AFP Webcast:

The Importance of Covenant Compliance in Today's Colder, Crueler Credit Markets

October 15, 2009

Bruce Lynn	Managing Director	The FECG
Jim Cockey	SVP	Bank of America
Al Gever	EVP/CFO	Smart Balance
Jim Simpson	Co-Founder	Debt Compliance Services

Agenda

Topic	Speaker	Organization
Introduction	Bruce Lynn	FECG
Bank Perspective	Jim Cockey	Bank of America
Corporate Perspective	Al Gever	Smart Balance
Best Practices	Jim Simpson	Debt Compliance Services
Conclusions & Q&A		

Introduction

Bruce Lynn

Managing Director

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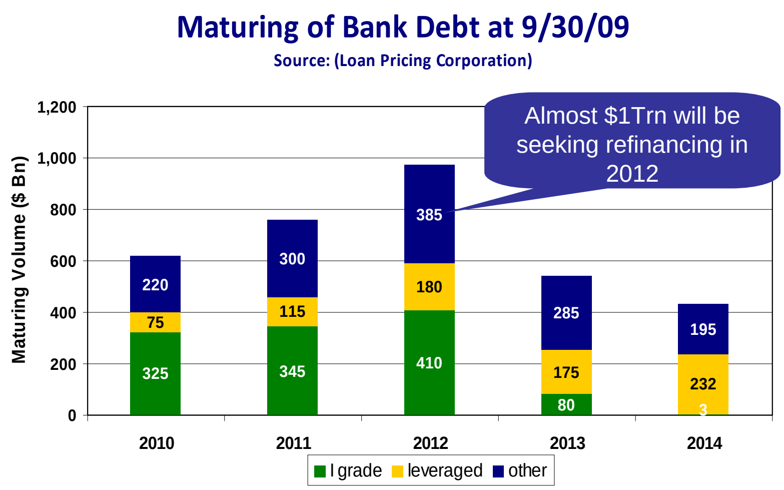
Introduction

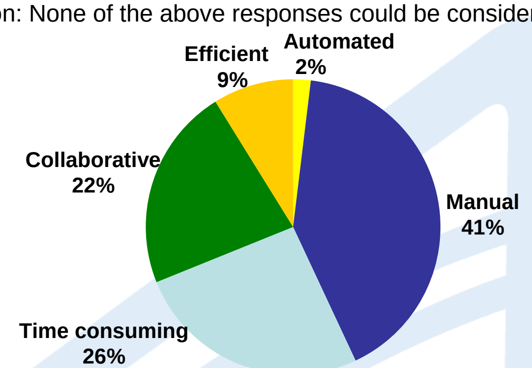
- Companies need to develop a comprehensive covenant checklist that will drive a company-wide, debt compliance policy because:
  - Today's greater risk of losing credit or having it re-priced under a default no longer favors an informal debt compliance process.
  - New credit agreements have significantly more onerous conditions and shorter cure periods
- Technology can:
  - Improve Finance/units collaboration
  - Significantly reduce compliance time
  - Minimize errors that turn into expensive defaults

Risk of Overcrowding



How Would You Describe Your Debt Compliance Process?

- Only 9% of respondents considered their processes “efficient”
- Over 67% considered their processes either “time consuming” or “manual”
- Conclusion: None of the above responses could be considered “best practices”



Source: FECG conference calls on 6/24 and 7/15/2009, 150 people responding

Bank Perspective

Jim Cockey

Senior Vice President

Bank of America Merrill Lynch

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Today's Capital Markets

Senior Loan Market	• Depth-of-market heavily driven by the circumstances • Investors are looking to reprice and restructure upon any amendment or extension request • Structural requirements remain rigorous: increased amortization, tighter covenants, shorter tenors and strict documentation • Many investors have transitioned from being inwardly focused to wanting to book new assets
High Yield Bond Market	• Economic indicators are mixed, though fundamental tone is generally improving, with increases in new home sales offset by declining consumer confidence • High Yield Broad Market Index remained flat yielding 10.15% YTD, the lowest level in fifteen months, as positive market conditions continue to strengthen • As a result of improved economic conditions, default rates for US speculative grade issuers are now forecast by Moody's to peak in the fourth quarter of 2009, and decline materially in early 2010
Equity Capital Markets	• Investors are receptive to new issues amid mixed macroeconomic indicators and market uncertainty • Despite market volatility, follow-on volume remains robust

