

Bank Loan

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REPORT

2010: The Good, the Bad and Hopefully Not Ugly

As is often the case when looking into the future, we have some good news and some bad news regarding the leveraged loan market in 2010. The bad news, though hardly a surprise, comes in the form of returns—much lower ones. The good news is the expectation that primary issuance will continue to increase, with some market participants portending the return of the CLO.

“Everything I’m hearing leads me to believe that I will be very busy in the primary market,” said a loan trader. “I can’t really put a finger on expected volume at this point, but suffice to say, it should be active.”

Bank analysts estimate U.S. institutional loan volume will

hit somewhere between \$70 billion and \$100 billion in 2010, a significant increase from 2009’s syndicated loan volume, which was somewhere around \$20 billion to \$30 billion depending on who you ask. Indeed, the institutional loan market saw only a fraction of all debt underwritten by banks.

The majority of 2010 proceeds will be used by companies looking to refinance debt and make acquisitions, market participants say. However, the new issuance market could see a lot of activity from companies coming out of bankruptcy with large exit facilities.

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Two Deals Worth Almost \$2B Kick Off 2010

The leveraged loan market has started out 2010 with a bang, as two bank consortiums market two term loans totaling more than \$1.7 billion.

A bank group is shopping a \$1 billion term loan to back **Apollo Management’s** purchase of theme park operator **Cedar Fair**. The banks—**Bank of America, JPMorgan, Barclays Capital, UBS** and **KeyBanc Capital Markets**—may also arrange \$700 million in bonds.

Price talk on the term loan, which the banks will market early in the first quarter, is at Libor plus 400 bps, with a

2% Libor floor.

Apollo is purchasing Cedar Fair for approximately \$2.4 billion, which includes refinancing much of the company’s existing debt.

Cedar Fair, which is rated B+ by **Standard & Poor’s**, operates 11 amusement parks, including Knott’s Berry Farm in Buena Park, Calif., and Canada’s Wonderland near Toronto.

Meanwhile, a second bank group is in the market with a \$775 million term

(See **NEW DEALS** on page 3)

Investors Totally Focused on Total Return

Soaring returns in 2009 have lured new investors eyeing a strong “total return” to the loan market. The question is: Will these investors stick around? And will the portfolio managers who’ve been courting them continue to use a total return strategy, even as the market normalizes?

“Last year, managers were focused on total return, rather than spread,” said a banker at a large internation-

al bank. “Our market was always a sold at par, and you got spread and got paid off at par. But given what’s happened over the last year or so, all the money coming into the market was clearly focused on total return; they were sold on the fact of total return.”

As of the last week in December,

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Lyondell Creditors and Senior Lenders Near Deal

Lyondell Chemical has filed papers seeking a settlement between its secured lenders and a committee of unsecured creditors, which sued the company and its lenders over its merger with Basell. If a bankruptcy court approves the settlement, which is scheduled to come before it at a hearing on Feb. 11, the creditors' lawsuit against the secured lenders will be dropped. Earlier this month, Lyondell's committee of unsecured creditors reached a deal with the lenders and was pressing to have that deal approved. A settlement between the two parties would allow the company, which filed for Chapter 11 bankruptcy protection for its U.S. operations and one of its European holding companies on Jan. 8, to proceed with its reorganization plan. However, the creditor's suit against Lyondell and its owner remains outstanding. The creditors in June sued Lyondell, its senior lenders and affiliates of billionaire owner **Len Blavatnik** over the merger between Lyondell and Basell, which left the company with \$22 billion in debt. The unsecured creditors alleged the merger saddled the company with too much debt, forcing it into bankruptcy. They also alleged that Blavatnik and board members knew the company would struggle under the debt load, but they approved the deal anyway. The unsecured creditors said this was a breach of fiduciary duty and that the debt load was "flagrantly unreasonable" for the company.

