

Morgan Stanley Credit Partners L.P.

Weekly Market Update

February 4, 2013

Weekly Leveraged Finance Update

Week Ended February 1, 2013

- High Yield:
 - YTD New Issuance: \$45.2Bn (70% above YTD 2012)
 - Fund Flows : +\$2.4Bn
 - Index Yield : 5.89%
- Leveraged Loans:
 - New Issuance ⁽¹⁾: \$56.6Bn (115% above YTD 2012)
 - Fund Flows ⁽²⁾: +\$10.7Bn
 - Index Yield : 5.67%

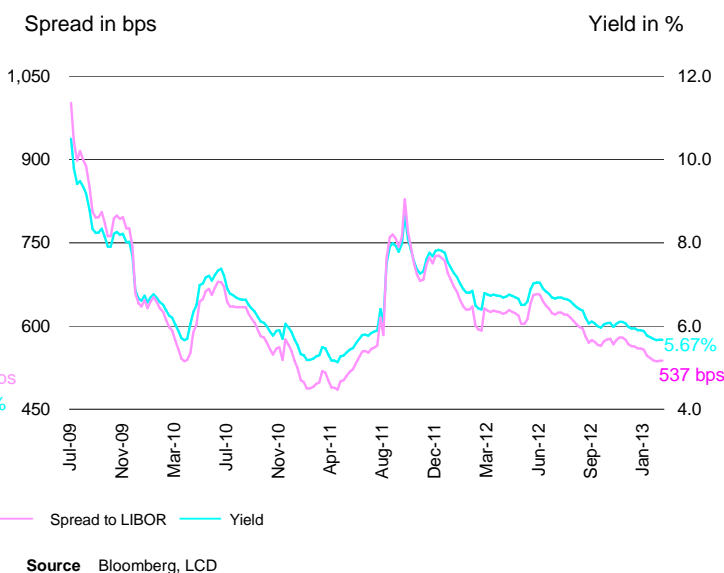
Leveraged Finance Market Commentary

- High-Yield CDS index, HY19: 102.69, down 0.25 pts (0.24%)
- High-Yield bond index: 105.5, down 0.82 pts (0.77%)
- Leveraged Loan CDS index, LCDX19: 101.97, down 0.28 pts (0.27%)
- Leveraged loan index: 99.76, up 0.25 pts (0.25%)
- 33 issuers priced \$14Bn of HY globally, YTD volume is \$45.2Bn, 70% above YTD 2012
- 32 loans broke for trading for \$22Bn. YTD volume is \$56.6Bn, 115% above YTD 2012
- HY fund flows: positive \$92MM; YTD fund flows total positive \$2.4Bn
- Loan fund flows: positive \$923MM, the 32nd consecutive inflow totaling \$10.7Bn
- No CLOs priced this week. 2013 YTD CLO volume \$8.1Bn

LTM High Yield Index STW and YTW



LTM Leveraged Loan Index STW and YTW



Weekly Leveraged Finance Update

Week Ended February 1, 2013

Market Commentary

- **Hillman Group sets call for refinancing**

- Hillman Group Inc scheduled a call to launch a refinancing of its secured credit facilities
- The loans will replace the company's existing \$312.4M first-lien loan and \$76.8M incremental delayed-draw term loan. The existing loans are priced at LIB+350 with a 1.5 percent Libor floor
- Price talk on the new 3.5-year loans has not yet been disclosed
- The Hillman Group is a distributor of fasteners, keys, letters, numbers and signs

- **LMI Aerospace upsizes RC, tightens TLB pricing**

- LMI Aerospace Inc added \$25M to its revolving credit facility and made issuer-friendly changes to pricing on the institutional tranche amid strong demand
- The size of the RC increased to \$125M, up from \$100M at launch
- The spread on the \$225M TLB tightened to LIB+350, 50bp lower than the tight end of LIB+400-425 price talk. The 1.25 percent Libor floor is unchanged
- A step down to LIB+325 when total leverage falls below 3.0 times was added
- The OID tightened to 99.5 from 99 at launch
- The loan has 101 soft call protection in year one
- Proceeds are to back LMI's previously announced acquisition of Valent Aerostructures

