

# Special Situations and Liability Management Advisory

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APRIL 2020

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Houlihan Lokey is the trusted advisor to more top decision-makers than any other independent global investment bank.

## Corporate Finance

### 2019 M&A Advisory Rankings All U.S. Transactions

Advisor	Deals
<b>1 Houlihan Lokey</b>	<b>184</b>
2 Goldman Sachs & Co	167
3 JP Morgan	141
4 Morgan Stanley	122
5 Evercore Partners	112

Source: Refinitiv (formerly known as Thomson Reuters)

**No. 1** U.S. M&A Advisor

**Top 10** Global M&A Advisor

**Leading** Capital Markets Advisor

## Financial Restructuring

### 2019 Global Distressed Debt & Bankruptcy Restructuring Rankings

Advisor	Deals
<b>1 Houlihan Lokey</b>	<b>76</b>
2 PJT Partners Inc	43
3 Moelis & Co	36
4 Lazard	29
5 AlixPartners	19

Source: Refinitiv (formerly known as Thomson Reuters)

**No. 1** Global Restructuring Advisor

**1,000+** Transactions Completed  
Valued at More Than \$2.5 Trillion  
Collectively

## Financial and Valuation Advisory

### 2000 to 2019 Global M&A Fairness Advisory Rankings

Advisor	Deals
<b>1 Houlihan Lokey</b>	<b>1,057</b>
2 JP Morgan	929
3 Duff & Phelps	734
4 Morgan Stanley	621
5 Bank of America Merrill Lynch	612

Refinitiv (formerly known as Thomson Reuters). Announced or completed transactions.

**No. 1** Global M&A Fairness Opinion  
Advisor Over the Past 20 Years

**1,000+** Annual Valuation  
Engagements

# Solution-Oriented Capital Markets Platform

Houlihan Lokey's Capital Markets Group is comprised of ~45 dedicated professionals across eight offices in five countries that raised ~\$11.5 billion in more than 55 transactions during 2019 with over 40 different financial sponsors.

## Capabilities

### Private Capital Solutions

- Placement of solution-oriented capital for a wide range of financing needs
- Differentiated investor relationships and access to decision-makers
- High-touch, confidential, targeted process
- Senior debt to minority equity
- Market leading franchise



















### Capital Markets Advisory

- Independent advisor on bank commitments and securities offerings
- Liability management—tender offers, exchange offerings, and consent solicitations
- Evaluate public vs. private markets
- Value-added distribution (anchor investors)
- Ability to act as bookrunner/co-manager

### Syndicated Leveraged Finance Platform (LBO Finance)

- Arranger of underwritten financings, via HL Finance, LLC
- “Side-car” committed funding—up to \$1 billion per transaction
- Dedicated team of seasoned professionals
- Club distribution, broadly syndicated loans, and bond/bridge underwritings

