

WELLS  
FARGO

SECURITIES

# TEGMA Presentation

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September 17, 2010

Presented By: Lance Holden

Grain and Milling Sector Head

Wells Fargo & Company

Together we'll go far



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# Debt Capital Markets Update

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# Statistical Indicators

## Debt Markets

<u>Benchmarks</u>	<u>Current</u>	<u>One Week Ago</u>	<u>One Month Ago</u>	<u>One Year Ago</u>
Fed Funds	0.25%	0.25%	0.25%	0.25%
LIBOR (3 month)	0.29%	0.30%	0.43%	0.32%
5Y Treasury	1.49%	1.49%	1.55%	2.30%
10Y Treasury	2.70%	2.64%	2.91%	3.34%
30Y Treasury	3.78%	3.69%	4.05%	4.16%
<u>Swap Spreads</u>				
3 Year	0.24%	0.24%	0.23%	0.49%
5 Year	0.20%	0.22%	0.16%	0.38%
7 Year	0.08%	0.12%	0.05%	0.19%
10 Year	-0.01%	0.03%	-0.04%	0.20%

Source: Bloomberg L.P.

## Equity Markets

	<u>Current</u>	<u>One Week Ago</u>	<u>One Month Ago</u>	<u>One Year Ago</u>
DJIA	10,428	10,151	10,636	9,345
NASDAQ	2,228	2,154	2,284	1,983
S&P	1,103	1,065	1,120	1,003
Russell 2000	639	617	656	562

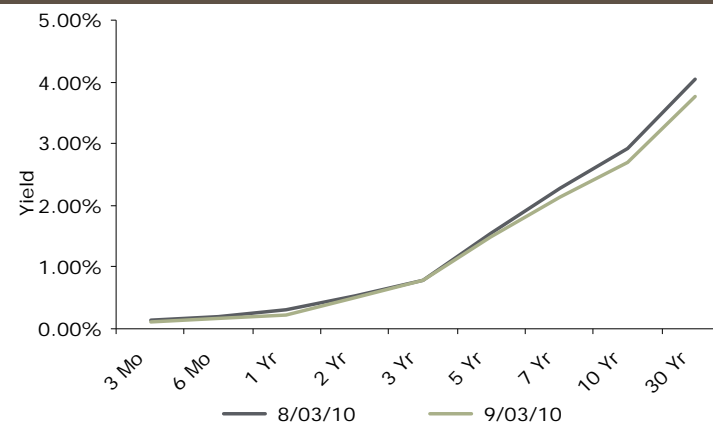
Source: Bloomberg L.P.

## Other Indicators

<u>Dollar Exchange Rates</u>	<u>Current</u>	<u>One Week Ago</u>	<u>One Month Ago</u>	<u>One Year Ago</u>
Japanese Yen (JPY/\$)	84.36	85.22	85.79	92.64
EURO (\$/EUR)	1.29	1.28	1.32	1.43
Can \$ (C\$/US\$)	1.04	1.05	1.02	1.10
U.K. (\$/GBP)	1.54	1.55	1.60	1.63
<u>Commodity Prices</u>				
Gold (\$/oz)	1248.35	1238.10	1186.15	991.85
Oil (1 mo. NYMEX)	73.72	75.17	82.55	67.96

Source: Bloomberg L.P.

