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TEGMA
Transportation, Elevator, & Grain Merchants Association

Credit Market Factors Affecting the Grain Industry

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Financial Sector Overview

How Did We Get Here?

- ✓ Loose fiscal monetary policy
- ✓ Subprime & Alt-A Mortgage Boom & Subsequent Meltdown
- ✓ Shock to the Housing Markets and Home Values
- ✓ Dramatic Decrease in the Securitization Markets
- ✓ Liquidity and Solvency Concerns in the Financial Markets
- ✓ Subsequent Company Failures, including:
  - Bear Stearns
  - Lehman Brothers
  - Washington Mutual
  - Wachovia
- ✓ Federal Response

The Great Recession

The economic period between late 2007 and the end of 2009 is now commonly called the Great Recession, recognizing both the business cycle recession as well as the credit driven liquidity crisis which caused deep adjustments to asset prices. Looking back across the period, markets have stabilized, but generally remain well below the highs of 2007. The following chart shows a few key dates:

		Pre-Crises 1/1/2007	Pre-Lehman Bankruptcy 9/14/2008	Post-Lehman Bankruptcy 9/16/2008	Credit Spreads Peak 10/31/2008	Bank Stocks Bottom 3/6/2009	Equity Market Bottom 3/9/2009	Stress Test Announcement 5/7/2009	Current 12/31
Libor	1 Mo Libor	5.322	2.488	2.748	2.581	0.546	0.564	0.382	0.231
	3 Mo Libor	5.360	2.819	2.876	3.026	1.293	1.313	0.956	0.251
	TED Spread	0.35	1.35	2.18	2.59	1.09	1.11	0.45	0.05
Treasuries	2 yr Treasury	4.81	2.21	1.81	1.55	0.95	0.96	1.00	1.14
	5 yr Treasury	4.69	2.95	2.59	2.83	1.88	1.88	2.17	2.68
	10 yr Treasury	4.70	3.72	3.44	3.96	2.87	2.86	3.34	3.84
Corporate Debt	5yr AA Spread	0.58	2.15	2.39	3.81	2.92	3.01	2.25	0.76
	5 yr BBB Spread	0.94	3.05	3.20	4.58	5.58	5.57	5.10	2.33
	5 yr BB Spread	1.74	4.78	5.03	6.99	9.45	9.44	7.49	4.12
	5 yr B Spread	2.51	5.87	6.20	10.11	12.87	12.73	9.87	5.27
Equity Markets	VIX Index	11.56	25.66	30.30	59.89	49.33	49.68	33.44	21.68
	Dow Jones	12,463	11,422	11,059	9,325	6,627	6,547	8,410	10,428
	S&P 500	1418.3	1251.7	1213.59	968.75	683.38	676.53	907.39	1115.1
	BKX Index	117.52	71.01	69.76	58.53	18.62	19.6	39.02	42.71
	USB Price	36.19	33.83	35.27	29.81	8.82	10.19	19.56	22.51

Largest U.S. Commercial Banks by Market Cap and Assets

Market Capitalization (1/25/10)

($ in billions)

U.S. Rank	Company	Market Value
1	JP Morgan	$ 155
2	Bank of America	$ 143
3	Wells Fargo	$ 130
4	Citigroup	$ 92
5	U.S. Bank	$ 48
6	PNC	$ 25
7	BB&T	$ 19
8	SunTrust Bank	$ 12
9	Fifth Third	$ 10
10	M&T Bank	$ 9

Total Assets (12/31/09)

($ in billions)

U.S. Rank	Company	Total Assets
1	Bank of America	$ 2,223
2	JP Morgan	$ 2,032
3	Citigroup	$ 1,856
4	Wells Fargo	$ 1,243
5	U.S. Bank	$ 281
6	PNC	$ 270
7	SunTrust	$ 174
8	BB&T	$ 166
9	Regions	$ 142
10	Fifth Third	$ 114

Market Capitalization (12/31/07)

($ in billions)

