilizer company, Fertilizantes Nitrogenados de Venezuela, Fertinitro, C.E.C., as part of his plan to nationalize the food production sector. With US$250 million in outstanding bonds, holders were concerned about the future of the project and its ability to repay the bond debt. Bingham organized and represented a multinational group of bondholders, including insurance companies, banks and asset managers. Our role included analyzing remedial and public relations strategies for creditors, assessing timing and proposals based on evolving conditions, and structuring discussions with the Venezuelan authorities to capitalize on successes in the wake of previous nationalizations. We were able to negotiate an above-par tender offer for the bonds and help the Venezuelan government structure the payout for maximum protection and efficiency.

BIGGEST CHALLENGE? Replicating premium bond payout levels of other Venezuelan petrochemical nationalizations in the face of the massively deteriorating finances of President Chavez's government, the president's poor health and weak bondholder rights/protections in the original deal.

ADVISING TEPCO INVESTORS AFTER THE JAPANESE TSUNAMI

The tragic earthquakes and tsunami that struck Japan on March 11, 2011, created enormous challenges for the Japanese people — and for Tokyo Electric Power Company (TEPCO), the nation's largest electric utility serving much of Japan's population and critical industries. TEPCO's Fukushima nuclear reactors were heavily damaged and shut down, and potential liabilities seemed incalculable. With the utility facing an uncertain future, and more than US$60 billion in TEPCO bonds outstanding — 10 percent of the entire Japanese bond market — an informal committee of international investment funds formed by Bingham turned to the firm's Tokyo and Hong Kong offices for guidance. Potential losses on TEPCO holdings could be severe, and investor risks are magnified by legal and political uncertainty concerning bankruptcy, nationalization, undefined nuclear liability, victim compensation and questions around a misunderstood statutory priority favoring the bonds.

BIGGEST CHALLENGE? The need for firsthand, on-the-ground analysis of political sentiment, evolving government approaches and a clear perspective on unprecedented legal issues.

LEADING ROLE IN AUSTRALIA'S RESTRUCTURING DEAL OF THE YEAR*

Alinta Finance Group had been owned by Alinta Energy, a company listed on the Australian Stock Exchange and one of Australia's largest suppliers of power, gas and electricity. The finance subsidiary had issued AUD2.8 billion of secured bank debt. Working with local counsel, Bingham represented a major secured creditor in the consortium that led the restructuring and deleveraging of the group. Of special significance, the plan involved a debt-for-equity swap through a complex court-approved scheme of arrangement under Australian law that bound all secured lenders to the restructuring —a first in Australia for secured bank debt. Bingham was the only non-Australian law firm with a lead role and was able to provide the perspective of its in-house Australian knowledge and its extensive international restructuring experience.

* *ALB Law Awards*, 2011

BIGGEST CHALLENGE? Negotiating a highly complex deal that had to balance the interests of the consortium members between themselves as well as the interests of the consortium members with those of a large diverse group of syndicate participants across the world.

DELIVERING 100 PERCENT OF THE EQUITY TO BONDHOLDERS IN U.S. DRUG COMPANY REORGANIZATION

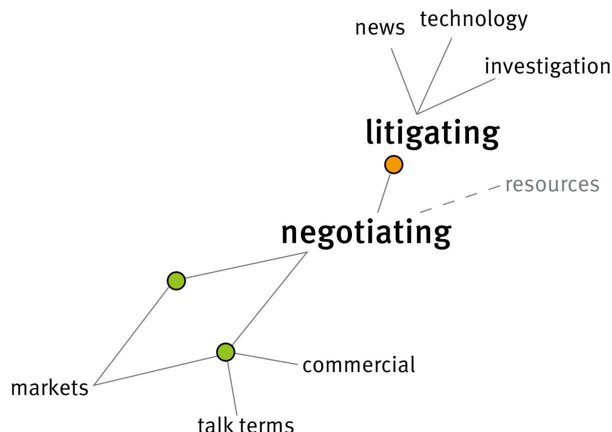
When Molecular Insight Pharmaceuticals filed for bankruptcy, it had numerous drugs at various stages of development or in the approval process in the U.S. and Europe. It also had total pre-petition bond debt in excess of US$200 million. Bingham represented an informal group of senior secured bondholders in the United States Bankruptcy Court that did not support the plan support agreement proposed to the court. Under this plan, a third-party investor would receive 100 percent of the equity in the reorganized company and the bondholders' debt would be restructured. By contesting the plan and negotiating aggressively during the proceeding, we helped convince the company — and the court — to agree to a new plan support agreement granting 100 percent of the equity in the reorganized company to bondholders.