CPE VERIFICATION

Key Term *(for CPA's Only)*

Association for Financial Professionals

Key Term:

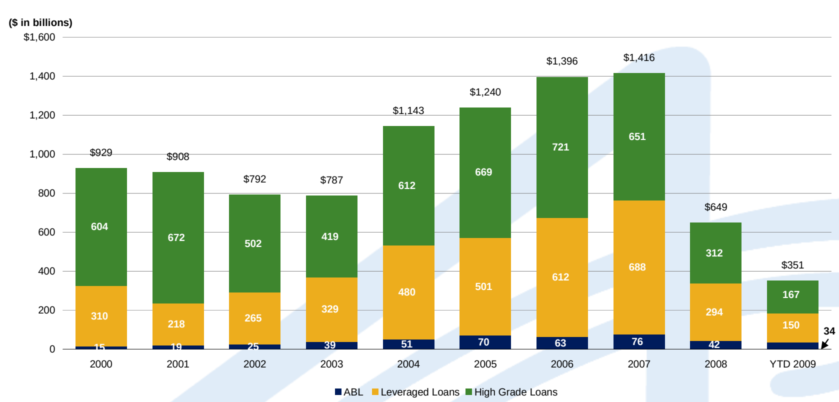
Capital Markets

Evolution of the Overall U.S. Loan Market

Association for Financial Professionals

ABL Market Has Grown More Rapidly Than Overall U.S. Loan Market

- The asset-based market is an increasing component of the leveraged loan market
  - 9.6% of overall U.S. loan market YTD vs. 1.6% in 2000, growth of 8.0 percentage points
  - 18.4% of leveraged loan volume YTD vs. 4.6% in 2000, growth of 13.7 percentage points



Source: Loan Pricing Corporation and Banc of America Securities LLC
Note: YTD refers to September 30, 2009

League Tables Through Q3 2009

High Grade

(Ranked by Volume of Transactions)

OVERALL HIGH GRADE LEAD ARRANGER - 1-3Q 2009

Rank	Lead Arranger	Volume ($MM)	Market Share	Deals
1	JPMorgan	65,269	13%	255
2	**Bank of America Merrill Lynch**	**64,160**	**13%**	**240**
3	Citi	53,988	11%	171
4	Morgan Stanley	48,234	10%	142
5	Barclays Capital	47,487	9%	143
6	Deutsche Bank AG	34,563	7%	118
7	Goldman Sachs & Co	33,931	7%	115
8	Credit Suisse	27,095	5%	79
9	HSBC Holdings PLC	23,467	5%	61
10	RBS	22,981	5%	91

Note: Pro rata credit given for volume; full credit given for number of deals.
Source: Gold Sheets, Loan Pricing Corporation

High Yield

(Ranked by Volume of Transactions)

OVERALL HIGH YIELD LEAD ARRANGER - 1-3Q 2009

Rank	Lead Arranger	Volume ($MM)	Market Share	Deals
1	**Bank of America Merrill Lynch**	**18,349**	**17%**	**129**
2	JPMorgan	17,845	17%	115
3	Citi	11,767	11%	66
4	Deutsche Bank	10,621	10%	70
5	Credit Suisse	9,225	9%	53
6	Goldman Sachs & Co	8,432	8%	55
7	Morgan Stanley	4,012	8%	41
8	Well Fargo	6,681	2%	63
9	Barclays Capital	3,797	4%	36
10	RBS	3,104	3%	27

Note: Pro rata credit given for volume; full credit given for number of deals.
Source: Gold Sheets, Loan Pricing Corporation

Syndicated Finance

(Ranked by Volume of Transactions)

OVERALL SYNDICATED FINANCE LEAD ARRANGER - 1-3Q 2009

Rank	Lead Arranger	Volume ($MM)	Market Share	Deals
1	**Bank of America Merrill Lynch**	**89,311**	**22%**	**420**
2	Wells Fargo Securities	34,725	8%	244
3	JPMorgan	89,692	22%	240
4	PNC Bank NA	8,910	2%	121
5	Citi	57,015	14%	90
6	GE Capital Markets Inc	6,100	1%	57
7	US Bancorp	6,051	1%	56
8	KeyBanc Capital Markets	4,224	1%	47
9	BNP Paribas	14,595	4%	41
10	Deutsche Bank	11,262	3%	40

Note: Pro rata credit given for volume; full credit given for number of deals.
Source: Gold Sheets, Loan Pricing Corporation

