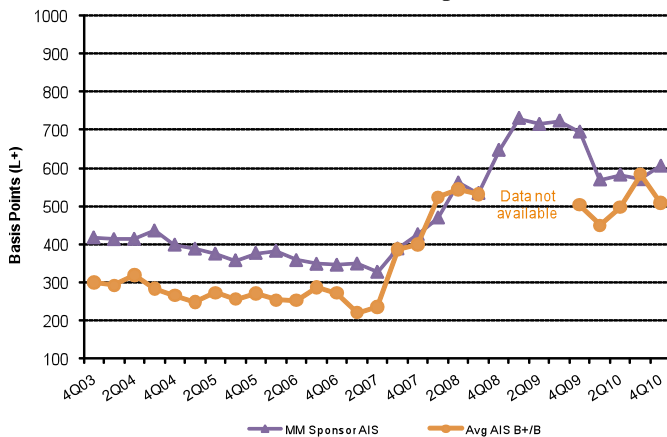


Yields

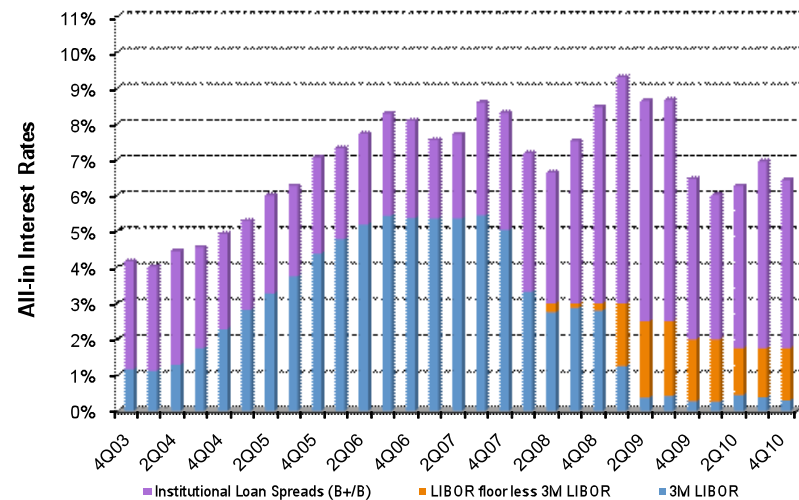
- As anticipated, and despite a significant pick-up in new deal flow, new issue spreads experienced pressure in 4Q10 primarily resulting from (i) continued strong cash inflows and (ii) greater institutional and commercial bank participation (~37% of new issues flexed lower). Primary spreads retreated nearly 75bp to L+509 in 4Q10 (or 6.84% all-in yield, including LIBOR floor and fees).
- Market participants anticipate 2011 to be similar to 2010 with a continuation of market volatility tied to uncertainty surrounding broader economic trends.
- Less volatile sponsored middle market loans are currently priced to an all-in yield of 7.25% (L+ 5.00% + 1.75% LIBOR floor + 1.5% loan fee amortized over 3 years) and are expected to remain fairly close to these levels in the near term. Lenders will continue to require premium pricing for more difficult credits and recap transactions.
- LIBOR floors (~150bp +/- 25bp) remain intact for larger middle market transactions, but, for the most part, have disappeared from commercial bank loan executions.

Primary Spreads for B+/B Credits Vs. New Issue MM Sponsor Deals



Source: Standard & Poor's 4Q10 Review and Madison Capital
 *MM Sponsor pricing is primary issuance, tranche weighted, and includes upfront fees amortized over three years.