BIGGEST CHALLENGE? Developing a business plan and valuations driven almost entirely by the success of as-yet unapproved drugs, complicated by Section 365(n) issues — as both licensee and licensor — related to its drug candidates.

PREVENTING ONE OF NORWAY'S LARGEST BOND DEFAULTS

Sevan Marine ASA is a Norwegian company that developed a unique design for floating production, storage and offloading vessels. When the market for Norwegian bonds was strong, the company had issued approximately US$700 million in bonds. But when market conditions deteriorated, Sevan could no longer access the bond or equity markets to raise sufficient capital to fund ongoing project costs. This led to a liquidity crisis that was not expected by the market and the need for an urgent restructuring of Sevan's capital structure. Bingham's London office has a market-leading practice in the restructuring of companies operating in the marine and offshore sectors, as well as in the restructuring of Norwegian law-governed bond debt, and was retained by the bond trustee to advise the secured and unsecured bondholders in all four series of bonds on a consensual restructuring of the outstanding bond debt. The solution included the issuance of a new bridge loan bond, a sale of Sevan's operating vessels to a strategic investor in settlement of the secured bond liabilities and some of the unsecured bond liabilities, and a partial conversion of the unsecured bonds into the equity of Sevan's remaining engineering business. The result? All stakeholders benefited from enhanced recoveries compared with the alternative outcome of an insolvency and enforcement. In addition to Sevan Marine, Bingham has recently led numerous restructurings of companies that have issued bonds and bank debt in the marine and offshore sectors under English law, Norwegian law and New York law, including Northern Offshore, Remedial Offshore, Cenargo International (t/a Norse Merchant Ferries), Cecon ASA, Marine Subsea, Skeie Drilling and Petromena ASA. A number of these restructurings have involved the use of U.S. Chapter 11 proceedings for non-U.S. incorporated entities.

BIGGEST CHALLENGE? Managing complex intercreditor issues and competing stakeholder interests in the face of a liquidity crisis.



For more, tap into bingham.com/restructuring

RECOGNITION FOR OUR GLOBAL FINANCIAL RESTRUCTURING PRACTICE...

Bingham McCutchen LLP's 'great team' is recognized for its ability 'to work on a myriad of complicated situations.'

— *Legal 500 USA*

Probably the most talked-about firm for restructuring and insolvency work [in Japan], this team is able to provide a unique expertise on multi-jurisdictional matters...[and] works closely with its counterparts in London and Hong Kong...

— *Chambers Asia*

"International clients, such as US insurance companies, rely on the cross-border know-how and the consistent pursuit of clients' interests in complex restructuring and refinancing of their bonds and loans."

— *JUVE Handbuch*

"Bingham has a stellar reputation for bondholder representation in debt restructuring...'These practitioners lead negotiations from both a legal and a commercial perspective.'"

— *Chambers Europe*

This group has built up a strong creditor practice through its 'deep involvement' in both new and distressed investments...Clients praise the team's related corporate and securities strengths, and appreciate its ability to deal with 'the most heated and ugly litigation.'

— *Chambers USA*

For the fifth consecutive year, Bingham was selected as a leading law firm for restructuring and insolvency in England by PLC in its *Cross-Border Handbook: Restructuring and Insolvency 2011/12*. Bingham was the only U.S. firm to achieve this top-tier ranking.

— *Practical Law Company*

...AND FOR OUR RESTRUCTURING PARTNERS

The 'incisive and solutions-oriented' **Michael Reilly** stands out to peers as a leading lawyer in his field. 'Clients keep going back to him,' reported sources, because he is 'smart and excellent around the negotiating table.'

— *Chambers USA*

James Roome is lauded by clients as being knowledgeable, creative and commercial.

— *Chambers UK*

Jeff Sabin is described by sources as 'an immensely bright and intelligent attorney' with a talent for forming solid lines of strategy.

— *Chambers USA*

Amy Kyle 'is able to focus on what really matters without getting caught up in the minutiae' and has the capacity 'to think through complex issues and come up with a practical response.'

— *Chambers USA*

Barry Russell 'has it all — top shelf understanding of the law; deep relationships with his peers and the bank community; very responsive and hard working,' says another client.

— *IFLR 1000, United Kingdom*

The 'experienced and highly capable' **Edwin Smith** has an excellent pedigree in the market...and 'probably knows more than anyone in the country at matters at the interface between the UCC and bankruptcy.'

— *Legal 500 USA*

IFLR Expert Guides recognizes **Tim DeSieno** as a "leading expert in the United States," and the *Legal 500* acknowledges that he has established a niche in sovereign debt issues.