- **Intelligrated launches repricing**

- Intelligrated Inc launched a repricing of its existing \$214M first-lien term loan
- Price talk is set at LIB+325 with a 1.25 percent Libor floor. The loan is offered at par
- The loan has 101 soft call protection in year one
- Permira is the financial sponsor

Weekly Leveraged Finance Update

Week Ended February 1, 2013

Market Commentary

- **Cole Haan's new LBO term loan wraps 101 on trade break**

- Cole Haan's new \$290M term loan is 100.5-101.5 on its debut for secondary trading
- The covenant-lite loan, backing the company's purchase by Apax Partners, sold at 99.5 issue price
- Pricing cleared at LIB+450 with 1.25 percent Libor floor. Price talk on the loan was originally set at LIB+500-525. The OID was tightened to 99.5 from 99 at launch
- The term loan was upsized by \$20M from \$270M
- The institutional loan has 1 percent amortization and 101 soft call protection
- A \$100M asset-based loan rounds out the now \$390M credit facility
- Proceeds are to back Apax Partners' acquisition of the handbag and shoe brand from Nike Inc

- **Paradigm outlines repricing terms**

- Paradigm Ltd detailed price talk on its repricing loan
- Price talk on the \$305M loan is LIB+375 with a 1.25 percent Libor floor. The loan is offered at par
- Lenders in the existing loan will be repaid at 101
- Additionally, with the repricing, 101 soft call protection will reset for one year
- The loan reprices Paradigm's first-lien debt

- **Harvard Drug Group outlines price talk on \$300M loan**

- Harvard Drug Group has proposed lowering pricing by 100bp to LIB+375 on its \$300M term loan
- The loan is being offered at par and would contain a 101 soft call reset. No changes have been contemplated for the existing loan's 1 percent Libor floor

- **Vantage Specialty sets price talk on repricing loan**

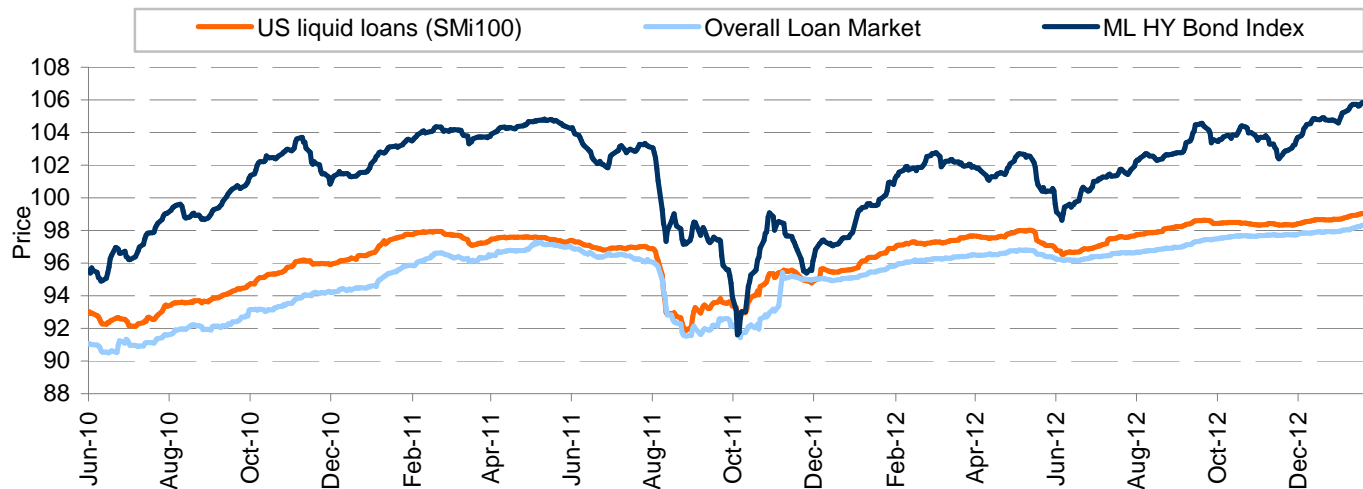
- Vantage Specialty Chemicals outlined price talk on its \$240M repricing loan. Talk is LIB+425 with a 1.25 percent Libor floor and will be issued at par
- The new pricing will shave 125bp off the price of the existing loan

