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Leveraged Finance News

CLO Risk-Retention Models May Require Hurdling

Last week, a major event occurred that "we have been waiting for, literally, for years," said Meredith Coffey, an executive with the Loan Syndications & Trading Association.

"The Kansas City Royals finally made it back to the World Series," Coffey deadpanned, while speaking at the LSTA's 19th annual convention in New York on Oct. 23.

Try as she might, Coffey probably did not lift the mood of CLO managers attending her end-of-day panel discussion on the state of the collateralized loan industry market. The subject matter on hand actually happened the same day the Royals clinched the American League pennant: federal regulators on Oct. 14 released the final version of long-awaited risk-retention rules that will require managers to retain 5% of the notional amount of their deals.

The risk retention rules are not taking effect until 2016, but many in the industry are already focused on the impact that risk retention will have on the CLO market as well as the institutional loan market that issues the primary debt instruments pooled into CLO structures.

There are worries loan issuance will drop, that many small, independent managers will be unable to capitalize their required 5% stake, and the record volume of CLO issuance in 2014 — $97 billion as of Oct. 20, and projected as high as $125 billion – would begin to fizzle out.

"After five years of being told we're too big to fail, it's really ironic this option is in there," said Wynne Comer,

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Data

Monroe Courts European CLO Investors

Monroe Capital took its time stepping back into the CLO game post-financial crisis, with good reason.

The middle market that the firm plays in is less liquid and less transparent than the broadly syndicated loan market, so picking up primary loans is key for a collateralized loan obligation. And what better way to do that than to have your own origination platform?

Over the past several years, Monroe has built that platform so its $358 million Monroe Capital CLO 2014-1, which priced in August, was the next logical step for the Chicago-based firm. Deutsche Bank arranged the transaction, which included a $137 million triple-A tranche priced at Libor plus 180 bps.

The deal is also compliant with European risk retention regulations, which allowed Monroe to secure some of the same large European anchor investors that had participated in its 2006 CLO, says Jeremy VanDerMeid, managing director and CLO portfolio manager at the firm. And while Monroe used a third-party origi-

(See **Monroe** on page 5)

Chiquita Might Mull Bond Redemptions

The decision by Chiquita Brands International to sell itself to a pair of Brazilian companies puts an end to its merger dalliance with Fyffes PLC. It also could lead to an eventual refinancing and redemption of some of the company's existing notes through change-of-control options, according to analyst and ratings agency reports.

Under terms of the sale approved by the Chiquita board of directors and announced Oct. 17, investment firm Safra Group and juice maker Cutrale Group are purchasing Chiquita for $682 million—a $14.50 a share offer that improves on an earlier $13-per-share proposal in August—and will assume the company's debt under a newly combined global fruit/juice conglomerate.

According to KDP Investment Ad-

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MARKET BUZZ

SourceHOV Pays Up to Refinance

LOANS

Transaction processor SourceHOV completed a $1.035 billion first- and second-lien loan offering on Oct. 29 that will be used to refinance debt and buyout equity related to its merger with BancTec. According to KDP, the first-lien, $780 million loan was issued on the high side of price talk at Libor plus 675 bps, with a 97-cent on the dollar original issue discount. Pricing terms of the second-lien loan totaling $250 million was unavailable, although it was issued with a 96-cent OID, according to KDP. Morgan Stanley is the sole bookrunner and sole arranger on the financing. SourceHOV is rated 'B' by S&P and 'B2' by Moody's. BancTec is unrated. The combined firm will group SourceHOV's domain of healthcare and legal claims processing with BancTec's niche in banking payment processing. At the time of the merger agreement, company news releases stated that stockholders were to receive stock in SourceHOV, and SourceHOV would use a new $1.1 billion credit facility to refinance its existing indebtedness, buy out certain existing SourceHOV equity holders and provide additional working capital. Closing is expected this year.

Inc Research has revised talk downward on its $525 million loans proposal that is slated to refinance existing debt, according to reports. A $425 million term loan B proposal has price talk now of Libor plus 375 bps, which is on the narrow side of original 375-400 bps talk when the loan proposal was launched Oct. 16. The new proposed terms include a 99-cents on the dollar original issue discount and 101 soft call protection for six months. It also features a 25 bps step-down should the company earn more than $75 million in a planned IPO and if leverage falls below 4x debt-to-Ebitda. The proposal also includes a $100 million revolver, according to rating agency reports. Goldman Sachs is lead left on the syndication, with Credit Suisse, ING, RBC and Wells Fargo serving as joint bookrunners. Moody's has assigned a 'B1' rating to the facility, and also last week upgraded Inc. Research's corporate family rating to 'B1' from 'B2'. S&P assigned 'B+' issue-level and '3' recovery ratings to the loans, and assigned a positive outlook to the company's 'B+' corporate family rating. S&P stated it intends to raise Inc. Research's corporate rating to 'BB-' if a planned initial public offering is completed. The Ra-

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leigh, N.C.-based firm this month registered for an IPO hoping to raise as much as $150 million. The company plans to use the equity proceed to repay debt, according to Moody's. The company has not detailed how many shares it intends to sell or set a price range. Inc. Research, an outsourced contract researcher for pharmaceutical and biotechnology companies, is privately held by Avista Capital Partners and Ontario Teachers' Pension Plan.

Toms Shoes has revised price talk on a $360 million loans proposal that will be used by sponsor Bain Capital to buy out the 50% stake belonging to the founder of the shoe designer and retailer. According to reports, talk on a $300 million, six-year term loan B and a $60 million, five-year asset-backed revolver flexed upward to Libor plus 550 bps from an originally proposed 475 bps over Libor, and the original issue discount has widened sharply to a range of 90-92 cents on the dollar, compared to 99 cents earlier. The Libor floor remains 1%. Jefferies is the bookrunner.. According to Moody's, the loan package will be used by Bain to buy out the 50% stake in the firm belonging to founder Blake Mycoskie. The funds will also refinance the company's existing debt and pay a cash dividend for Mycoskie. Bain will earn voting control of Toms Shoes with the transaction. Toms Shoes is noted for its philanthropic business strategy of donating one pair of shoes for ever pair sold (or its "one-for-one" giveaway commitment). The loans are rated 'B2' by Moody's and 'B' by S&P, which also assigned a '3' recovery rating to the facilities.

