CAPITAL RESTRUCTURING PERSPECTIVES

SOLICONNECT

Quarterly Update
Fourth Quarter 2022

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KEY HIGHLIGHTS

- Per LCD data, the volume of institutional loans priced at distressed levels in the index (defined as performing loans priced below 80% of par), is now nearly 8x higher than at the beginning of the year, at $103 billion - for context, during the height of the pandemic market crash in March 2020, this cohort skyrocketed to $672 billion
- Expanding fastest of all during 2022 was the distress ratio, which began the year at 1.45% (measured by dollar value) and ended at 7.36%
- In December 2022, downgrades outpaced upgrades by a ratio of 2.8x, the fastest rate since September 2020
- Sectors making the four largest contributions to the distressed subset include healthcare, retail, media and financial services

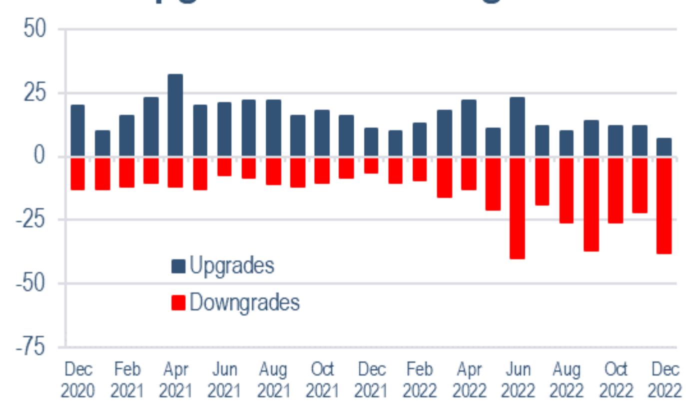
S&P Default Rate

Source: Pitchbook | LCD

Distress Ratio[1]

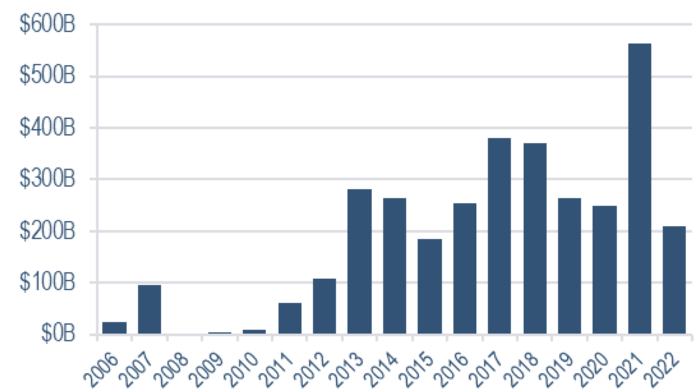
Source: Pitchbook | LCD

Upgrades and Downgrades[2]