Hayes Lemmerz International has exited bankruptcy protection with a \$200 million exit facility, after cutting its outstanding debt, as well as its health-care and pension costs. The Northville, Mich.-based company, which manufactures steel and aluminum wheels for cars and light trucks and steel wheels for commercial trucks and trailers, secured a \$200 million term loan from **Deutsche Bank** to exit bankruptcy and reduced its U.S. debt to \$240 million from \$720 million. The exit financing is included in the \$240 million. In addition, the company's U.S. legacy retiree pension and medical liabilities have decreased from more than \$250 million to less than \$75 million. Hayes Lemmerz filed for Chapter 11 bankruptcy protection in the U.S. Bankruptcy Court for the District of Delaware in May, shortly after reaching an agreement with major creditors regarding a \$100 million debtor-in-possession loan and a debt restructuring plan. Twenty-four subsidiaries were included in the filing, which listed \$1.34 billion in assets and \$1.4 billion in total debt. The bankruptcy court confirmed the reorganization plan for Hayes Lemmerz and its U.S. subsidiaries on Nov. 3. Hayes Lemmerz retained **Lazard** as its financial advisor, **AlixPartners** as its restructuring advisor and **Skadden, Arps, Slate, Meagher & Flom** as its bankruptcy counsel.

Bank Loan REPORT



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▶ **TLC Vision**, a publicly-traded provider of eye care services in the U.S. and Canada, has filed a prepackaged bankruptcy reorganization plan that will hand the company over to lenders and wipe out shareholders. The Chesterfield, Mo. company and two subsidiaries, TLC Vision Corp. and TLC Management Services, cited in court documents the economic downturn and losses of \$98.3 million in 2008 as causes for the filing. The company has \$100 million to \$500 million in liabilities and \$100 million to \$500 million in debt, according to court documents. TLC has arranged for \$15 million of debtor-in-possession financing, the company said in its court filings. The prepackaged plan will convert debt into 100% of new equity in the company. The company is also seeking recognition of its Chapter 11 filing in the Ontario Superior Court of Justice under the Canadian Companies' Creditors Arrangement Act. Last week, **Moody's Investors Service** withdrew all its ratings for TLC Vision, which affects approximately \$101 million of rated debt, according to the ratings agency. Earlier this month, the company's stock was delisted from the **NASDAQ Global Market**.

▶ Two **PIMCO** funds are changing their investment guidelines to allow more speculative-grade securities and move away from floating-rate securities, PIMCO said. The two funds could more than double their holdings in junk bonds. The PIMCO Floating Rate Income Fund and PIMCO Floating Rate Strategy Fund will be renamed the PIMCO Income Strategy Fund and PIMCO Income Strategy Fund II on or about March 1, 2010. The firm will adjust the funds' policy of investing 80% of assets in floating debt instruments and instead invest in a diversified portfolio that includes more fixed-rate debt. The funds will increase their junk bond limit to no more than 20% of total assets from no more than 10% of total assets. The funds may invest in investment-grade securities without limit. The funds will also be

able to invest as much as 25% of their assets in issuers tied to emerging markets. The current policy allows no more than 10% of assets in emerging markets-related investments.

The number of corporate issuers on the verge of upgrade increased by seven to 202 in December, according to a report issued by **Standard & Poor's**, a significant rise from March's five-year low of 136 issuers. The number of potential upgrades exceeds the trailing 12-month average by 38. Upgrades have increased since September, when the number of potential upgrades exceeded the trailing 12-month average for the first time in almost two years. Potential bond upgrades in the B, B+ and B- rating categories led the list, comprising 43% of the total. BBB-rated bonds were the second largest category, representing 25% of the total. The current number of potential bond downgrades is 824 securities, down from a record high of 1,028 in April.