Block Communications was offering a $225 million first-lien term loan, with price talk at Libor plus 375 bps, with a 99-cent on the dollar original issue discount. Bank of America Merrill Lynch is the bookrunner. The proceeds will go toward financing the pending acquisition of MetroCast cable television services. The loan was assigned a 'Ba1' rating by Moody's, which also recently affirmed the company's 'Ba3' corporate rating and the 'Ba1' rating of its $100 million first-lien secured revolver. Moody's also downgraded $250 million in 7.25% senior notes maturing in 2020 to 'Ba1' from 'Ba3', due to the increase in first-lien borrowings. S&P carries a 'BB-' corporate rating for Block, and a 'BB-' issue-level and '4' recovery rating for Block. Block Communications of Toledo, Ohio, announced plans to acquire MetroCast in July. MetroCast is a broadband cable company providing video, high-speed internet and telephony services to communities primarily in Mississippi.

Tecomet Inc. is proposing a $710 million loan package to fund its acquisition of a business line from medical device manufacturer Symmetry Medical, according to KDP. Price talk on a $520 million first-lien tranche is Libor plus 450 bps with a 99-cent on the dollar original issue discount, per KDP. No talk has emerged on a $190 million second-lien facility. Credit Suisse is leading the syndication as bookrunner. Commitments are due Nov. 12. Tecomet (rated 'B' by S&P and 'B3' by Moody's), is a portfolio company of Genstar Capital and is a manufacturer supporting the medical device and aerospace industries. The company announced in August it was acquiring the OEM Solutions business segment of the publicly traded Symmetry for $450 million. UBS is the financial advisor on the acquisition transaction. The acquisition is expected to be completed in the fourth quarter.

Abaco Energy Technologies, a company created by private equity firm Riverstone Holdings, is seeking a $175 million term loan to help fund its $360 million purchase of Basin Tools, according to Moody's. Moody's has assigned a B3 corporate family rating to Abaco and a B3 rating to the proposed term loan. Abaco presently has no assets or operations, according to Moody's. Rather, rating reflects the risks of Basin's niche market position and single product line, which competes with some of the industry's dominant providers of oilfield products and services. On the plus side, Basin has a "rising reputation as a reliable supplier with a strong customer service focus," while Riverstone is funding the acquisition with a "significant" amount of equity.

BONDS

Charter Communications priced $3.5 billion of senior unsecured notes Oct. 29, more than double the $1.5 million originally offered. The deal comprises two tranches: $1.5 billion of notes due 2022 with a coupon of 5.50% and $2.0 billion of notes due 2024 with a coupon of 5.75%. Both priced at par. They were issued via Charter's CCOH Safari subsidiary. Proceeds will finance its acquisition of cable systems serving approximately 1.5 million Time Warner Cable video customers from Comcast Corp. to satisfy regulatory concerns about Comcast's merger with Time Warner. Goldman, Sachs, Credit Suisse Securities, Deutsche Bank Securities and Merrill Lynch, Pierce, Fenner & Smith acted as joint book-running managers. Moody's has assigned a B1 rating to the proposed notes; The rating agency expects the debt-funded acquisition to increase Charter's leverage to the mid 5 times debt-to-EBITDA range from 4.7 times, based on trailing 12 months earning through June 30. This is still consistent with Charter's Ba3 corporate family rating, however. Moreover, Moody's expects that Charter "will benefit from enhanced scale and improved geographic clustering, offsetting some execution risk, and that the transaction will be accretive to free cash flow." Charter is one of the largest domestic cable multiple system operators serving approximately 4.3 million residential video customers. On April 28, it reached an agreement to form a joint venture with Comcast aimed at easing regulatory concerns about to Comcast's merger

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CLOs

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co-head of U.S. structuring and origination with Bank of America Merrill Lynch's distressed structured debt trading desk. "Because it's really impossible for a bank in its business to retain 5% without hedging for the life of the loan. I find it amazing it was kept in there."

Comers and Coffey were two of the four panelists who ostensibly were to provide an overview of the historical performance and future direction of the CLO market – but due to the timing of the regulators' decision, focused most of the talk about risk retention and its resulting impact on loan issuance and even CLO structures.

The final rules were approved by the Federal Reserve and the Securities and Exchange Commission.

The LSTA issued a statement immediately afterward charging that leaving the final rule unchanged from a 2013 proposal will potentially reduce issuance in the U.S. CLO market and make financing for U.S. companies more expensive and scarce.

CLOs were not granted an exemption similar to the "qualified residential mortgage" option granted to securitized mortgages in collateralized debt obligations. The only workaround, which was introduced in the 2013 reproposal of the rules, and retained in the final version, would permit the lead arranger of each loan held by a CLO to retain the 5% unhedged stake. But it is widely considered unworkable in the industry.

The LSTA and other groups had proposed a qualified open market CLO standard, whereby firms would only have to retain a 5% stake in the equity tranche rather than the entire CLO, but that proposal was rejected by regulators.

The lack of an exemption for CLOs has been unnerving to many in the loan syndication field given that the 98.9% unimpaired performance of more 5,176 tranches since 1996 did not contribute to the financial meltdown of 2008 that was the result primarily of bad mortgage CDOs.

"CLOs are not CDOs," said Coffey at the panel.

There have already been concerns voiced that risk retention could hinder the CLO market at an "inopportune" time, according to an Oct. 8 report from Wells Fargo authored by senior analyst Dave Preston.