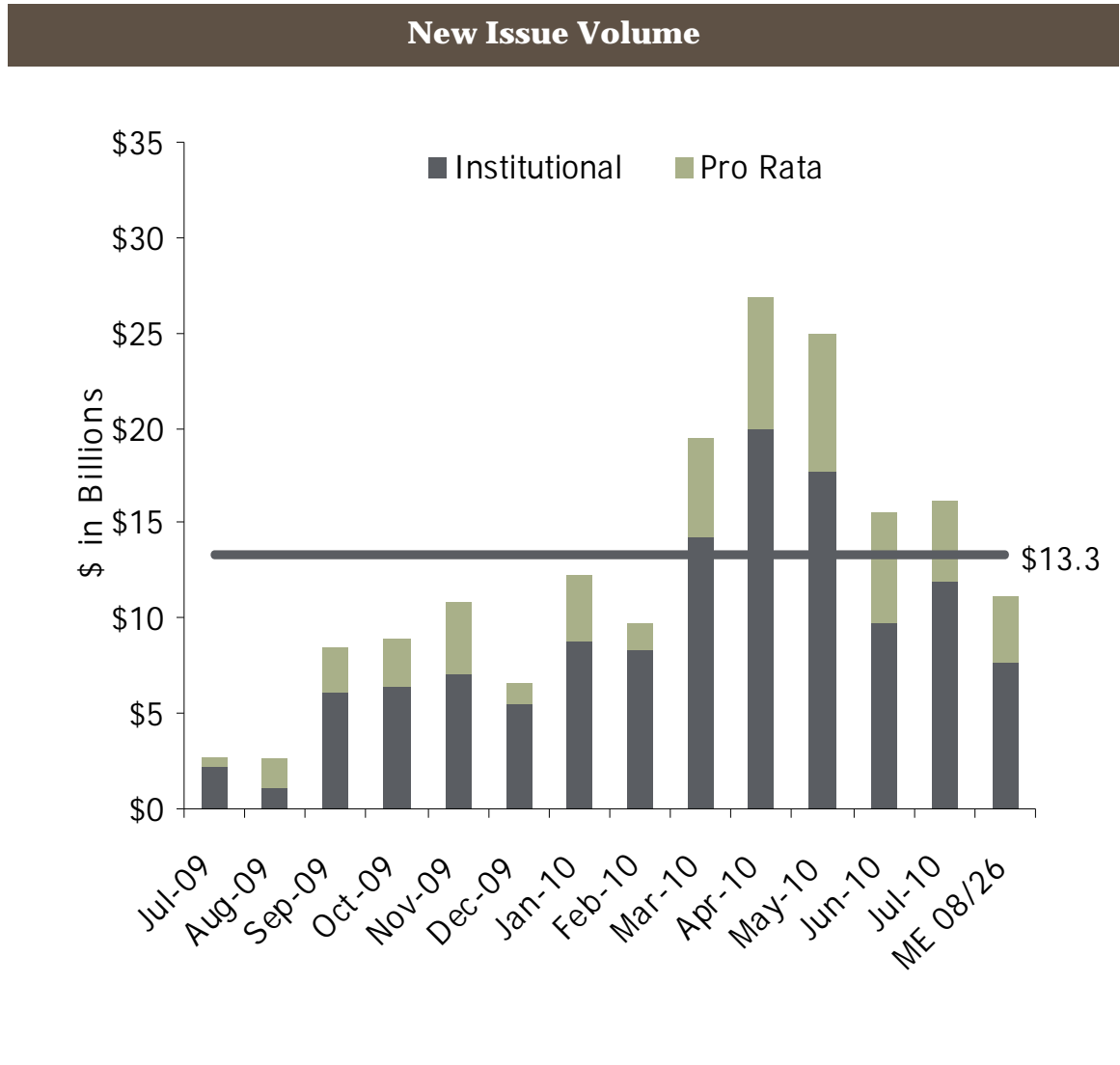
## U.S. Treasury Yield Curves



Source: Bloomberg L.P.

# General Bank Market Conditions: New Issue Volume

**The new-issue market is active, however the pace has slowed heading into Labor Day**

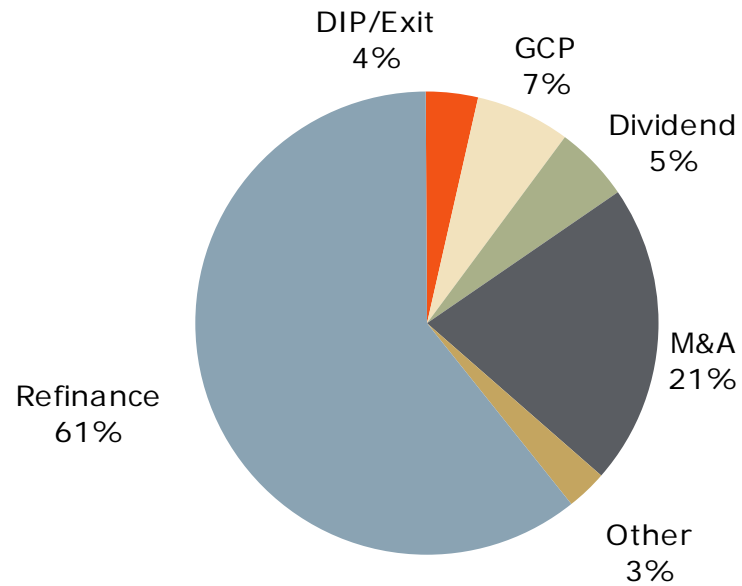


Source: Wells Fargo Securities, S&P/LCD

# General Bank Market Conditions: YTD Activity by Purpose

**While 2009 market activity was dominated by covenant relief amendments and self-help refinancing such as amend to extend transactions, 2010 has seen an uptick in M&A and dividend financing activity**