All-In Cash Coupon (B+/B credits)

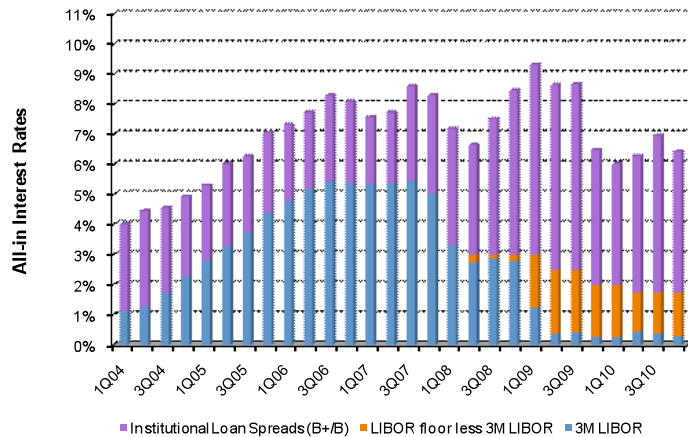


Source: Standard & Poor's 4Q10 Review, Fannie Mae, Bloomberg and Madison Capital

Pricing

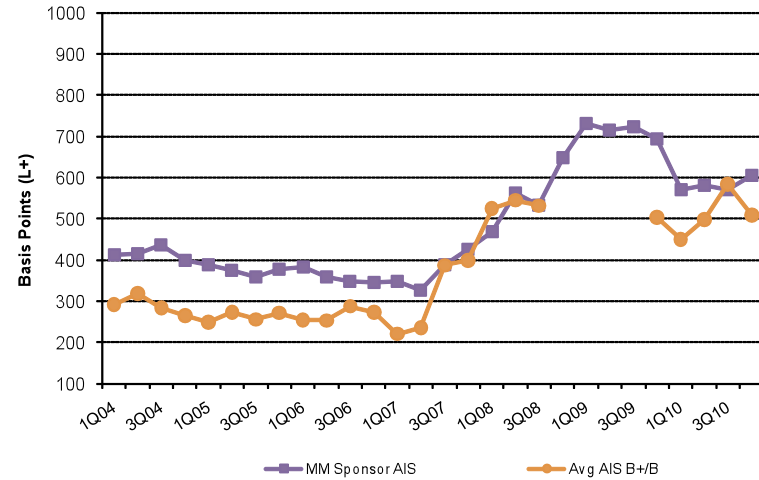
- Middle market loans are currently priced to an all-in yield of 7.25% (L+ 5.00% + 1.75% LIBOR floor + 1.5% loan fee amortized over 3 years) and are expected to remain fairly close to these levels in the near term. Lenders will continue to require premium pricing for more difficult credits and recap transactions.
- Individual deal pricing considerations include:
 - Use of proceeds (recap vs. LBO)
 - Ratings
 - Type of execution (club vs. broadly syndicated)
 - Size and quality of existing lender group
 - Market conditions at the time of launch

All-In Cash Coupon (B+/B credits)



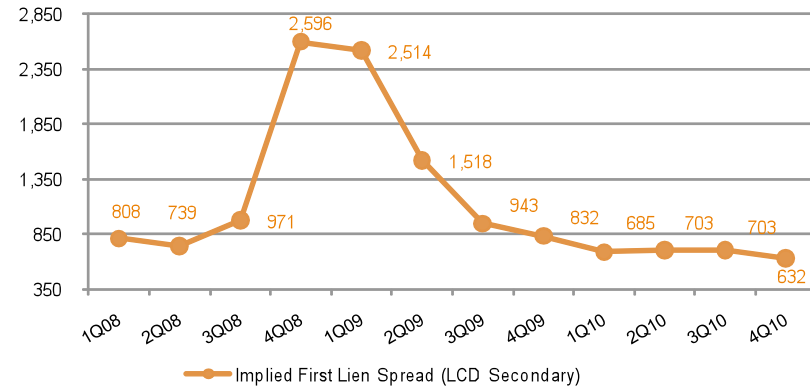
Source: Standard & Poor's 4Q10 Review, Fannie Mae, Bloomberg and Madison Capital

Primary Spreads for B+/B Credits Vs. New Issue MM Sponsor Deals



Source: Standard & Poor's 4Q10 Review and Madison Capital
 *MM Sponsor pricing is primary issuance, tranche weighted, and includes upfront fees amortized over three years.