Weekly Leveraged Finance Update

Week Ended February 1, 2013

- HY bond prices increase to the 106 context; loans trending slightly higher so far in 2013

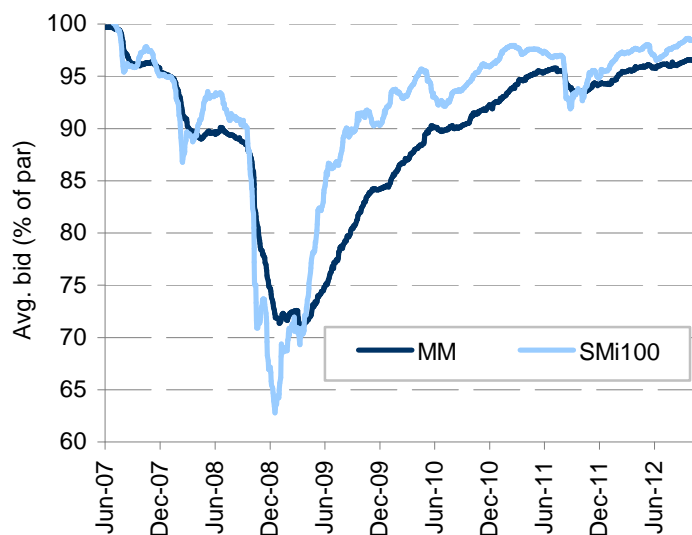
ML HY Master II Index, SMI100 & Overall Market Average Bids



Source: Thomson Reuters LPC

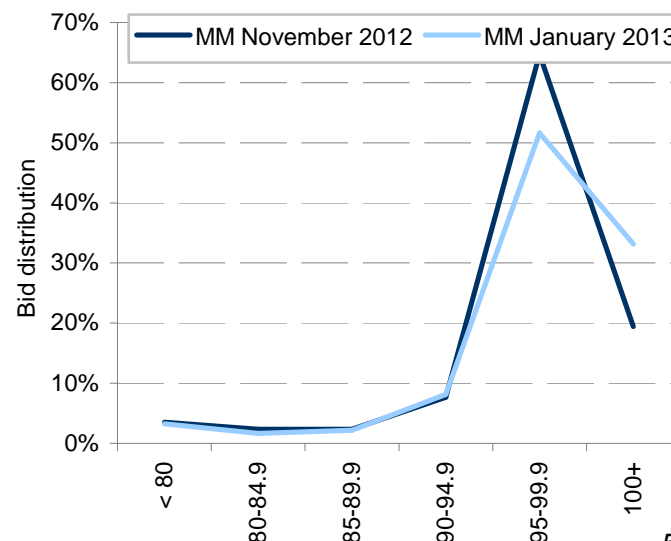
- MM bids in the 97 context; 33% of MM loans are bid at par or better compared to 19% in November