Source: Pitchbook | LCD

Covenant-Lite Loan Issuance



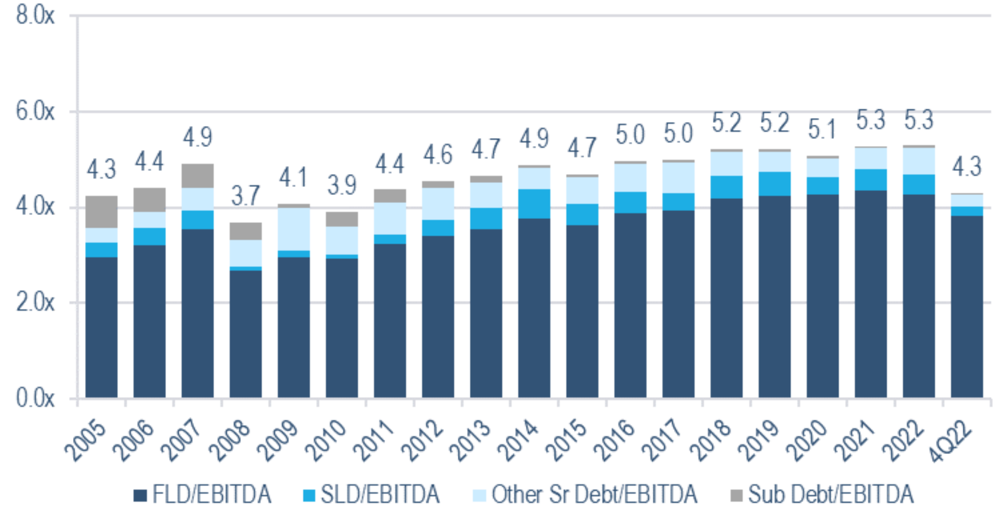
Source: Pitchbook | LCD

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

COMMENTARY

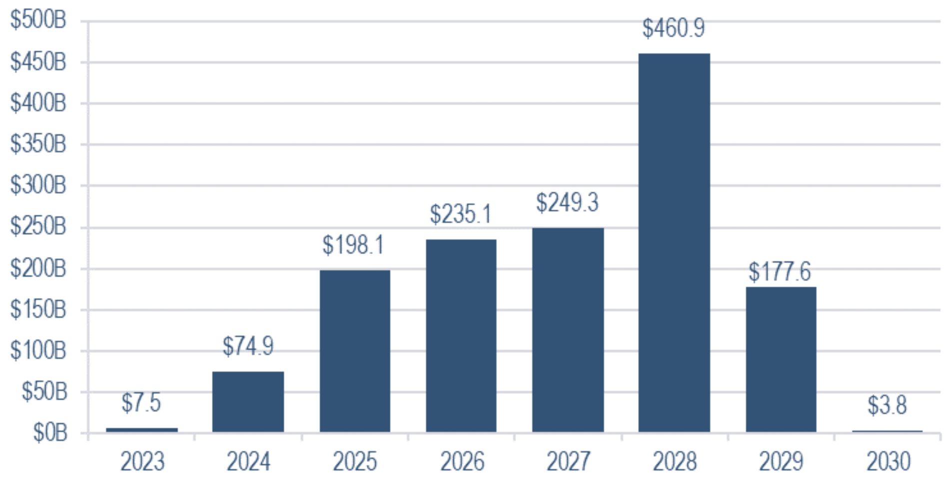
- Amend-and-extend activity increased in Q4 2022 - a total of $13.4 billion of institutional term loans were extended in the quarter, the most since Q1 2021
- The amount of institutional loans coming due in the next two to three years is more than at any other year-end period on record
- Within two years more than $82 billion is due to mature, although only $7.5 billion of that is due in 2023, but extending that maturity horizon out to three years, the amount coming due jumps to over $280 billion
- The precipitous increase in the cost of capital is matched by a corresponding contraction in leverage multiples with Q4 2022 average leverage multiples down to 4.3x, the lowest since 2010

Average Leverage Multiples



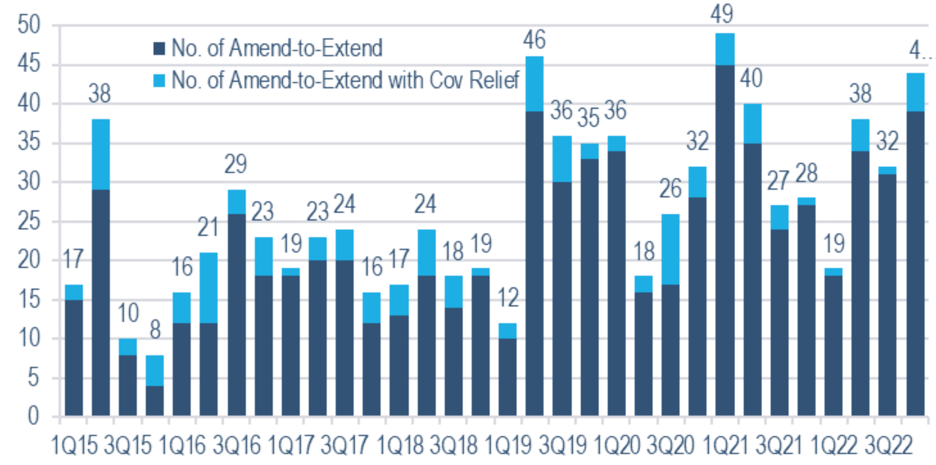
Note: FLD is abbreviation for "first lien debt" and SLD is abbreviation for "second lien debt"
Source: Pitchbook | LCD