Asset-Based

(Ranked by Volume of Transactions)

CREDIT TO OVERALL ABL LEAD ARRANGER - 1-3Q 2009

Rank	Lead Arranger	Volume ($MM)	Market Share	Deals
1	**Bank of America Merrill Lynch**	**11,287**	**33%**	**76**
2	Wells Fargo / Wachovia	7,007	21%	46
3	JP Morgan	4,663	14%	17
4	Citi	3,008	9%	11
5	General Electric Capital Corp	1,495	4%	13
6	Deutsche Bank	1,460	4%	5
7	UBS AG	870	3%	3
8	PNC / National City	837	2%	20
9	Barclays Bank Plc	518	2%	3
10	Rabobank	500	1%	1

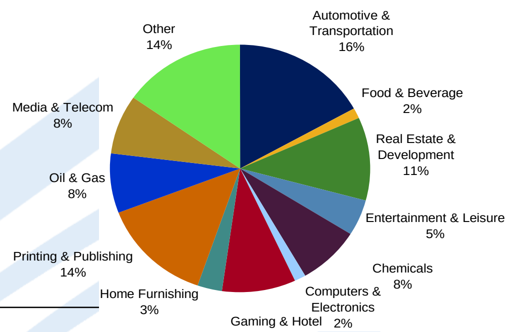
Note: Pro rata credit given for volume; full credit given for number of deals.
Source: Gold Sheets, Loan Pricing Corporation

Today's Capital Markets

Default Activity Moderates, but Remains in Focus

- As the long awaited recovery gains momentum, default activity has slowed and is nearing its projected peak, and is expected to materially decline in early 2010
- Default activity continues in September, though at a more moderate rate, as borrowers struggle to manage through the end of the prolonged recession. Default rates are expected to peak in the fourth quarter of 2009
- The Global Speculative Grade Default Rate by Issuer has increased to 11.5%, a level not seen since August of 1991
- Default activity remains concentrated in highly cyclical industries such as Automotive, Printing & Publishing, Gaming & Hotels and Real Estate & Development, with other sectors impacted more selectively

% of LTM Number of Defaults by Industry

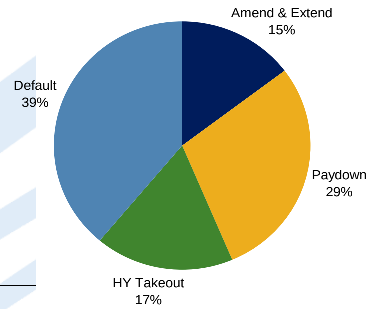


Today's Capital Markets

Loan Outstandings Continue to Decline

- Record setting institutional loan issuance in 2006 and 2007 has resulted in a refinancing wall of concentrated maturities in 2013/14, which could potentially exceed the capacity of a post recession investor base. This has borrowers focused on mitigation strategies
  - Amend & Extend: has effectively pushed out $17.6 Bn of maturities, buying time for borrowers, but not fully mitigating refinancing risk
  - Bond for Loan Swap: a robust high yield bond market has permanently reduced loan inventory by $21 Bn, and those issuers that are able, are expected to continue to utilize this strategy
  - Paydown: partial or full paydowns account for nearly a third of the reductions, though Alltel alone represents almost half of that
- Unfortunately, defaults account for the largest "reduction" in institutional maturities, concentrated among several jumbo deals

Sources of Loan Reduction



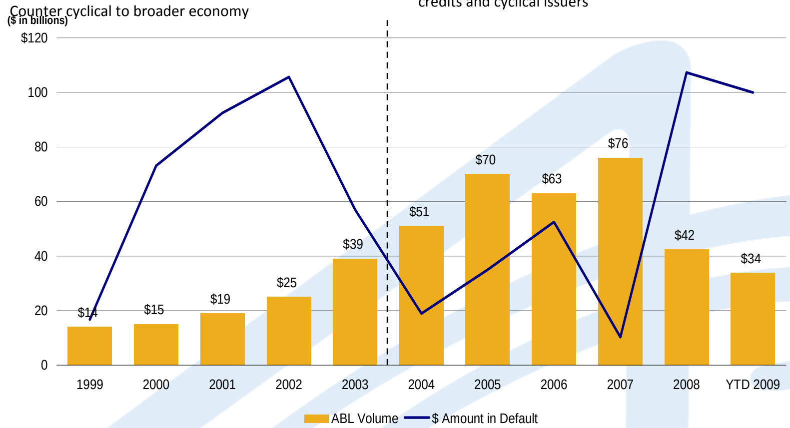
Evolution of the U.S. Asset-Based Loan Market

