STANDARD &POOR'S

THE STANDARD & POOR'S LEVERAGED COMMENTARY & DATA LOAN INDEXES

Overview

Standard & Poor's Leveraged Commentary & Data (S&P LCD) oversees two leveraged loan indexes:

- S&P European Leveraged Loan Index (ELLI) which covers the European loan market
- S&P/LSTA Leveraged Loan Index (LLI) which covers the U.S. loan market

Each index reflects the market-weighted performance of institutional leveraged loans in these respective markets based upon real-time market weightings, spreads and interest payments.

All of the index components are the institutional tranches (Term Loan A, Term Loan B and higher and Second Lien) of loans syndicated to European or U.S. loan investors. If a loan that consists of tranches syndicated both in the U.S. and Europe (i.e., a cross-border transaction), the US dollar portion that is syndicated in the U.S. market is tracked by the LLI and the Euro portion that is syndicated in the European market is tracked by the ELLI.

The LLI series currently calculates total return daily with an inception date of 1 January 1997[1] (see notes below regarding the methodology behind the LLI's daily pricing calculations). Total return is the product of two components: interest income return and market value return.

The ELLI series currently calculates total return weekly (each Thursday) with an inception date of 1 January, 2003[2]. Total return is the product of three separate components: interest income return, market value return and currency return.

Data Sourcing and Management

S&P LCD's loan indexes are unique in that they utilize real-time market weightings and spreads for the facilities constituting the index. This data is sourced from leading investors in the respective loan markets. For the ELLI, as of September 2008, these investors were Alcentra, Avoca Capital, Carlyle Europe Leveraged Finance, European Credit Management, Harbourmaster, Highland Capital Management, Intermediate Capital Group and M&G Investment Management Ltd. Please contact S&P LCD directly for details regarding the contributors to the U.S. index.

The market value return component of each index is based upon secondary market pricing received from leading mark-to-market pricing vendors. The LLI series uses LSTA/LPC Leveraged Loan Pricing data and the ELLI series uses Mark-It Partners. In both cases, the indexes only use prices based upon bid/ask quotes gathered from dealers and they exclude values from derived pricing models.

Returns for the LLI are calculated each Friday as well as on the last day of every month. The LLI is priced every day and the base rate used is the 3 month forward LIBOR as of each

[1] The LLI was calculated monthly until 1999.
[2] The ELLI was calculated monthly until 1 January 2004.

Friday. For month end calculations, when the month end date does not coincide with the Friday calculation, total returns are based upon straight-line daily accruals of interest income returns.

Returns for the ELLI are calculated each Thursday as well as at every month end. The ELLI's returns are calculated in Euros, thus all non-Euro denominated constitutents are converted into a Euro equivalent value before the relevant return is calculated. The exchange rates used for this Euro conversion reflect the spot rates on the date of calculation, whether it be Thursday or the last day of the month. The ELLI is priced every Thursday as well as on the last day of every month. The base rate used is the 3 month forward Euribor as of each Thursday. For month end calculations, when the month end date does not coincide with the Friday calculation, total returns are based upon straight-line daily accruals of interest income returns.

S&P's Index Services group, which supports all of S&P's indexes, created a calculation platform specifically tailored to the nuances of the syndicated loan market. The calculation platform for the indexes runs according to the rigorous standards and methodologies applied to all of Standard & Poor's indexes.

Mark-It FCS's Wall Street Office is the data management platform for both indexes.

Criteria for Inclusion and Deletion

Facilities are eligible for inclusion in the indexes if they are senior secured institutional term loans with a minimum initial spread of 125 and term of one year. They are retired from the indexes when there is no bid posted on the facility for at least 12 successive weeks or when the loan is repaid.

Performance Calculation Formulas

Both the ELLI and LLI are market-weighted. The return for each index is the composite of each component facility's return times the market value outstanding from the prior time period. The market value outstanding is based upon the price in the prior time period plus cumulative interest in the prior time period. In the ELLI, for non-Euro facilities, the current outstanding is converted to Euros at the current exchange rate.

$$\text{Index Return} = \sum_{i=1}^{n} \{ TRF_{i,t} \times ((p_{i,t-1} + CI_{i,t-1}) \times OS_{i,t-1})\}$$

n	number of component facilities in the index
$TRF_{i,t}$	total return for component facility
$p_{i,t-1}$	price in prior time period (t-1)
$CI_{i,t-1}$	cumulative interest in prior time period (t-1)
$OS_{i,t-1}$	prior outstanding for component facility (denominated in Euros for the ELLI)

The total return for each facility is calculated in its native currency. The total return reflects market value change, interest accrued as well as an adjustment for any repayments made during the calculation period because repayments are assumed to be made at par.

$$TRF_{i,t} = \frac{(((p_{i,t} + AI_{i,t}) \times OS_{i,t}) + ((100 - p_{i,t-1}) \times (OS_{i,t-1} - OS_{i,t})))}{((p_{i,t-1} + AI_{i,t-1}) \times OS_{i,t-1})}$$

$p_{i,t}$	price in current time period (t)
$p_{i,t-1}$	price in prior time period (t-1)
$AI_{i,t}$	accrued income (base LIBOR plus spread over LIBOR) in current time period (t)
$AI_{i,t-1}$	accrued income (base LIBOR plus spread over LIBOR) in prior time period (t-1)
OS_i	current outstanding for component facility (t)
$OS_{i,t-1}$	outstanding in prior time period (t-1)

Interest is calculated on a 30/360 basis and accrues in the facility's native currency on a daily basis.

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