U.S. Rank	Company	Market Value
1	Bank of America	$ 182
2	Citigroup	$ 146
3	JP Morgan	$ 146
4	Wells Fargo	$ 99
5	Wachovia	$ 75
6	U.S. Bank	$ 55
7	PNC	$ 22
8	SunTrust Bank	$ 22
9	BB&T	$ 17
10	Regions	$ 16

Total Assets (12/31/07)

($ in billions)

U.S. Rank	Company	Total Assets
1	Citigroup	$ 2,187
2	Bank of America	$ 1,716
3	JPMorgan Chase	$ 1,562
4	Wachovia	$ 653
5	Wells Fargo	$ 575
6	U.S. Bancorp	$ 238
7	SunTrust	$ 180
8	Regions	$ 141
9	National City	$ 139
10	PNC	$ 139

Significant bank consolidation took place in 2008 and 2009 amidst the market turmoil. JPMorgan Chase purchased Washington Mutual, Wells Fargo purchased Wachovia, and PNC purchased National City. Further bank consolidation is anticipated to occur, though amongst more regional firms as federal pressure on "too big to fail" has recently become a visible topic.

Source: SEC Filings and Company Reports.

Bank credit ratings have deteriorated since the financial crisis began

Long Term Senior Debt Ratings	Ratings as of 1/25/10 Moody's	S&P	Ratings as of 12/1/08 Moody's	S&P	Rating Notch Change from 12/1/08 Moody's	S&P
Bank of New York	Aaa	AA	Aaa	AA	0	0
US Bank NA	Aa1 *-	AA-	Aa1	AA+	0	-2
JP Morgan Chase	Aa1 *-	AA- *-	Aaa *-	AA *-	-1	-1
Wells Fargo Bank NA	Aa2	AA *-	Aaa *-	AAA *-	-2	-2
State Street	Aa2 *-	AA- *-	Aa1 *-	AA	-1	-1
BB&T Bank	Aa2 *-	A+	Aa2	AA-	0	-1
Northern Trust Co	Aa3	AA	Aa3	AA	0	0
Bank of America	Aa3	A+	Aaa	AA *-	-3	-2
Citibank NA	A1	A+	Aa1 *-	AA *-	-3	-2
PNC Bank (PA)	A1 *-	A+	Aa3 *-	AA- *-	-1	-1
Comerica Bank	A1	A *-	A1	A+ *-	0	-1
M&T	A2 *-	A *-	A1	A	-1	0
Keybank NA (OH)	A2 *-	A- *-	A1	A *-	-1	-1
SunTrust Bank	A2 *-	A- *-	Aa3	AA- *-	-2	-3
Fifth Third Bank	A2 *-	BBB+ *-	Aa3 *-	AA- *-	-2	-4
Marshall & Ilsley	A3 *-	BBB *-	Aa3 *-	A *-	-3	-3
Regions Bank	Baa1 *-	BBB+ *-	A1 *-	A+ *-	-3	-3
Huntington National Bank	Baa1 *-	BBB- *-	A2	A- *-	-2	-3
Zions	Ba3 *-	BBB *-	A2 *-	A- *-	-7	-2

*- indicates negative watch or outlook
*+ indicates positive watch or outlook

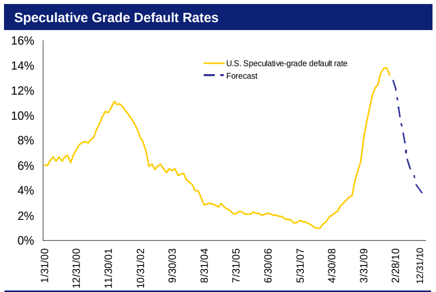
Investment Grade & Mid Corporate Market Overview

