

CAPITAL RESTRUCTURING PERSPECTIVES



Quarterly Update
Fourth Quarter 2021

CONTENTS

Distressed Market Indicators.....	2
Capital Market Perspectives.....	3
Bankruptcy Trends.....	4
Leveraged Loan Trends.....	5
Representative Engagement.....	6
Notes.....	7



Raoul Nowitz
Managing Director
rnowitz@soliccapital.com



Neil F. Luria
Head of Restructuring
Senior Managing Director
nluria@soliccapital.com



Edward R. Casas
Chairman & CEO
Senior Managing Partner
ecasas@soliccapital.com

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RESTRUCTURING • INVESTMENT BANKING • DISTRESSED ASSET SUPPORT SERVICES

DISTRESSED MARKET INDICATORS

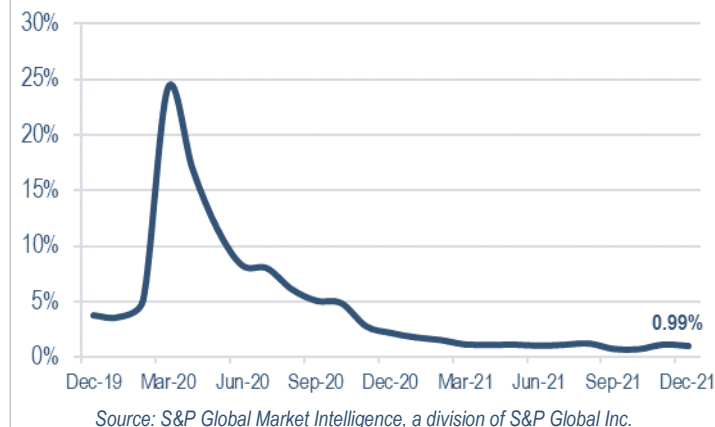
KEY HIGHLIGHTS

- Continued low levels of default activity reflective of the benign distress environment
- The Distress Ratio (percent of loans priced below 80) at less than 1%, trending at lowest levels in the last seven years
- Continued net ratings upgrades relative to downgrades with 139 North American issuers rated CCC+ and below at Dec. 31, 2021, down 41% from 234 issuers at Dec. 31, 2020, and marking the lowest tally since late winter 2020
- Continued heightened cov-lite loans an important leading indicator for future default rates

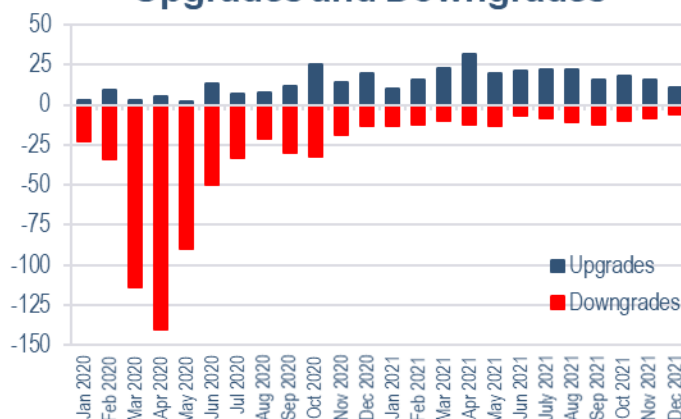
S&P Default Rate



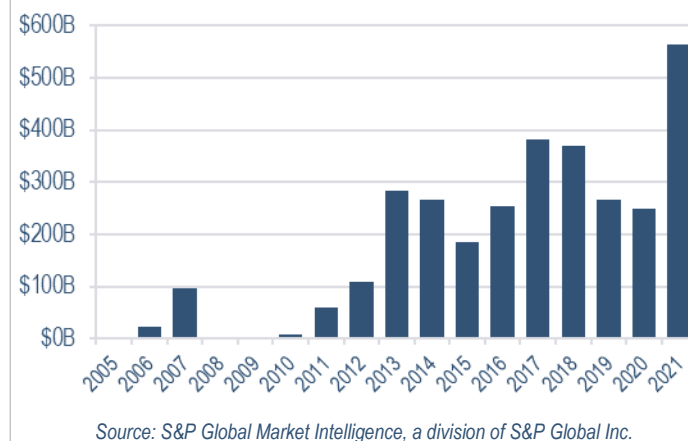
Distress Ratio^[1]