Asset-Based Market Prior to 2003

- Relatively small transaction size
- Generally reserved for distressed or smaller issuers with limited capital markets access
- Operated independently of broader capital markets
- Counter cyclical to broader economy

Asset-Based Market Post-2004

- Volume more closely tied to broader market trends
- Average deal size increases considerably
- Change in issuer composition to include higher quality credits and cyclical issuers



Source: Loan Pricing Corporation and Banc of America Securities LLC
Note: YTD refers to September 30, 2009

2009–2010 Challenges Facing Lenders

– Substantial Bank capital has been consumed with Credit Quality Issues over the cycle
– Lenders may not have the capacity or desire to refinance the $600B of leveraged Finance Credit facilities mature during 2010-2012
– Recognition of losses on Commercial Real Estate/ Consumer Credit and Corporate Debt remains major issue
– TARP and Credit Quality remain Top Burner issues

Today's Colder, Crueler Markets

– Refinancing is a limited option in today's environment
  - Doing so will be more difficult, more expensive, and on much tighter conditions and restrictions
– Borrowers must carefully manage impact of financial and non-financial covenants which guide credit and liquidity availability
  - Companies need to critically challenge and stress test their assumptions and need to explain how deviations are likely to impact financial results and possible covenant compliance
– Companies will need to have more open, honest dialogue to avoid misunderstandings when a credit need has to be addressed due to defaults or for additional credit
  - Ensure both the Borrower and Bank are on the same page
  - Don't leave room for assumptions except for those that are factually correct or applicable
– Pro-active Lender management is the best way to ensure access to much needed capital

Company Perspective

Al Gever

Executive Vice President and CFO

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www.smartbalance.com

Corporate Profile

– $250m Public Food Marketer
– Operates in Health & Wellness Space
– Went public May 2007 (thru acquisition by public SPAC)
– Debt (part of acquisition):
  • $120mm Term Loan
  • $ 40mm Second Lien
  • $ 20mm Revolver

Organizational Overview

- Ten Corporate Finance / Accounting Staff:
  - Six Professionals
  - Four Clerical
- CFO performs Treasurer function
- Lean organization, multitasking critical

Company Evolution

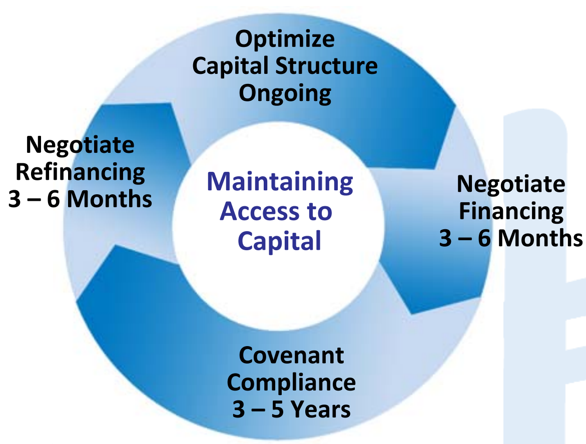
- Prior private company:
  - Very entrepreneurial
  - No debt
  - Little controls
  - Little automation
- New public entity:
  - Highly leveraged (requiring careful attention to performance against credit facilities)
  - Systems focused (ERP, planning, reporting)
  - SOX compliance need

CPE VERIFICATION
Key Term *(for CPA's Only)*

Key Term:

SOX compliance

Primary CFO & Treasurer Responsibility



Transitions

Association for Financial Professionals

– Manual > automated

– Internally focused > externally focused

– High risk acceptable > risk averse

– No financial planning > plan focus

Credit Agreements

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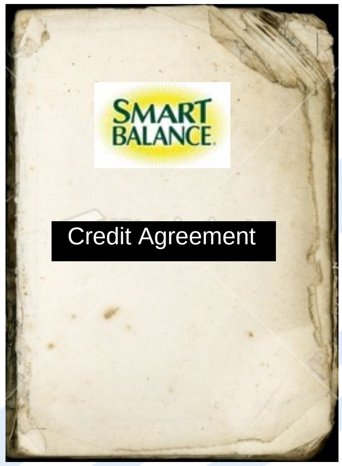
– Two individual agreements