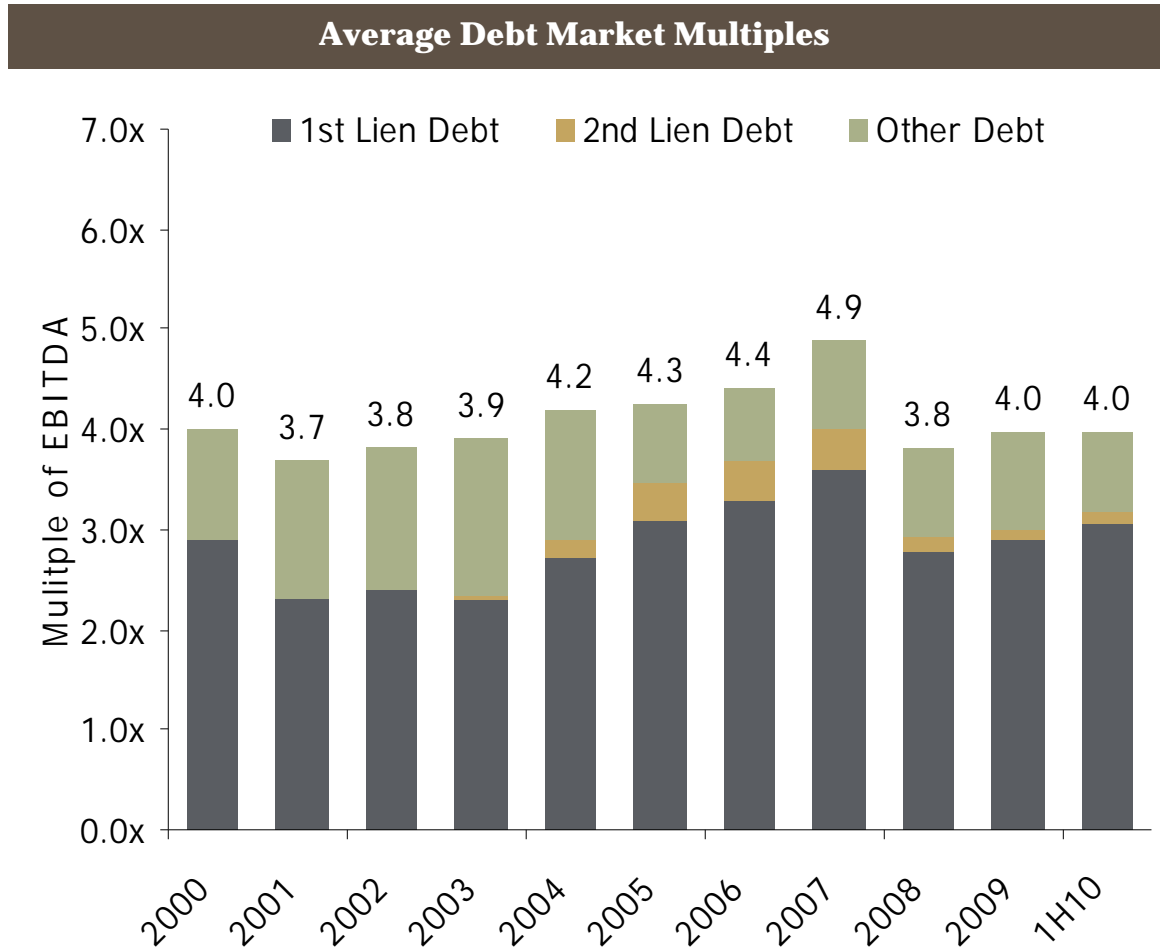
YTD Activity by Purpose



Source: Wells Fargo Securities

# General Bank Market Conditions: Average Debt Market Multiples

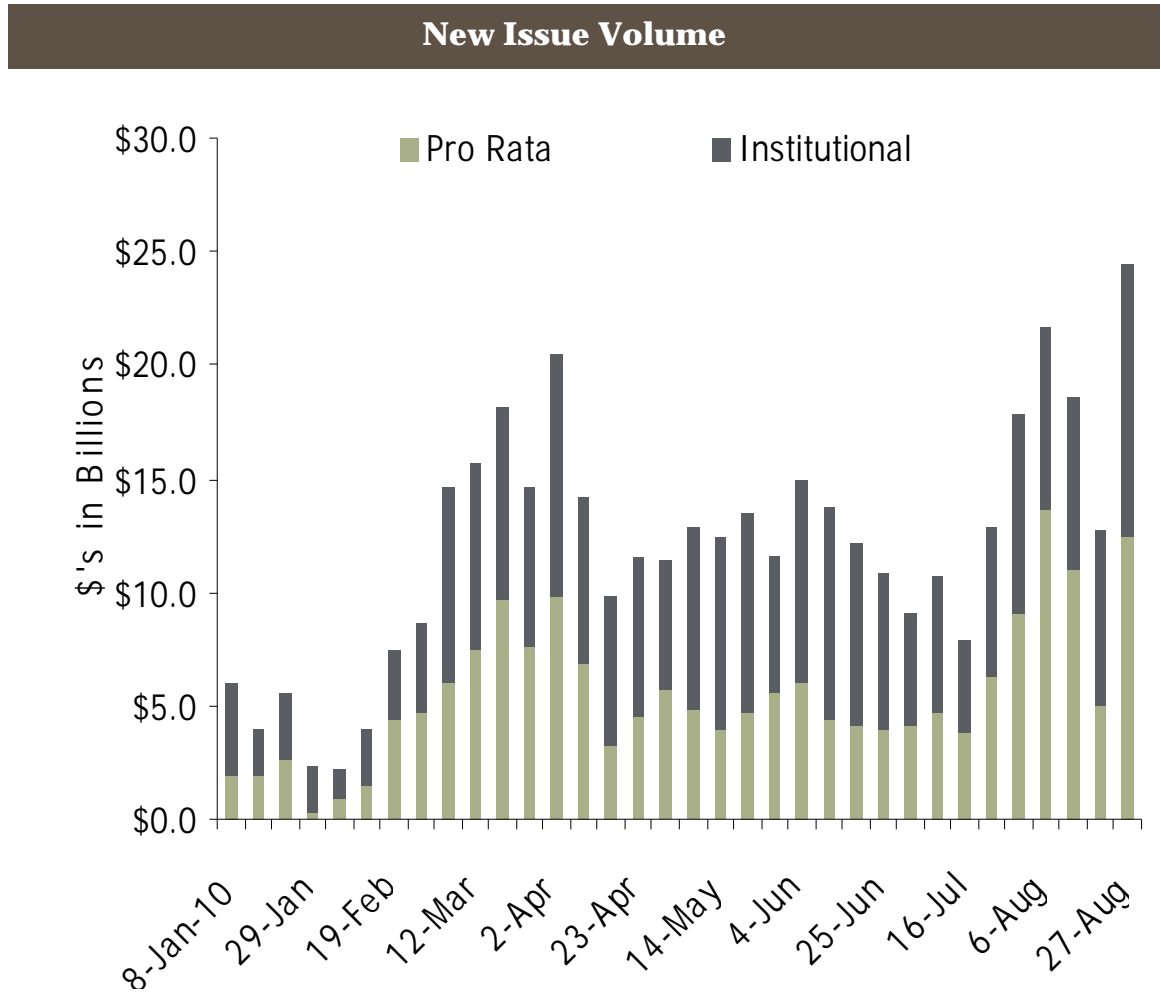
**Leverage multiples have decreased from 2007 peak levels and have remained flat in the last 2 years**