Health of the credit markets is improving slowly

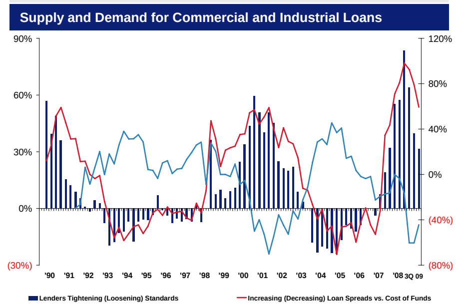
Credit Market Recovery Gains Momentum

- Moody's believes the US default rate for speculative-grade issuers hit its peak of 13.7% in November 2009, and ended 2009 at 12.5%, the first decrease since January 2008
- By the fourth quarter of 2010, Moody's anticipates the default rate will fall to 3.3%
- The IG CDX Index has receded from its highs during the panics of late 2008 and early 2009, but has settled in at an elevated level reflecting a fear of far more credit risk than in the recent past
- The September Fed Survey indicates that banks are continuing to tighten lending standards, albeit at a slower rate, as they adjust underwriting standards to reflect the new reality

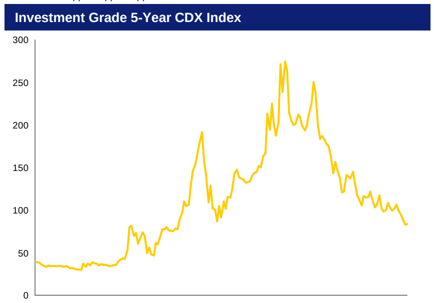
Speculative Grade Default Rates



Supply and Demand for Commercial and Industrial Loans



Investment Grade 5-Year CDX Index



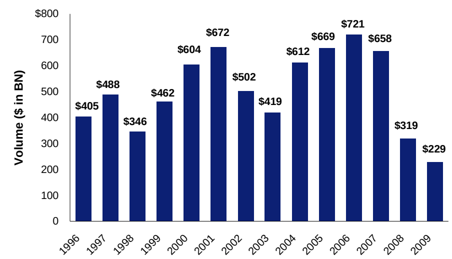
Source: Moody's, Bloomberg, and Federal Reserve.

Market activity light, but signs of life appear

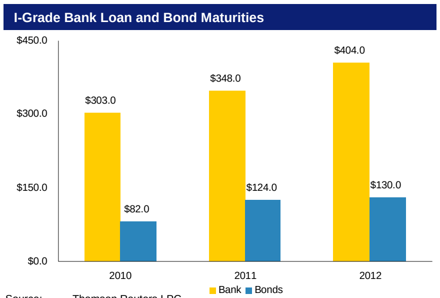
Issuance Themes

- 2009 volume of $229BN is down 28% from 2008 volume, representing lowest volume in 17 years
  - Activity suffered from a slowdown in M&A transactions and a robust High Grade Fixed Income market
  - Increased pricing and reduced tenors discouraged refinancings
- However, 4Q09 volume of $63.4BN was up 93% from 3Q09 and up 9% compared to 4Q08 of last year
- Recent refinancings for Raytheon, Kraft and a $9.58BN acquisition financing for NBC Universal suggest an uptick
- The forward calendar is light with $15.0BN of deal flow announced as of 12/17/09, but a pickup in refinancings is expected in 1Q10
- Significant maturities in both bank and bond financings indicate a looming refinancing challenge

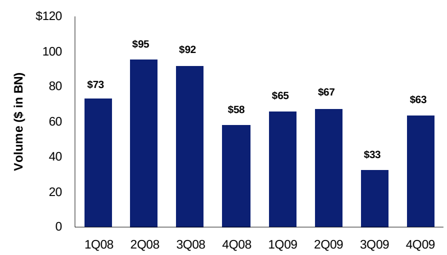
Annual Syndicated I-Grade Loan Volume 1996 – 2009



I-Grade Bank Loan and Bond Maturities



Quarterly Syndicated I-Grade Loan Volume 1Q08-4Q09



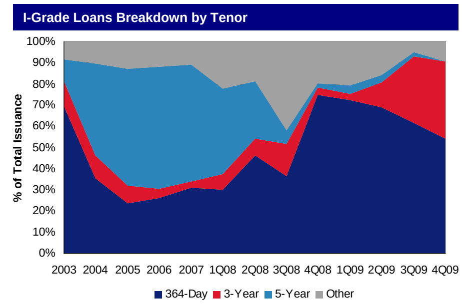
Source: Thomson Reuters LPC.