By the time the rules take effect in 2016, the market could likely be in a cycle of credit deterioration, increasing defaults and rising rates. The outstanding balances of CLOs is $350 billion, or nearly half the $790 million institutional loan market.

"In a post-risk retention world, if CLO formation is decreased, we see several possibilities: the loan market could shrink, new structures may emerge, or retail and institutional investors would have to increase market share," wrote Preston.

"CLOs are not CDOs."

Other problems could arise in a "post-retention" market for CLOs, including limits on the number of CLO managers or CLO managers turning to debt to fund their 5% stakes that could lead to CLO management contracts changing hands without investor consent, according to Preston's report.

"Managers and equity investors may push for longer reinvestment periods, which could lead to increased note investor protections or higher coupons (especially at the mezzanine level, as those investors hold much of the tail risk in a CLO), as a trade-off," the report stated.

"In addition, CLO structures may evolve to encourage less par building, and more payments to equity, to ensure that the manager's retention piece does not have to grow."

Justin Plouffe, a managing director with The Carlyle Group, noted on the panel that an impact that is likely to occur is the constraint of issuance from smaller, independent managers unable to maintain the capital cushion needed to meet the rule's standards.

The risk retention rules would also require managers to ascertain the fair value of the assets and collateral to determine the 5% retention level. "I don't know how you possibly certify to the accuracy of loan funds security," when underlying collateral could be intangible assets such as intellectual property or trademarks, for example, said Paul Travers, portfolio manager of Onex Capital Partners.

Looking across the pond at the European CLO market, where risk retention rules are already in place, the panelists discussed how some of the new structures are developing to include risk-retention compliance features.

Two difference models have emerged, according to Coffey: the originator option and the sponsor option. Originators must retain 5% (again, unhedged) for the life of the loan, and at least 50% of loans held by the CLO must be purchased from the originator, she said. It must also be owned by the manager or a closely related entity.

A sponsor option is available in Europe if a manager is deemed a sponsor under regulatory requirements, and must purchase at least 5% of the CLO notes of a CLO (which is usually at a cost of €15-€20 million per CLO, said Coffey).

In the Oct. 8 Wells Fargo report, the bank stated that the sponsor model is not applicable to the U.S. CLO model, and several U.S. managers (including Kohlberg, Kravis & Roberts, Black Diamond, Saranac and Onex) have used the originator model to craft risk-retention compliance for European standards.

An arranger model is also possible structure, but not feasible since it requires arrangers to take 20% of the initial allocation as well as retain 5% for the life of the loan.—*GF*

MONROE
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nator structure to comply with the E.U. rule, the fact that it originates its own deals could very well give the firm a leg up in dealing with the recently approved 5% risk retention rule in the U.S.

Leveraged Finance News spoke with VanDerMeid, who joined Monroe in January 2007 to manage its pre-crisis CLO, about risk retention, warehousing and middle-market CLO pricing challenges.

This is Monroe Capital's first CLO since the financial crisis. Why now?


VanDerMeid

In the last few years, we've really focused on building up our originations platform. We started with our SBIC fund in 2011, then we did the IPO for the BDC in 2012, and finally we closed on another private debt fund in 2013. These funds give us the ability to arrange and originate our own loans so a middle-market CLO was a logical next step for us.

Not all managers warehouse their deals, but you did. Why?

In the middle market you really need a warehouse; you need more time to build a portfolio through primary loan issuance. Middle-market deal flow tends to be a little lumpier. It's very different from a broadly syndicated CLO that may or may not use a warehouse—you can't just price the CLO and then buy a large amount of assets in the secondary market. Our CLO is mostly primary originated deals, and because of that you need a longer runway.

How much of a runway?

I think you need at least six months for a ramp period.

Your recent deal also complies with EU risk retention rules, what was behind the decision to take that step?

First, we have a loyal following from several European investors who participated in our pre-crisis CLO, all the way from the triple-As down to the equity, and we wanted to work with them again. We also wanted the broadest market execution possible, and European investors were very eager to see a transaction in the middle market that they could use to diversify their portfolio. There are not a lot of middle-market CLOs to begin with, let alone European compliant deals. Our goal is to utilize this same structure to launch another middle-market CLO in 2015.

With the EU risk retention rules, there's some flexibility of interpretation regarding which entity holds the 5%? How is your CLO structured? Does Monroe hold the 5%?

We used the originator structure to comply with the European risk retention regulations. We have a third-party equity partner that was very familiar with our platform and we worked with them. The originator holds the 5% risk retention investment in the CLO and at least half of the deals in the CLO flow through the originator. It's a little more complicated than other structures, but it's very transparent. It was really clear to investors that we were creating a structure that works with the European guidelines.

So now that U.S. risk retention requirements have been approved, does the fact that you've issued a E.U. risk retention compliant CLO put you ahead of the game?

I think it is still early in the game given the U.S. risk retention rules were just finalized, and the lawyers are still working through potential solutions. But I do think we are in a good position—we've structured a European compliant CLO using the originator structure and we have a platform with multiple funding sources and the ability to arrange our own loans. This should put us in a good position to structure a CLO that meets both U.S. and European risk retention guidelines.

What does your investor base look like in the new CLO?

We have a very diverse group, with investors from Europe, the U.S. and Australia, as well as a mix of insurance companies, banks, hedge funds and credit opportunity funds. The key theme up and down the capital structure was investors who had familiarity with our platform. This is critical in the middle market because middle-market loans are not as liquid and the information is much more private than with broadly syndicated loans. So middle-market CLO investors need to spend time understanding how the manager underwrites, structures and monitors the loans.

Is there anything else, beyond regulations, that make issuing a middle-market CLO challenging?