Upgrades and Downgrades^[2]



Covenant-Lite Loan Issuance



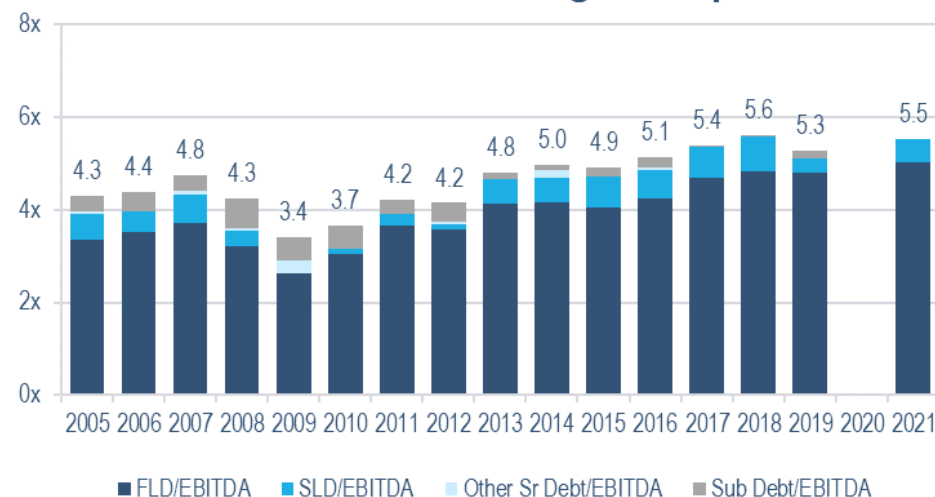
[1] Distress ratio by amount outstanding (percent of loans priced below 80)
 [2] Count of ratings action in S&P/LSTA Leveraged Loan Index

CAPITAL MARKET PERSPECTIVES

COMMENTARY

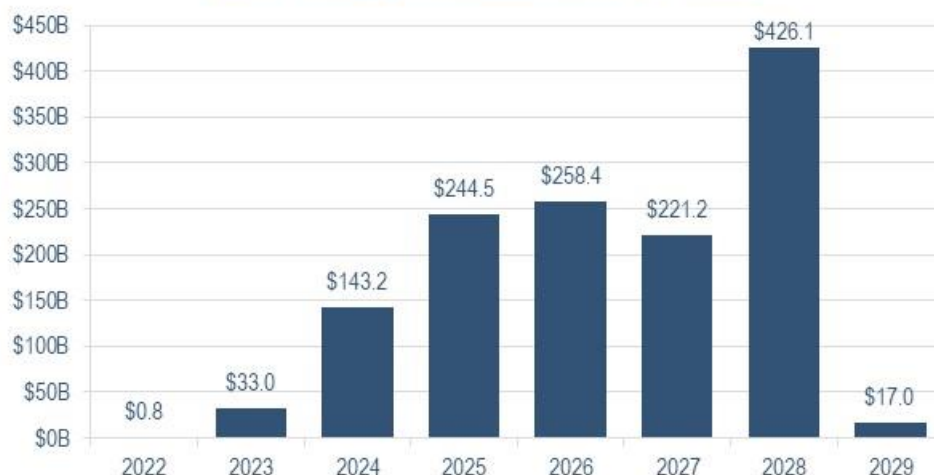
- With the benign default rate supportive of market valuations, leverage multiples of speculative-rated loan issuers crept higher in 2021
- Debt/EBITDA of 5.5x reflective of continued heightened leverage levels
- Refinancings remained in vogue pushing back the maturity wall as Fed-abetted low borrowing costs in 2021 allowed issuers to address significant debt, including many deals priced earlier in the pandemic era at higher crisis costs
- Rising interest rates in 2022 likely to moderate leverage levels