SMI100 & MM



Source: Thomson Reuters LPC

MM Bid Distribution



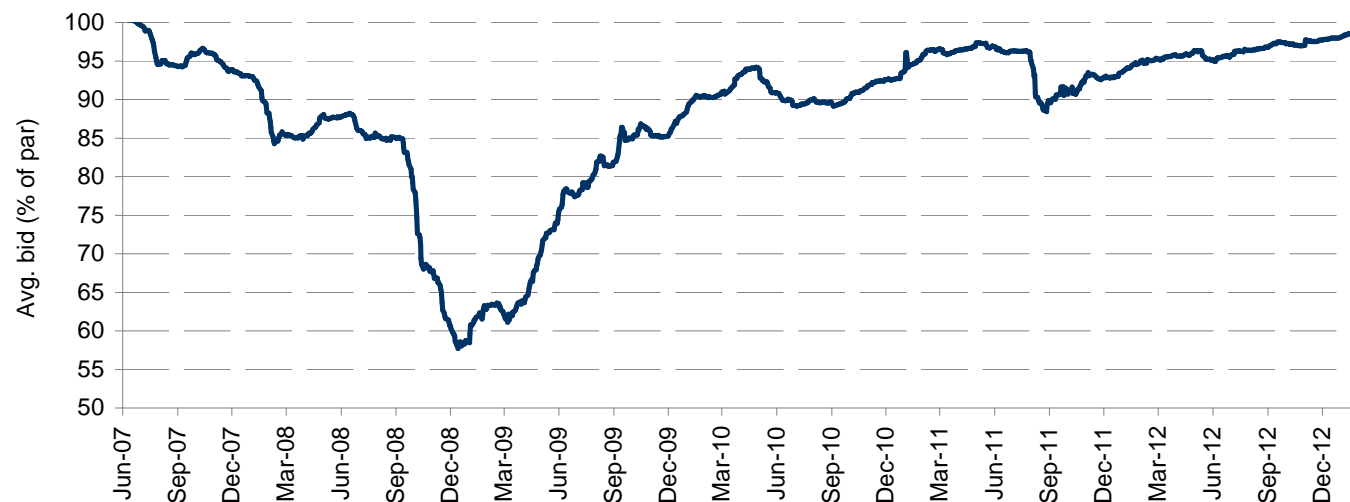
Source: Thomson Reuters LPC

Weekly Leveraged Finance Update

Week Ended February 1, 2013

- Covenant-lite loans trading at 5-year highs

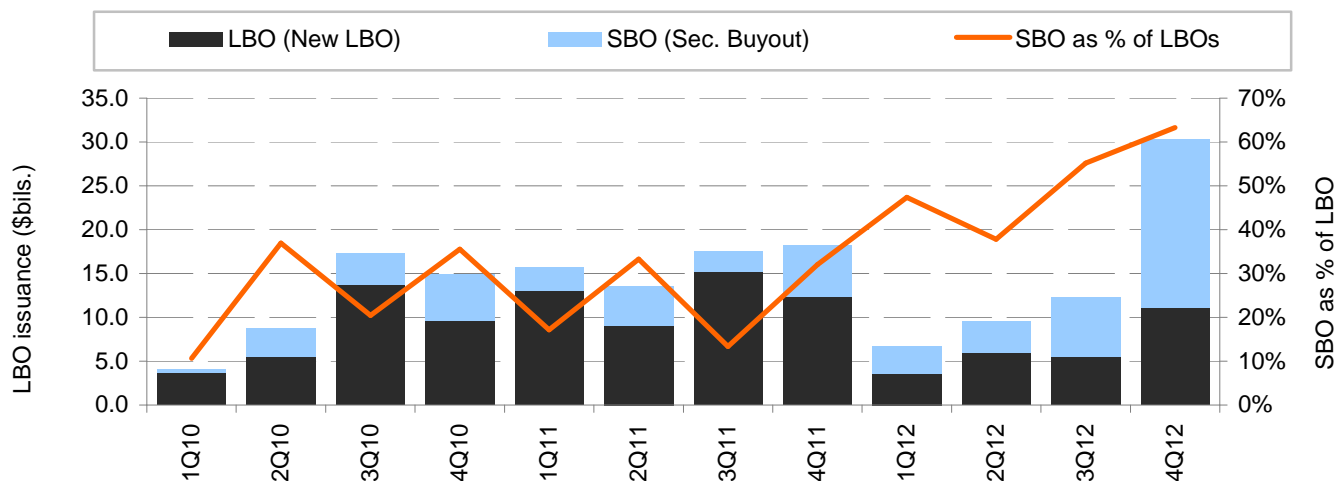
Overall Market Covenant-Lite Loan Bids



Source: Thomson Reuters LPC

- Sponsor-to-Sponsor LBOs skyrocketed in 4Q12 and are expected to continue in 2013