— *IFLR Expert Guides/Legal 500 USA*

Clients praise **Ronald J. Silverman** as 'exceptionally knowledgeable on cross-border insolvency.'

— *IFLR Insolvency and Restructuring Lawyers*

ABOUT BINGHAM

Bingham offers a broad range of market-leading practices focused on global financial services firms and Fortune 100 companies. We have more than 1,000 lawyers in 14 locations in the U.S., Europe and Asia.

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RESTRUCTURING & DEBT MARKETS 2011 YEAR-IN-REVIEW AND 2012 OUTLOOK

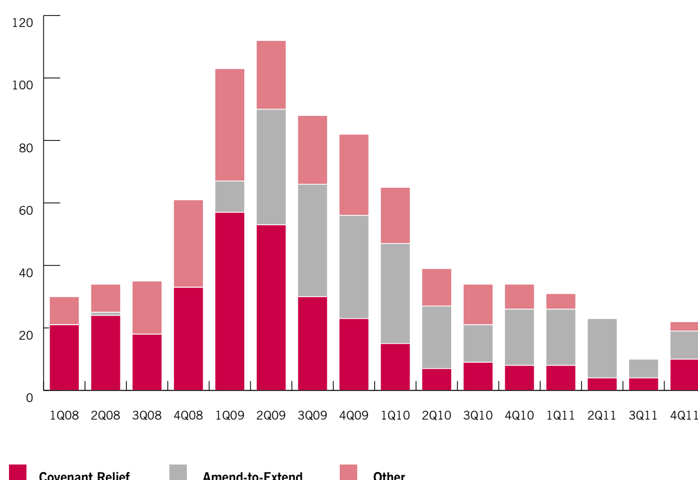
BY: DAVID MILLER, MATT WAYMAN AND OWEN BASHAM, MACQUARIE CAPITAL

2011 YEAR-IN-REVIEW

Introduction

In the restructuring market, 2011 was a year characterized by sporadic activity and limited headlines. Professionals maintain that activity levels remained steady but sentiment was overshadowed by global economic news and gridlock in Washington. While there was a slow stream of bankruptcies and out-of-court restructurings, many had been imminent for several years. The total count of restructurings and amendments was well below the historical average but started to trend upward near the end of the year. In the debt markets, a record-setting first half was tempered by a summer freeze that only recently began to thaw. Low interest rates are not only aiding the anemic growth in the US economy, but are also shielding over levered companies from high interest costs and keeping alive hopes of avoiding default through an opportunistic refinancing. Going forward, smaller companies and storied credits may struggle to access credit, driving the default rate upward. Finally, as market volatility continues, alternative financing sources will expand their market share as they provide necessary, albeit expensive, capital.

Quarterly Amendment Count



Default Rate & Bankruptcy Trends

While default rates remain below historical norms, a modest volume of in- and out-of-court restructurings occurred throughout 2011. According to the Deal Pipeline, there were 184 bankruptcy filings in 2011 by companies with over $100 million of liabilities. This is in line with 2008 but down 55% from 2009 and 30% from 2010. A key trend in bankruptcy filings has been a decline of free-falls and a corresponding increase in companies filing with pre-packaged/pre-negotiated plans or stalking horse bidders in place. Many of the companies that are filing now have been distressed for some time, but were not forced into a filing by lenders and used this breathing room to enter bankruptcy on their own terms. The default count, as tracked by S&P, picked up in the final two weeks of the year with 7 defaults, or 13% of the 2011 total, occurring after December 15.

Amendment Activity

Driven by improving EBITDA levels and the fact that many credits have previously defaulted or been amended, amendment activity levels were anemic in 2011. Among issuers tracked by S&P LCD, there were only 41 covenant relief amendments in 2011, down from 60 in 2010 and over 200 in 2009. After a surge where over 130 amend-to-extend transactions occurred during the second half of 2009 and the first half of 2010, less than 60 occurred in 2011. Given the outlook for interest rates, the limited ability of CLOs to hold longer dated paper and the rise of Eurozone default concerns, amendment activity levels declined even further during the second half of 2011.