Current Loan Maturities by Year



Source: Pitchbook | LCD

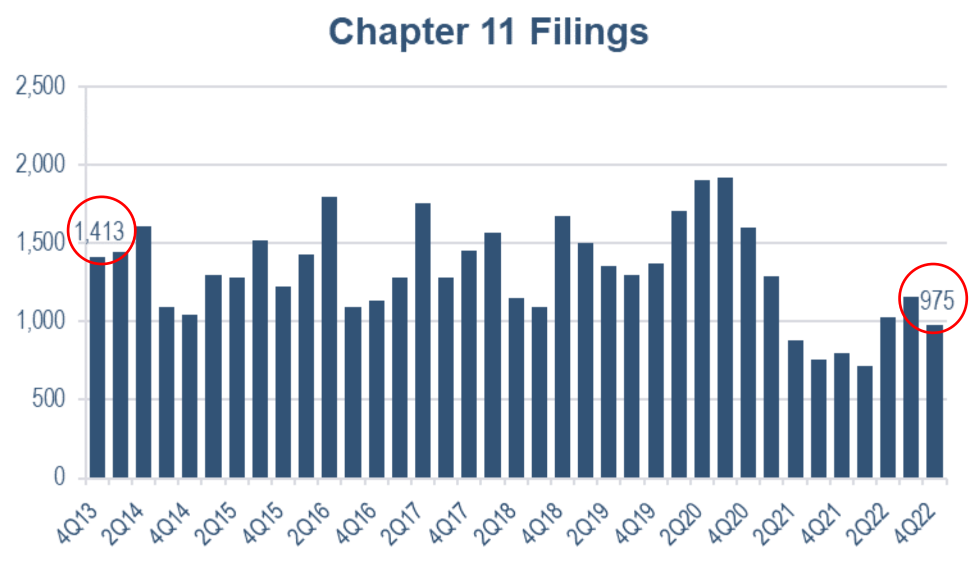
Amend & Extends



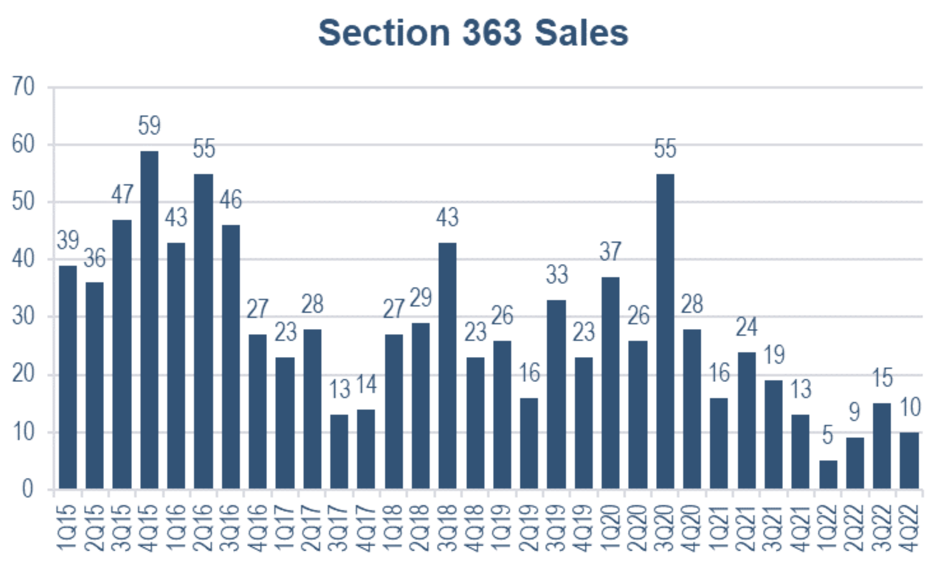
Source: Pitchbook | LCD

COMMENTARY

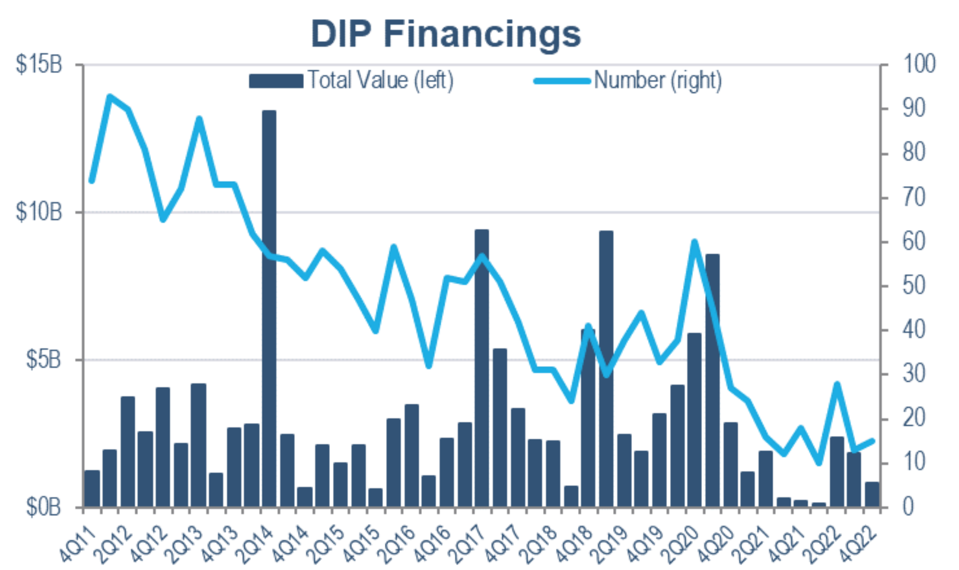
- Commercial Chapter 11 bankruptcy filings increased by 4% to 3,882 in 2022 from the previous year's total of 3,725 – Q4 2022 filings were up 22% compared to the same period the year prior
- Healthcare bankruptcy filings increased by 84% in 2022 over 2021 totaling 46 cases, returning to 2019/2020 levels - Q4 totals were almost 3x the number of cases filed in Q1 2022
- Reasons attributed for Chapter 11 filings moved away from pandemic factors such as work stoppages and lower demand to supply-side macroeconomic factors, including supply chain issues, labor costs and inflation - rising interest rates and the collapse of crypto are also becoming prominent features in debtors' explanations for bankruptcy filings
- One of the largest Chapter 11 filings of Q4 2022 was AIG Financial Products which owes more than $37 billion to its parent company, AIG, on loans related to the 2008 financial crisis, according to court documents (AIG Financial Products largely ceased operations in 2008)