Implied First Lien Spreads for B+/B Credits

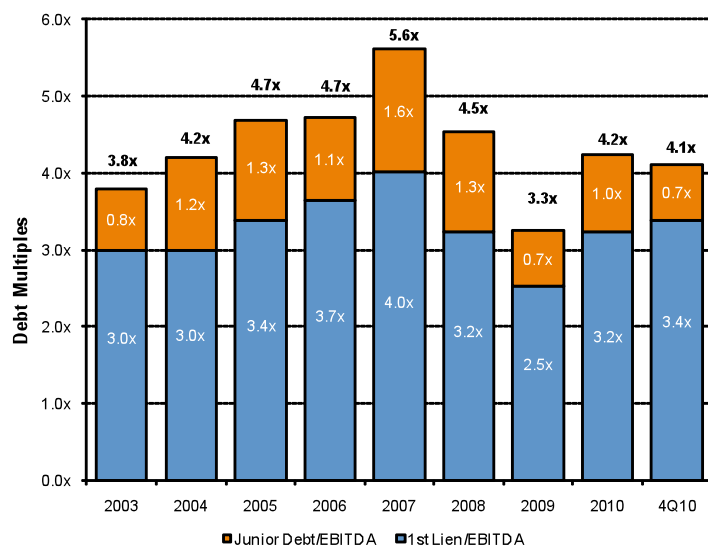


Source: Standard & Poor's 4Q10 Review
 *Includes upfront fees amortized over three years.

Leverage & Valuation Multiples

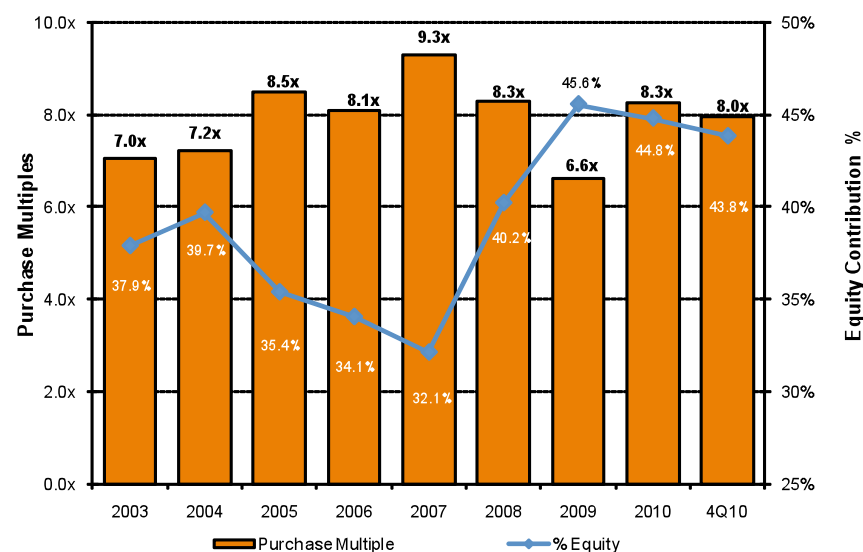
- Leverage multiples expanded in 2010 as a result of rising valuations, excess lender liquidity, and relatively low interest rates. Currently, a typical LBO is being leveraged close to 3.0x/4.50x; however, the highest quality, repeat issuers in the middle market are able to attract “peak” leverage of 3.50x senior and 5.00x total (+/- 0.25x).
- While average equity contribution for sponsors has retreated slightly since topping out in 2009, required contributions remain well above peak market levels in 2006 and 2007. However, given lender appetite for new LBO’s, many investors seem to be more willing to accept equity contributions of 35%-40%.

**Average Leverage Multiples of LBO Loans
Deals < \$50MM in EBITDA**



Source: Standard & Poor's 4Q10 Review

**LBO Purchase Multiples & Equity Contributions
Deal < \$50MM in EBITDA**



Source: Standard & Poor's 4Q10 Review

Other Factors to Consider

- ❑ Diverse set of Lenders to the Middle Market
- ❑ Impact of minimum EBITDA thresholds
- ❑ Club Deal vs Underwritten Deal
- ❑ Deal Structure Points
 - Low Scheduled Amortization
 - Pre-Payment Penalties
 - Equity Cures
 - Etc.