Most Investment Grade facilities have 364-day tenors, although 3 year maturities have become more common (particularly for drawn facilities)

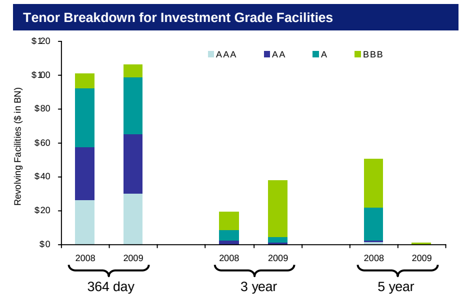
Commentary

- Tenor is largely dependent on whether the facility is expected to be drawn, or if it is for commercial paper back-up purposes
  - Most C/P back-ups and undrawn revolvers have 364-day maturities, although some include 3-year tranches as well
  - Notably, most of the C/P back-up facilities have been for strong A1/P1 issuers who often prefer shorter tenors to minimize costs
  - Drawn facilities are almost exclusively 3-years in tenor and account for 36% of overall activity
  - There were no 5-year investment grade structures in 4Q09 compared to a high of 58% in 2007, though the market has seen several recently emerge in early 2010, including Del Monte Corp.
  - Many market participants expect a gradual return to the prevailing 5-year tenor once an economic recovery begins to take hold and bank lenders' own financial conditions improve

I-Grade Loans Breakdown by Tenor



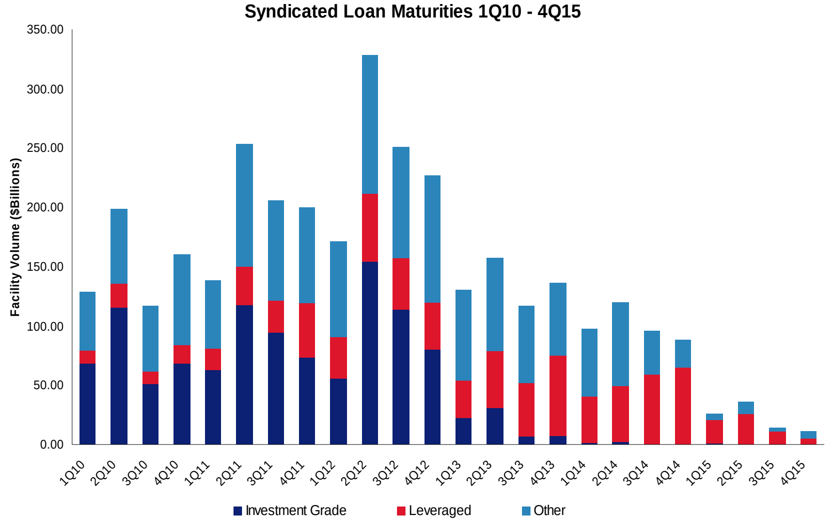
Tenor Breakdown for Investment Grade Facilities



Source: Thomson Reuters LPC.

Many issuers are choosing to refinance early because of the large amount of pending loan maturities in 2011-2012

Syndicated Loan Maturities 1Q10 - 4Q15



- $798 billion in syndicated loan facilities are scheduled to mature in 2011, with an additional $978 billion to expire in 2012
- At its peak, $328 billion in syndicated facilities mature in the 2Q12, versus $129 billion scheduled to mature in 4Q09

Source: Reuters Loan Pricing Corp.