## Select Transactions

 <p>Transaction Pending</p> <p>has entered into a binding commitment for a super senior term loan facility</p> <p>Financing Advisor</p>	 <p>Series A Senior Secured Notes</p> <p>Growth Capital</p> <p>\$50,000,000</p> <p>Exclusive Financial Advisor &amp; Placement Agent</p>	<p><b>Project Gorilla</b></p> <p>a portfolio company of</p> <p>Global private investment firm with over \$80 billion AUM</p> <p>\$690,000,000 HoldCo Term Loan</p> <p>Dividend Recapitalization</p> <p>Exclusive Placement Agent</p>	 <p>a portfolio company of</p> <p>Revolver &amp; Term Loan</p> <p>Refinancing</p> <p>\$275,000,000</p> <p>Exclusive Placement Agent</p>	 <p>has acquired</p> <p><b>Gexpro Services</b></p> <p>ABL Revolver &amp; Term Loan</p> <p>Acquisition Financing</p> <p>Exclusive Placement Agent</p>
 <p>Growth Equity</p> <p>\$40,000,000 Preferred Equity</p> <p>Exclusive Placement Agent</p>	 <p>a portfolio company of</p> <p>Pro Rata Revolver, First-Lien Term Loan &amp; Mezzanine Debt</p> <p>Acquisition Financing &amp; Refinancing</p> <p>\$80,000,000</p> <p>Exclusive Placement Agent</p>	 <p>has acquired</p> <p><b>Skyline</b></p> <p>Senior Secured Credit Facility</p> <p>Senior Subordinated Notes</p> <p>Non-Voting Preferred Equity</p> <p>Acquisition Financing</p> <p>Exclusive Placement Agent</p>	 <p>a portfolio company of</p> <p><b>CLAIRVEST</b></p> <p>Common Equity</p> <p>C\$100,000,000</p> <p>Placement Agent</p>	 <p>has acquired</p> <p><b>CENIRO MOTION</b></p> <p>Term Loan &amp; Delayed Draw Term Loan</p> <p>Acquisition Financing</p> <p>Exclusive Placement Agent</p>
<p><b>Project Helios</b></p> <p>Solar Development Lending</p> <p>ABL Revolver</p> <p>Dividend Recapitalization</p> <p>\$100,000,000</p> <p>Exclusive Placement Agent</p>	 <p>has acquired</p> <p><b>crafty apes</b></p> <p>Senior Term Loan and Preferred Equity</p> <p>Acquisition Financing</p> <p>Exclusive Placement Agent</p>	 <p>has acquired</p> <p><b>KELLERMEYER BERGENSON SERVICES</b></p> <p>Senior Secured Credit Facility</p> <p>Acquisition Financing</p> <p>\$840,000,000</p> <p>Exclusive Placement Agent and Joint Lead Arranger</p>	 <p>has acquired</p> <p><b>Cole-Parmer</b></p> <p>Cash Flow Revolver, Term Loan</p> <p>Acquisition Financing</p> <p>November 2019</p> <p>\$845,000,000</p> <p>HL Finance, LLC</p> <p>Joint Lead Arranger and Joint Bookrunner</p>	 <p>three portfolio companies of</p> <p><b>CONTRARIAN CAPITAL MANAGEMENT, LLC</b></p> <p><b>MONOMOY CAPITAL PARTNERS</b></p> <p>ABL Revolver &amp; Term Loan</p> <p>Refinancing</p> <p>\$150,000,000</p> <p>Exclusive Placement Agent</p>
 <p>a portfolio company of</p> <p><b>RIVER STONE</b></p> <p>\$25,000,000 ABL Revolver</p> <p>\$150,000,000 Term Loan</p> <p>Exclusive Placement Agent</p>	 <p>has acquired</p> <p><b>ATAX</b></p> <p>Senior Secured Credit Facility</p> <p>Acquisition Financing</p> <p>\$85,000,000</p> <p>Exclusive Financial Advisor &amp; Placement Agent</p>	 <p>a portfolio company of</p> <p><b>AB</b></p> <p>ABL Revolver</p> <p>Refinancing</p> <p>\$65,000,000</p> <p>Exclusive Placement Agent</p>	 <p>Senior Secured Credit Facilities</p> <p>Refinancing</p> <p>HL Finance, LLC</p> <p>Side Bookrunner and Joint Lead Arranger</p>	 <p>Senior Term Loan</p> <p>Senior Participating Perpetual Preferred Equity</p> <p>Refinancing / Recapitalization</p> <p>Exclusive Placement Agent</p>

# Private Capital Solutions

## Unique Value Proposition

Maximize interest and optimize terms with a high-touch process by accessing senior-level decision-makers at the right capital providers.

### Placement of capital in the private markets to address a wide range of financing needs

- Access capital when traditional markets/providers are inappropriate or unreceptive

### High-touch process designed to achieve outlier outcomes when market feedback is diverse

- Targeted/prescreened investors for an efficient and discreet process
- Thoughtful, creative positioning supported by deep diligence
- Pricing/structure to be “most aggressive,” not “marginal” dollar

### Leverage differentiated Houlihan Lokey distribution

- Direct lending funds, diversified asset managers, finance companies, insurance companies, family offices, mezzanine funds, mutual funds, pension funds, structured equity providers, special situations/opportunity funds

### Financing solutions for companies at various stages of the corporate lifecycle

- Acquisition finance, dividend recapitalizations, refinancings, growth capital, special situations
- ABLs/FILOs, secured loans, mezzanine debt, holdco notes/preferred, structured equity, co-investment equity