Source: Wells Fargo Securities, S&P/LCD

# General Bank Market Conditions: New Issue Volume

The forward calendar is once again building in anticipation of a busy post-Labor Day period



Source: Wells Fargo Securities

# Pro Rata Market Update

**Banks are increasingly hungry for funded assets, keeping the pro rata market active during recent choppy market conditions**

**During the height of the loan market, pro rata structures share of the market fell to nearly 25%. However, recent pro rata activity represents nearly 60% of leveraged volume, well ahead of the previous decades average**

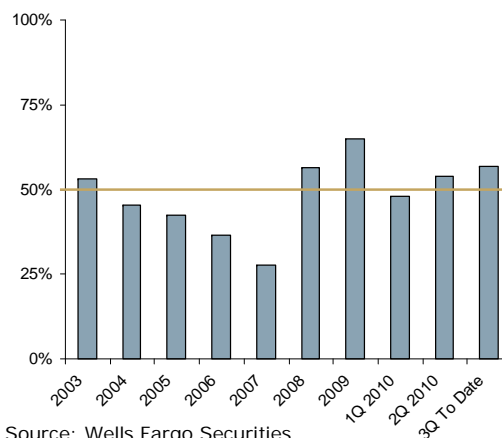
**Low spreads, coupled with lack of LIBOR floor, has given issuers access to less costly capital**

## Recent Pro Rata Deals

Launch Date	Issuer	Purpose	CCR	RC	TLa	Spread	Tenor	Security	Comments
Aug-10	Anadarko Petroleum	GCP	Ba1/BBB-	\$5,000	--	L+250	5.0	O&G Assets	In Market
Aug-10	Genco Distribution	Acq.	NR/NR	\$450	--	L+300	5.0	All Assets	In Market
Aug-10	QVC Inc	Refi.	Ba2/BB-	\$2,000	--	L+250	5.0	Stock	Refinances institutional term loans
Jul-10	Private Deal	Refi.	Ba2/BB	\$500	--	L+250	2.5	All Assets	Mark-to-market repricing, reducing pricing by 50 bps
Jul-10	VCA Antech	Refi.	Ba2/BB	\$100	\$500	L+225	5.0	All Assets	Pricing flexed down
Jul-10	Allscripts-Misys	Merger	Ba2/BB	\$150	\$320	L+325	5.0	Secured	Scrapped \$250MM TLB for additional pro rata
Jun-10	Targa Resources Partners	Refi.	Ba3/BB-	\$1,100	--	L+275	5.0	All Assets	
Jul-10	AES Corp	Refi.	B1/BB-	\$800	--	L+300	4.5	All Assets	5 lead banks
Jun-10	Silgan Holdings	Refi.	Ba2/BB+	\$800	\$650	L+225	5.0/6.0	All Assets	Upsizing of RC & TLa; Oversubscribed & upsized by \$350MM
Jun-10	Charles River Laboratories	Acq.	Ba2/BBB-	\$250	\$950	L+275	5.0	All Assets	
May-10	Peabody Energy	Refi.	Ba1/BB+	\$1,500	\$500	L+250	5.0	Unsecured	Slight downsizing of existing deal
May-10	Jack In The Box	Refi.	Ba3/BB-	\$400	\$200	L+250	5.0	Stock	Oversubscribed & upsized
May-10	Jack Henry & Associates	Acq.	NR/NR	\$150	\$250	L+250	5.0	Stock	2x oversubscribed
May-10	Crown Holdings Inc	Refi.	Ba2/BB	\$1,200	--	L+225	5.0	All Assets	2x oversubscribed & upsized by \$200MM
May-10	Private Deal	Refi.	NR/NR	\$1,200	\$1,200	L+300	5.0	All Assets	Oversubscribed & upsized by \$400MM
Apr-10	Omicare	GCP	Ba3/BB	\$400	--	L+300	5.0	Curr. Assets	Upsized \$25MM, and pricing flexed down
Apr-10	IESI Corp	Refi.	Ba2/BB+	\$950	--	L+300	4.0	All Assets	Eliminated \$350MM TLB, moved to RC

