



Solvency Opinions

“In our experience as investment bankers, the solvency opinion typically is requested late in the transaction process. It is imperative for the solvency opinion to be completed quickly and accurately in order to keep the deal on track. We refer Marshall & Stevens into these situations with confidence that they will commit the necessary resources to get the job done. Each time, they have delivered exactly as promised.”

*William K. Doyle
Managing Partner
Kerlin Capital Group*

Before committing to a recapitalization, management should consider:

- + Has projected cash flow been subjected to sensitivity analyses?
- + Will the company have sufficient capital to withstand potential operating shortfalls?
- + Does the *fair value* of assets exceed the *total value* of liabilities?
- + Can the company meet each of its covenants throughout the life of the loan?

Solvency Opinion
\$85,000,000
Recapitalization of an
APPAREL COMPANY
Los Angeles, CA

was retained for
the benefit of
Shareholders & Lender

Solvency Opinion
\$298,000,000
Recapitalization of a
NATIONAL CONSTRUCTION
INDUSTRY COMPANY

was retained for
the benefit of
Shareholders & Lender

For over 75 years, we have been playing an integral role in leveraged transactions, conducting thorough analyses to protect lenders, shareholders, directors and their advisors. We do not waver on our promise to be timely with our work, communicate openly with our clients, and present well-written reports — all for reasonable fees.

Our Solvency and Fairness Opinions, transaction advice, financial analysis and due diligence services are used by lenders, private equity funds, boards of directors, trusted advisors, management and business owners throughout the world for:

- + Mergers, Acquisitions and Divestitures
- + Financings
- + Wealth and Tax Transfer Transactions



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Representative Engagements

In each of the following two representative engagements Marshall & Stevens applied solvency tests to determine if, post transaction:

- 1) The fair value of the company's assets would exceed the total amount of the company's debts;
- 2) It was reasonable to anticipate that the company would be able to pay its debts as they become due;
- 3) The company would have a reasonable amount of capital with which to engage in its business;
- 4) Based on the financial projections provided by management, it was reasonable to anticipate that the company would satisfy the financial covenants listed in the loan agreement for each of the forecasted periods; and
- 5) Assuming that the company performed at the levels projected by management, it was reasonable to anticipate that the company would be able to refinance the balloon payment of the subject debt securities at maturity.

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The private equity investor in a privately-held apparel company had structured a leveraged recapitalization of the company, including the issuance of \$85 million in new debt securities. The use of proceeds from the transaction

included a shareholder distribution. Marshall & Stevens was engaged by the company's board of directors, for the benefit of shareholders and lender, to determine whether the company would be solvent after giving effect to the transaction. Marshall & Stevens applied the financial tests described above and determined that the company would remain solvent. The transaction closed as structured.

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Marshall & Stevens was engaged by the company, for the benefit of shareholders and lender, to render an opinion as to the solvency of the company after giving effect to the company's proposed issuance of \$298 million in new debt securities.

The company's intended use of the new funds was to: (1) repurchase outstanding shares of the company; (2) refinance existing debt securities; (3) pay transaction fees and other expenses associated with the transaction; and (4) fund general corporate needs. Marshall & Stevens applied the financial tests described above and determined that the company would remain solvent. The transaction closed as structured.