Middle Market Leverage Multiples



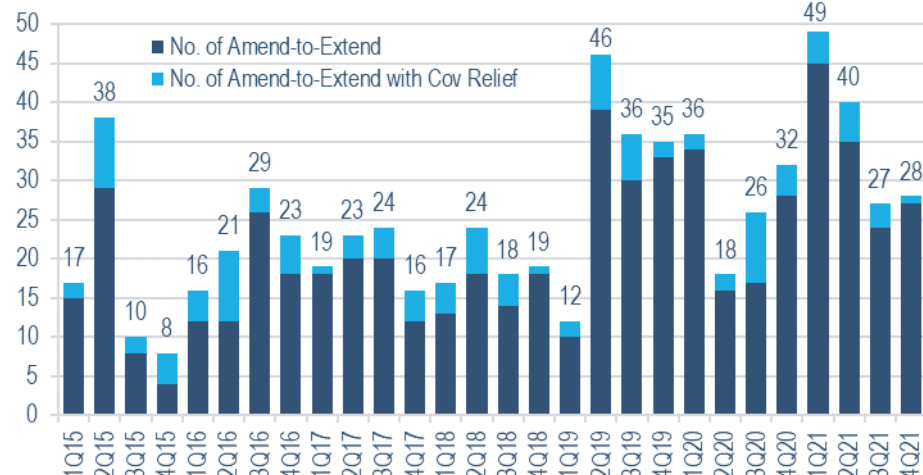
Source: S&P Global Market Intelligence, a division of S&P Global Inc.

Current Loan Maturities by Year



Source: S&P Global Market Intelligence, a division of S&P Global Inc.

Amend & Extends



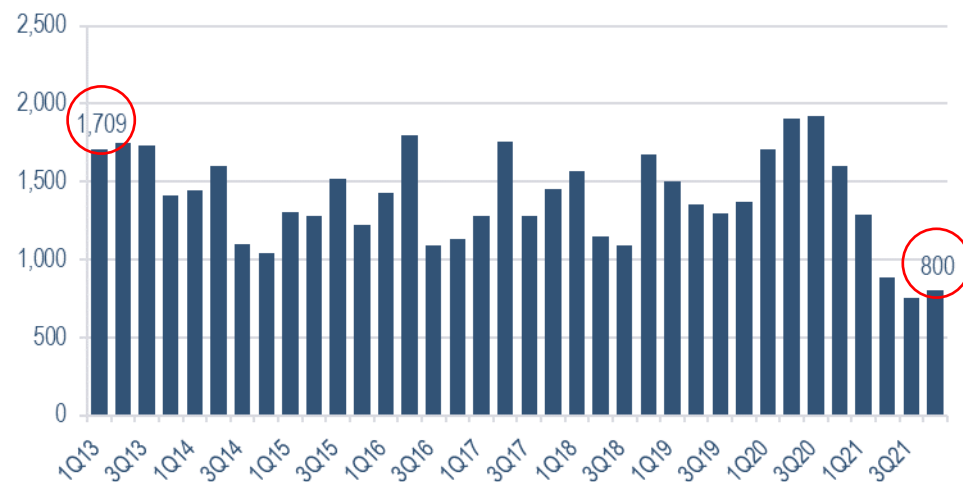
Source: S&P Global Market Intelligence, a division of S&P Global Inc.

BANKRUPTCY TRENDS

COMMENTARY

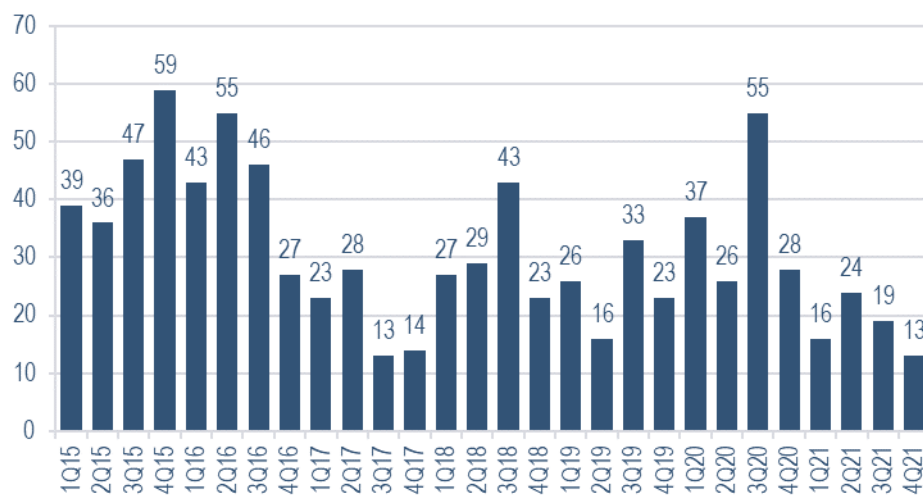
- Low distress resulted in a trend of lower Chapter 11 bankruptcy filings and 363 asset sales
- The volume of DIP activity, correspondingly, also reduced over the year
- Continued significant out-of-court activity via debt for equity exchanges and robust amend-for-extend activity as a substitute for in-court activity