Loan pricing has stabilized but remains historically wide; spreads should contract as banks regain their financial footing

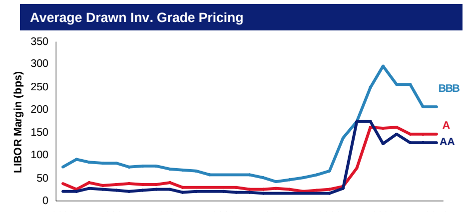
Pricing Commentary

- Drawn bank loan pricing remains wide despite narrowing in other credit markets
- Bank pricing generally follows that of other credit markets, but reduced industry capacity and lender capital constraints have limited downward movement that has occurred in other markets (CDS, Fixed Income)
- Undrawn pricing rose during 2009, a lagging response to increases in drawn pricing during 2008

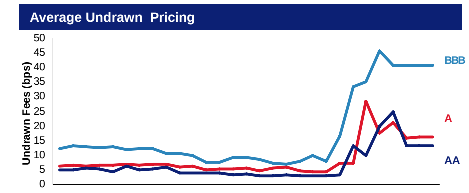
Investment Grade Indicative Pricing Grid (bps)

	Undrawn Cost (bps)		Drawn Cost	
Rating	364-day	3-yr	C/P Back-Up (% of CDX Index)	Drawn Facilities (Spread to LIBOR)
AA/A+	10-15	10-20	50%-75%	125-175
A	10-20	20-25	65-87.5%	150-200
A-	20-25	25-30	75-100%	175-225
BBB+	25-30	30-40	100-125%	225-250
BBB	N/A	40-50	125-150%	250-275
BBB-	N/A	50-62.5	125-175%	275-300

Average Drawn Inv. Grade Pricing



Average Undrawn Pricing

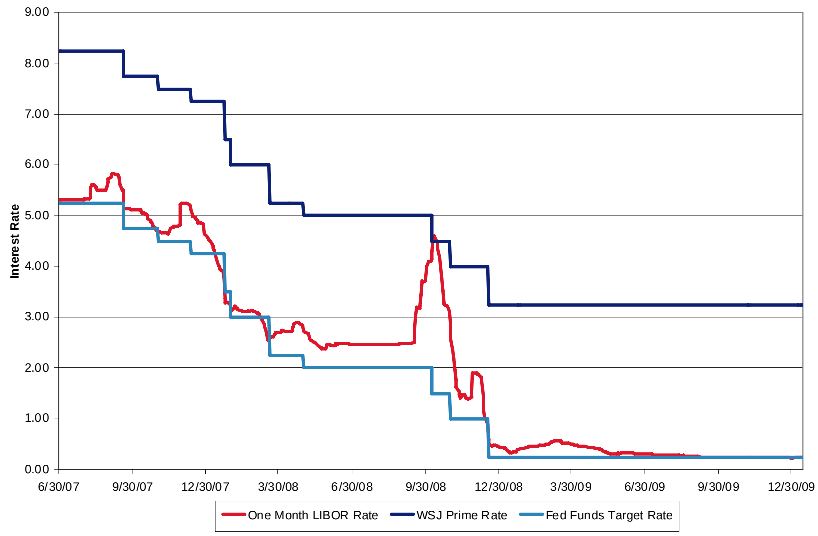


Mid-Corporate Indicative Pricing Grid (bps)

Leverage	Unused Fee	All-In Drawn
>3.0	50-75	300-400
<3.0	40-50	275-300
<2.5	37.5-50	250-275
<2.0	30-40	225-250

Source: Thomson Reuters LPC.

Funding benchmark rates understate banks' actual cost of capital



- With the considerable decline in LIBOR rates over the past year, LIBOR is no longer an effective indicator of many banks' true cost of capital. As such, it has become commonplace for participating institutions to request LIBOR floors of 1.00-3.00% in many syndicated transactions.

Source: British Bankers Association & Wall Street Journal

Middle Market Overview

Middle Market Trends

Middle market lending activities have been impacted by many of the same factors that have affected other segments of the loan market. Summary highlights are as follows:

General Trends

- Many banks and other middle market credit providers remain capital constrained
- Banks are focused on existing relationships; it is challenging to attract new, non-relationship lenders
- The incidence of credit-related amendments is increasing; as a result banks are scrutinizing new opportunities with increased rigor and are taking longer to respond to new deals
- Most banks are generally only lending to companies in their "footprint"

Structural Trends

- Tenor is typically limited to 3-4 years
- Amortization is important
- Increased focus on asset coverage
- Leverage maximums are approximately 2.50x senior leverage / 3.00-3.50x total leverage. Leverage maximums for distribution and sponsor-related deals are somewhat higher.