## Bespoke Capital for Complex Assets/Situations

### Complex Stories or Financial Performance

- |                           |                        |
|---------------------------|------------------------|
| ▪ Carve-outs              | ▪ High capex           |
| ▪ Customer concentration  | ▪ Hyper growth         |
| ▪ Cyclical business       | ▪ Misunderstood trends |
| ▪ Geographic diversity    | ▪ Add-backs/synergies  |
| ▪ Misunderstood sectors   | ▪ Run-rate adjustments |
| ▪ Operational turnarounds | ▪ Maturity adjustments |



### Opportunistic/Situational Capital Needs

- |                               |                              |
|-------------------------------|------------------------------|
| ▪ Covenant-lite/loose         | ▪ Confidentiality/discretion |
| ▪ Leverage maximization       | ▪ Recapitalizations          |
| ▪ Equity minimization         | ▪ Market dislocation         |
| ▪ Shareholder liquidity       | ▪ Delayed-draw facilities    |
| ▪ Bridge/transitional capital | ▪ Liquidity facilities       |
| ▪ Short timelines             | ▪ Rescue finance/bankruptcy  |

# Leader in Financial Restructuring

Houlihan Lokey has the largest, most experienced worldwide financial restructuring practice of any investment banking firm, with offices in the United States, Europe, the Middle East, and the Asia-Pacific region. In 2019, we worked on more than 175 restructuring-related transactions on behalf of companies, their creditors and shareholders, and other constituents. Houlihan Lokey has advised on more than 1,000 restructuring transactions with aggregate debt claims in excess of \$2.5 trillion.

Our group employs an interdisciplinary approach to engagements and is accustomed to evaluating complex, highly-leveraged situations in short time frames. We are also a recognized leader in achieving M&A transactions for distressed companies.

## No. 1 ranked global investment banking restructuring advisor

### 2019 Global Distressed Debt & Bankruptcy Restructuring Rankings

	Advisor	Deals
1	<b>Houlihan Lokey</b>	<b>76</b>
2	PJT Partners Inc	43
3	Moelis & Co	36
4	Lazard	29
5	AlixPartners	19

Source: Refinitiv (formerly known as Thomson Reuters)

## Houlihan Lokey has advised major parties-in-interest

### Advisor in 12 of the 15 Largest Bankruptcies 2000-2019

Company	Assets (\$bn)
<b>Lehman Brothers Holdings Inc.</b>	<b>691.1</b>
<b>Washington Mutual Inc.<sup>(1)</sup></b>	<b>327.9</b>
<b>WorldCom Inc.</b>	<b>103.9</b>
<b>General Motors Corporation</b>	<b>91.0</b>
<b>CIT Group Inc.</b>	<b>80.4</b>
<b>PG&amp;E Corporation (Pacific Gas) (2019)</b>	<b>71.4</b>
<b>Enron Corp.</b>	<b>65.5</b>
<b>Conseco Inc.</b>	<b>61.4</b>
<b>Energy Future Holdings Corp.</b>	<b>41.0</b>
MF Global Holdings Ltd.	40.5
Chrysler LLC	39.3
<b>Thornburg Mortgage Inc.</b>	<b>36.5</b>
<b>Pacific Gas &amp; Electric (2004)<sup>(2)</sup></b>	<b>36.2</b>
<b>Refco Inc.</b>	<b>33.3</b>
IndyMac Bancorp	32.7

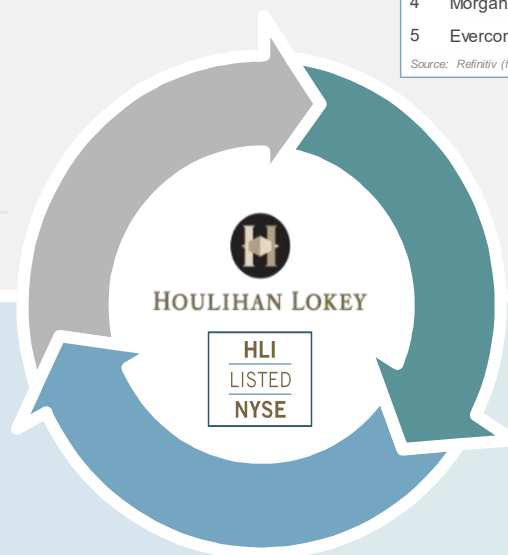
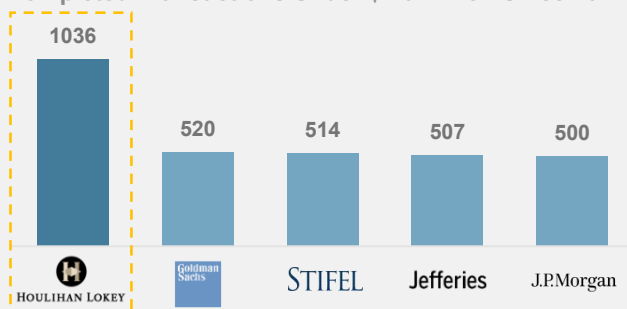
(1) Houlihan Lokey advised certain creditors of the Washington Mutual Receivership. (2) Houlihan Lokey advised a group of noteholders of Pacific Gas & Electric subsidiary National Energy Group Inc.  
Source: BankruptcyData.com January 2020.

