Distressed Debt Case Studies

Tronox Case Study

Company Overview

- Tronox Incorporated ("TRX" or the "Company") is the fourth largest producer of titanium dioxide (TiO2) pigments (93% of sales) in the world. Titanium dioxide is used in a range of products for its ability to impart whiteness, brightness and opacity. The pigment product is used in coatings for residential and commercial paint, industrial, automotive, specialty market, plastics such as polyolefins, PVC, engineered plastics, and paper and specialty products such as inks, food, cosmetics.

Capital Structure

	Face Amount	Market Price	Market Value	Multiple of 2010P EBITDAR
Cash	$77.0		77.0	
New DIP/Exit Facility	425.0	*100.0%*	425.0	2.2x
9.5% Sr. Unsecured Notes	370.4	*70.0%*	259.3	5.8x
EPA Claim	270.0	*100.0%*	270.0	5.8x
Other GUCs	100.0	*70.0%*	70.0	5.8x
Enterprise Value	1,242.4		1,101.3	5.8x
2010P EBITDAR	$190.0			
Normalized EBITDAR	$165.0			

Situation Overview

- Tronox was spun off from Kerr-McGee Corporation in 2006. At the time of the spin-off, the Company was burdened with substantial legacy liabilities that are not related to its operating TiO2 or Electrolytic businesses Legacy liability costs have consumed substantial cash flow, resulting in an inability to continue to service Tronox's debt. Due to the continued impact from legacy liabilities, exacerbated by credit market conditions and the resulting tight liquidity situation, certain of Tronox's U.S. businesses and foreign affiliates filed for protection under Chapter 11 of the United States Code on January 12, 2009
- Tronox was set to sell the majority of its assets in a 363 sale to Huntsman for $415mm. An ad hoc bondholder group of the 9.5% Senior Unsecured Noteholders has proposed a plan of reorganization in conjunction with Goldman Sachs as replacement DIP and exit lender and the support of the Debtor. In additon the EPA a major other unsecured creditor has reached an agreement to take $115mm cash and 88% of litigation proceeds against Anadarko Petroleum (purchased Kerr-McGee).

Tronox Case Study

Investment Opportunity

- The 9.5% Sr Notes trades from 40 prior to filing down to 10 post. Secured creditors were concerned about a liquidation and substantial loss of value. This was exacerbated by the lack of access to capital markets in 2009 and the continuing credit crisis. Chemical maker Huntsman had mae a stalking horse bid to purchase the company for the value of the secured debt.
- Tronox was at a cyclical low in the demand and pricing cycle. If unsecured creditors were willing to put in new capital to bridge the company until a trunaround in the pricing environment. Bondholders could capture the equity value.
- Tronox bonds traded into the low 70s as a steering committee working with GS prepared to make an offer to finance the company out of bankruptcy. The companies projections were to do $190mm of EBITDAR in 2010 which would create the equity through the Sr Notes at 5.8x.

POR Summary

- Bondholders agreed to backstop a $170mm rights offering that would fund the EPA settlement and GS committed to finance a $425mm replacemnt DIP facility that converted to an exit facility upon emergence.
- In exchange bondholders would receive 16.9% of the re-organized equity as well as 78.4% of the equity in the rights-offering giving them 95% of the equity in the company prior to dilution from MIP
- The EPA received $270mm cash and 88% of the proceeds from litigation against Andardko relating to the Tronox spin off

Claim	Consideration	Amount	Plan Reco
DIP	Rolls into New Exit Facilty	$425.0	*100%*
Class 1 Priority Non-Tax	Cash	$1.0	*100%*
Class 2 Secured Claims	Cash	$1.0	*100%*
Class 3 GUCs	16.9% of Equity and 78.4% of Rights	$470.6	*80%-100%*
Class 4 Tort Claims	Cash $12mm 12% Litigation Trust, $4mm Insurance	NA	NA
Class 5 Environmental	$270mm Cash, 88% Litigation trust $50mm Insurance	NA	NA
Class 6 Equity	2-yr Warrants for 5% of Company Strike	$3-6mm	NA