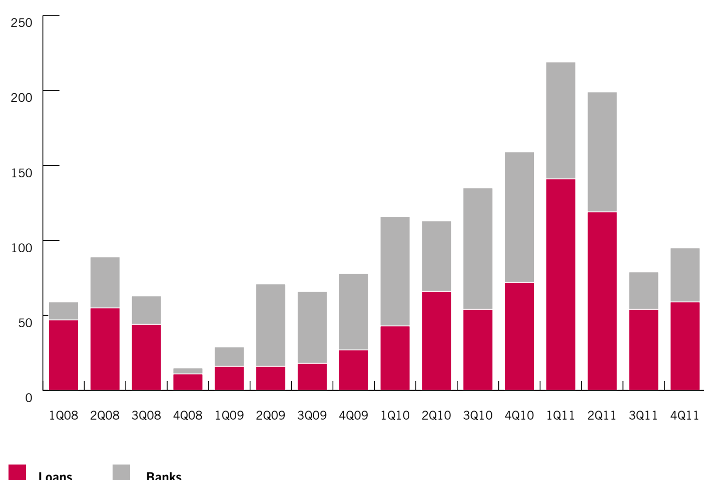
Debt Market Environment

2011 was a tale of two distinct halves for the debt markets. While overall leveraged finance volume reached its highest levels since 2007, almost 70% of this issuance occurred in the first half of the year. M&A-related leverage finance remained relatively steady throughout the year but refinancings and dividend recapitalizations plunged in the second half after a strong start. In 2011, 17% of bond volume had a CCC component, in line with 2010. This amount peaked at 37% in 2007 and troughed at 11% in 2009.

High Yield Bonds

Building on a record year in 2010, the high yield markets got off to a fast start in 2011. At the midpoint of the year, LTM high yield issuance was $326 billion, 14% ahead of 2010's record pace. In the third quarter though, rising concerns over the potential for a sovereign defaults in Europe coupled with the debt ceiling clash and subsequent S&P downgrade of the U.S. created strong headwinds for issuers. As a result, August set a three year low for issuance and the third quarter had the lowest volume levels since the first quarter of 2009. Spreads followed market activity and the average S&P B-rated issuer paid 8.8% in the second half of the year, a full percent more than in the first half. Average bid prices, which started the year at 99 and crept up to almost 104 in May, closed the year at 97. Rising yields led issuers to postpone new offerings and investors who had driven bids well above par pulled back at the first signs of a slowing market.

Quarterly Leveraged Finance Volume



Leveraged Loans

Despite a second half slowdown, loan issuance surpassed high yield issuance for the first time since 2008. Loan activity made up over 60% of the leveraged finance market, up from 45% in 2010 and 32% in 2009. This shift was caused by two main factors: a declining amount of near term loan maturities which led to reduced takeouts of loans via bonds and a huge first half surge in loan repricings and refinancings. Loans supporting acquisitions increased 30% over 2010 as strong loan markets in the beginning of the year led acquirers to return to their traditional source of financing. Annual dividend recapitalization levels reached record highs despite almost all of the activity occurring in the first half. While CLO issuance was almost four times higher than in 2010 and 2009 combined, total volume still remains 85% below the banner years of 2006 and 2007. Consolidation continues to be a key theme in the CLO market as several larger asset managers, seeking to capitalize on scale and enhance their strong brand names, have been consolidators in the industry. While new CLO deals continue to print a consistent rate, it is likely that issuance will stabilize at levels closer to 2011 volume than prior years. As many legacy CLOs see their reinvestment periods close and begin to wind down over the next few years, CLOs are expected to become a less prominent factor in the leveraged loan market.

2012 OUTLOOK

Default Rates

The once ominous leveraged loan maturity wall has yet to lead to a significant upturn in default rates as a combination of refinancings and extensions has allowed companies to push out maturities. The vast majority of 2012 and 2013 maturities have been dealt with and even the 2014 maturity total was reduced by half in the last two years. Barring a credit market freeze or global economic shock, the maturity wall for larger credits and higher rated issuers is likely to continue to be pushed into the future.

However, we believe the story is different for lower rated credits and middle market companies. Issuers that may be too small to access the high yield market or are in a stressed situation will likely continue to struggle to raise sufficient capital. This trend came to the forefront in December with a spate of defaults that pushed the S&P US speculative grade default rate up from 2.0% to 2.3%. S&P expects this rate to continue to increase to 3.1% by September 2012 as issuance remains slow and borrowing costs rise.

Interest Rates

Low interest rates have continued to be a key lifeline for many leveraged borrowers as base rates have fallen precipitously since many 2006/2007 era loans were arranged. While some issuers have seen their interest costs increase through amendments or partial restructures that added LIBOR floors or increased margins, this low rate environment has helped mitigate these increases. Macquarie's economics team forecasts the Federal Reserve will leave the Fed Funds Rate at current lows through the end of 2013, which, if coupled with continued economic improvement, will allow many borrowers additional time for performance to improve in advance of attempting opportunistic refinancings.