With investor demand for fixed income expected to remain positive into 2010 and flows into equities showing signs of life, asset management firms are poised for growth, making them attractive targets for acquisitions, according to a new **Keefe, Bruyette & Woods** report. M&A activity is making a comeback, and the report cites some of the most recent acquisitions in the industry, including **BlackRock's** purchase of **Barclays Global Capital** for \$13.5 billion, which was announced in June 2009 and has since closed, and **Invesco's** acquisition of **Morgan Stanley's** retail asset management business for \$1.5 billion, which is expected to close in the second quarter of 2010. Stocks of asset managers in general have become relatively cheaper, and KBW expects asset managers to grow next year. Traditional asset managers' revenues will grow an average of 10.8% and alternative managers' revenue will grow an average of 22% next year, according to the report.

NEW DEALS

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loan B for **Pilgrim's Pride**, with price talk at Libor plus 500 bps. The term loan is part of a \$1.75 billion exit facility.

The company emerged from bankruptcy protection on Dec. 28, after a 13-month restructuring process.

CoBank, Rabobank International, the Bank of Montreal, Barclays, Morgan Stanley and ING Capital are joint arrangers of the exit facility, which also includes a \$375 million term loan A, also priced at Libor plus 500 bps. CoBank is serving as the facility's collateral agent and adminis-

trative agent.

The exit facility is secured by "substantially all of the company's assets," according to a company release.

The company filed for Chapter 11 on Dec. 1, 2008, so it could "address certain short-term operational and liquidity challenges," Pilgrim's Pride said in a statement at that time.

Judge **D. Michael Lynn** of the U.S. Bankruptcy Court for the Northern District of Texas approved Pilgrim's Pride's amended reorganization plan earlier this month.

As part of the restructuring plan, Pittsburgh, Texas-based Pilgrim's agreed to sell a 64% equity stake to Brazilian beef processor **JBS U.S.A.**

Holdings for \$800 million in cash. The deal was contingent on Pilgrim's obtaining at least \$1.7 billion in exit financing. Proceeds from the sale will fund cash distributions to unsecured creditors.

Pilgrim's Pride generated \$77.2 million in net income on \$5.2 billion in net sales during the last three quarters of fiscal 2009. But the company lost more than \$966 million during the same period of fiscal 2008.

Pilgrim's Pride, which employs 41,000 people in 12 states, Puerto Rico and Mexico, retained **Weil, Gotshal & Manges** as legal counsel. Its creditors include **Cargill** and **International Paper**. —RK

New Year Promises Slower HY Market

While 2009 will go down in history as the year of the great high yield snap back, 2010 promises to be a year of continued credit recovery, though at a slower pace. Though most leveraged finance market participants believe the economic recovery is on course, they admit it is tenuous, with many issues still to be resolved. And some credit market bears still see dire times ahead.

“The quickness and the strength of the recovery took everybody by surprise,” said **Todd Sycoff**, a high yield trader with **BTIG**. “If you’d told me a year ago that **BofA** or **Citi** would be paying back their TARP funds, I would not have believed it. I thought it would take years.”

More than \$175 billion in high yield bond debt was issued in 2009 globally, with \$145.8 billion of that from U.S. companies, according to **Thomson Reuters**. This is the second-highest year on record for junk bond issuance, and it more than triples the \$47.7 billion in 2008 volume. The market’s biggest year was 2006, with \$185 billion in global junk bond volume, \$146.2 billion of which came from U.S. issuers.

From Drought to Flood

The high yield market began the year in the new issue drought that started in 2008. First-quarter U.S. issuance totaled only \$13.4 billion via 27 deals. But then 87 issuers priced more than \$44 billion in high yield bonds in the second quarter, with more than half of that coming in May. In fact, with 49 issuers bringing \$26.5 billion in new notes to the market, May was the most active month for junk bonds since \$29.3 billion was issued in November 2006, according to **JPMorgan Chase**.