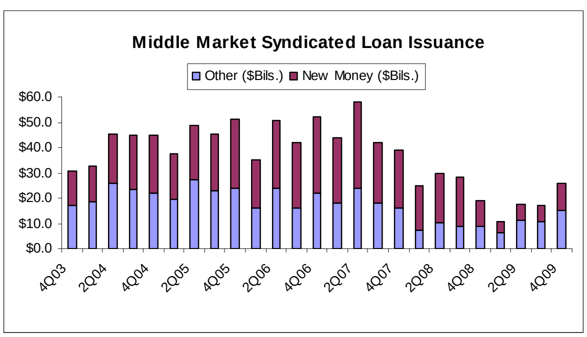
Pricing Trends

- Most banks need non-credit business in order to participate
- Minimum pricing to attract lenders is generally L+225 to 300 bps even for borrowers with stable historical performance
- Banks pricing models are tenor sensitive
- Undrawn pricing, which has lagged spread increases, has begun to rise in 2009
- Some banks need LIBOR floors or minimum all-in pricing
- Many banks are requiring deposit balances to participate

LBO Trends

- Market appetite is somewhat limited, though opening somewhat in 1Q10
- Deals are being structured to the more conservative bank market; with limited exceptions, non-bank lenders are largely on the sidelines
- Equity contributions are often up to 50%
- Junior debt is generally "true" subordinated debt
- Pricing is L+400 to 650 bps, with LIBOR floors of 2-3% and robust OID's

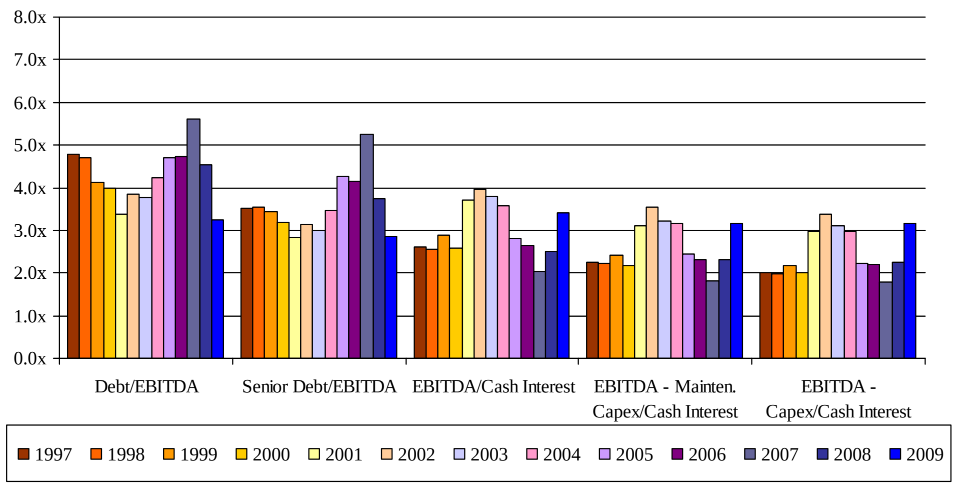
4Q09 Middle Market Issuance Highest since 3Q08