Chapter 11 Filings



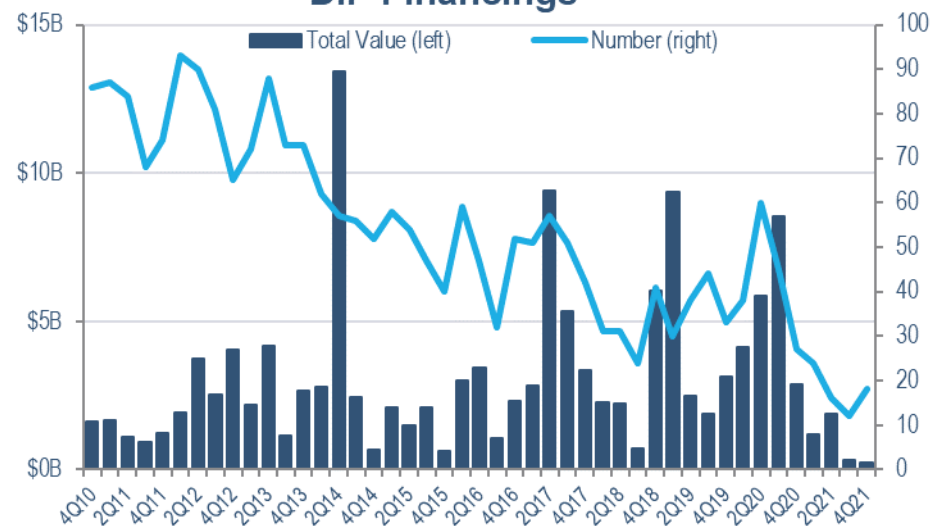
Source: American Bankruptcy Institute

Section 363 Sales



Source: The Deal

DIP Financings



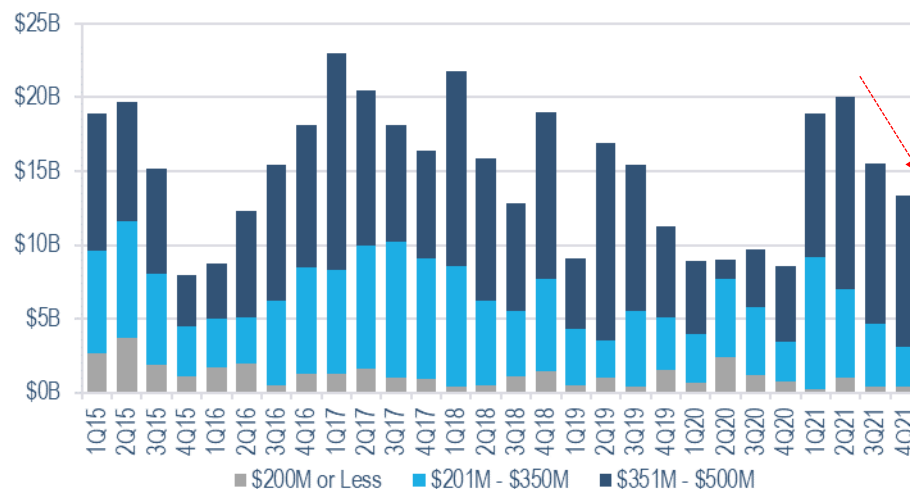
Source: The Deal

LEVERAGED LOAN TRENDS

COMMENTARY

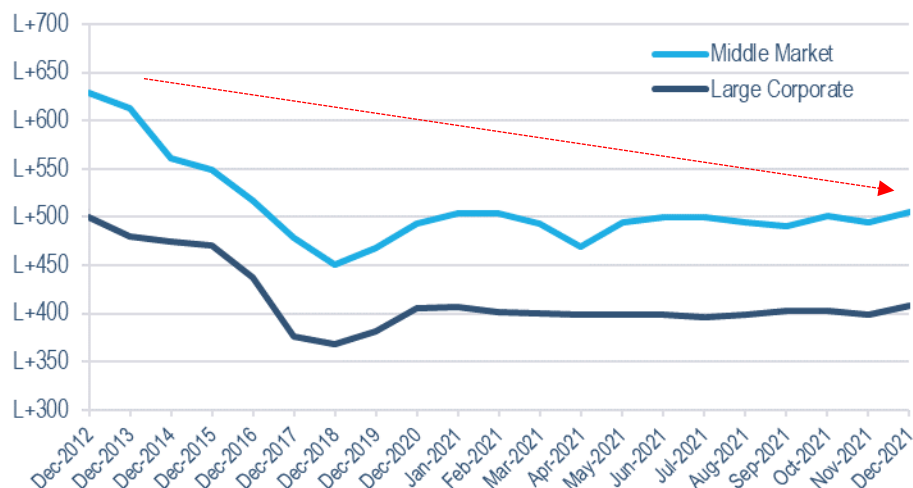
- Growing expectations of sooner, and potentially more, interest rate hikes in 2022 did not dampen fourth quarter issuance optimism
- Both the syndicated market and private debt market were wide open for business. Several private credit providers reported record issuance in 4Q21
- In a clear sign of recovery of the market from the pandemic-triggered market declines, the volume of syndicated deals in 2021 tracked by LCD rebounded to roughly pre-COVID levels