Investors really want new primary loans. This typically leads to a longer investment period and less flexibility to invest, post investment period. Our deal has a four-year investment period with very clean language post-investment period. Also, a middle-market CLO has to be a natural extension of the manager's platform. A true middle-market manager needs to have multiple funding sources and a real proprietary origination capability. We have 12 originators spread across the U.S. in eight offices and they are out in the market sourcing primary deal flow for us.

A lot of managers say they're doing a middle-market CLO, and they'll just move down market and buy some of the larger syndicated names that get shown to everybody. To me, that's not a true middle-market CLO. A true middle-market CLO is done by a manager that can originate its own deals and access the clubbier transactions that tend to be relationship driven. We're going to see over 2000 deals as an institution this year. And when you can generate that level of volume, it can really create a unique portfolio for investors. They're getting access to deals they wouldn't otherwise see. --*Carol Clouse*

Chiquita
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visors, Cutrale-Safra received financial commitments that would enable it to refinance most of the debt, consisting primarily of a $425 million single tranche of 7.875% bonds that were issued in February 2013.

The notes are callable at 105.91 on Feb. 2, 2016, and include a T plus 50 bps make-whole provision and a 101 change of control provision. "We assume that the 7.875s are more likely to be refinanced through the call," the KDP report stated. KDP added the make-whole provision would value the notes at approximately 114.5.

The notes traded at Monday's close at 109–110, down slightly from 109.75-110.75, according to Markit.

Neither Standard & Poor's or Moody's Investors Service made an assessment of this week's developments, but in previous reports the agencies weighed the credit metrics from a potential Cutrale-Safra takeover vs. a planned Chiquita merger with Fyffes, an Irish fruit and produce company.

Moody's Investors Service wrote in August that the Cutrale-Safra offer (at the time a 29% share-price premium) represented a "credit positive" by triggering a repayment of outstanding notes, "whereas the fate of the debt under Chiquita's planned merger with Fyffes PLC is unclear."

According to Moody's, the change-of-control features of the bonds would trigger bondholder put options on both the $425 million senior secured notes and $200 million in convertible senior notes due 2016. "As part of their offer, the acquiring companies intend to provide any additional capital required if Chiquita bondholders exercise the change-of-control put option that would result in repayment," it stated.

Covenant Review issued a report the week of October on the impact that the sale would have on the bonds. One of the features of the notes is an equity claw provision in which Chiquita can redeem up to 35% of the aggregate principal amount of the notes at 107.875% with a sale of equity interests. "As a result, assuming that the notes do not need to be redeemed in whole for covnant reasons ... Chiquita could potentially manufacture an equity investment in order to take out a portion of the notes at less than the make-whole," the Oct. 27 report stated.

Some "drafting ambiguity" clouds some details over the bonds' 103% call provision (available for each of the first three years), but Covenant Review states the maximum amount of principal available for call is $138.75 million, following a January call of $10 million of the notes by Chiquita based on the 103% call provision.

After using the equity claw to redeem $138.75 million, Chiquita could "shortly thereafter" attempt to use the 103% call to redeem another $42.5 million of notes, "although such an attempt could be subject to challenge." — *GF*

Market Buzz
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with Time Warner Cable. Charter will acquire approximately 1.5 million existing Time Warner Cable subscribers from the combined Comcast-TWC entity following completion of merger.

Media General was driving by with $300 million of senior notes due 2022 to help fund its acquisition of LIN Media on Oct. 30, as LFN went to press. RBC is the lead underwriter. The notes are part of a larger funding package that also includes a proposed $150 million senior secured revolving credit facility, a new term loan A, and an incremental Term Loan B-2, according to Moody's, which has assigned a Ba3 rating to the senior credit facility and a B3 to the proposed senior notes. Media General has agreed to buy LIN for $1.6 billion in a cash-and-stock deal to create the second-largest local television broadcasting company.

On Oct. 27, Building Materials Corp. of America sold $1.1 billion of 10-year senior unsecured notes that will be used to refinance a series of existing senior secured and unsecured notes. The offering, led by Deutsche Bank, was assigned a 5.375% coupon and priced at par. Based in Wayne, N.J., the manufacturer of roofing products marketed under the trade name GAF is looking to redeem existing bonds consisting of a $250 million senior secured notes issue due 2020, a $450 million senior unsecured notes issue due 2018, and a $325 million senior unsecured notes issue also due 2020. Moody's issued a 'Ba2' rating on the new notes and upgraded the existing $1 billion senior unsecured notes due 2021 issue to 'Ba2' from 'Ba3' due to the refinancing. The 2021 notes are not being redeemed as part of the offering. According to Moody's, the company is adding only $75 million to its existing $2.3 billion debt level, which will keep debt-to-Ebitda at around 3.5x on a pro forma basis, and the company will be saving $12 million a year in interest. "However, we view the proposed transaction as relatively aggressive," Moody's reported. "BMCA is paying a very large, debt-financed redemption premium for the notes in addition to accrued interest and related fees and expenses relative to the expected reduction of future cash interest payments, representing a payback period in excess of six years."

M/I Homes withdrew an offering of $350 million of senior notes Oct 27, citing "market conditions." Citigroup was the lead bank. The homebuilder has also terminated a cash tender for its $230 million of outstanding 8.625% senior notes due 2018 and a solicitation of consents to remove restrictive covenants on the notes. The tender offer was conditioned upon the completion of an offering of senior notes on terms satisfactory to the company. M/I Homes was seeking two tranches, one maturing in 2019