# No. 1 M&A Advisor All U.S. Transactions

## LEADING M&A ADVISOR TO MIDDLE-MARKET COMPANIES

- No. 1 M&A advisor for all U.S. transactions under \$1 billion since 2006
- Closed 700+ M&A deals under \$1.5 billion in the past five years
- No. 1 advisor to privately-held mid-cap companies on M&A transactions

## Completed Transactions Under \$1.0 Billion Since 2014



## FULLY INTEGRATED DEBT CAPITAL MARKETS AND PRIVATE EQUITY COVERAGE TEAMS

### Debt Capital Markets

- Global team of ~45 professionals with unmatched capabilities
- Broad knowledge of, and senior-level contact into, all major credit investors
- Raised more than \$30 billion of capital in the past three years
- Among largest dedicated alternative investor coverage team in the industry

### Private Equity Coverage

- 19 senior officers dedicated to the sponsor community in North America and Europe
- Coverage of 1,275+ private equity firms, hedge funds, and family offices
- Worked on more than 1,000 engagements for financial sponsors in 2019

### 2019 M&A Advisory Rankings All U.S. Transactions

Advisor	Deals
1 Houlihan Lokey	
2 Goldman Sachs & Co.	
3 JP Morgan	
4 Morgan Stanley	
5 Evercore Partners	

Source: Refinitiv (formerly known as Thomson Reuters)

### 2019 M&A Advisory Rankings U.S. Transactions Under \$3 Billion

Advisor	Deals
1 Houlihan Lokey	
2 Goldman Sachs & Co.	
3 JP Morgan	
4 Jefferies LLC	
5 Raymond James	

Source: Refinitiv (formerly known as Thomson Reuters)

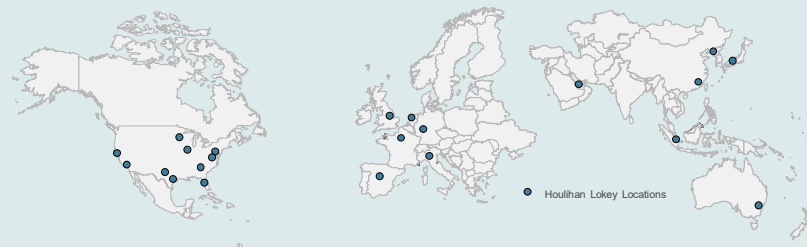
### 2019 M&A Advisory Rankings U.S. Transactions Under \$1 Billion

Advisor	Deals
1 Houlihan Lokey	178
2 Raymond James Financial Inc	102
3 Goldman Sachs & Co	96
3 Jefferies LLC	96
5 Piper Jaffray Cos	94

Source: Refinitiv (formerly known as Thomson Reuters)

## FIRST-CLASS SELLSIDE M&A EXECUTION WITH LOCAL PRESENCE AND GLOBAL REACH

- 23 offices in the U.S., Europe, the Middle East, and the Asia-Pacific region
- 340+ cross-border deals since 2011
- Presence required to access cross-border buyers and extract outlier valuations



*Our integrated project teams work hand-in-hand from day one and are fully aligned to reach one common goal: delivering the maximum result for our clients in any situation.*

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# Houlihan Lokey's Integrated Special Situations and Liability Management Approach

Houlihan Lokey's approach to special situations and liability management is to utilize expertise across business units to best advise our clients.