Tronox Case Study

Tronox Disclosure Statement Projections

Plan Projections	2009	2010P	2011P	2012P	2013P
Global revenues	1,071.8	1,168.5	1,231.0	1,247.7	1,272.9
% growth	*-27.8%*	*9.0%*	*5.4%*	*1.4%*	*2.0%*
Gross profit	187.9	248.9	254.0	231.7	235.3
% margin	*17.5%*	*21.3%*	*20.6%*	*18.6%*	*18.5%*
EBITDAR	130.6	189.9	181.1	156.3	157.4
% margin	*12.2%*	*16.3%*	*14.7%*	*12.5%*	*12.4%*
Interest	31.2	78.0	31.1	27.5	23.8
Rent		5.0	5.0	5.0	5.0
Mandatory Amortization		3.4	3.2	2.8	2.3
Chg WC	(99.7)	14.7	(26.2)	(17.8)	(15.4)
CapEx	22.0	106.0	57.1	49.0	47.5
% of revenues	*2.1%*	*9.1%*	*4.6%*	*3.9%*	*3.7%*
Free Cash Flow	177.1	12.3	58.4	54.3	63.5
NWC	258.6	282.0	297.1	301.1	307.2
% Of Sales	*24.1%*	*24.1%*	*24.1%*	*24.1%*	*24.1%*

Tronox Case Study

Recovery Estimates at Emergence

				Recovery to 9.5% Sr Unsecured Notes					Other GUCs Recovery			
TEV	**Multiple of 2010P EBITDAR**	**Equity Value**	**Value per Share**	**Value of Primary Shares for Notes**	**Value of Rights for Notes**	**Total Value for Notes**	**Recovery on Face**	**Recovery On Claim**	**Value of Primary Shares for GUCs**	**Value of Rights for GUCs**	**Total Value for GUCs**	**Recovery on Claim**
$ 950.0	5.0x	$ 511.9	**$ 31.37**	$ 62.6	$ 156.5	$ 219.1	**62.6%**	**59.2%**	$ 16.9	$ 42.2	$ 59.2	**59.2%**
1,000.0	5.3x	$ 561.9	**$ 34.43**	68.7	184.9	253.6	**72.5%**	**68.5%**	18.6	49.9	68.5	**68.5%**
1,025.0	5.4x	$ 586.9	**$ 35.96**	71.8	199.0	270.8	**77.4%**	**73.1%**	19.4	53.7	73.1	**73.1%**
1,050.0	5.5x	$ 611.9	**$ 37.49**	74.8	213.2	288.1	**82.3%**	**77.8%**	20.2	57.6	77.8	**77.8%**
1,075.0	5.7x	$ 636.9	**$ 39.02**	77.9	227.4	305.3	**87.2%**	**82.4%**	21.0	61.4	82.4	**82.4%**
1,100.0	5.8x	$ 661.9	**$ 40.56**	81.0	241.6	322.5	**92.2%**	**87.1%**	21.9	65.2	87.1	**87.1%**
1,125.0	5.9x	$ 686.9	**$ 42.09**	84.0	255.8	339.8	**97.1%**	**91.7%**	22.7	69.0	91.7	**91.7%**
1,150.0	6.1x	$ 711.9	**$ 43.62**	87.1	269.9	357.0	**102.0%**	**96.4%**	23.5	72.9	96.4	**96.4%**
1,175.0	6.2x	$ 736.9	**$ 45.15**	90.1	284.1	374.2	**106.9%**	**101.0%**	24.3	76.7	101.0	**101.0%**
1,200.0	6.3x	$ 761.9	**$ 46.68**	93.2	298.3	391.5	**111.9%**	**105.7%**	25.2	80.5	105.7	**105.7%**
1,225.0	6.4x	$ 786.9	**$ 48.22**	96.2	312.5	408.7	**116.8%**	**110.3%**	26.0	84.4	110.3	**110.3%**
1,250.0	6.6x	$ 811.9	**$ 49.75**	99.3	326.7	426.0	**121.7%**	**115.0%**	26.8	88.2	115.0	**115.0%**
1,275.0	6.7x	$ 836.9	**$ 51.28**	102.4	340.8	443.2	**126.6%**	**119.7%**	27.6	92.0	119.7	**119.7%**

Note: Does not assume any shares allocated to management. 5% to manangement would shave approximately 4pts off recovery.