Source: American Bankruptcy Institute / Epiq



Source: Reorg and SOLIC Research

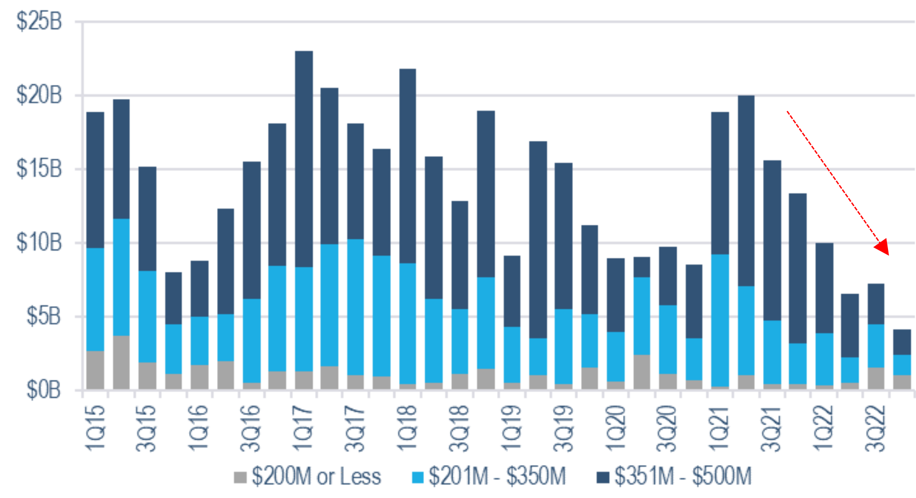


Source: Reorg and SOLIC Research

COMMENTARY

- The U.S. leveraged loan asset class struggled in 2022 as risk-averse institutional investors took pause, causing soaring loan spreads and yields, and pressuring the supply/demand dynamic
- 50% of new-issue volume during the quarter was from companies rated BB-minus or higher
- Middle market new issue loan originations totaled $1.8 billion in Q4 2022, the lowest in at least 10 years
- Loan volumes in more volatile, cyclical sectors including apparel, restaurants, construction, and discretionary consumer products have decreased precipitously
- Refinancing activity drove issuance volumes as issuers used the opportunity to address near-term maturities
- The Q4 2022 refinancing total of $21.3 billion was more than the prior two quarters combined ($15.9 billion), but total refinancing volume in 2022 of $58.4 billion is the lowest since 2015, when there was just $49.6 billion refinancings