## Capital Markets Solutions

- Largest capital markets team on Wall Street at a non-balance sheet bank with ~45 professionals
- Raised ~\$11.5 billion across more than 55 transactions during 2019
  - Private placement of senior and subordinated debt, structured equity, off-balance sheet financing/sale leaseback transactions, and growth equity

## Financial Sponsors Coverage

- 900+ covered private equity firms worldwide
- 250+ covered hedge funds
- 125+ covered family offices

## Board Advisory and Opinions

- Leading Board and Special Committee Advisory Services
  - Related party financings
  - Controller or leveraged buyouts
  - Transactions where conflict may exist
- Fairness opinions, solvency, and other transaction opinions
- Leader in providing independent advice to fiduciaries
  - Public company directors
  - Fund general partners



HOULIHAN LOKEY

## Special Situations and Liability Management

- Combines relevant and diverse capabilities under one roof
  - One firm ensures seamless execution
  - Independent advice
- Allows for simultaneous pursuit of multiple paths
  - Liability management, comprehensive refinancing, rescue financing, out-of-court restructuring, asset/business sales, etc.

## Financial Restructuring

- No. 1 Global Restructuring Advisor
  - Restructuring debt/equity
  - Debtor-in-possession (DIP) financing
  - Plans of reorganization, §363 M&A
- Worked on more than 175 restructuring-related transactions in 2019 on behalf of companies, their creditors and shareholders, and other constituents

## Industry Coverage

- Dedicated industry expertise spanning 15 different industry verticals
- No. 1 M&A advisor in U.S. consumer, food, retail; healthcare; and industrial transactions; and technology, media, entertainment, and telecom transactions under \$1 billion<sup>(1)</sup>
- Industry practices led by senior bankers with extensive experience and complementary skill sets

## Mergers and Acquisitions

- No. 1 M&A Advisor for all U.S. Transactions
  - Sellside and buy-side advisory
  - Partial sale or divestiture
  - Joint ventures
  - Strategic alliances
- Global reach: North America, Europe, the Middle East, and the Asia-Pacific region

(1) Refinitiv (formerly Thomson Reuters)

# Special Situations and Liability Management Framework

Houlihan Lokey brings its capabilities across its Capital Markets, Restructuring, and M&A groups to address a broad array of complex capital structure needs and opportunistically create shareholder value.

## Capital Structure Challenges/Opportunities

Maturities

Liquidity

Covenants

Deleveraging

## Strategic/Market Assessment

Business/Financial  
Diligence

Existing Financing  
Documentation  
Review

Existing Stakeholder  
Analysis

New Money  
Alternatives

Value  
Maximization

## Special Situations/Liability Management Tools

Amendments

Up-Tier Exchanges

Incurrence/  
Investment/  
Foreign Baskets

Off-Balance Sheet/  
SPV Financing

Mezzanine/  
Structured Equity

Consents

Discounted  
Exchanges (Debt-  
for-Debt or -Equity)

Asset  
Financings

Bridge  
Facilities

Holdco  
Financing

Repurchases

IPCo Transactions

FILO  
Facilities

Backstopped/  
Anchored  
Syndications

Fund  
Leverage

Tenders

Unrestricted  
Subsidiary Asset  
Transfers

Last-Out/Junior-  
Lien Debt

Rights  
Offerings

Asset Sales/Joint  
Ventures/Mergers

# Representative Special Situations Transactions

Houlihan Lokey has extensive experience providing unique and holistic solutions that address a range of capital structure needs.

## Maturities

### Comprehensive Refinancing/ Recapitalization



has successfully completed a \$2.0 billion recapitalization, including a new \$1.45 billion credit facility and \$557 million of New PIK Toggle Notes

Company Advisor

### Bespoke Junior Capital



a portfolio company of



Revolver  
1st Lien Term Loan  
Senior Subordinated Notes

Refinancing

Exclusive Placement Agent



\$385 million Senior Secured PIK Toggle Notes due 2024

\$62.5 million Series A Convertible Preferred Units

Refinancing / Recapitalization  
June 2019

Exclusive Placement Agent



a portfolio company of



Credit Facility Refinancing

Exclusive Placement Agent



a portfolio company of



has successfully completed a recapitalization transaction

ABL Revolving Credit Facility  
1st Lien Term Loan  
2nd Lien Term Loan  
Minority Equity Investment