LEVERAGED LOAN FORWARD CALENDAR

Announce Date	Issuer	Issue	Amt ($mm)	Commit Date	Price Talk	Banks	Use of Proceeds	Industry
10/28/14	Tecomet Inc.	1L	520	11/12/14	L+450 @ 99	CSS	Acquisition	Diversified Manufacturing
10/28/14	Tecomet Inc.	2L	190	11/12/14		CSS	Acquisition	Diversified Manufacturing
10/24/14	Southeast Powergen	TLB	480	11/11/14	L+375-400 @ 99	MS		Electric Generation
10/21/14	Norwegian Cruise	TLB	500		L+350-375 @ 99	JPM	Acquisition	Lodging/Leisure
10/21/14	Transfirst Inc.	2L	335	10/31/14	L+800 @ 99	JEF	Buyout	Technology
10/21/14	Transfirst Inc.	1L	665	10/31/14	L+450 @ 99	JEF	Buyout	Technology
10/16/14	INC Research Inc.	TLB	425		L+375-400 @ 99	GS	Acquisition	Healthcare/Hospitals
10/13/14	Citadel Plastics	TLB	300	10/30/14	L+400-425 @ 99	GE	Acquisition	Diversified Services
10/13/14	Citadel Plastics	2nd Lien	100	10/30/14	L+800 @ 99	GE	Acquisition	Diversified Services
10/10/14	Essar Steel Algoma	TL1	350	10/28/14	L+475-500 @ 99	DB	Refinance	Steel
10/8/14	Bluestem Brands	1st Lien	300	10/28/14	L+650 @ 98	CSS	Buyout	Retail
10/6/14	Pabst Brewing	1st Lien	385	10/30/14	L+825-850 @ 99	UBS	Buyout	Beverages
10/6/14	Pabst Brewing	2nd Lien	133	10/30/14	L+450-475 @ 99	UBS	Buyout	Beverages
9/8/14	Global Cash Access	TLB	800	6/15/15		BAML	Acquisition	Technology
3/25/14	Media General	TLB	910	3/21/15	L+275	RBC	Merger	Broadcasting

Source: Leveraged Finance News

and the other in 2022; it was expected to price the same day. The company is rated B2 by Moody's and B by S&P. In addition to its existing senior notes, which are rated B1/B, other outstanding debt includes $86 million 3% senior subordinate convertible senior notes due 2018; $58 million 3.25% senior subordinate convertible notes due 2017; and $48 million 9.75% series A preferred shares. M/I Homes' offering is the third deal to be scotched this month, according to KDP. It follows Providence Service's withdrawal of $200 million of notes due 2021 on Oct. 21 and BreitBurn Energy's withdrawal of $400 million of notes due 2023 on Oct. 9.

Carrizo Oil & Gas priced an upsized $300 million of 7.5% senior notes due 2020 on Oct. 27, $50 more than the $250 million that it was originally seeking. The deal, which was led by Wells Fargo Securities, priced at 100.50 per 100.00 of face value. Carrizo intends to use the proceeds to fund the acquisition of oil and gas properties located in the Eagle Ford Shale from Eagle Ford Minerals for $243.0 million, net of working capital adjustments. Carrizo has already paid $93 million of the total, using its existing $800 million revolving credit facility; the remaining $150 million will be paid on a deferred basis but no later than February 2015. In the meantime, proceeds from the note offering will be used to pay down the revolver. The notes are non-callable until September 2016 unless the company pays the principal plus a make-whole premium. The acquisition will provide a "modest" increase in leverage, according to Moody's, and will not impact Carizzo's existing 'B1' Moody's corporate rating. Carizzo has $600 million in existing 8.625% senior unsecured notes due 2018, accumulated through two issues. Those notes are rated 'B2' by Moody's and 'B+' by S&P. Carizzo is rated 'B+' by S&P.

Optima Specialty Steel is seeking to issue $300 million in five-year, senior secured notes to redeem existing high-interest notes and to fund its acquisition of Corey Steel. Deutsche Bank is on the left of the deal. The company is expected to use the proceeds to pay off two bond issues – a $175 million 12.5% senior secured notes due 2016 and a 16% senior unsecured notes package of $35 million – as well as fund its proposed acquisition of Corey Steel, according to S&P. S&P has issued a 'B' issue-level and '3' recovery rating to the proposed notes. The agency maintains a 'B' corporate and stable outlook for Optima, which is based in Miami, Fla. Other than an unrated $75 million asset-backed revolver facility (which has been upsized from $40 million), the proposed notes will be the only "material" debt instrument in the company's new capital structure, per S&P. Optima carries a 'B2' rating from Moody's.