Rights Strike Price	**$14.46**
Cash	30.0
Debt	468.1
Preferred	15.0

Tronox Case Study

Tronox Financials Post Emergence

	2005A	2006A	2007A	2008A	2009A	2010A	2011A	2012E
Total Revenue	**1,375.2**	**1,421.8**	**1,426.3**	**1,245.8**	**1,070.1**	**1,217.6**	**1,651.0**	**1,816.0**
Growth Over Prior Year	*5.6%*	*3.4%*	*0.3%*	*(12.7%)*	*(14.1%)*	*13.8%*	*35.6%*	*17.7%*
Gross Profit	**229.9**	**175.5**	**121.0**	**112.4**	**137.7**	**221.2**	**499.7**	**-**
Margin %	*16.7%*	*12.3%*	*8.5%*	*9.0%*	*12.9%*	*18.2%*	*30.3%*	-
EBITDA	**191.0**	**171.6**	**115.9**	**1.5**	**119.1**	**259.4**	**435.4**	**594.0**
Margin %	*13.9%*	*12.1%*	*8.1%*	*0.1%*	*11.1%*	*21.3%*	*26.4%*	*32.7%*
EBIT	**87.9**	**68.6**	**3.6**	**(74.2)**	**66.0**	**209.3**	**353.1**	**504.0**
Margin %	*6.4%*	*4.8%*	*0.3%*	*(6.0%)*	*6.2%*	*17.2%*	*21.4%*	*27.8%*
Earnings from Cont. Ops.	**46.4**	**25.0**	**(105.1)**	**(145.5)**	**(28.7)**	**4.6**	**873.0**	**-**
Margin %	*3.4%*	*1.8%*	*(7.4%)*	*(11.7%)*	*(2.7%)*	*0.4%*	*52.9%*	-
Net Income	**18.8**	**(0.2)**	**(106.4)**	**(334.9)**	**(38.5)**	**5.8**	**872.8**	**469.0**
Margin %	*1.4%*	*(0.0%)*	*(7.5%)*	*(26.9%)*	*(3.6%)*	*0.5%*	*52.9%*	*25.8%*
Diluted EPS Excl. Extra Items[3]	**1.89**	**0.61**	**(2.58)**	**(3.55)**	**(0.7)**	**0.11**	**49.135**	**28.95**
Growth Over Prior Year	*NM*	*(67.7%)*	*NM*	*NM*	*NM*	*NM*	*44,568.3%*	*87.3%*

Tronox Case Study

Recovery Estimates 2 Years Post Emergence

				Recovery to 9.5% Sr Unsecured Notes					Other GUCs Recovery			
TEV	Multiple of 2010P EBITDAR	Equity Value	Value per Share	Value of Primary Shares for Notes	Value of Rights for Notes	Total Value for Notes	Recovery on Face	Recovery On Claim	Value of Primary Shares for GUCs	Value of Rights for GUCs	Total Value for GUCs	Recovery on Claim
$ 2,475.0	4.5x	$ 2,036.9	**$ 124.81**	$ 249.1	$ 1,021.5	$ 1,270.6	**363.0%**	**343.0%**	$ 67.3	$ 275.8	$ 343.0	**343.0%**
2,612.5	4.8x	2,174.40	**133.23**	265.9	1,099.5	1,365.4	**390.1%**	**368.6%**	71.8	296.8	368.6	**368.6%**
2,750.0	5.0x	2,311.90	**141.66**	282.8	1,177.5	1,460.3	**417.2%**	**394.2%**	76.3	317.9	394.2	**394.2%**
2,887.5	5.3x	2,449.40	**150.08**	299.6	1,255.5	1,555.1	**444.3%**	**419.8%**	80.9	338.9	419.8	**419.8%**
3,025.00	5.5x	2,586.90	**158.51**	316.4	1,333.5	1,649.9	**471.4%**	**445.4%**	85.4	360.0	445.4	**445.4%**
3,162.50	5.8x	2,724.40	**166.93**	333.2	1,411.5	1,744.7	**498.5%**	**471.0%**	90.0	381.1	471.0	**471.0%**
3,300.00	6.0x	2,861.90	**175.36**	350.0	1,489.5	1,839.5	**525.6%**	**496.6%**	94.5	402.1	496.6	**496.6%**
3,437.50	6.3x	2,999.40	**183.78**	366.8	1,567.5	1,934.3	**552.7%**	**522.2%**	99.0	423.2	522.2	**522.2%**
3,575.00	6.5x	3,136.90	**192.20**	383.7	1,645.4	2,029.1	**579.7%**	**547.8%**	103.6	444.2	547.8	**547.8%**
3,712.50	6.8x	3,274.40	**200.63**	400.5	1,723.4	2,123.9	**606.8%**	**573.4%**	108.1	465.3	573.4	**573.4%**
3,850.0	7.0x	3,411.90	**209.05**	417.3	1,801.4	2,218.7	**633.9%**	**599.0%**	112.7	486.3	599.0	**599.0%**
3,987.5	7.3x	3,549.40	**217.48**	434.1	1,879.4	2,313.5	**661.0%**	**624.6%**	117.2	507.4	624.6	**624.6%**
4,125.0	7.5x	3,686.90	**225.90**	450.9	1,957.4	2,408.4	**688.1%**	**650.2%**	121.7	528.4	650.2	**650.2%**