Company Advisor



ABL Revolver & Term Loans  
Refinancing

\$307,500,000

Placement Agent

## Liquidity

### Asset-Based FILO Facility



three portfolio companies of



ABL Revolver & Term Loan

Refinancing

\$150,000,000

Exclusive Placement Agent

### SPV/Holdco/ Fund-Level Debt



has completed a \$95.8 million debt financing transaction

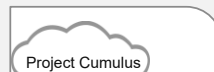
Company Advisor & Placement Agent



Multi-Currency Senior Secured  
Credit Facility  
Refinancing

CAD 232,286,400

Exclusive Placement Agent



\$60 million Class A Units

Exclusive Placement Agent



\$162,500,000  
Senior Credit Facilities  
Refinancing & Amendment

Exclusive Placement Agent



has secured multiple Loan Facilities  
from an undisclosed investor

\$80,000,000 Term Loan  
\$45,000,000 Revolving Credit  
Facility  
\$25,000,000 Bridge Loan

Co-Placement Agent

## Covenants

### New Money-Driven Amendment



a portfolio company of



Senior Secured Term Loan  
Refinancing

Exclusive Placement Agent

### Negotiated Amendment/ Exchange



Making business flow

has completed an exchange offer  
for its 4.00% First Lien Senior  
Secured Notes due 2018

Company Advisor



8.50% Convertible Senior Notes

\$37,500,000

Sole Placement Agent



has confirmed a "pre-packaged"  
Chapter 11 Plan of Reorganization  
and emerged as:



Company Advisor



\$100,000,000  
Second Lien Term Loan

Sole Placement Agent



\$860,000,000  
Consent Solicitation

Financial Advisor

Tombstones included herein represent transactions closed from 2012 forward.

# Representative Special Situations Transactions

## Maturities

### Comprehensive Refinancing/Recapitalization



has successfully completed a \$2.0 billion recapitalization, including a new \$1.45 billion credit facility and \$557 million of New PIK Toggle Notes

Company Advisor



\$385 million Senior Secured PIK Toggle Notes due 2024

\$62.5 million Series A Convertible Preferred Units

Refinancing / Recapitalization  
June 2019

Exclusive Placement Agent



a portfolio company of



has successfully completed a recapitalization transaction

ABL Revolving Credit Facility  
1st Lien Term Loan  
2nd Lien Term Loan  
Minority Equity Investment

Company Advisor



a portfolio company of



Revolver  
1st Lien Term Loan  
Senior Subordinated Notes

Refinancing

Exclusive Placement Agent

### Bespoke Junior Capital




a portfolio company of



Credit Facility Refinancing

Exclusive Placement Agent



ABL Revolver & Term Loans  
Refinancing

\$307,500,000


Placement Agent

- Arranged new \$110 million revolver and \$1.34 billion unitranche term loan
- Negotiated a backstopped exchange transaction of the junior debt for either cash at a discount or new notes at par plus warrants
- Extended maturities by ~four years, while allowing existing equity holders to retain ~70% of the equity
- Arranged \$447.5 million of new capital, consisting of \$385 million of 9.875% senior secured PIK-toggle notes and a private placement of \$62.5 million of Series A Convertible Preferred Units as a partial backstop for a rights offering
- Extended maturities by ~four years, while providing ~\$40 million of additional liquidity and cash pay flexibility
- Negotiated an upside of the existing first lien facilities with existing lenders
- Refinanced the existing second and third lien term loans with new second lien term loan raise
- Addressed liquidity and maturity profile while allowing existing equity to retain majority ownership
- Refinanced the existing term loan with a new first lien term loan and senior subordinated notes
- Significantly improved operating flexibility via (i) a several quarter covenant holiday and meaningful cushion thereafter, (ii) no contractual amortization, and (iii) the ability to pay all interest in kind for the first year and most in kind for the second year
- Arranged second lien notes and worked with the company's incumbent senior lender group to amend the existing facilities
- Maintained desired flexibility and strengthened the liquidity profile in a challenging end-market environment
- Minimized equity dilution as well as cash interest burden (all second lien notes interest was payable in kind for the first 18 months)
- Refinanced existing debt with a multi-tranche term loan facility
- Achieved optimal leverage and pricing on the new facility by tapping the direct lending market following two failed syndication processes with well known investment banks