MOST RECENT CLOSED U.S. LEVERAGED LOANS

Close Date	Borrower	Facility Amount ($ mil)	Tranche Amount ($ mil)	Loan Type	Maturity	All Agents
10/20/14	Mattress Holding Corp	845.0	125.0	RevCred/TLB	10/20/19	BOA-MERRILL/BARCLAYS/ JPM/UBS-BANK/ AMEGY-BK-T/CADENCE-BK/ KEYBANK/SUNTRUST-BK
10/20/14	Mattress Holding Corp	845.0	720.0	RevCred/TLB	10/20/21	BOA-MERRILL/BARCLAYS/ JPM/UBS-BANK/ AMEGY-BK-T/CADENCE-BK/ KEYBANK/SUNTRUST-BK
10/20/14	RatPac Entertainment	100.0	100.0	Rev Cred Fac	10/20/19	BOA/SUNTRUST-BK
10/20/14	Pro Mach Inc	700.0	60.0	RevCred/TLB	n/a	GECC/GS
10/20/14	Pro Mach Inc	700.0	410.0	RevCred/TLB	10/20/21	GECC/GS
10/20/14	Pro Mach Inc	700.0	230.0	RevCred/TLB	10/20/22	GECC/GS
10/20/14	Magnum Hunter Resources Corp	340.0	340.0	Term Loan	10/20/19	BMO-CAPITAL/CS
10/20/14	Crown Holdings Inc	675.0	675.0	Dly Drw Trm Ln	10/20/21	CITI/BBVA/BOA/DB/HSBC/ WELLS-FARGO
10/17/14	AECOM Technology Corp	4,662.5	1,050.0	RevCred/Term Ln	10/17/19	BNP-PARIBAS/BOA/ SCOTIABANK/BTM-UFJ/ JPM/BBVA-COMPASS/ CREDIT-AGRI-CIB/HSBC/ SUMITOMO-MITSUI/WF
10/17/14	AECOM Technology Corp	4,662.5	1,925.0	RevCred/Term Ln	10/17/19	BNP-PARIBAS/BOA/ SCOTIABANK/BTM-UFJ/ JPM/BBVA-COMPASS/ CREDIT-AGRI-CIB/HSBC/ SUMITOMO-MITSUI/WF
10/17/14	AECOM Technology Corp	4,662.5	1,187.5	RevCred/Term Ln	10/17/21	BNP-PARIBAS/BOA/ SCOTIABANK/BTM-UFJ/ JPM/BBVA-COMPASS/ CREDIT-AGRI-CIB/HSBC/ SUMITOMO-MITSUI/WF
10/17/14	AECOM Technology Corp	4,662.5	500.0	RevCred/Term Ln	10/17/19	BNP-PARIBAS/BOA/ SCOTIABANK/BTM-UFJ/ JPM/BBVA-COMPASS/ CREDIT-AGRI-CIB/HSBC/ SUMITOMO-MITSUI/WF
10/17/14	Boomerang Tube LLC	10.0	10.0	Rev Cred Fac	10/09/17	BOA/WF
10/17/14	Access CIG LLC	494.0	152.0	Term Loan	10/17/22	BOA/DB/GS
10/17/14	Access CIG LLC	494.0	342.0	Term Loan	10/17/21	BOA/DB/GS
10/17/14	O.com Land LLC	55.8	45.8	RevCred/Term Ln	10/17/17	US-BANK-NA
10/17/14	O.com Land LLC	55.8	10.0	RevCred/Term Ln	10/17/17	US-BANK-NA
10/17/14	IHS Inc	2,000.0	700.0	RevCred/TLA	10/17/19	BOA/JPM
10/17/14	IHS Inc	2,000.0	1,300.0	RevCred/TLA	10/17/19	BOA/JPM
10/17/14	TriMas Corp	275.0	275.0	Term Loan A	10/17/18	BOA/JPM/WF/BBVA- COMPASS/KEYBANK/RBS/ BANK-MONTREAL
10/17/14	Trilogy Health Services LLC	50.0	50.0	Rev Cred Fac	10/30/17	BOA-MERRILL/KEYBK
10/16/14	Cedar Creek LLC	150.0	150.0	Rev Cred Fac	12/15/16	BOA-MERRILL/US-BANK-NA
10/16/14	Heritage-Crystal Clean Inc	140.0	60.0	RevCred/TLA	10/16/18	BOA-MERRILL/WF
10/16/14	Heritage-Crystal Clean Inc	140.0	80.0	RevCred/TLA	10/16/18	BOA-MERRILL/WF
10/15/14	JELD-WEN Inc	775.0	775.0	Term Loan B	10/15/21	BOA-MERRILL/BARCLAYS/ KEYBK/SUNTRUST-BK/WF
10/15/14	Grocery Outlet Inc	725.0	450.0	RevCred/Term Ln	10/15/21	DB/MORGAN-STANLEY/ JEFFERIES-LLC
10/15/14	Grocery Outlet Inc	725.0	200.0	RevCred/Term Ln	10/15/22	DB/MORGAN-STANLEY/ JEFFERIES-LLC
10/15/14	Albertsons Inc	300.0	300.0	Term Loan B	08/16/21	CS/BOA/BARCLAYS/CITI/ DEUTSCHE-BANK/ MORGAN-STANLEY/ SUNTRUST-BK/ US-BANK-NA

Source: Thomson Reuters

MOST RECENT COMPLETED HIGH YIELD DEALS

Issue Date	Issuer	Principal Am ($mm)	Currency	Coupon %	Maturity	Moody Rating	Standard & Poor's Rating	Bookrunner(s)
10/21/14	Schaeffler Hldg	675.000	US	6.750	11/15/22	B1	B	Deutsche Bank AG HSBC Securities (USA) Inc, Citi Commerzbank AG, JP Morgan Unicredit Banca Mobiliare SpA
10/21/14	Schaeffler Hldg	445.066	EUR	5.750	11/15/21	B1	B	Deutsche Bank AG HSBC Securities (USA) Inc, Citi Commerzbank AG, JP Morgan Unicredit Banca Mobiliare SpA
10/21/14	Schaeffler Hldg	475.000	US	6.250	11/15/19	B1	B	Deutsche Bank AG HSBC Securities (USA) Inc, Citi Commerzbank AG, JP Morgan Unicredit Banca Mobiliare SpA
10/21/14	IHS Inc	750.000	US	5.000	11/01/22	Ba1	BB+	JP Morgan Bank of America Merrill Lynch Wells Fargo & Co, RBC Capital Markets Goldman Sachs & Co
10/21/14	TPC Group Inc	50.000	US	8.750	12/15/20	B3	B	Bank of America Merrill Lynch
10/20/14	Bank of America Corp	1,400.000	US		Perpet.	Ba3	BB	Bank of America Merrill Lynch
10/20/14	Constellation Brands Inc	400.000	US	4.750	11/15/24	Ba1	BB+	Bank of America Merrill Lynch JP Morgan, Rabo Securities NV Wells Fargo & Co SunTrust Robinson Humphrey
10/20/14	Constellation Brands Inc	400.000	US	3.875	11/15/19	Ba1	BB+	Bank of America Merrill Lynch JP Morgan, Rabo Securities NV Wells Fargo & Co SunTrust Robinson Humphrey
10/17/14	NOVA Chemicals Corp	500.000	US	5.000	05/01/25	Ba2	BB+	Barclays Capital Group HSBC Securities (USA) Inc TD Securities (USA) Inc RBC Capital Markets Scotia Capital (USA) Inc.
10/15/14	Bank of China Ltd	6,499.804	US	Floats	Perpet.	Ba2	BB-	BOC International Holdings BNP Paribas SA, Citi China Merchants Securities HK CITIC Securities International Credit Suisse, HSBC Bank PLC Morgan Stanley & Co Standard Chartered PLC
10/10/14	MPG Holdco 1	600.000	US	7.375	10/15/22	B3	B+	Deutsche Bank AG Goldman Sachs & Co Bank of America Merrill Lynch KeyBanc Capital Markets Inc Morgan Stanley & Co, Nomura Secs Intl RBC Capital Markets
10/10/14	Dynegy Finance I Inc	2,100.000	US	6.750	11/01/19	B3	B+	Morgan Stanley & Co, Credit Suisse RBC Capital Markets Barclays Capital Group UBS Securities Inc
10/10/14	Dynegy Finance I Inc	1,750.000	US	7.375	11/01/22	B3	B+	Morgan Stanley & Co Credit Suisse, RBC Capital Markets Barclays Capital Group UBS Securities Inc
10/10/14	Dynegy Finance I Inc	1,250.000	US	7.625	11/01/22	B3	B+	Morgan Stanley & Co Credit Suisse RBC Capital Markets Barclays Capital Group UBS Securities Inc