- Lenders showed a willingness to embrace less conventional and highly specialized structures, such as recurring-revenue loans, just-in-case facilities, and multicurrency financings
- Debt pricing holding at consistent levels with lenders preferring to compromise on other terms

Middle Market Loan Issuance



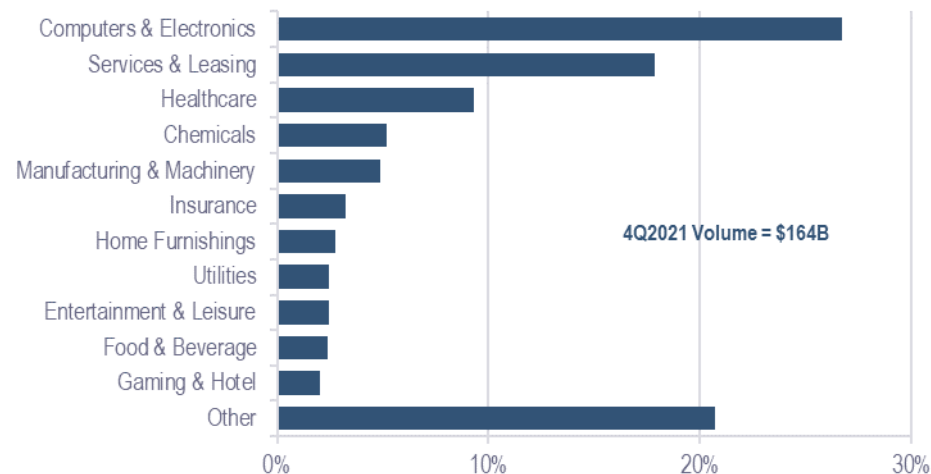
Source: S&P Global Market Intelligence, a division of S&P Global Inc.

Debt Pricing



Source: S&P Global Market Intelligence, a division of S&P Global Inc.

Loan Issuance by Sector



Source: S&P Global Market Intelligence, a division of S&P Global Inc.

