What We’re Seeing in the Market

**Equity Division**
*A renewed global appetite for equities, expected focus on corporate earnings for Q2 2012*

The activity witnessed on the Loop Capital Equity Trading Desk for the first quarter of 2012 served as an antithesis to the global cash equities space. *Full article on Page 3.*

**Fixed Income Division**
*Tighter spreads and historically low treasury rates, muni market looks for definitive direction*

The first quarter has wrapped up in the credit markets with the Barclays Corporate Agg posting an eye-popping 9.7% annualized total return for the quarter. *Full article on Page 3.*

**Investment Banking Division - Corporate**
*A robust first quarter, potential volatility-inspiring global/macro risks on the horizon*

The investment grade new issue market experienced a robust first quarter with $393 billion in supply. This figure was comparable to the same period last year, when $400 billion was priced and supply was driven by foreign borrowers and financial institutions. *Full article on Page 4.*

**Investment Banking Division - Public Finance**
*Strong carryover from 2011, steady issuance expected for Q2 2012, P3 market alive and making progress*

This year began with a very strong technical carryover from year end 2011. The first quarter of 2012 witnessed 12 consecutive weeks of positive cash flows into the municipal bond funds which created demand in both the primary and secondary markets. *Full article on Page 5.*

**Transition Management**
*An evolving industry, record volumes anticipated in 2012*

The transition management industry has continued to evolve. With increased transparency requirements coupled with the Dodd-Frank Wall Street Reform and Consumer Protection Act, many firms have re-structured their organizations, directly affecting how they manage their transition management business. *Full article on Page 6.*
Firm News

Loop Capital Investment Management Launch

Loop Capital launched our new asset management business, Loop Capital Investment Management (LCIM), during the first quarter of 2012. LCIM will focus on providing institutional investors with attractive, risk-adjusted returns, as well as superior client service across various alternative investment strategies.

New Offices in Atlanta and Little Rock

Loop Capital recently opened new firm offices in Little Rock, AR and Atlanta, GA. Opened in February and March respectively, the offices are our 22nd and 23rd locations nationwide, expanding our regional presence in the southeast.

Loop Capital Markets in Top 10 for P&I Tradewatch Broker Rankings

The March 5, 2012 issue of Pensions & Investments magazine ranked Loop Capital Markets in the top 10 for trades that comprised 20%-50% of daily volume (7th), Midcap trades (7th) and Microcap trades (10th) in Tradewatch’s equity broker rankings. The Tradewatch report reviews the top 50 brokers in each category by U.S. dollar volume.

Q1 2012 New Hires

During the first quarter of 2012, Loop Capital added eight seasoned professionals to our global equity, transition management, public finance, and taxable fixed income divisions.

Mark Jicka, former Managing Director/Head of Credit Trading at MF Global, and Steve Madsen, previously a Managing Director in Credit Trading at MF Global, have joined our growing taxable fixed income division as Managing Directors to co-head Loop Capital Markets’ credit business. Mr. Jicka and Mr. Madsen are based out of our New York office.

Craig Hutson, CFA, a former senior corporate credit analyst at Stone & Youngberg LLC, joins the taxable fixed income effort as a Senior Vice President responsible for corporate credit analysis in the firm’s Chicago office. Emmit Horne, former Director of Generalist Fixed Income Sales at Bank of America/Merrill Lynch, has joined as Senior Vice President, also based out of Chicago.

Shauna Lambright, former Managing Director and Head of Transition Management at Knight Capital Americas, has joined the team as a Managing Director to assist with the expansion of our transition management services. New additions to our Equity Sales and Trading Division in New York as Senior Vice Presidents are Richard Parker, a 24-year Wall Street veteran and former Head of US Cash Sales and Trading at MF Global, and Anson Sager, formerly a Senior Vice President at MF Global.

Pamela Mobley has joined Loop Capital Markets as a Senior Vice President in Public Finance and will be based out of the firm’s new Arkansas office. Prior to joining Loop Capital, Pamela worked at Grigsby & Associates Inc. building a municipal platform in the Southeastern Region.

Chairman’s Corner

Looking Ahead in 2012

As I sit in my office in our new state-of-the-art facility, where we have expanded our headquarters from a 16,000 sq. ft. facility to a 40,000 sq. ft. space, I enter the second quarter of 2012 with a great deal of excitement and energy. The opportunities ahead for Loop Capital are greater than at any point in our history — even greater than the compelling opportunities that led to the firm’s founding 15 years ago.