– Each agreement 100+ pages

– Paper copy / Word document / PDF

– Quarterly review of compliance - manual

Credit Agreements



Inefficient, risky process of ensuring compliance

CPE VERIFICATION
Key Term *(for CPA's Only)*

Key Term:

Credit Agreement

Solution

– Utilize automated tool to provide:
  - Efficient search of credit documents
  - Linking of defined terms / clauses
  - Storage of compliance certificates, amendments, bank communications
– Results:
  - Dramatic reduction in time and effort
  - Dramatic improvement in control
  - Dramatic reduction in risk

Best Practices

Jim Simpson

Co-Founder

DEBT COMPLIANCE SERVICES
Web-based Debt & Covenant Management

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The High Cost of Default

Association for Financial Professionals

$50M 3-Year Facility, $40M O/S in $000

Cost	BP	Yr1	Yrs 2 & 3	Total
Amendment/Waiver Fee	50 **	$ 250		250
Default Interest Spread *	200	133	1,200	133
Increase Spread	200**	800	100	2,000
Increase Comm't Fee	50	50		150
Legal Fees		150		150
Total Costs		**$1,383**	**$1,383**	**$2,683**

Management Time? Priceless

* Assumes 2 months to renegotiate
** Per CFO Magazine, June 2009, quoting an S&P 1Q09 report

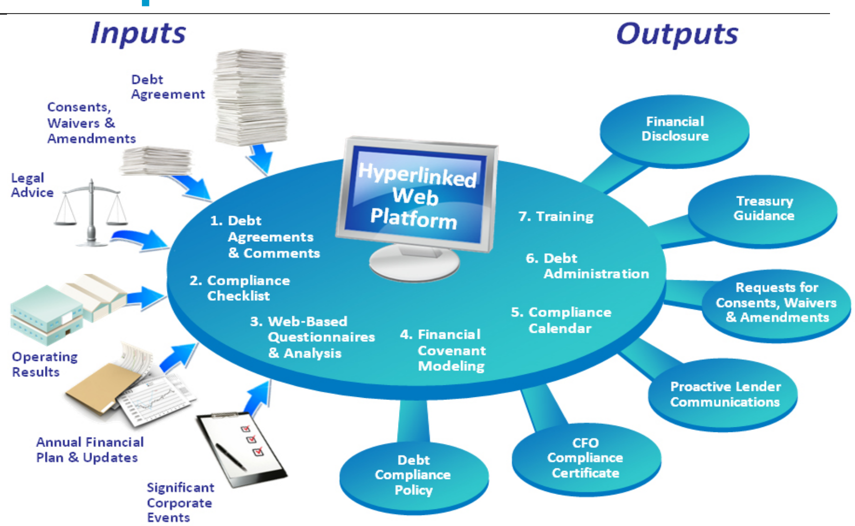
Best Practices in Debt Compliance

Association for Financial Professionals

Covenant Compliance Checklist

- A comprehensive list of all key debt provisions and compliance requirements
  - Checklist analyzes the requirement
    - Category (default event, notice, deliverable, etc.)
    - Brief description
    - Responsibility (often multiple)
    - Timing of notification, cure period
  - This checklist forms the foundation for the other practices, especially:
    - The covenant compliance policy
    - Compliance questionnaires
    - Compliance calendar
    - In-house education

Using Technology in Debt Compliance



CPE VERIFICATION
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Association for Financial Professionals

Key Term:

Outputs

Conclusion

Association for Financial Professionals

- The cost of breaking covenants are greater than ever before because banks are eager to use even slight technical defaults to re-price the credit risk
- New credit agreements are significantly more onerous than the good old days of 2004-2006
- The risk/cost trade-off no longer favors an informal, manual process
- Develop a compliance policy grounded by a comprehensive covenant checklist
- Technology can:
  - Improve collaboration between Finance and the business units
  - Significantly reduce compliance time
  - Minimize errors that turn into expensive defaults

Contact Information

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About The FECG LLC

- Our business
  - The FECG provides its clients with a unique array of financial talent to solve their immediate and most pressing issues
    - Interim / Project staffing at CFO, Controller, Treasury levels
    - Advisory Assistance – planning, forecast, reporting, debt, cash flow enhancements, optimize banking relationships
  - Solutions avoid the issue of permanent changes in a company's cost structure
- Benefits we bring:
  - A "hands on" orientation to each assignment - each consultant has had operating responsibilities and may have faced and resolved a similar situation.
  - A cost effective solution - we operate without the large overhead associated with other consulting companies who charge higher rates for less experienced "juniors".