# Representative Special Situations Transactions

## Liquidity

### Asset-Based FILO Facility



three portfolio companies of




ABL Revolver & Term Loan

Refinancing

\$150,000,000


Exclusive Placement Agent



Multi-Currency Senior Secured Credit Facility Refinancing


CAD 232,286,400

Exclusive Placement Agent




\$162,500,000 Senior Credit Facilities Refinancing & Amendment

Exclusive Placement Agent



has completed a \$95.8 million debt financing transaction

Company Advisor & Placement Agent



\$60 million Class A Units

Exclusive Placement Agent



has secured multiple Loan Facilities from an undisclosed investor

\$80,000,000 Term Loan  
\$45,000,000 Revolving Credit Facility  
\$25,000,000 Bridge Loan

Co-Placement Agent

- Raised \$120 million ABL revolver and \$30 million “last-out” term loan
- Structured both tranches as asset covered loans, ascribing advance rates to different asset classes, including AR, inventory, intellectual property, equipment, and real estate
- Covenant-lite financing with incremental liquidity from the “last-out” term loan provided significant operating flexibility
- Arranged a multi-currency senior secured facility consisting of a C\$150 million ABL revolver and US\$62 million “last-out” term loan
- The asset-based “last-out” term loan created additional liquidity within a first lien facility so that other capital structure changes were not required
- Arranged \$62.5 million “last-out” term loan, and facilitated an amendment to the \$100 million ABL revolver
- The asset-based “last-out” term loan increased liquidity by paying down and restoring borrowing capacity under the revolver, providing additional operating flexibility
- SPV financing to effectuate the purchase of three Jones Act qualified vessels
- Arranged ~\$96 million in debt financing via two new term loans
- Structured the loans using a newly-formed Special Purpose Entity to mitigate issues that would have arisen with borrowing at the parent level
- The structure helped to minimize the cost of new debt capital for a highly-levered company
- Holding company-level financing to fund growth capital opportunities in several portfolio companies
- Raised \$60 million of limited partnership interests in the form of Class A Units in an intermediate holding company which held the equity interests of portfolio companies
- The units featured a fixed preferred return, payable only upon certain monetization events related to the underlying portfolio
- SPV financing to address maturities and fund the acquisition of new loan receivables amid industry uncertainty
- Negotiated sizeable discounted repurchase of senior secured notes
- Structured as an \$80 million term loan to a special purpose vehicle, a \$45 million revolving credit facility and a \$25 million bridge loan for funding new investor-backed loan receivables
- Created equity value and cut interest burden

# Representative Special Situations Transactions

## Covenants

### New Money-Driven Amendment




a portfolio company of

**INVESTCORP**

Senior Secured Term Loan  
Refinancing


Exclusive Placement Agent



8.50% Convertible Senior Notes

\$37,500,000

Sole Placement Agent



\$100,000,000  
Second Lien Term Loan

Sole Placement Agent



Making business flow

has completed an exchange offer  
for its 4.00% First Lien Senior  
Secured Notes due 2018

Company Advisor



has confirmed a "pre-packaged"  
Chapter 11 Plan of Reorganization  
and emerged as:



Company Advisor

**Project Veneer**

\$860,000,000  
Consent Solicitation

Financial Advisor

- Raised financing within the existing term loan facility from a new lender, which was used to pay down the existing lender in order to facilitate an amendment and extension of the facility
- Achieved flexible terms that would support the company's operations and future strategic objectives
- Issued \$37.5 million of unsecured 8.5% convertible senior notes in a registered direct transaction
- Simultaneously closed a private exchange of \$15 million aggregate principal amount of outstanding 8.50% senior secured second lien notes for shares of common stock and warrants to purchase additional shares to achieve deleveraging
- Raised \$100 million second lien term loan to pay down the revolving credit facility and negotiated an amendment with the revolver to waive the default, reset covenants, and extend the maturity
- The solution limited cash interest and created liquidity without diluting the equity holders
- Private exchange offer and consent solicitation to facilitate an amendment and extension
- Existing creditors representing \$351 million of first lien notes and \$16 million of senior unsecured notes exchanged into \$376 million of a new series of first lien senior secured notes
- Provided the company with additional maturity runway
- Comprehensive "pre-packaged" Chapter 11 reorganization involving \$5.1 billion of debt
- Simultaneously negotiated with three creditor groups: term loan, unsecured notes, and convertible notes
- Deleveraged the company and extended maturities
- Existing shareholders retained substantial common equity
- Negotiated a near-term amendment that suspended the financial covenant for a year and provided access to restricted/blocked cash to increase liquidity
- Following an asset sale, negotiated a long-term amendment that cash collateralized part of the principal, created a debt service reserve, and reset financial covenants to create long-term sustainability