“The big surprise has turned out to be this flight to junk,” said **Anders Maxwell**, managing director with **P.J. Solomon & Co.** “It’s almost intuitive in hindsight, but I don’t know anyone who prognosticated the kind of V-shaped recovery in the credit markets we’ve seen since the spring. The statistics are all dramatically shocking. Who would have thought that high yield would have issuance in 2009 rivaling the record of [2006]?”

Investors, analysts and others expect a healthy high yield bond market to continue in 2010, though not at the pace it kept for the later three quarters of 2009. The shift from leveraged loans to high yield bonds will continue in 2010, according to a report by **Fitch Ratings**, though at a slower rate due to a continued recovery in the loan market. “Many issues these days are oversubscribed, indicating that there’s a lot of cash out there waiting to be invested,” said **Evan Flaschen**, a partner with **Bracewell & Giuliani**.

Moreover, inflows into high yield bond funds throughout 2009 indicate that 2010 will continue to see demand. High yield mutual funds took in more than \$30 billion this year, according to **Barclays**, topping the previous 2003 record of \$27.2 billion. The new funds raised this year comprise 24.6% of the high yield mutual fund asset base, according to **AMG Data**. Last year, high yield bond funds had net outflows totaling \$4.8 billion, according to **EPFR Global**. They had inflows of \$3.5 billion in 2007 and \$2.3 billion in 2006; and in 2005, they saw \$10.8 billion in outflows.

Investors are confident that 2010 will be a year of sustained economic growth, which will improve the credit outlook for corporate bond issuers. “In 2010, we’ll move into an economic environment where we actually have growth. That’s a very different risk environment than what we’ve had,” said **Peter Ehret**, head of high yield for **Invesco Worldwide’s** fixed income division. “If you have an environment of some growth, a really significant part of the high yield market survives and does alright.”

JPMorgan forecasts \$150 billion in high yield bond issuance globally for 2010 and approximately \$100 billion in leveraged loan issuance for the year.

Indeed, looming debt maturities should ensure that companies come back to the high yield bond market for refinancing. **Dealogic** estimates that there is \$83.1 billion in global junk debt maturing in 2010. However, the real test promises to be 2012 and 2014, when \$855 billion of high yield bonds and loans, or 53% of the bond and loan universe, will be coming due, according to **JPMorgan**.

And just as issuance will decrease, returns will likely fall as well. “The biggest enemy of returns for [2010] is [2009],” said **Martin Fridson**, CEO of **Fridson Investment Advisors**. “Prices have continued to rise. Returns are still close to 9% by my reckoning. That assumes there’s not an occurrence of catastrophic conditions and no rise in intermediate Treasury rates.” **Barclays Capital** expects high yield bonds to generate between 7% and 8% in total returns in 2010.

What is troubling to **P.J. Solomon’s Maxwell** about the high yield resurgence is that the leveraged loan market has not recovered to anywhere near the same extent as the bond market, making it more likely that the end buyers for new junk bonds are retail buyers rather than institutional investors, and that the quest for yield has led investors to overvalue a whole range of assets, including junk bonds. “What that’s telling you is that the dumb money is out chasing yield and coming out to buy indiscriminately, while the institutional money is sitting on the sidelines biting its nails. ... I’m a perpetual bear but you’re looking at zero effective interest rates, which are forcing people to buy a broad range of overvalued and generally risky assets.”

But the chief concern market participants have going into 2010 is the macro economic picture. While the general consensus is that the recovery will continue apace in the new year, there is still the danger that something could reverse the gains made in 2009. “There are a couple of areas of concern,” said **Invesco’s Ehret**. “As the government withdraws some liquidity support, does that impact the whole chain of risk taking? Does that have repercussions down the chain of risk taking that would cause markets to back up? We have to keep in mind that there are points in the crisis that have not been repaired. The leverage problem really hasn’t been fixed; it’s been moved from private to public balance sheets. It will need time to grind through.”

But **BTIG’s Sycoff** points out that we could be surprised in a good way in 2010.