Bruce C. Lynn, CTP

- 20+ years of corporate and banking experience in all aspects of treasury and financial management. Has successfully completed major assignments for Fortune 500 companies in such areas as:
  – Treasury operations / technology
  – Working capital management
  – Strategic planning
  – Planning and analysis of operating and capital budgets
- Worked with all levels of management including the "C" level, both domestically and internationally
- Former VP, relationship manager at Bankers Trust and Director of Cash Management and Working Capital at Ogden Corporation
- Education
  – Industrial Engineering degree from Lehigh University
  – MBA in Finance from the Stern School of Business
- Published articles or presentations in
  – AFP's Exchange
  – GTNews
  – National Association of Corporate Treasurers (NACT)
  – Institute of Internal Auditors (IIA).

Bank of America Merrill Lynch

Bank of America Merrill Lynch, A Powerhouse

Largest Retail Bank in the U.S., Serving 1 in 2 Households	Largest Commercial Bank in the U.S., Serving 1 in 3 Companies with Revenues \$2.5MM – \$2BN	Relationships with 99 Percent of U.S. Fortune 500 Companies

2008
#2 Domestic Capital Raised
#2 Domestic Debt Raised
#1 Domestic & Global Equity-Linked
#1 Domestic & Global Equity
#2 Global Capital
#2 Global Debt
#4 Global M&A

Ability to **trade any equity or fixed income product** in any major market or currency

Unparalleled **foreign exchange, interest rate derivatives and commodities products** in key regional markets

One of the largest global wealth management platforms with **over \$1.8 trillion in client assets**

Approximately **18,000 financial advisors** in every corner of the world

Largest U.S. deposit base of \$950 billion

Leading provider of **treasury management services**

Source: Bank of America and Merrill Lynch. Combined Bank of America and Merrill Lynch deposits.

About Smart Balance

- Smart Balance, Inc. (NasdaqGM: SMBL) is committed to providing superior tasting heart healthier alternatives in every category it enters by avoiding trans fats naturally, balancing fats and/or reducing saturated fats, total fat and cholesterol.
- The Company's products include Smart Balance® Buttery Spreads, Milk, Butter Blend Sticks, Peanut Butter, Microwave Popcorn, Cooking Oil, Mayonnaise, Non-Stick Cooking Spray and Cheese. For more information about products and the Smart Balance™ Food Plan, visit http://www.smartbalance.com.

Al Gever

Consumer goods industry veteran Al Gever serves as Smart Balance's chief financial officer. He is responsible for all accounting, management reporting and analysis, the preparation of short and long-range financial plans and budgets, and all financial service areas, including investor and banking relations.

Gever is the former chief financial officer and general manager of the Nabisco Refrigerated Foods Group, which consisted of consumer branded margarine and egg substitute products. He has extensive leadership experience in achieving revenue, profit and business growth objectives within start-up, turnaround and Fortune 500 companies.

Gever received his bachelor of arts degree in business management from Seton Hall University in New Jersey.

About Debt Compliance Services

– Debt Compliance Services LLC is the only firm providing an integrated, automated solution to covenant management
  - It is a joint venture of Corporate Finance Solutions, LLC and Greenwich Treasury Advisors LLC
– Our flagship product, DCS Covenant Manager™, is the only Web-based system that allows companies to manage all aspects of their debt agreements in one integrated platform
  - For more information, visit www.debtcompliance.com or call Jim Simpson at (203) 329-7491

Jim Simpson

Jim Simpson, co-founder of Debt Compliance Services, has 34 years of financial corporate and consulting experience

– **23 years of senior finance/capital markets treasury experience**
  - CFO: C.S. Brooks, Inc. (private) and Moore Medical Corp (public)
  - Treasurer: Sandoz Corp (Novartis)
  - Assistant Treasurer: Combustion Engineering (ABB)
  - International Finance: PepsiCo, Inc.
  - Extensive corporate finance transactional experience
– **11 years consulting experience**
  - Manager Consulting: KPMG
  - Partner: Greenwich Treasury Advisors LLC
  - Founding Partner: Corporate Finance Solutions, LLC
– **A proven record of success working with mid-sized companies**

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