Middle Market Loan Issuance

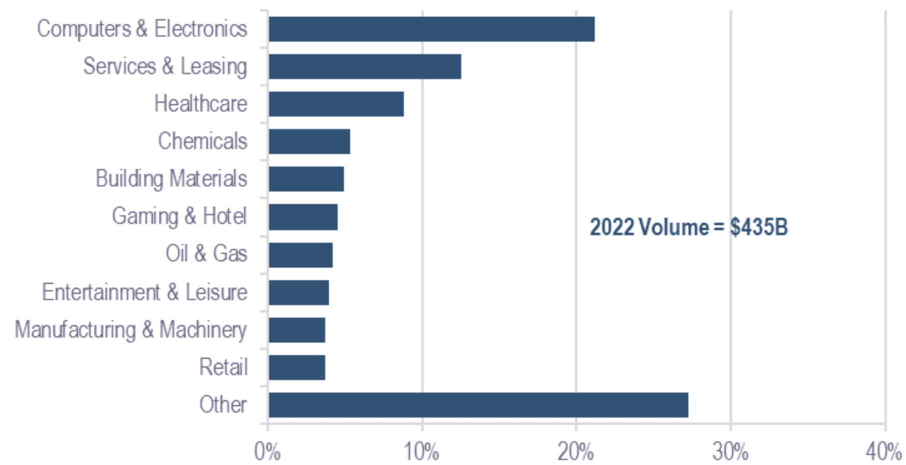


Source: Pitchbook | LCD

Spreads for Middle Market Issuers

Source: Pitchbook | LCD

Loan Issuance by Sector



Source: Pitchbook | LCD

Select DIP Financings

Debtor	Industry	DIP Date	Amount ($ in millions)	Applicable Margin	Maturity (months)	Reference Rate
Clovis Oncology, Inc.	Health Care	12/11/2022	$75.0	8% PIK	6	Fixed
Core Scientific, Inc.	Information Technology	12/21/2022	$150.0	10% PIK	6	Fixed
DCL Holdings USA, Inc.	Industrials	12/20/2022	$55.0	4.0%	3	SOFR
Pipeline Health System LLC	Health Care	10/02/2022	$113.0	10% PIK	4	Fixed
Vesta Holdings, LLC	Financials	10/30/2022	$37.9	10.0%	4.5	SOFR
Vital Pharmaceuticals, Inc.	Consumer Staples	10/10/2022	$455.0	8.5%	7	SOFR

Select Section 363 Sales

Date	Target	Buyer	Industry	Deal Value ($ in millions)
10/18/2022	Clarus Therapeutics Inc.	Tolmar Inc.	Healthcare	$7.3
12/12/2022	Clovis Oncology Inc.	Novartis Innovative Therapies AG	Healthcare - Pharmaceuticals	$50.0
12/09/2022	Fast Radius Inc.	Crestview Partners LP; SyBridge Digital Solutions LLC	Manufacturing	$15.7
11/22/2022	Front Sight Management LLC	PrairieFire	Education	$24.0
12/13/2022	Medly Health Inc.	MedPharmaca Holdings Inc.	Healthcare	$18.5
11/07/2022	Monarch PCM LLC	Alora Pharmaceuticals	Healthcare	na
11/04/2022	PhaseBio Pharmaceuticals Inc.	Chiesi Farmaceutici SpA	Healthcare - Pharmaceuticals	$40.0
10/05/2022	Sungard Availability Services Inc. - recovery services business	11:11 Systems Inc.; 365 Data Centers	Technology	$52.5
10/30/2022	Vesta Holdings LLC	SRA Holdings LLC	Financials	$125.0
11/30/2022	Winc Inc.	Project Crush Acquisition Corp. LLC	Consumer Discretionary	$10.0

Source: Reorg and SOLIC Research

SOLIC
Representative Engagement

CurePoint Cancer Treatment

has completed a sale to

2406 Cancer Care LLC

Financial Advisor

CurePoint Cancer Treatment ("the Company") operated a radiation oncology and cancer treatment clinic located in Central Georgia, providing treatment for a broad range of cancers. With two linear accelerators providing intensity modulated radiation therapy ("IMRT"), the Company offered a range of state-of-the-art treatment options for patients spanning a multi-county catchment area.

Due to a decline in volume as a result of COVID-19 and historical turnover with its physician staff, the Company filed for Chapter 11 in U.S. Bankruptcy Court in August 2022 in order to pursue a sale or recapitalization.

SOLIC was retained as the Company's investment banker to orchestrate a competitive sale process under Section 363 of the U.S. Bankruptcy Code.

SOLIC structured a competitive sale process that included:

- Compiling detailed financial, operating and facility information due diligence materials for prospective buyers
- Qualifying and soliciting a targeted list of strategic and financial buyers with nine parties executing Confidentiality Agreements
- Maintaining electronic dataroom and facilitating due diligence calls with interested parties
- Negotiating bid terms with interested parties
- SOLIC successfully completed the sales process within 60 days of retention, completing a sale of Company's assets to a physician-owned entity

NOTES

SOURCES

Pitchbook | LCD, American Bankruptcy Institute / Epiq 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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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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