“There’s just as good a chance of the market surprising people on the upside as the downside,” he said. —MS

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“I think amendments will continue at a rapid pace and that there will be more M&A activity,” said a New York-based investor. “Overall, I think there are plenty of signs pointing to higher overall issuance levels relative to 2009.”

However, lender liquidity remains a big concern, sources say. “With the consolidation in the banking industry and a cautious lending environment, it’s particularly difficult to complete the syndicate for large, widely held deals,” said **Jeff L. Dunetz**, a partner in **Mayer Brown**’s finance division, who heads the ABL practice in the U.S. “As a consequence, many deals are being completed with the lead arrangers holding a disproportionate share of the loan, with the smaller lenders filling out the syndicate.”

But who is going to buy these new loans? Market participants say the loan market will continue to see an uptick in the level of inflows into loan funds. Analysts at Bank of America estimate that loan funds will see inflows amounting to \$31 billion in 2010.

“The retail loan market is still underserved and provides a way for managers to diversify away from hard-to-find institutional money,” said a New England-based loan investor. “I wouldn’t be surprised to see at least three or four new loan funds launch in 2010.”

The Bank of America analysts also expect to see roughly \$15 billion in new money flowing into CLOs. “There is good chances of seeing the CLO primary re-emerge in the future,” said the analysts. “Its new form is likely to be different from former structures, particularly with respect to leverage.”

In 2009, several encouraging signs began to emerge from the CLO market. A couple of new deals were done late in the year, while metrics, such as OC tests, improved for a number of CLO managers.

Analysts at **Wells Fargo** believe there could be between \$3 billion and \$6 billion in new CLOs in 2010, while analysts at JPMorgan think that num-

(See **LOANS 2010** page 6)

YOU CALL IT: WHAT WILL 2010 BRING?

“The single biggest challenge to attracting new money to loans—even if its Libor plus 400 bps with a discount—is the low cash yield when Libor is .25%. That’s tiny! With high yield, on the other hand, you are getting 10% to 12% yields. It does not matter if loans are on the top of the capital structure; that is a lot of yield to give away.”

—**Bram Smith**, executive director, Loan Syndications and Trading Association

“The nonresidential real estate market is just sitting there in suspended animation, and in large measure is just supported today but zero interest rates. When rates do start to move, that chicken’s going to come home to roost, and that’s a pretty big chicken.”

—**Anders Maxwell**, managing director, P.J. Solomon Co.

“As long as companies want to lock in financing ... this will continue. As long as the buyers are there, we’re going to see a pretty solid market.”

—**Jill Fields**, high yield portfolio manager, Babson Capital Management

“For the better quality credits, deal terms continue to be conservative, although there is an unmistakable trend of sponsors and borrowers opportunistically probing the market for more borrower friendly terms. While there has not been any fundamental shift in the market to accommodate these requests, on a case-by-case basis lenders are considering such requests.”

—**Jeff L. Dunetz**, partner in Mayer Brown’s finance division

“I think 2010 is going to be grim, myself. ... We’re in the same position we were in early to mid-2007. ... Asset valuations are at a peak. There will be the same sort of earnings events like we saw in 2007, when we got a lot of mortgages that were aging and people were reducing the valuations of their mortgage portfolios. There are going to be events like that.”

—**Richard Coons**, managing director, Catrock Capital Management

“The Fed is going to be more accommodating than people think.”

—**Todd Sycoff**, high yield trader, BTIG

“The good news is that defaults should ease significantly, to about 5%, by the end of 2010. ... We may see a big technical pullback in HY sometime in 2010 as investors get nervous about the Fed pulling the punch bowl away. My guess would be March.”

—**Matt Eagan**, portfolio manager, Loomis Sayles

“If one believes in things like trends and cycles, then 2010 should shape up to be a decent year. It’s mathematically impossible to repeat 2009.”

—**Peter Ehret**, head of high yield, Invesco

“I would say that a double-dip recession and higher intermediate treasury rates would be the two main risks for 2010.”