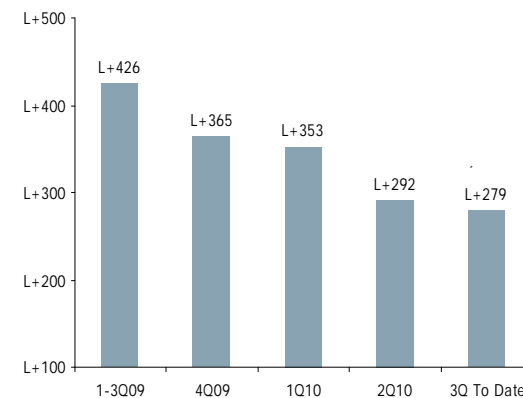
Source: Wells Fargo Securities

## Pro Rata as % of Market



Source: Wells Fargo Securities

## Pro Rata Spreads

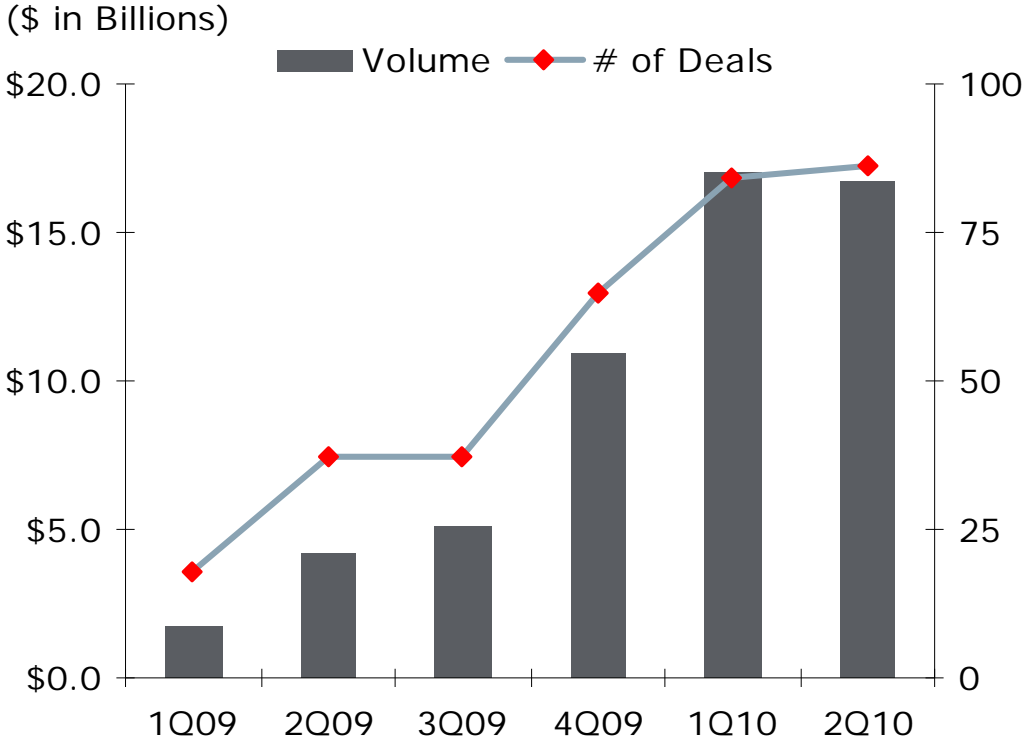


Source: Wells Fargo Securities

# Middle Market Volume by Quarter

**Middle Market financing has continued to stay hot with banks looking to put funds to use**

## Recent Pro Rata Deals



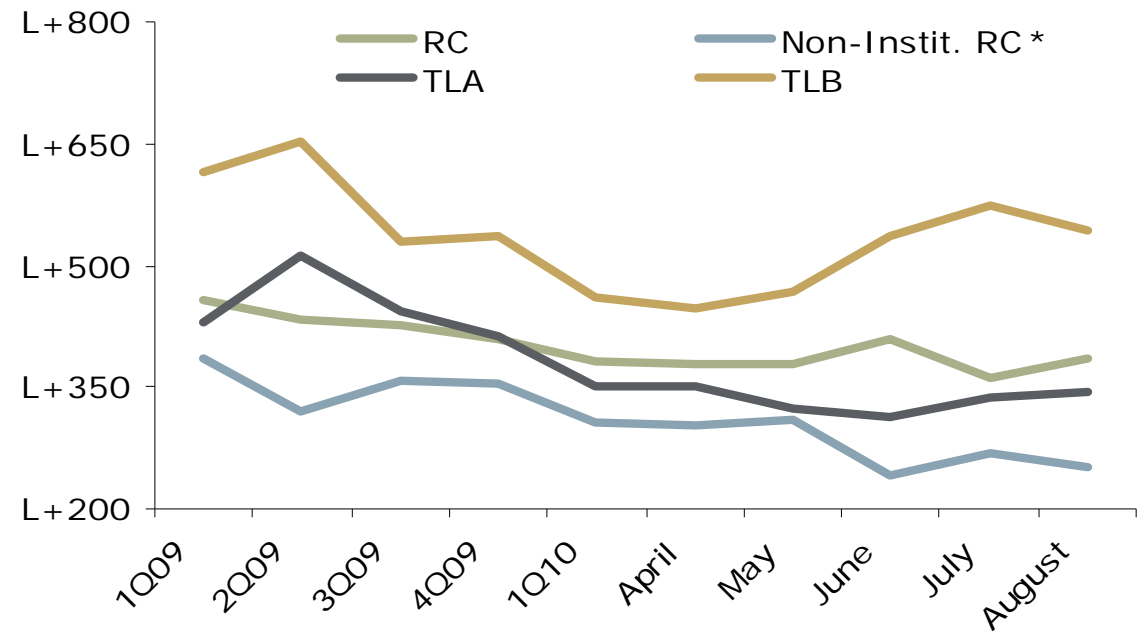
Source: Wells Fargo Securities  
 Note: Middle Market is defined as issuers with revenues of \$1 billion or less and/or EBITDA of \$150MM or less (excluding Gaming and Energy).