REPRESENTATIVE ENGAGEMENT

SELECTED DIP FINANCINGS

Debtor	Industry	DIP Date	Amount (\$ in millions)	Stated Rate
Alto Maipo	Energy	11/17/2021	\$50.0	4%
CalPlant I Holdco LLC	Manufacturing	10/05/2021	\$31.1	10%
Gulf Coast Health Care LLC	Healthcare	10/14/2021	\$25.0	L+12%
Strike LLC	Construction	12/08/2021	\$26.0	L+10%
Teligent Inc.	Healthcare - Pharmaceuticals	10/14/2021	\$33.0	L+7.5%
Vewd Software USA LLC	Technology	12/15/2021	\$20.0	11%
Watsonville Hospital Corp.	Healthcare	12/05/2021	\$30.8	10%

Source: The Deal

SELECTED SECTION 363 SALES

Date	Target	Buyer	Industry	Deal Value (\$ in millions)
10/27/2021	ABC Carpet Co. Inc.	888 Capital Partners LLC	Retail	na
12/21/2021	Alliant Technologies LLC	Acuative Corp.	Technology - IT Services	\$3.5
11/8/2021	Alpha Latam Management LLC - Colombian assets	CFG Partners Colombia SAS	Financial Services - Consumer Lending	na
11/22/2021	Aluminum Shapes LLC	VV 9000 LLC	Metals	\$32.0
10/6/2021	GBG USA Inc. - Ely & Walker brand	Taj Imports Inc.	Retail - Clothing	\$0.8
12/21/2021	GBG USA Inc. - Sean John Brand	SLC Fashion LLC	Manufacturing; Textiles	\$7.6
12/20/2021	Limetree Bay Services LLC	Port Hamilton Refining & Transportation LLLP; West Indies Petroleum Ltd.	Energy	\$62.0
10/5/2021	Medifocus Inc.	Asset Profits Ltd.	Healthcare	na
12/17/2021	Professional Financial Investors Inc. - 60 property portfolio in Northern CA	Hamilton Zanze & Co.; Davidson Kempner Capital Management LP	Real Estate	\$436.5
12/20/2021	Rockdale Marcellus LLC	Repsol Oil & Gas USA LLC	Energy	\$220.0
10/22/2021	Sequential Brands Group Inc. - William Rast denim brand	WRBH Brands Group LLC	Retail - Clothing	na
12/6/2021	Strike LLC	American Industrial Partners LP	Construction	\$115.0
10/31/2021	Tri-Wire Engineering Solutions Inc.	ITG Communication LLC	Telecommunication	na

Source: The Deal

SOLIC REPRESENTATIVE ENGAGEMENT



Sharity Ministries, Inc. was a 501(c)(3) non-profit Health Care Sharing Ministry (HCSM). The Company provided faith-based sharing of members' healthcare claims. Sharity covered in the aggregate approximately 250,000 lives.

SOLIC's role and restructuring initiatives include the following:

- Undertook an initial review and assessment of operational and financial performance, including issues, outlook, and liquidity status
- Served as Chief Restructuring Officer, Assistant Chief Restructuring Officer, and Director of Finance
- Monitored the Company's liquidity and prepared weekly liquidity budgets
- Identified and catalogued various classes of claims
- Assisted in all elements of the Company's chapter 11 case, including providing court testimony, assistance with respect to the preparation of bankruptcy schedules and monthly reporting, providing estate wind-down services, and filing of a Chapter 11 Plan of Liquidation relating to the Company
- A SOLIC professional is currently serving as Liquidating Trustee

NOTES

SOURCES

S&P, The Deal, American Bankruptcy Institute and others as indicated.

The charts and graphs used in this report have been compiled by SOLIC Capital Advisors solely for purposes of illustration.

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Edward R. Casas
Chairman & CEO
Senior Managing Partner

Neil F. Luria
Head of Restructuring
Senior Managing Director

Gregory F. Hagood
Head of Investment Banking
Senior Managing Director

Robert E. Annas
Senior Managing Director

Matthew E. Rubin
Senior Managing Director

Sam Barhoumeh
Managing Director

Matthew M. Caine
Managing Director

Mary Missbach Dressler
Managing Director

Meg Finnegan
Managing Director

Greg Kilfoy
Managing Director

George N. Koutsonicolis
Managing Director

Raoul Nowitz
Managing Director

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Managing Director

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Managing Director



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Our firm offers a comprehensive suite of services to assist our clients including: SOLIC Capital Advisors (financial advisory), SOLIC Capital, LLC (FINRA Registered Broker/Dealer), SOLIC Capital Management (asset management services and Registered Investment Advisor - RIA), and SOLIC Capital Partners (principal investing).

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