Source: Thomson Reuters

HIGH YIELD SECONDARY GAINERS & LOSERS

(AS OF 10/30/14)

— TOP GAINERS —

Issuer	Bond	Price 10/22/14	Price 10/29/14	Change	Yield 10/22/14	Yield 10/29/14	Spread 10/29/14
VENOCO INC	VQ 8.875 2/15/19 c15	78.0000	86.0000	8.0000	16.16%	13.25%	1172
VIKING CRUISES LTD	VIKCRU 8.500 10/22 c17 (144a)	102.0000	108.6250	6.6250	8.07%	6.56%	422
CLIFFS NATURAL RESOURCES INC	CLF 6.250 10/1/40	66.4430	71.5500	5.1070	9.85%	9.13%	608
SELECT MEDICAL CORP	SEM 6.375 6/1/21 c16	96.5000	101.5125	5.0125	7.05%	5.99%	367
HCA INC	HCA 7.580 9/15/25	107.4000	112.0000	4.6000	6.61%	6.06%	374
DYNCORP INTERNATIONAL INC	DCP 10.375 7/1/17 c14	84.2500	88.5000	4.2500	18.02%	15.82%	1491
CENTURYLINK INC	CTL 7.200 12/1/25	101.7370	105.9780	4.2410	6.97%	6.44%	411
W&T OFFSHORE INC	WTI 8.500 6/15/19 c15	98.2500	102.4000	4.1500	8.96%	7.47%	592
ILLINOIS POWER GENERATING CO	AEE 6.300 4/1/20	86.7500	90.9000	4.1500	9.48%	8.43%	684
GYMBOREE CORP	GYMB 9.125 12/1/18 c14	32.4080	36.5511	4.1431	48.56%	43.76%	4217
MBIA INC	MBI 7.150 7/15/27	107.0080	111.0220	4.0140	6.34%	5.90%	358
UNITED CONTINENTAL HOLDINGS INC	UAL 6.000 7/15/26 c14	94.0000	98.0000	4.0000	6.75%	6.24%	390

— TOP LOSERS —

Issuer	Bond	Price 10/22/14	Price 10/29/14	Change	Yield 10/22/14	Yield 10/29/14	Spread 10/29/14
HERCULES OFFSHORE INC	HERO 7.500 10/21 c16 (144a)	70.0000	62.0000	-8.0000	14.50%	17.07%	1475
COLT DEFENSE LLC	CLTDEF 8.750 11/15/17 c14	62.1590	54.5000	-7.6590	27.99%	33.89%	3297
ALPHA NATURAL RESOURCES INC	ANR 6.000 6/1/19 c14	57.2500	49.6250	-7.6250	20.92%	25.12%	2351
ARCH COAL INC	ACI 7.000 6/15/19 c15	45.0000	37.5110	-7.4890	29.50%	35.42%	3384
QUICKSILVER RESOURCES INC	KWK 7.125 4/1/16 c14	30.0000	22.8495	-7.1505	121.64%	157.90%	15745
MIDSTATES PETROLEUM COMPANY INC	MPO 9.250 6/1/21 c16	93.0000	85.9000	-7.1000	10.76%	12.45%	1013
SAMSON INVESTMENT CO	SAIVST 9.750 2/15/20 c16	82.2500	76.0000	-6.2500	14.67%	16.76%	1517
ARCH COAL INC	ACI 7.250 10/1/20 c15	52.0110	46.2550	-5.7560	22.18%	25.20%	2361
WALTER ENERGY INC	WLT 9.875 12/15/20 c16	33.0000	27.5600	-5.4400	39.63%	46.07%	4449
ALPHA NATURAL RESOURCES INC	ANR 6.250 6/1/21 c16	52.0320	47.0000	-5.0320	19.46%	21.77%	1944
SANDRIDGE ENERGY INC	SD 8.125 10/15/22 c17	98.3000	93.5000	-4.8000	8.42%	9.30%	698
HALCON RESOURCES CORP	HKUS 9.750 7/15/20 c16	90.8000	86.0000	-4.8000	12.01%	13.32%	1173