## Middle Market Pricing and Spread Movement

**In The Middle Market, bank appetite continues to erode pro rata spreads. The average revolver spread for bank-only executions came in at L+253, compared to L+300 at the end of second quarter.**

**The average yield for institutional term loans came in at 7.7%, slightly lower than the 8.1% recorded in July.**

### Spread Movements



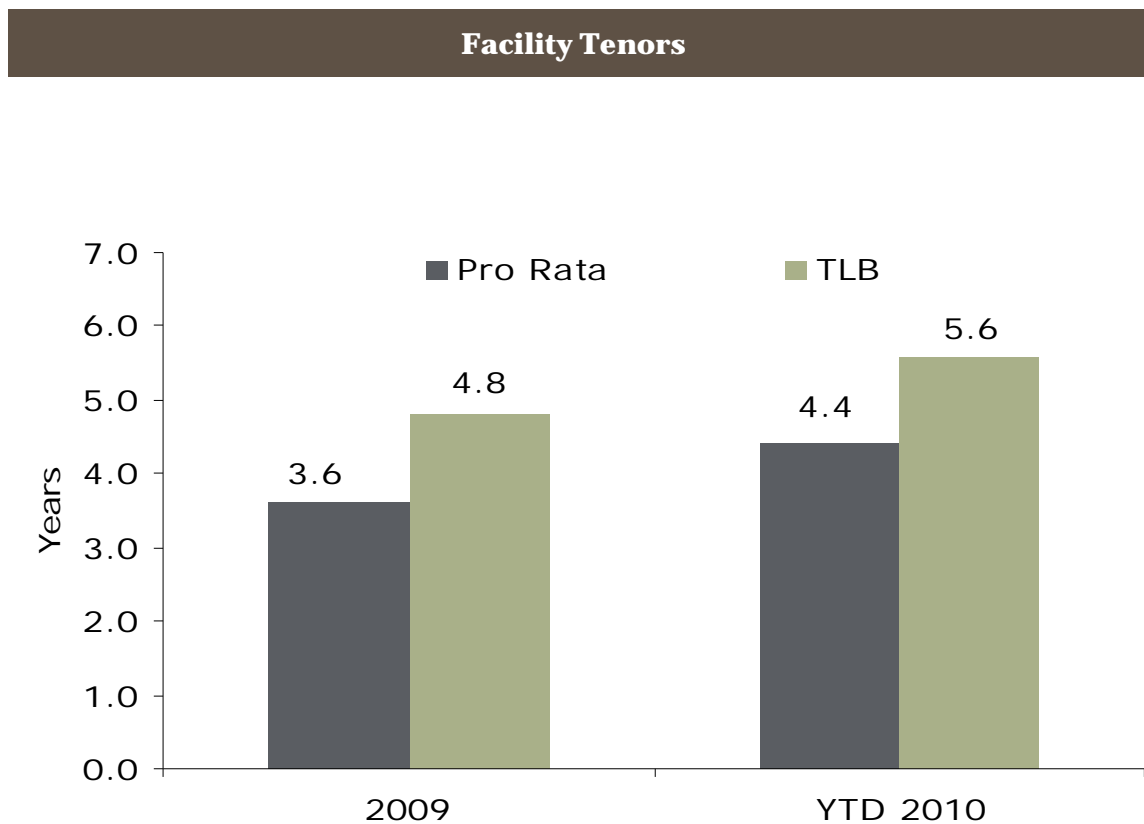
Source: Wells Fargo Securities

\*Represents Revolver spread for deals without institutional TL

Note: Middle Market is defined as issuers with revenues of \$1 billion or less and/or EBITDA of \$150MM or less (excluding Gaming and Energy).

## Middle Market Facility Tenors

**Middle Market tenors continue to be pushed out with pro rata tenors averaging 4.4 years and institutional tenors averaging 6 years**



Source: Wells Fargo Securities

Note: Middle Market is defined as issuers with revenues of \$1 billion or less and/or EBITDA of \$150MM or less (excluding Gaming and Energy).

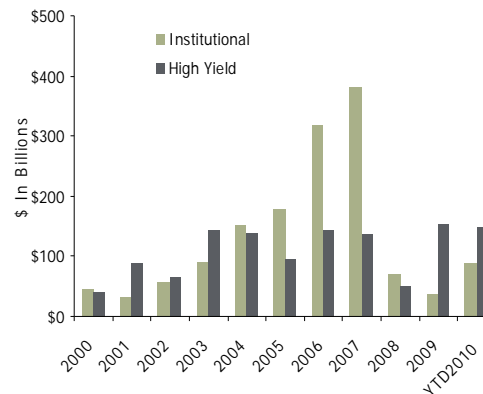
# Although Short-Term Maturities Have been Successfully Pushed Out ...

**Massive debt issuance in the last several years has created significant scheduled maturities**

**However, issuers are taking advantage of the high yield market to address their liquidity concerns**

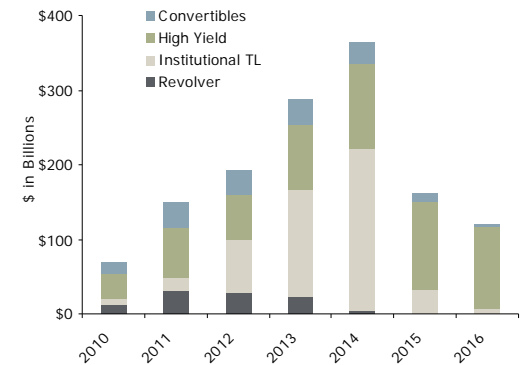
**A combination of high yield take-outs and amend-to-extend transactions have managed to address short term liquidity concerns**