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# Selected Liability Management Tools

Option	Description	Pros	Cons
<b>Debt Repurchases</b>	<ul style="list-style-type: none"> <li>Company or sponsor repurchases debt at a discount to face value</li> </ul>	<ul style="list-style-type: none"> <li>Deleveraging (if company repurchases)</li> <li>Reduces cash interest burden (if debt is retired)</li> <li>Significant potential IRR</li> <li>No equity dilution</li> </ul>	<ul style="list-style-type: none"> <li>Trading price could spike due to perceived sponsor/company support</li> <li>Requires use of cash</li> <li>May be restricted by debt agreements</li> </ul>
<b>Up-Tier Exchange</b>	<ul style="list-style-type: none"> <li>Use available debt/lien capacity to exchange unsecured notes for new secured notes at a discount to par</li> </ul>	<ul style="list-style-type: none"> <li>Deleveraging/capture discount of current trading prices below par</li> <li>Induces participation by elevating exchanging holders into secured paper</li> <li>Provides interest savings and reduces weighted average cost of debt by exchanging costly junior debt for potentially less expensive secured paper</li> <li>Threat of up-tier exchange could be used to achieve concessions from senior lenders</li> </ul>	<ul style="list-style-type: none"> <li>Could require amendment as a condition to close to free up basket availability</li> <li>Modest balance sheet deleveraging given debt-for-debt exchange</li> <li>Current trading prices of secured paper impact the currency with which an up-tier exchange can be effectuated</li> <li>Lenders may challenge transaction</li> </ul>
<b>Debt-for-Equity Exchange</b>	<ul style="list-style-type: none"> <li>Offer to exchange junior debt for new common stock</li> </ul>	<ul style="list-style-type: none"> <li>Deleveraging</li> <li>Reduces interest expense</li> <li>Subordinates debt claim</li> <li>Holders benefit from a leveraged return</li> </ul>	<ul style="list-style-type: none"> <li>Equity dilution</li> </ul>
<b>Unrestricted Subsidiary Asset Transfers</b>	<ul style="list-style-type: none"> <li>Transfer assets into an unrestricted sub utilizing permitted investment basket</li> <li>Use assets in new unrestricted sub to raise additional liquidity to pay down/refinance existing debt at a discount</li> </ul>	<ul style="list-style-type: none"> <li>Deleveraging of existing debt</li> <li>May not require consent from senior lenders</li> <li>New debt likely inexpensive</li> <li>Attractive to holders with low cost basis (improved priority, MTM gain)</li> </ul>	<ul style="list-style-type: none"> <li>Implementation complexity</li> <li>Lenders may challenge transaction</li> <li>Size of transaction limited by permitted investment basket</li> <li>Potential tax consequences</li> </ul>
<b>Use Restricted Payment Basket</b>	<ul style="list-style-type: none"> <li>Use existing capacity under restricted payment basket to pay down debt at a discount</li> </ul>	<ul style="list-style-type: none"> <li>Deleveraging</li> <li>Provides interest savings</li> <li>May not require consent from senior constituents</li> </ul>	<ul style="list-style-type: none"> <li>Requires use of cash thus impacting near-term liquidity</li> <li>Reduces existing restricted payments basket</li> </ul>
<b>Asset Sales</b>	<ul style="list-style-type: none"> <li>Use asset sale proceeds to pay down unsecured debt at either par or at a discount</li> </ul>	<ul style="list-style-type: none"> <li>Deleveraging</li> <li>Provides interest savings</li> </ul>	<ul style="list-style-type: none"> <li>Senior lenders likely would have to consent to paydown of junior debt</li> <li>Could require amendment to allow repurchases at a discount</li> <li>Loss of EBITDA from sold assets</li> </ul>