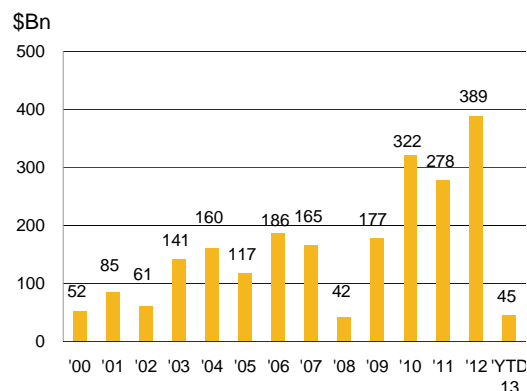
Overall Market LBO/SBO Issuance



Source: Thomson Reuters LPC

Weekly Leveraged Finance Update

Historical HY New Issuance Volume by Year



Source: Morgan Stanley, Thomson SDC

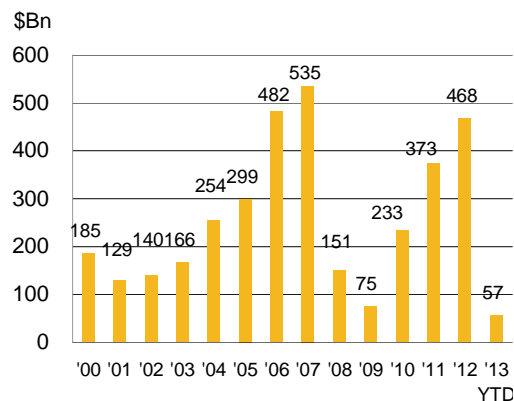
2013 High Yield Issuance

Trade Date	Issuer	Sponsor	Purpose	Amount (\$MM)	Rating	Yield
2/1/13	Ashton Woods	Not Sponsored	Refinancing	300	B-/Caa1	7.000%
2/1/13	NCL Corporation	Not Sponsored	Refinancing	300	BB-/B3	5.125%
2/1/13	Nord Anglia Education	Baring Private Equity	Recap/Stock Repurcha	150	CCC+/Caa2	9.000%
2/1/13	Permian Tank & Manufacturing	Carlyle Group	Recap/Dividend	200	B-/B3	10.500%
2/1/13	Talos Production LLC	Apollo Management	Acquisition	300	CCC+/Caa1	10.000%
1/31/13	Global A&T Electronics	Not Sponsored	Refinancing	625	B/B1	10.000%
1/31/13	NXP Semiconductors	Kohlberg, Kravis & Roberts	Refinancing	500	B/B3	5.750%
1/31/13	Unifrax Holding Co	American Securities Capital Partners	Acquisition	205	B-/Caa1	7.500%
1/30/13	Antero Resources Corp	Warburg Pincus	Refinancing	225	B+/B2	5.390%
1/30/13	D R Horton	Not Sponsored	Corp Purpose	300	BB-/Ba2	4.750%
1/30/13	D R Horton	Not Sponsored	Corp Purpose	400	BB-/Ba2	3.625%
1/30/13	First Data Corp	Kohlberg, Kravis & Roberts	Refinancing	785	B-/Caa1	11.250%
1/30/13	H&E Equipment Services	Not Sponsored	Refinancing	100	B+/B3	5.550%
1/30/13	Lennar Corp	Not Sponsored	Working Capital	175	BB-/B1	5.000%
1/30/13	Lennar Corp	Not Sponsored	Working Capital	275	BB-/B1	4.125%
1/29/13	Air Lease Corporation	Not Sponsored	Acquisition	400	NR/NR	4.750%
1/29/13	Beazer Homes USA	Not Sponsored	Refinancing	200	CCC/Caa2	7.250%
1/29/13	Chiquita Brands International Inc	Not Sponsored	Refinancing	425	B/B1	8.000%
1/29/13	HD Supply Inc	Bain Capital	Refinancing	1,275	CCC+/Caa1	7.500%
1/29/13	Melco Crown Entertainment Ltd	Not Sponsored	Refinancing	1,000	BB-/B1	5.000%
1/29/13	Netflix	Not Sponsored	Refinancing	500	BB-/Ba3	5.375%
1/29/13	Orion Engineered Carbons Holdings GmbH	Rhone Capital LLC	Recap/Dividend	425	CCC+/Caa1	9.460%
1/28/13	Atlas Pipeline Partners LP	Not Sponsored	Refinancing	650	B+/B2	5.875%
1/28/13	Cheniere Energy Inc	Not Sponsored	Project Financing/Misc.	1,500	BB+/Ba3	5.625%
1/28/13	Weekley Homes LP	Not Sponsored	Refinancing	200	BB-/B2	6.000%