## Institutional & HY New-Issue Volume



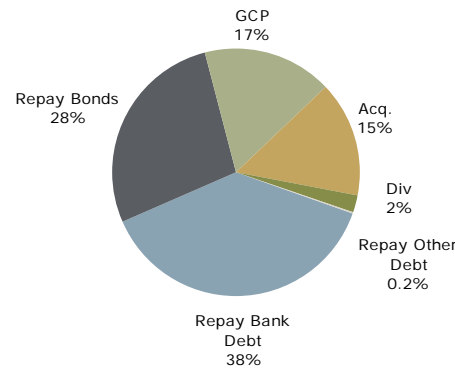
Source: Wells Fargo Securities, S&P/LCD

## Upcoming Maturities



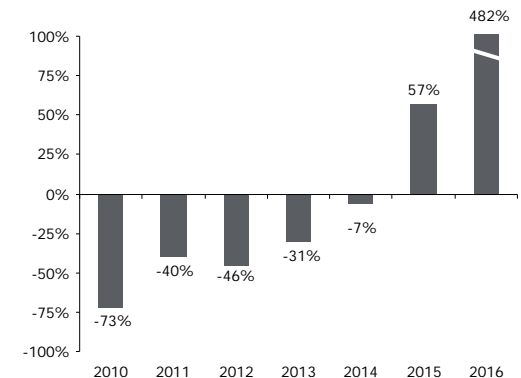
Source: Wells Fargo Securities, S&P/LCD

## 2010 High Yield Proceeds



Source: Wells Fargo Securities, S&P/LCD

## Reduction of Inst. Loan Maturities\*



\*Note: Reflects changes since 12/31/2009  
Source: Wells Fargo Securities

# Long-Term Benchmark Trends

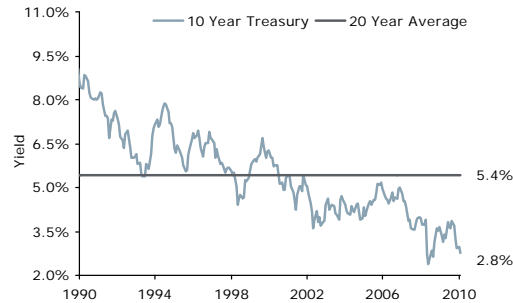
We experienced a dramatic recovery in trading levels across the ratings spectrum (from record highs back down to levels below long-term averages) in a relatively short timeframe. The BB and B indices have only been lower than their current levels 8% and 17% of the time over the past 20 years.

The improvement in yields over the past year and a half, as well as pent up investor and issuer demand, opened the door for new issuance in 2Q09. Since then, the market has remained open - with the exception of a minor slowdown from May through early July.

2009 new issuance reached a record level, surpassing the \$145 billion record previously set in 2006. The High Yield market is quickly approaching the 2009 record.

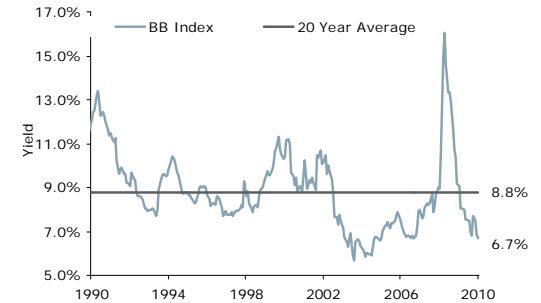
Stable capital markets, a manageable new issue calendar and continued healthy investor cash positions will be keys to maintaining an active high yield primary in 2H10.

## 10-Year Treasury Yield



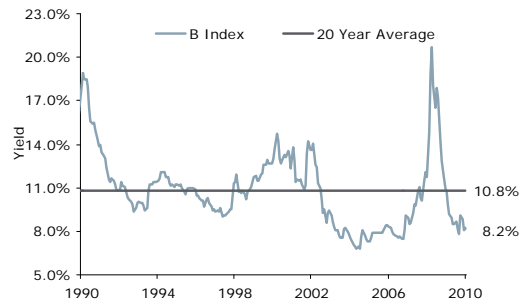
Source: Bloomberg L.P.

## BB High Yield Index



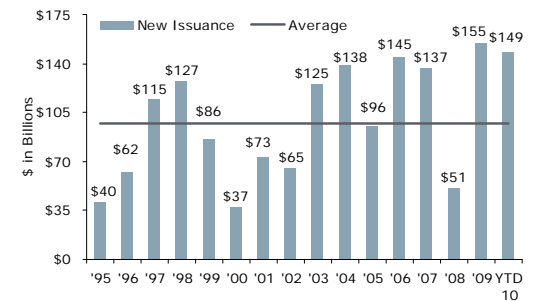
Source: BofA Merrill Lynch Global Index System