Non-Traditional Financing Sources

Beyond the high yield and syndicated loan markets, higher cost lenders including hedge funds, mezzanine lenders and unitranche debt providers have maintained and in some cases expanded their role in the market. We believe as more companies are finding they cannot refinance their entire capital structure, alternative sources of new junior capital will be required to complete a transaction. While larger companies can access the high yield market, middle market issuers have increasingly gone to hedge funds or mezzanine funds to help fill this gap. Loans provided by these lenders are rarely the cheapest option, in fact usually they're far from it, but they can be more flexible and especially in the case of hedge funds, can serve as a last resort to provide liquidity to see a company through to a more fulsome restructuring.

For new deals, the rise of unitranche funds has provided sponsors a one-stop source for a full capital structure solution. The continued volatility in the debt markets coupled with a preference of avoiding widely syndicated financings by sponsors who were burned in recent years has made unitranche a viable option for some borrowers. That said, the future of unitranche remains uncertain given the propensity of borrowers to return to their traditional multi-tranche structure during periods of stronger debt markets.

Conclusions

Assuming the powers at be in Europe are able to reach a long term resolution to the current debt crisis and slowly improving economic growth in the U.S. continues, the debt markets could be poised to repeat their performance from the first half of 2011. On the other hand, there remains a forward calendar for Q1 2012 that is one of the largest in recent history. While funds remain flush with cash due to the low default rate, any hiccup in putting money to work may lead to negative outcomes for issuers.

As for the restructuring market, it is our view that the stream of bankruptcies will continue to slowly increase in 2012. While activity levels may not reach 2009, we expect that middle market bankruptcies, especially involving companies owned by financial sponsors, will increase in volume. Sponsors will be looking for soft exits to maintain strategic fund raising capability from many credits that have returned money through dividend recapitalizations.

Many of the typical metrics that are used to forecast default rates continue to show mixed messages. While the percentage of the S&P/LSTA index loans that were rated CCC by S&P ended 2011 at 10%, the highest amount in 26 months, over 80% of this total could be attributed to only 10 issuers. At year end, the average spread of the same index was at L+633 versus a historical average of L+431. Based on calculations by S&P, this elevated rate should imply a default rate over 6% higher than current readings. As we turn the calendar to 2012, we appear to be reaching an inflection point in the global economic malaise. Despite improving economic data, we are still looking ahead at numerous issues – not the least of which are a U.S. presidential election, the potential of a European sovereign default and unrest in the Middle East and Asia – that could push the global economy off course. While the outlook for 2012 is far from certain, it at least forecasts to be an eventful year.

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- Official and ad-hoc committees
- Boards of Directors
- Bondholders
- Purchasers of distressed assets.

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- Debtor-in-Possession Financing
- Exit Financing
- Rescue Financing
- Refinancing
- Private Financings

Distressed M&A
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- Stalking Horse Transactions
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Selected recent transactions

The undersigned acted as financial advisor to the Company in a Section 363 sale of substantially all of its assets

Macquarie Capital (USA) Inc.
Financial Advisor

2011

The undersigned acted as financial advisor to the Company in the placement of DIP financing and a Section 363 sale of substantially all of its assets

Macquarie Capital (USA) Inc.
Financial Advisor

2011

The undersigned acted as financial advisor to the 1st lien lender group in an amendment of the credit facility and recapitalization of the Company's balance sheet

Macquarie Capital (USA) Inc.
Financial Advisor

2011

The undersigned acted as exclusive financial advisor to the Official Committee of Unsecured Creditors of Ambassadors International, Inc

Macquarie Capital (USA) Inc.
Financial Advisor

2011

The undersigned acted as financial advisor to the Bank in the sale of several portfolios of real estate loans with face value exceeding $115 million

Macquarie Capital (USA) Inc.
Financial Advisor

2011

The undersigned acted as financial advisor to the 1st lien lender group

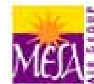
Macquarie Capital (USA) Inc.
Financial Advisor

2011

The undersigned acted as exclusive financial advisor to the Senior Bondholders of the Connector 2000 Association, Inc.

Macquarie Capital (USA) Inc.
Financial Advisor

2011



The undersigned acted as exclusive financial advisor to the Official Committee of Unsecured Creditors of Mesa Air Group, Inc.

Macquarie Capital (USA) Inc.
Financial Advisor

2011

The undersigned acted as financial advisor to the 1st lien lender group

Macquarie Capital (USA) Inc.
Financial Advisor

2011

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FORWARD thinking

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