Current Capitalization (Millions of USD)	
Currency	***USD***
Share Price as of Apr-02-2012	$179.0
Shares Out.	15.1
Market Capitalization**	**2,698.7**
- Cash & Short Term Investments	154.0
+ Total Debt	427.3
+ Pref. Equity	-
+ Total Minority Interest	-
= Total Enterprise Value (TEV)	**2,972.0**

Tronox Case Study

Recovery Estimates 2 Years Post Emergence

SemGroup LP

Company Overview

- Prior to filing for Chapter 11 SemGroup was a privately held limited partnership engaged in midstream energy services including pipelines, storage, propane distribution, gas liquids extraction and energy marketing and trading.
- These assets included the White Cliff's Pipeline, a critical component of the west's energy infrastructure as the only pipeline from the oil rich DJ Basin in Colorado to the strategic storage hub in Cushing Oklahoma where the company had approximately 3mm barrels of storage capacity
- The company's energy marketing and trading operations were personally controlled by SemGroup's CEO who entered into naked call options on the belief that crude prices would remain stable. Large trading losses occurd forcing SemGroup to post $2bn in collateral to support the trades putting a sever strain on the company's liquidity. In July 2008 Barclay's took over SemGroup's trading book as the result of substantial losses and liquidity demands. This resulted in a $2.4bn loss. On July 28 the company filed for Chapter 11 bankruptcy protection

Pre Petition Capital Structure

	Face Amount
Secured Working Capital Agreement	1,740.0
Secured Revolver	665.0
Series B-2 Loan	200.0
SemEuro Credit Agreement	45.0
White Cliffs Credit Agreement	120.0
Total 1st Lien Secured Debt	2,770.0
8.75% Senioir Notes	610.0
Total Debt	3,380.0

Chapter 11 Summary

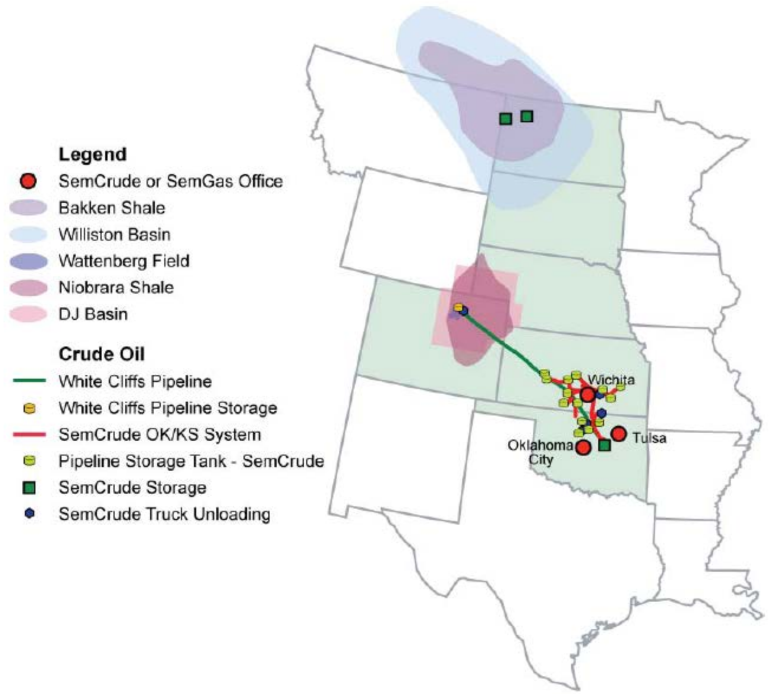
- SemGroup was able to secure post petition financing and stabilize operations. It had considerable litigation related to contracts with its crude suppliers that utilized the White Cliff's Pipeline.
- SemGroup sold non-core assets, focused on managing its fee based assets and dramatically curtailed energy marketing activities
- As a result the company was able to accumulate approximately $650mm in free cash as well as another $400mm in restricted and subidiary cash as well as $150mm in cash from asset sales. The company was rejected or restructured over 1,600 uneconomical leases and contracts