—**Martin Fridson**, CEO, Fridson Investment Advisors

“I believe the market sensibility is that the leveraged corporate debt refinancing overhang will ramp sharply in 2010 and 2011, and along with a stagnate economic environment, it will engender a circumspect, even more fundamental credit approach among banks and institutional investors. Such a market environment will allow for heightened investment opportunities for vulture funds and private equity shops, but as a consequence will clearly result in depressed future debt recoveries among the large pool of lowest rated companies.”

—**Neal Schweitzer**, independent leveraged loan market observer

“I think it’s funny how all the CLO defaults never came and all the talk about consolidation among CLO managers never happened.”

—A New England-based CLO manager

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ber will be around \$5 billion.

“There is a considerable amount of talk in the market regarding potential for new CLO issuance,” said **Michael Khankin**, the director of structured credit portfolio management at **NeoOak Capital**. “Clearly CLO managers, bankers, traders, current CLO investors, and, less directly, the loan issuers themselves want to see this market recover.”

Wells Fargo grabbed the market’s attention right before Christmas by pricing a \$275 million CLO that focuses on loans made to midmarket companies.

“That deal was static and short—a balance sheet financing for a player with limited direct access to the capital markets,” said Khankin. “So are new CLOs wishful thinking? Given the massive rally in loan prices this year, with many loans trading in the 80s and 90s, yields are not significantly wider than the secondary AAA CLO spreads, making such financing uneconomical. And unless you have some really cheap loans, the CLO liabilities are generally trading at a discount to the portfolio after taking fees and expenses into account. So until AAA spreads come in another 100 to 200 bps relative to loans, we shouldn’t expect to see a deluge of issuance.”

Yet some market participants say the CLO market has some secret gadgets under its hood. “I wouldn’t be surprised

if we see a private market develop for CLOs, where someone has some equity and finds a big lender or provider of the triple-A-rated paper and they strike a deal on their own,” said an analyst at an industry trade group. “These structures will include many of the indentures you find in CLOs today—WARF tests, interest coverage tests, etc.—but it will be done on a privately negotiated basis and perhaps without the involvement of the rating agencies.”

Can’t Get No Higher

As for the bad news about returns, that comes after a record year impossible to duplicate.

The total return on the **Standard & Poor’s/Loan Syndications and Trading Association** U.S Leveraged Loan 100 index, which tracks the 100 largest dollar-denominated first-lien leveraged loans, ended the year slightly above 50%. Not only was the buy side happy, so was the sell side. For bankers receiving fees from high yield bonds and loans, 2009 was the second best year on record. Returns though for 2010 are expected to be far more modest. Analysts at Barclays and **Citigroup** forecast leverage loan returns between 7% and 9%.

“But before anyone starts complaining about the more restrained call for loans, it is important to remember high single-digit returns [suggest] a rather strong year,” a Citigroup analyst noted in a recent report.

Loans were able to generate such high returns in 2009 because prices began the year in an unprecedented trough, following the collapse of Lehman Brothers in the fall of 2008. As the market corrected, secondary prices climbed from the lowest levels ever up into the low- to mid-90s. And in the meantime, any new loans hitting the market were forced to carry a significant discount to compete. “Looking back, it’s nothing short of a miracle to be where we are now,” the industry trade group analyst noted.

Loan market participants said they still expect to see deals with Libor floors, discounts and other incentives. Moreover, lower-priced LBO loans that have sponsor support, as well as the potential to improve the company’s credit profile; distressed or defaulted loans that have turnaround or reorganization potential; and second-lien term loans for healthy credits with substantial coupons all have the potential to give investors double-digit returns in 2010, according to the analysts at Barclays.