Source: Loan Pricing Corporation

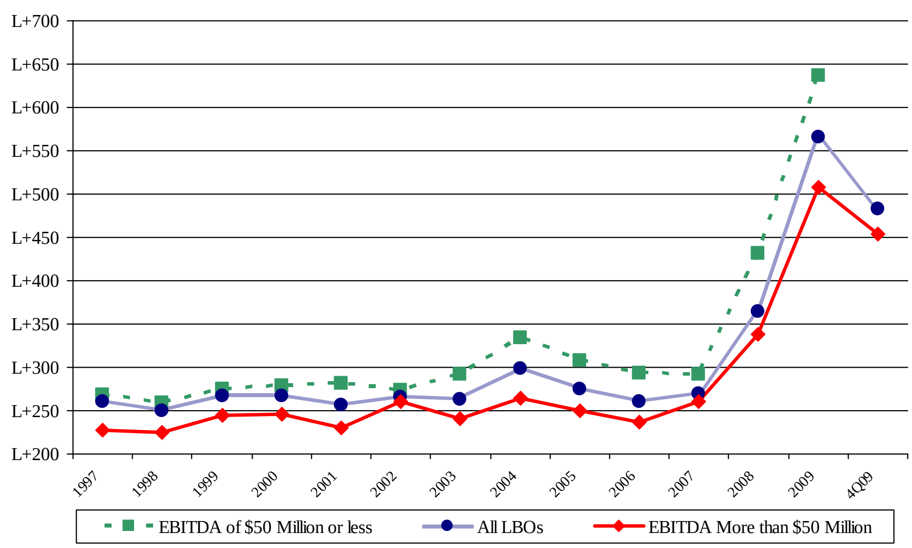
- Loan issuance in the middle market reached $26 billion in 4Q09, up 50% from 3Q09 and up 37% from 4Q08. Activity picked up in the fourth quarter and lenders continue to be optimistic about 2010.
- Improved liquidity resulted in increased appetite for new issue deals as many regional banks have cash to put to work from loan repayments and the run-off of assets.
- After a slow start to the year, the middle market regained some of its footing in the second quarter. For 2009, middle market loan issuance finished the year at $71.25 Billion, down 30% from 2008.
- Smaller issuers are still cautious, but select M&A deals returned in 4Q09.

Average Credit Statistics of Middle Market LBO Loans



Note: Average Pro Forma Adjusted Credit Statistics of Middle Market LBO Loans (Defined as Issuers with EBITDA of less than $50M)- EBITDA adjusted for prospective cost savings or synergies)
Source: Standard & Poor's LCD

Average Pro Rata Spread of LBO Loans



Source: Standard & Poor's LCD

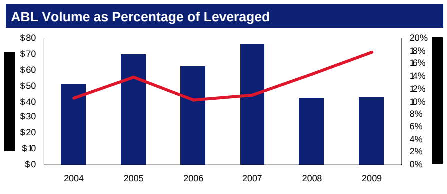
Asset Based Market Overview

Signs point to a modest rebound in both market activity levels and investor liquidity

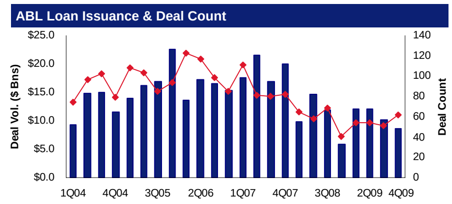
ABL Market Themes

- 2009 volume of $42.8 billion was up slightly from 2008 volume of $42.3 billion, but remains 44% below 2007 peak levels due to limited:
  - M&A related deal flow
  - Issuer working capital needs
  - Refinancing activity (due to higher pricing levels)
- ABL does represent a growing percentage of leveraged finance activity, at 18% for 2009 it was the highest level in the last five years
- Refinancings still accounted for 67% of 2009 issuance, as issuers converted from traditional bank deals to more flexible ABL structures
  - Retailers have been particularly active, refinancing from non-ABL structures, representing 25% of 2009 volume vs. 22% for 2008 and 18% for 2007