SemGroup LP

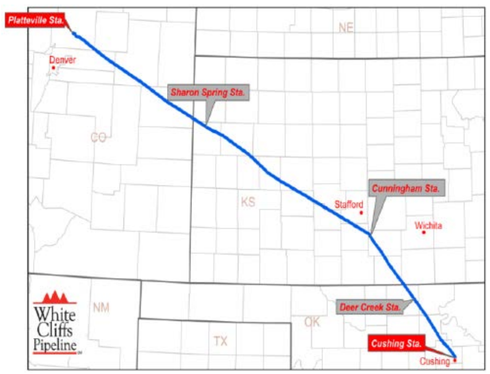
SemCrude

- SemGroup's assets are strategically located in resource rich geographic areas including the Bakken, Niobara, Duvernay, Montney Shales and the Mississippi Lime formation
- In addition, SemGroup is 51% owner of White Cliff's pipeline, a FERC pipeline and 4.2 mm barrels of oil storage capacity located in Cushing, OK. White Cliff's is an oil pipeline serving the DJ Basin / Wattenberg and Niobrara Shale and is the only pipeline connecting DJ Basin to the strategic storage assets in Cushing, OK
- 48% was sold during to Plains All American, Anadarko, and Noble Petroleum to help pay down debt. Strategically, these partners are incented to use White Cliffs as much as possible
- The majority of the volume for White Cliff's comes from Watterburg Shale - a stable oil/gas field that is break-even at $50-60 WTI. However, the adjacent Niobrara Shale is a high quality emerging gas/oil shale that has enormous potential and is being compared to the Bakken Shale
- The North Dakota System, which consists of the Bakken Shale and Williston Basin, offers growing demand for take-away capacity to provide gathering, storage and processing to the hub in Clearbrook, Minnesota
- SemGroup is positioned to potentially increase its capacity on the Enbridge pipeline in the North Dakota System and expand with additional growth in take-away capacity