## B High Yield Index



Source: BofA Merrill Lynch Global Index System

## Historical High Yield New Issuance



Source: IFR Markets

# Grain and Milling Sector Market Update

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## Recent Debt Transactions

### Select Comparable Transactions

(in \$ millions)	<u>Private Company A</u>	<u>Private Company B</u>	<u>Private Company C</u>	<u>Private Company D</u>	
<b>Business Description</b>	Private Company operating as a marketer, processor and distributor of agricultural, and food products.	Private Company involved in transportation, trading and processing of grains and other commodities used in the food, feed and renewable fuel markets.	Private Company that produces and distributes animal feed products, including livestock, pet, and horse feeds; and animal care products and grains. The	Private Company engages in the trading and sales of whole grains to processors for use in food, soft drinks, and animal feed. It offers corn, soybeans, and wheat products.	
<b>Date</b>	Aug-10	Jun-10	Jun-10	Jun-10	
<b>Purpose</b>	General Corporate Purposes	General corporate purposes	General corporate purposes	General corporate purposes	
<b>Corporate Ratings</b>	-/-	-/-	-/-	-/-	
<b>Structure</b>					
<b>Deal Size Range</b>	\$250 - \$500	\$250 - \$500	\$0 - \$250	\$0 - \$250	
<b>Deal Tenor Range</b>	> 3 years ≤ 5 years	> 3 years ≤ 5 years	> 1 year ≤ 3 years	> 1 year ≤ 3 years	
<b>Accordion feature / Incremental facility</b>	Accordion feature included	Accordion feature included	NA	Accordion feature included	
<b>Pricing</b>	<u>Pro Rata</u>	<u>Pro Rata</u>	<u>Pro Rata</u>	<u>Revol</u>	<u>Term Loan</u>
<b>Drawn / (Flex)</b>	L+175 / (--)	L+200 / (--)	L+225 / (--)	L+225	L+275 / (--)
<b>Undrawn (bps)</b>	37.5	25.0	50.0	25.0	

Source: Capital IQ, S&P / LCD, and Wells Fargo Securities

## Recent Debt Transactions

### Select Comparable Transactions

(in \$ millions)	<b><u>Public Company A</u></b>	<b><u>Private Company E</u></b>	<b><u>Private Company F</u></b>	<b><u>Private Company G</u></b>
<b>Business Description</b>	The Company provides grain, foods and energy resources to businesses and consumers on a global basis.	Private Company operating as a marketer, processor and distributor of agricultural, and food products.	Private Company engages in the trading and sales of whole grains to processors for use in food products and animal feed. Company is also involved in animal production	Private Company operating as a marketer, processor and distributor of agricultural, and food products.
<b>Date</b>	Apr-10	Nov-09	Nov-09	Sep-09
<b>Purpose</b>	General Corporate Purposes	General Corporate Purposes	General Corporate Purposes	General corporate purposes
<b>Corporate Ratings</b>	-/--	-/-	-/-	-/-
<b>Structure</b>				
<b>Deal Size Range</b>	\$500 - \$1,000	\$0 - \$250	\$0 - \$250	\$250 - \$500
<b>Deal Tenor Range</b>	> 3 years ≤ 5 years	> 1 year ≤ 3 years	> 1 year ≤ 3 years	> 1 year ≤ 3 years
<b>Accordion feature / Incremental facility</b>	NA	Accordion feature included	Accordion feature included	Accordion feature included
<b>Pricing</b>	<b><u>Pro Rata</u></b>	<b><u>Pro Rata</u></b>	<b><u>Pro Rata</u></b>	<b><u>Pro Rata</u></b>
<b>Drawn / (Flex)</b>	L+250 / (--)	L+250 / (--)	L+325 / (--)	L+250 / (--)
<b>Undrawn (bps)</b>	37.5	25.0	35.0	37.5

Source: Capital IQ, S&P / LCD, and Wells Fargo Securities

## Recent Debt Transactions – Continued

### Select Comparable Transactions

(in \$ millions)	<u>Public Company B</u>	<u>Public Company C</u>	<u>Public Company D</u>	<u>Private Company H</u>
<b>Business Description</b>	One of the world's largest processors of oilseed, corn and wheat.	The Company engages in the agriculture and food business worldwide.	The Company engages in the agriculture and transportation businesses in the United States. They run multiple business units including a grain and ethanol group.	Private Company is a leader in the sourcing, distributing, merchandising and trading of agricultural and energy commodities.
<b>Date</b>	Sep-09	Jun-09	Apr-09	Jun-08
<b>Purpose</b>	General corporate purposes	Refinancing	General Corporate Purposes	Acquisition
<b>Corporate Ratings</b>	A	Baa2 / BBB-	-/-	-/-
<b>Structure</b>				
<b>Deal Size Range</b>	Greater than \$1,000	Greater than \$1,000	\$500 - \$1,000	Greater than \$1,000
<b>Deal Tenor Range</b>	≤ 1 year	> 1 year ≤ 3 years	> 1 year ≤ 3 years	> 3 years ≤ 5 years
<b>Accordion feature / Incremental facility</b>	NA	NA	NA	Accordion feature included
<b>Pricing</b>	<u>Pro Rata</u>	<u>364</u> <u>3 yr Revolver</u>	<u>Pro Rata</u>	<u>Pro Rata</u>
<b>Drawn / (Flex)</b>	L+175 / (--)	L+250    L+350 / (--)	L+250 / (--)	L+250 / (--)
<b>Undrawn (bps)</b>	NA	50.0    100.0	NA	37.5

Source: Capital IQ, S&P / LCD, and Wells Fargo Securities

## Key Issues for Banks and Borrowers

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### I. Amount

### II. Higher Volatility

- Changes in Farmer Marketing Patterns
- Merchandising Opportunities

### III. Arranging Too Much Money is EXPENSIVE

- Origination Fees
- Syndication Fees
- Non-Use Fees

*(All that money may never be put to use!)*

### IV. Arranging Too Little Money May Mean Negotiating With the Banks at the Most Inopportune Time

- Higher Leverage
- Volatile Markets
- Greater Uncertainty

### V. Maintain Structural Flexibility

- Pre-Arranged Access to Additional Funds
- Maintain Untapped Capacity Within the Bank Group
- Utilize Non-Lending Financing Alternatives
  - Exchange for Risk SWAPS
  - Repurchase Obligations

### VI. Questions?

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