I consider 2012 the year of the boutique investment banking firm. It is clear that due to many factors — regulations, risk controls, reduced leverage, etc. — the global investment banks are becoming highly selective about the businesses in which they focus. As these banks decide where they will focus their energy, reducing the resources allocated to certain businesses while eliminating others altogether, the boutique firms are primed to grow. I expect that Loop Capital will be on the vanguard of those growth opportunities.

As we expand the value-added services we provide to our clients, we are growing every single one of our business lines, as illustrated by our Q1 2012 new hires outlined above. 2012 also marks the entry of our firm into the alternative asset management arena. As our investment banking and trading businesses continue to grow substantially throughout the year, you can continue to expect that our clients will receive the same high level of service in all of our businesses that they have become accustomed to at Loop Capital.

“...The opportunities ahead of Loop Capital are greater than at any other point in our history...”

- James R. Reynolds
Co-Founder, Chairman & CEO
What We’re Seeing in the Market

**Equity Division**

*A renewed global appetite for equities, expected focus on corporate earnings in Q2 2012*

The activity witnessed on the Loop Capital Equity Trading Desk for the first quarter of 2012 served as an antithesis to the global cash equities space. During a quarter characterized by the reduction of personnel and pronounced concern over deflated trading volumes for the majority of investment banks, Loop Capital added veteran employees and experienced dramatic volume increases in Asia, Europe and the Americas. A renewed global appetite for equities aided by progress concerning the Euro-zone debt crisis elevated the S&P 500 Index by 12%, Japan by 17%, Brazil by 13% and Germany by 17%. The continued record pace in corporate repurchase activity coupled with an awakening initial public offering and secondary calendar further bolstered performance.

While macroeconomic issues continue to exist with debt concerns in Europe, the pace of the ongoing recovery in the United States and possible oil supply shocks courtesy of the Middle East, the focus in the second quarter will be corporate earnings, as individual stocks trade primarily on fundamental data versus moving in tandem as one highly correlated asset class. Absent an unanticipated global event (i.e. last year’s natural catastrophe in Japan), traditional metrics like EPS growth and fiscal year guidance will be the main determinants of price direction.

Another big factor in the tremendous rally in credit continues to be the lack of risk appetite at the primary dealers, due in large part to regulatory uncertainty. Primary dealers corporate inventories remain at levels last seen in 2002/2003.

**Municipals**

The Municipal market continues to look for some definitive direction as it navigates across new issue supply dynamics, mutual fund inflows and cash balances, and the ebb and flow of secondary supply. After a tumultuous quarter that saw yields fall from 10-25 basis points across the AAA MMD curve in January and February with strong demand from virtually all customer segments, Munis reversed course and gave back 40-50 basis points from February to March before stabilizing and heading lower again.

Munis entered the second quarter still contending with low absolute yields, expected higher new issue supply, concerns about individual investor asset allocation strategies, and external shocks to the Fixed Income Markets as a whole.

We continue to see strong demand for high grade Munis in the 1-10 year part of the curve for much of our Institutional customer base, with our SMA customers often extending out to 15 years for good quality 4-5% coupon, 10 year call structures. High Yield Tax-free product

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**Fixed Income Division**

*Tighter spreads and historically low treasury rates, muni market looks for definitive direction*

**Taxables**

The first quarter has wrapped up in the credit markets with the Barclays Corporate Agg posting an eye-popping 9.7% annualized total return for the quarter. The IG17 index began the year at +120bp and closed the quarter at +85bp, while the Barclays US Corp Agg OAS began the year at +217bp and closed the quarter at +160bp.

Issuers took advantage of the tighter spreads and historically low treasury rates to issue roughly $295 billion in Investment Grade credit, the second largest new issue quarter on record. “Investors took advantage of the tighter spreads and historically low treasury rates to issue roughly $295 billion in Investment Grade credit, the second largest new issue quarter on record.”

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What We’re Seeing in the Market

Continued from Page 3

also received a warm reception from both SMA and fund managers, drawing historical spreads tighter to the AAA high grade scale. Also, non-traditional tax-free investors and bank portfolios transacted on the long end to lock in relative value versus other taxable products.

We continue to experience order driven business through our ECN channels, with dealers preferring a “just-in-time” risk management strategy versus traditional inventory building in front of customer demand. This reduced risk profile in Munis was consistent with the capital commitment across all products on Wall Street.