Source: S&P LCD

Weekly Leveraged Finance Update

Historical LL New Issuance Volume by Year



Source: Morgan Stanley, S&P LCD

2013 Leveraged Loan Issuance

Launch Date	Issuer	Sponsor	Purpose	Deal Size (\$MM)	Rating	Spread
2/1/13	Alliance Laundry Systems LLC	Teachers' Private Capital	Refinancing	375	B/B2	L+325
2/1/13	Catalent Pharma Solutions Inc	Blackstone Group	Refinancing	1,447	BB-/Ba3	L+325
2/1/13	NBTY Inc	Carlyle Group	Refinancing	1,508	BB-/Ba3	L+250-275
2/1/13	Rite Aid Corp	Leonard Green	Refinancing	470	NR/NR	L+500
2/1/13	Rite Aid Corp	Not Sponsored	Refinancing	900	B+/B2	L+325
2/1/13	Sabre Holdings Corp	Silver Lake Partners	Refinancing	2,552	B/B1	L+375
2/1/13	West Corp	Thomas H. Lee	Refinancing	2,420	B+/Ba3	L+325
1/31/13	Colfax Corp	Not Sponsored	Refinancing	1,580	BB+/Ba2	L+250-275
1/31/13	Dunkin' Brands Inc	Bain Capital	Refinancing	1,853	B+/B2	L+250-275
1/31/13	FairPoint Communications Inc	Not Sponsored	Refinancing	725	BB-/B2	L+600-625
1/31/13	Hillman Companies Inc	Oak Hill Capital Partners	Refinancing	389	B+/Ba3	L+300
1/31/13	iStar Financial Inc	Not Sponsored	Refinancing	1,700	BB-/B1	L+350
1/31/13	Kronos Inc	Hellman & Friedman	Refinancing	1,210	B/Ba3	L+325
1/31/13	Party City Holdings Inc	Thomas H. Lee	Refinancing	1,125	B/B1	L+300-325
1/31/13	Sage Products Inc	Madison Dearborn Partners	Refinancing	380	B/B1	L+300-325
1/31/13	ServiceMaster Co	Clayton, Dubilier & Rice	Refinancing	2,253	B+/Ba3	L+325
1/31/13	WaveDivision Holdings, LLC	Oak Hill Capital Partners	Refinancing	500	BB+/B1	L+300
1/30/13	CommScope Inc	Carlyle Group	Refinancing	990	BB/Ba3	L+375
1/30/13	First Data Corp	Kohlberg, Kravis & Roberts	Refinancing	258	B+/B1	L+500
1/30/13	Freescall Semiconductor Inc	Blackstone Group	Refinancing	2,730	B/B1	L+375
1/30/13	Intellegit Inc	Permira	Refinancing	214	B/B1	L+325
1/30/13	Kabel Deutschland GmbH	Providence Ventures	Refinancing	750	BB/Ba2	L+275
1/30/13	Microsemi Corp	Not Sponsored	Refinancing	726	BB/Ba2	L+275
1/30/13	Tank Intermediate Holding Corp	Leonard Green	Refinancing	350	B/B1	L+300-325
1/30/13	Vantage Specialty Chemicals	Jordan Company	Refinancing	240	B/B2	L+425
1/30/13	WideOpenWest Finance LLC	Avista Capital Partners	Refinancing	1,915	B/B1	L+350
1/29/13	Apple Leisure Group	Bain Capital	LBO	170	NR/NR	L+500
1/29/13	Apple Leisure Group	Bain Capital	LBO	65	NR/NR	L+875
1/29/13	BakerCorp	Permira	Refinancing	385	B/Ba3	L+300
1/29/13	Berry Plastics Corp	Apollo Management	Refinancing	1,400	B+/B1	L+250-275
1/29/13	Datatel Inc	Hellman & Friedman	Refinancing	1,042	B+/B1	L+325
1/29/13	Harvard Drug Group LLC	Court Square Capital Partners	Refinancing	300	B+/B1	L+375
1/29/13	Jo-Ann Stores Inc	Leonard Green	Refinancing	650	B+/B1	L+300-325
1/29/13	LifePoint Hospitals Inc	Not Sponsored	Refinancing	225	NR/NR	L+275
1/29/13	Paradigm Ltd	Apax Partners	Refinancing	305	B+/B1	L+375
1/29/13	Supervalu Inc	Not Sponsored	Refinancing	1,500	BB-/B1	L+575
1/29/13	Supervalu Inc	Not Sponsored	Refinancing	900	NR/NR	L+200
1/29/13	Tervita Corporation	CAI Capital Management	Refinancing	800	B-/B1	L+525-550
1/29/13	Transaction Network Services Inc	SIRIS Capital Group	LBO	100	B/Caa1	L+825
1/29/13	Transaction Network Services Inc	SIRIS Capital Group	LBO	590	BB-/B1	L+425
1/28/13	ADS Waste Holdings Inc	Highstar Capital	Refinancing	1,800	B+/B1	L+300
1/28/13	Eastman Kodak Co	Not Sponsored	DIP	844	NR/NR	NA
1/28/13	First Advantage	Not Sponsored	Acquisition	300	NR/NR	L+500
1/28/13	First Advantage	Not Sponsored	Acquisition	40	NR/NR	L+500
1/28/13	Hubbard Radio LLC	Not Sponsored	Refinancing	358	B+/B1	L+350-375
1/28/13	IMS Health	Texas Pacific Group	Refinancing	1,766	BB-/Ba3	L+275
1/28/13	INC Research LLC	Avista Capital Partners	Refinancing	300	B+/B1	L+475-500
1/28/13	Neiman Marcus Group Inc	Texas Pacific Group	Refinancing	2,560	B+/B2	L+300
1/28/13	NRG Energy Inc	Not Sponsored	Refinancing	1,577	BB+/Baa3	L+250
1/28/13	Par Pharmaceutical Companies Inc	Texas Pacific Group	Refinancing	1,055	B+/B1	L+325
1/28/13	School Specialty Inc	Not Sponsored	DIP	50	NR/NR	L+1400
1/28/13	Waupaca Foundry Inc	KPS Capital Partners	Recap/Dividend	150	B+/NR	L+450

