

MERGERS & ACQUISITIONS

The official publication of
ACG
Association for Corporate Growth

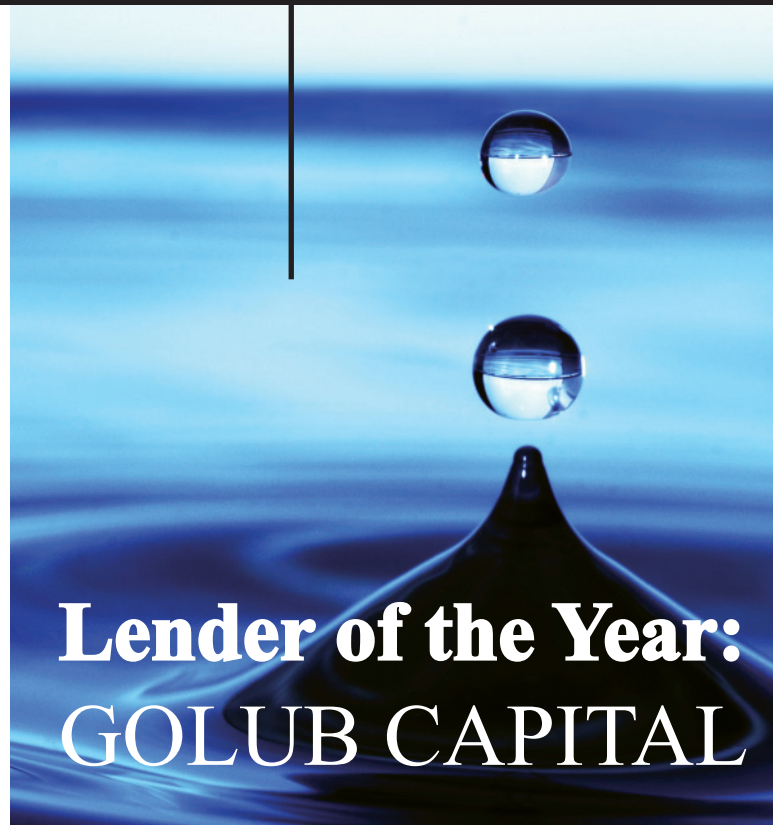
MAY 2009 ★ THE DEALMAKER'S JOURNAL

Liquidity is still trickling from a few sources

The Wilco Song “Sky Blue Sky” might serve as an appropriate soundtrack to the loan market of 2008, with the lyrics, “I survived, that’s good enough for now,” serving as the new mantra lenders sing to themselves. Amid the unrest that saw giants fall and niche players swallowed up by the upheaval, a few managed to hold their ground. Those that did were able to build marketshare, while many others disappeared from the scene.

New York-based Golub Capital was among those that not only held its ground, but stayed busy in 2008, helping to keep the deal machine from completely seizing. The firm continued to build a reservoir of capital, securing roughly \$400 million of equity capital; closing two collateralized loan obligation vehicles, each \$300 million in size; and arranging a \$400 million term facility that extends to three years.

But what’s most important, at least for the deal community, was the fact that Golub Capital was actually putting this money to work. While much of the market was ducking for cover, the firm provided financing on a number of deals, including Whitcraft’s acquisition of Reliable Manufacturing Co., MTS Health Investors’ buyout of DNA Diagnostics Center, and JPB Enterprises’



recapitalization of Davis Calibration – all deals that occurred amid the freeze that overtook the market after Lehman Brothers collapsed.

“But this is a market that is going to reward reliability, not leverage.”

Lawrence Golub, president and founder of the firm, has always preached consistency. This has become even more poignant since Bear Stearns and Lehman Brothers fell. Success in the market isn’t about terms; it’s about execution. “Financing will be there for sponsors,” Golub avows. “But this is a market that is going to reward reliability, not leverage.” –KM