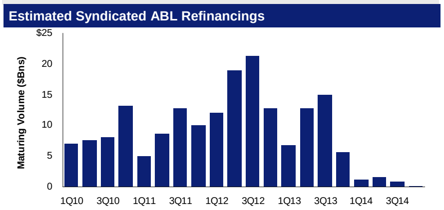
ABL Volume as Percentage of Leveraged



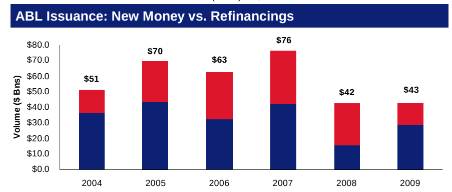
ABL Loan Issuance & Deal Count



Estimated Syndicated ABL Refinancings



ABL Issuance: New Money vs. Refinancings



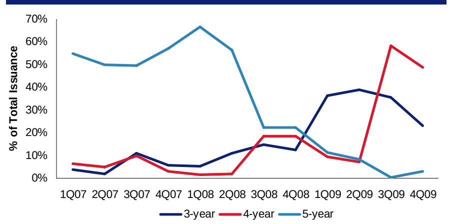
Source: Reuters Loan Pricing Corp.

ABL Pricing and Tenor

Commentary

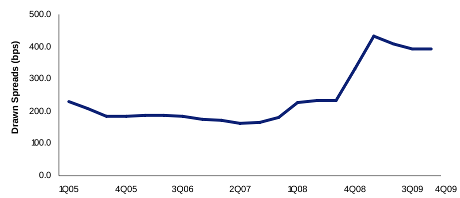
- The average drawn spread of 391 bps in Q4 remained stable with Q3, however is an improvement from earlier in the year with spreads averaging over 400 bps as a result of:
  - Fewer storied credits
  - More liquidity available at the tight end of current ranges - deals flex down for better quality names (C&S, Barnes & Noble)
  - A decline in banks' outstandings resulting from decreases in issuer working capital needs and a revived high yield market
- Average undrawn pricing remains high at 78 bps
- Upfront fees are averaging 100 bps with new multi-year credits higher than that, however some smaller middle market deals have had upfront fees ranging in the 50-75 bps range
- LIBOR floors have largely fallen off
- 58% of deals in 3Q09 featured a 4-year tenor, compared to 7% in 2Q09 – another sign that the ABL market is becoming more aggressive

ABL Historical Tenor

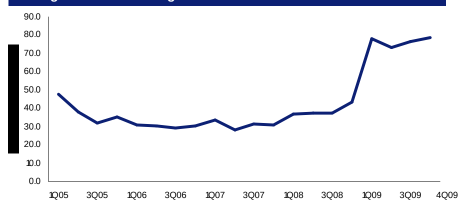


Source: Reuters Loan Pricing Corp.

Average LIBOR Margins on ABL Loans



Average Undrawn Pricing on ABL Loans



Indicative Drawn Pricing (bps)

	Deal Size	
Credit Fundamentals	**< $100mm**	**≥ $100mm**
Strong / Stable	275-325	350-375
Storied Credits	325-375	400-450

Obtaining and Maintaining Credit in Today's Market

Keep current on your company's financial position

If your firm has abundant working capital, your tolerance to handle more risk is greater than a firm which has limited capital availability and liquidity.

Have and continually refine financial models that can plug in various scenarios and show how those scenarios affect your financial position.

The better the financial information, the greater chance you'll have of getting access to capital and making more educated decisions.

Be a student of both your industry and the financial sector

There are numerous factors such as oil prices, grain prices, the stock market, US dollar values, etc. that can have a major effect on your particular business.

You need to be aware of these and many more factors to make decisions when it comes to risk management.

While this does not make your decisions any easier, it can help you to be cognizant of all the factors in the marketplace that can affect your risk management decisions.

Communicate with your lender(s) early and often

Communication during these times has never been more important; this requires a tremendous amount of work and thought on behalf of your firm.

Analyze your operation and get quality information that allows you and your lender(s) to make more informed decisions and provide better financial advice.

While it is certainly not easy, your chances of "surviving and thriving" in these uncertain times are better if your firm is upfront and communicative with your lender.

Obtaining bank financing <u>is</u> possible, so long as the financing is structured conservatively, contains meaningful covenants, and is adequately priced to market. Having a financially sound Lead Bank and approaching healthy prospective bank group participants further makes obtaining financing a significantly easier process.

Q & A