Municipal customers looking for incremental yield appear more willing to accept call risk in the form of callable or “kicker” structures and lowering credit quality in general. Our approach to this market continues to be to provide liquidity to our customers for unique and distinct product and meet customers’ block demand for high quality paper.

"Although investors’ risk market sentiment continues to be positive, the pace of issuance is likely to cool from a hectic first quarter.”

was driven by foreign borrowers and financial institutions. More noteworthy was the exceptional tone that prevailed for most of the quarter, which mirrored the positive performance seen in other risk markets. Thus far in 2012, investment grade corporates have benefitted from an environment that has seen a consistent appetite for credit amid a reach for yield. At quarter end 10 and 30 year Treasury yields were 129 and 119 basis points, respectively, lower than a year ago and credit was constructive across sectors and ratings. Perhaps not surprisingly, longer tenor issuance with final maturities of greater than 10 years grew significantly to 13% of total issuance from 7% last year as corporate issuers locked in attractive coupons.

Nearly all of our corporate finance client meetings in the first quarter had pointed discussions on prefunding, timing acceleration and hedging, and most market participants believe that the risk is for higher coupons and/or a return to volatility. Looking forward, potential volatility-inspiring global/macro risks – Euro Zone sovereign debt, domestic fiscal questions – have not been permanently resolved. New risks in fact – China, oil prices – have been presented. Although investors’ risk market sentiment continues to be positive, the pace of issuance is likely to cool from a hectic first quarter, as many issuers have anchored their capital-raising needs in Q1.

If rates do rise over the course of the year, as our Analytical Services Division forecasts, it will be interesting to see how the markets react to this challenge. Thus far, corporate issuers and investors have collectively enjoyed a banner start to the year.

Mergers & Acquisitions

While there is continued optimism for an uptick in 2012, mergers and acquisitions activity hit its lowest quarterly level in more than seven years in the first quarter of this year. Global volumes of announced M&A deals dropped to $416 billion in the first quarter of 2012 from $737 billion a year ago, according to Thomson Reuters data. This decline was in part driven by the euro zone’s debt crisis and concerns over economic growth around the world. The run-up in the equity markets along with significant amounts of cash on corporate balance sheets and CEO/Board optimism should help turn the tide.

Consolidation and the desire to exploit economies of scale could be a major driver of merger and acquisitions activity in 2012 along with corporate spin-offs and private equity firms putting cash to work.
What We’re Seeing in the Market

Continued from Page 4

For 2011, Loop Capital Markets was ranked in the top 10 for total transaction value amongst energy sector financial advisors according to SNL Financial. Most notably we acted as advisor to Exelon on its merger with Constellation. This transaction closed on March 12, 2012.

Energy Sector Financial Advisors - 2011 Rankings

<table>
<thead>
<tr>
<th>Rank</th>
<th>Firm Name</th>
<th>Transaction Value (in $M)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Barclays Capital Inc.</td>
<td>$38,070</td>
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<tr>
<td>2</td>
<td>J.P. Morgan Securities</td>
<td>$36,340</td>
</tr>
<tr>
<td>3</td>
<td>Bank of America Merrill Lynch</td>
<td>$30,346</td>
</tr>
<tr>
<td>4</td>
<td>Lazard Freres &amp; Co. LLC</td>
<td>$26,421</td>
</tr>
<tr>
<td>5</td>
<td>Morgan Stanley</td>
<td>$24,478</td>
</tr>
<tr>
<td>6</td>
<td>Credit Suisse (USA) Inc.</td>
<td>$21,335</td>
</tr>
<tr>
<td>7</td>
<td>Goldman Sachs Inc.</td>
<td>$20,512</td>
</tr>
<tr>
<td>8</td>
<td>Evercore Partners Inc.</td>
<td>$19,826</td>
</tr>
<tr>
<td>9</td>
<td>UBS Investment Bank</td>
<td>$15,874</td>
</tr>
<tr>
<td>10</td>
<td>Loop Capital Markets</td>
<td>$10,623</td>
</tr>
</tbody>
</table>

Source: SNL Financial

Investors, while generally optimistic, are nonetheless not likely to get the high single-digit total returns on municipal bonds they earned in 2011.