Source: MarketAxess

HIGH YIELD BOND FUND PERFORMANCE

Name Of Fund	Total Net Assets 9/30/14 ($ Mil's)	12/31/13 To 10/29/14 % Change	Rank	Lipper Leader
Mrkt Vctrs:FA Hi Yd Bd	16.5	7.39	1	
Fidelity Capital & Inc	10,462.5	6.84	2	Y
Loomis Sayles:Inst HI;I	693.3	6.54	3	Y
Natixis:LS High Inc;Y	130.5	6.28	4	Y
Westcore:Flex Inc;Rtl	62.4	6.09	5	
WellsFargo:Hi Yld Bd;A	201.8	6.05	6	
J Hancock II:HY Bd;1	92.4	5.70	7	
USAA High Income;Fund	1,480.9	5.58	8	Y
Henderson:Hi Yld Opp;I	23.3	5.57	9	
Lord Abbett High Yld;I	1,758.0	5.48	10	Y
Vanguard HY Corp;Adm	12,644.1	5.41	11	
CNR:Hi Yld Bond;Inst	40.4	5.40	12	
MassMutual Prem:HY;I	105.6	5.39	13	Y
Am Beacon:SiMHY Opps;Y	261.2	5.31	14	Y
Transam:Hi Yield Bd;I2	740.3	5.20	15	Y
PNC:Hi Yld Bond;I	28.1	5.19	16	
Federated Hi Yld Tr;Svc	636.9	5.13	17	Y
Payden:High Inc;Inv	733.0	5.12	18	
AllianBer High Inc;Adv	2,388.9	5.08	19	Y
J Hancock II:Gl Inc;A	2.9	5.08	20	

Number of All High Yield Funds: 824
Lipper HI Curr Yld Bd IX: 4.31

Source: Lipper

LOAN SECONDARY ADVANCERS AND DECLINERS

(For the week ended October 30, 2014)

Top 10 Advancers

Facility	Previous Bid	Current Bid	Percent Change
Weight Watchers 4/13 TLB2	75.208	77.727	3.24
Education Management 12/10 Extended TLC2	43.25	44.375	2.54
Cortefiel 9/12 Extended PIK TLB3	64.35	65.188	1.29
Cortefiel 6/14 PIYC TLB3	64.35	65.188	1.29
Caesars Entertainment (Harrah's) 10/13 TLB	94.219	95.307	1.14
Asurion 3/14 Cov-Lite 2nd Lien TL	100.05	101	0.94
US Investigations 7/14 TL	88.1	88.917	0.92
Dynegy 4/13 TLB2	98.417	99.325	0.91
Level 3 8/13 (2019) TLB3	98.025	98.925	0.91
SeaWorld 5/13 TLB	94.375	95.229	0.9

Top 10 Decliners

Facility	Previous Bid	Current Bid	Percent Change
Gymboree (Cov-Lite 2/11) TL	63.7	63.038	-1.04
Arch Coal (5/12) TLb	88.45	87.7	-0.85
Alpha Natural Resources 5/13 TLB	86.5	85.792	-0.82
Seadrill Partners 2/14 TL	95.05	94.344	-0.74
Tunstall 9/13 (EUR) TLB2	74.448	73.963	-0.65
TDF 7/11 Extended CA1-2 TLC	97.125	96.75	-0.39
Affinion 4/10 TLB	95.969	95.625	-0.36
Oberthur 10/13 (EUR) Cov-Lite TLB1	98.625	98.271	-0.36
Sears Holdings 9/13 TL	97.25	96.925	-0.33
Aenova 8/14 Cov-Lite TL	99.354	99.188	-0.17

Source: Markit

CLOSED END LOAN FUND PERFORMANCE

Name Of Fund	Total Net Assets 9/30/14 ($ Mil's)	12/31/13 To 10/28/14 % Change	Rank
THL Credit Senior Loan	142.3	4.18	1
Invesco Dyn Cred Opps	1,136.5	3.80	2
Nuveen Credit Strat Inc	1,378.5	3.60	3
Apollo Senior Float Rate	293.6	3.12	4
Blackstone / GSO Strat	836.0	2.96	5
Invesco Senior Income Tr	928.9	2.88	6
Invesco Sr Loan;IB	731.4	2.78	7
Voya Prime Rate Trust	879.2	2.54	8
BlackRock Fltg Rate Inc	344.4	2.47	9
Nuveen Sht Dur Crdt Opp	193.4	2.43	10

Name Of Fund	Total Net Assets 9/30/14 ($ Mil's)	12/31/13 To 10/28/14 % Change	Rank
Nuveen Float Rt Inc Opp	478.3	2.34	11
BlackRock Flt Rt Inc	564.2	2.17	12
BlackRock Def Opp Credit	128.5	2.14	13
LMP Corporate Loan	125.5	2.13	14
Nuveen Senior Income	284.6	2.06	15
First Tr Sr Fltg RI II	390.9	2.02	16
Voya Senior Income;A	332.5	1.91	17
Blackstone/GSO LS Cr Inc	236.3	1.88	18
Nuveen Float Rate Inc	681.1	1.71	19
Eaton Vance Sen Flt-Rt	565.8	1.55	20

Source: Lipper

— Average % Change: 2.24 —

— Number of Funds: 34 —

Loanbase Statistics — Syndicated U.S. Loans

Data distribution as of October 30, 2014 (in millions)

	2011		2012		2013		2014	
M	All	Leverage	All	Leverage	All	Leverage	All	Leverage
Q1	394,758	185,318	348,113	170,103	504,699	345,108	476,274	281,412
No. packages	777	453	831	515	880	670	976	680
Q2	587,481	248,964	413,616	170,257	595,729	346,313	623,088	290,427
No. packages	1,051	549	921	525	1,102	794	1,236	800
Q3	435,380	146,396	346,251	143,648	523,549	215,464	495,179	232,326
No. packages	945	495	839	477	1,003	650	993	629
Q4	481,945	147,566	488,654	252,026	614,511	296,388	103,220	50,055
No. packages	999	502	1,113	717	1,176	787	121	76
Total Dollars	1,899,563	728,243	1,596,635	736,034	2,238,488	1,203,273	1,697,761	854,220
Total Packages	3,772	1,999	3,704	2,234	4,161	2,901	3,326	2,185