SemCrude Strategic Positioning



White Cliff's Pipeline



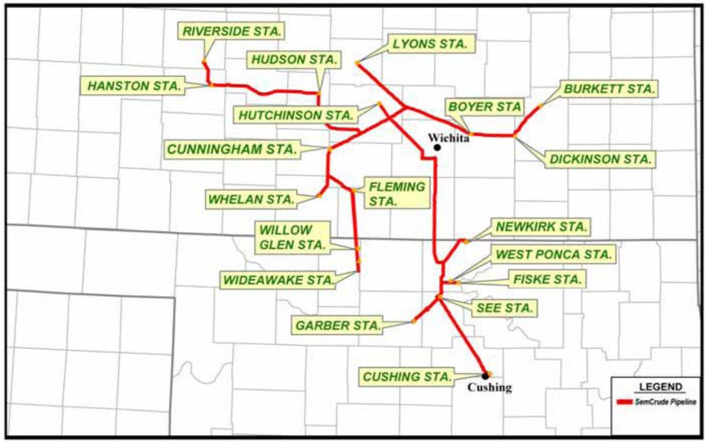
SemGroup LP

SemCrude

- The DJ basin is key development area and in February of this year Chesapeake Energy announced an investment from CNOOC for $700mm for a 33% interest in DJ and Powder River Basin leasehold interests
- Noble Drilling, Chesapeake, and Anadarko have all spoken favorably of the Niobrara and are increasing their exploration of the area
- Noble's Q1 conference call the company stated . "We've now identified over 2,000 potential drilling locations on our 400,000-acre Wattenberg position are containing unrisk potential of 600 million barrels equivalent net to Noble Energy's interest. We're accelerating the program where we continue to see strong well results in the core and on the edges of the field."
- SemGroup's Cushing is a critical Hub for oil storage / Nymex delivery and gets the highest oil prices in the region. Therefore, transportation into Cushing is a highly valuable asset
- 95% of the storage capacity leased to 3rd parties with 3-5 year contracts. SemGroup announced in the 4th quarter of 2010 that it was expanding storage by 1.96mm barrels, all of which has been leased on long term contract
- Contango market is bullish for storage

SemCrude Strategic Positioning

Kansas Oklahoma Gathering System



SemGroup LP

Investment Overview

- SemGroup's asset footprint is located in the "Liquids Fairway," which is the Mid-Continent region stretching from Western Canada to the Gulf Coast. These areas are liquids rich shale plays. SemGroup is well positioned in the large, rich producing-basins of North America, such as the Mississippi Zone, Bakken, Wattenberg, Niobrara, Montney, and Duvernay plays.
- Producers are committing significant resources to these opportunities. The flow of hydrocarbons throughout this region creates an opportunity to utilize SemGroup's assets which are also located near demand centers and connected to liquidity points where the Company can provide customers access to broader markets.
- By purchasing SemGroup's Secured Working Capital Facility at approximately 50% an investor would be creating assets at over a 50% discount to their replacement cost in area of critical energy infrastructure
- An investor would also have the benefit of reintroducing the company to the public markets post-reorg in addition to the potential conversion to an MLP post reorg and capitalizing on the higher multiples as a result of their tax efficient pass-thru status

POR Summary

- Distributable value in the Estate was $2,446bn and consisted of:
  - $1,111 in Cash
  - $300mm in a new 2nd lien TL
  - $1,035 in Common Stock and warrants
- SemGoup's Secured creditors received in consideration for approximately $2.9bn claims:
  - $524mm in Cash
  - Pro rata share of 9% 2nd lien TL
  - 95% of the equity in the reorganized company
  - 60% of the interests in the litigation trust
- Blackstone valued the reorganized Debtor's EV at a mid point of $1,500bn or 8x 2010P EBITDA
  - Implied equity value at the mid point was $1,035 or about $10.35 per share on a fully diluted basis. $24 based on current shares

Exit Capital Structure

Cash	70.0
$500mm Exit Facility	-
White Cliffs Financing	100.0
SemEuro Financing	35.0
2nd Lien Term Loan	319.0
Total Debt	454.0
Implied Equity Value	1,035.0
Enterprise Value	1,419.0

Confidential

SemGroup LP

Post-Reorg Milestones

- December 2009: SemGroup Emerges From Bankruptcy
- October 2010: SemGroup sells 49% interest in White Cliff's Pipeline to Noble Energy, Plains Exploration and Anadarko Petroleum for $141mm before purchase price adjustments. Proceeds were used for deleveraging
- November 2010: SemGroup lists on the NYSE ticker SEMG
- December 2010: SemGroup sells its SemCanadaCrude marketing business for ≈ $60mm
- May 2011: SemGroup announces refinancing of its credit facility via RBS
- June 2011: Announces formation of MLP structure

Refinancing

	Face Amount	2011E EV/EBITDA	Rating
Cash[1]	$71.0		
$350mm Revolver L+325 [2]	133.2		B1/B
$100mm TLA L+325	100.0		B1/B
$200mm TLB L+450	200.0	3.1x	B1/B
Capital Lease/Other	10.2	3.1x	
Total Debt	443.4	3.1x	
Net Debt	372.4	2.6x	
Common Stock (SEMG)	$18.28		
Shares Out	42.2		
Equity Value	771.4		
Enterprise Value	1,143.8	8.0x	
2011PF EBITDA	142.4		
Liquidity			
Cash	71.0		
LCs Outstanding	(109.0)		
Revolver	216.8		
Total Liquidity	287.8		

- SemGroup was able to access the capital markets and dramatically lower its cost of debt and increases its capital flexibility

SemGroup LP

Share Price Performance Post Emergence