Given the slightly larger volume that generally occurs in the second half of the year, we continue to feel that our December Analytical Services Division bond volume estimate of $350 billion will likely be close to the mark. We believe that continued low interest rates will boost this year’s supply through refunding activity. An added factor in addition to low municipal interest rates is that the recent rise in Treasury yields has improved the negative arbitrage problem. This problem occurs when Treasury yields are low relative to municipal yields, making advance refunding more difficult to achieve. The important factor to keep in mind, however, is that the political dynamic that choked new money volume in 2011, reducing it by about one-third, may still be in effect. If so, that would suggest that any movement in...
interest rates to higher levels could choke off refunding activity and limit total new issue volume to the annual pace of $295B that was seen in 2011. This pace of issuance is likely below the prevailing levels of demand, giving municipals a chance to provide positive total returns in excess of coupon income like last year (although perhaps smaller).

**Public Private Partnerships (P3)**

Contrary to the opinion held by most participants in the municipal market, data suggests that the P3 market is alive and in fact making some progress as we enter the second quarter of 2012. 18 states have projects under consideration, with California, Texas and Virginia leading the pack, accounting for more than half of the total project pipeline between them. There are currently 54 active projects on the horizon with a total value of approximately $75 billion. Some are in the initial stages of feasibility assessment/planning, while others are putting together a financing plan, conducting a bidding process or finalizing an agreement with a selected bidder. Eight transactions among these are expected to close within Q2 2012 with a total value of $4.6 billion.

Most states and local entities with high population density and infrastructure needs are exploring P3s. The current focus is on using P3s for building new infrastructure rather than monetizing existing assets. By number, 80% of deals involve building a new asset, versus 20% that involve selling or leasing an existing asset. The transportation sector is most active due to the size and complexity of projects, federal financing mechanisms, and history of user charges based funding. Of all the planned projects, transportation deals encompass 80% of all transactions by number and 95% by value. Water and parking sectors are also witnessing activity, mostly employing the monetization approach.

While a number of states have recently passed P3 enabling legislation, the transportation bill passed by the U.S. Senate has some provisions that might have an adverse impact on private financing of highway projects, although those provisions are unlikely to pass in the House. At the same time, the FAA bill signed into law by the President expands the number of slots in the FAA’s Pilot Privatization Program from 5 to 10. Thus, the overall tone in the P3 market is one of cautious optimism, although P3 experience in the U.S. so far can be characterized as one step forward and two steps back.

**Transition Management Division**

An evolving industry, record volumes anticipated in 2012

The transition management industry has continued to evolve. With increased transparency requirements coupled with the Dodd-Frank Wall Street Reform and Consumer Protection Act, many firms have restructured their organizations, directly affecting how they manage their transition management business. Agency-only organizations have found their models increasingly popular after more extensive due diligence requirements have occurred. With price and fee disclosure easier for an agency-only shop, hidden cost issues are significantly reduced.

Loop Capital Markets has benefited from these enhanced model expectations because we have operated as an agency-only business since the introduction of our transition management services in 2003. Additionally, the firm is structured as a registered investment advisor to act as a fiduciary. Many are anticipating record volumes in 2012, as institutional investors move forward on executing investment changes to their portfolios coupled with overall re-allocation within their asset allocations. Based on our first quarter activity, we agree further volume growth will continue throughout the year.
Wild Card Scenarios for Economic Growth

We continue to believe that the economy will perform slightly better than expectations. Two trends we find highly encouraging are the decline in economic volatility and the consistency with which the economy has oscillated around a growth track of slightly over 2%. The economy has slowed slightly in early 2012, but the willingness of consumers to draw down savings and spend is supportive of continued economic growth. Two wild cards have the potential to boost economic growth moderately:

1) The first is improvement in the overall tone of the housing market. While many have predicted improvement over the last four years, only to see the housing industry continue to decline, 2012 has shown inklings of bona fide growth in the number of home sales, and traffic from buyers. An improvement won’t be large, but it could boost GDP by a couple of tenths at a time when other components are temporarily ebbing.

2) The second and potentially more explosive growth factor is the huge pile of cash that is sitting on corporate balance sheets—about $2T. This money can be used only in three ways: (1) in payment of dividends (2) share repurchase, or (3) investment. One omitted alternative is to do nothing and let it sit on the balance sheet earning close to zero return. If corporations use this $2T, the impact would be larger than any fiscal stimulus undertaken so far. Moreover, employment would increase, income levels would rise, and consumption would move to higher ground. We don’t believe that we will see a deluge of corporate investment this year, but gradually improving confidence, higher stock values, and reduced uncertainty in Europe could all help pry some of those important cash resources off balance sheets.