Source: S&P LCD

About Morgan Stanley Credit Partners

Hank D'Alessandro

Managing Director

Head of Morgan Stanley Credit Partners

Henry.D'Alessandro@morganstanley.com

212 761-1051

Michael Scarangella

Managing Director

Sector coverage: Healthcare, General Services, Transportation

Michael.Scarangella@morganstanley.com

212 761-8680

Ashwin Krishnan

Managing Director

Sector coverage: Technology, Energy, Automotive, Chemicals, Paper & Packaging, Metals & Mining, Telecom

Ashwin.Krishnan@morganstanley.com

212 761-1528

Steven Shekane

Executive Director

Sector coverage: Cable & Media, Financials, Gaming & Leisure, Industrials

Steven.Shekane@morganstanley.com

212 761-4696

William Gassman

Executive Director

Sector coverage: Consumer & Retail, Automotive, Defense, Utilities

William.Gassman@morganstanley.com

212 761-4874

Key Facts

- Morgan Stanley Credit Partners is focused on executing privately negotiated corporate mezzanine debt investments
- Target investment size of \$20 million to \$65 million with the ability to partner with other investors to participate in larger transactions
- Seek to invest in a combination of subordinated debt and equity in the form of warrants or direct equity co-investment
- Typically focus on companies with EBITDA of over \$15 million, predominantly in the U.S. and Western Europe. Investments include capital for leveraged buyouts, debt refinancings, recapitalizations and acquisitions
- For more information, please visit our website at:

<http://www.morganstanley.com/creditpartners>