We do not foresee another round of monetary policy. We do feel that the Fed will be hampered by their over commitment to monetary accommodation while inflation is rising to about 2.5%. As the year progresses, we see increasing confidence in the durability of the recovery, a diminution of problems in Europe, and a small, but perceptible improvement in the housing market. The generally favorable tone of the economy will be overshadowed by one considerable negative: the economy currently does not have the capacity to grow faster than 2 to 2.5%. That eventuality will have to wait for more significant improvement in the labor force and growth in income.

<table>
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<tr>
<th>Economic Forecasts*</th>
<th>2Q’11</th>
<th>3Q’11</th>
<th>4Q’11</th>
<th>1Q’12</th>
<th>2Q’12</th>
<th>3Q’12</th>
<th>4Q’12</th>
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<tr>
<td>Real GDP (QoQ % SAAR)</td>
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<td>1.80</td>
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<td>2.40</td>
<td>2.50</td>
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<td>Core PCE (%)</td>
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<td>S&amp;P 500</td>
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<td>Unemployment (%)</td>
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<th>Short-Term Interest Rates*</th>
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<td>Target Federal Funds Forecast (%)</td>
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<td>3-Month LIBOR (%)</td>
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<tr>
<td>2-Year U.S. Treasury Note (%)</td>
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<td>5-Year U.S. Treasury Note (%)</td>
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<td>7-Year U.S. Treasury Note (%)</td>
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<td>30-Year U.S. Treasury Bond (%)</td>
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<td>3.50</td>
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<td>30-Year Mortgage Rate (%)</td>
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<td>4.31</td>
<td>4.01</td>
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<tr>
<th>Tax-Exempt Interest Rates*</th>
<th>MMD Yield Curve Slope (bps)</th>
<th>30-Year MMD (%)</th>
<th>7-Day SIFMA (%)</th>
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<tr>
<td></td>
<td>412</td>
<td>4.35</td>
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<tr>
<td></td>
<td>340</td>
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<td>0.25</td>
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Source: Loop Capital Markets’ Analytical Services Division and Short-Term Desk | Black Text: Actual, Gold Text: Forecast
Notable Deals

Loop Capital Serves as Senior Manager for Long Beach Bond Finance Authority
$102,580,000 Revenue Refunding Bonds (Aquarium of the Pacific Project)

Addressing the challenges of a unique credit and modified structure, Loop Capital Markets was able to secure excellent sponsorship from a wide variety of investors when the transaction came to market in March 2012. Given the difficult market conditions at the time of the sale, the issuance was a tremendous success, resulting in total present value savings of 13.6% or $15.1 million dollars. When measured in gross savings, the refinancing saved the City $1.1 million on an annual basis, or $19.5 million in total. The transaction marks an important milestone for Loop Capital Markets, as it is the first long-term senior managed financing for the Firm’s west coast office, which joined the Firm as part of the acquisition of the financial advisory firm Gardner, Underwood & Bacon in 2011.

Loop Capital Advises Exelon on $7.9 billion Acquisition of Constellation Energy Group
$7.9 billion Stock-for-Stock Transaction

On March 12, 2012 Exelon Corp. (EXC) announced that it had completed its acquisition of Constellation Energy Group (CEG) in a $7.9 billion stock-for-stock transaction. Loop Capital Markets acted as financial advisor to Exelon, demonstrating the strength of our energy/infrastructure franchise and solid M&A execution capabilities. The transaction marks Exelon’s largest acquisition, creating the leading U.S. electricity marketer. The combined entity, with an enterprise value of $52 billion, will have significant scale and financial strength, driving long-term value creation both for shareholders and customers.

Loop Capital Joint-Bookrunning Lead Manager on Southern California Edison’s $400 million First Mortgage Bond Offering
$400,000,000 First Mortgage Bonds

Loop Capital Markets served as a Joint-Bookrunning Lead Manager on a $400 million, 30-year First Mortgage Bond offering on March 8, 2012 for Southern California Edison (SCE), one of the largest electric utilities in California. The deal was priced at 95 basis points over the 30-year U.S. Treasury and will mature on March 15, 2042. The 30-year bonds bear a 4.05% coupon, which ranks as the fourth lowest 30-year coupon of all time.

Loop Capital, founded in 1997, is a highly client-focused investment bank, brokerage and investment management firm that provides capital solutions for corporate, governmental and institutional entities across the globe. Headquartered in Chicago, the firm has nearly 200 professionals in 23 offices across the country. Find more information at www.loopcapital.com.