The Citigroup analysts added, “Over the course of 2010, we probably will see the lower end of the credit spectrum deliver superior returns, but it might not be as straightforward as last year’s technical suggests.” Triple-C-rated loans in 2009 returned more than 100%, according to Citi. This, however, may not continue into 2010 because investors might unwind their triple-C investments. And that would put pressure on

loans in that rating category. The Citi analysts believe single-B-rated loans have a better opportunity to perform well in the early part of 2010.

Another factor that might help loan investors boost returns: Libor. According to Barclays’ estimates, Libor rates, which fell from around 1.5% at the end of December 2008 to 0.25% at the end of 2009, will be around 0.5% in 2010. This will likely to happen because of a Federal Reserve interest rate hike. And it will likely boost coupons as a result, an analyst said. —RK

Leveraged Loan Market Assumptions	2010	2011	2012	2013	2014
Libor	1%	1%	1.6%	2%	2.4%
Spread	3.3%	3.5%	3.8%	4%	4%
Coupon Rate	3.5%	4.7%	5.5%	6.3%	6.6%
Coupon Reinvest (non-CLOs)	50%	50%	50%	50%	50%
Coupon Available to Reinvest (CLOs)	0%	0%	0%	0%	0%
Default Rate	5%	5%	5%	4%	4%
Recovery Rate	60%	60%	65%	70%	70%
Optional Prepayment (incl. HY Takeouts, Rising Stars)	10%	15%	15%	15%	15%
Optional Prepayment Reinvest Rate (non-CLOs)	75%	75%	75%	75%	75%
Optional Prepayment Reinvest Rate (CLOs)	90%	90%	90%	90%	90%
% of Pre-Payment That is HY Takeout	25%	25%	25%	25%	25%
% CLOs Not in Reinvestment Period (% of par)	10%	19%	48%	82%	100%
% CLOs Hitting OC Test (cannot reinvest defaults)	20%	10%	0%	0%	0%

Source: Barclays Capital

U.S. Leveraged Loans

Bookrunner	1/1/2009-12/29/2009				1/1/2008-12/31/2008			
	Proceeds Amount This Market (US\$ Mil)	Rank	Mkt. Share	Number of Issues	Proceeds Amount This Market (US\$ Mil)	Rank	Mkt. Share	Number of Issues
Bank of America Merrill Lynch	54,306.8	1	22.2	386	101,066.2	1	20.9	497
JP Morgan	38,090.5	2	15.6	175	89,122.5	2	18.4	300
Wells Fargo & Co	28,258.5	3	11.6	221	43,375.8	3	9.0	281
Citi	17,283.2	4	7.1	55	34,991.6	4	7.2	67
BNP Paribas SA	12,478.7	5	5.1	42	20,351.2	6	4.2	64
Barclays Capital	9,506.8	6	3.9	32	11,449.4	12	2.4	43
UBS	8,260.7	7	3.4	10	3,842.8	22	.8	20
General Electric Co	7,395.5	8	3.0	61	14,163.9	10	2.9	110
Deutsche Bank AG	6,705.6	9	2.8	33	21,938.6	5	4.5	47
Credit Suisse	4,843.7	10	2.0	28	12,986.5	11	2.7	32
RBS	4,652.3	11	1.9	24	17,293.7	7	3.6	46
RBC Capital Markets	3,670.7	12	1.5	21	5,298.3	16	1.1	19
US Bancorp	3,149.2	13	1.3	37	5,378.6	15	1.1	56
Goldman Sachs & Co	3,078.4	14	1.3	15	16,297.6	9	3.4	31
Morgan Stanley	2,959.4	15	1.2	15	16,444.1	8	3.4	28
KeyBanc Capital Markets Inc	2,886.2	16	1.2	38	6,139.8	14	1.3	73
SunTrust Banks	2,580.7	17	1.1	27	3,841.7	23	.8	33
Rabobank	2,334.6	18	1.0	9	4,280.9	20	.9	15
BMO Capital Markets	2,008.5	19	.8	20	4,710.6	17	1.0	30
HSBC Holdings PLC	1,968.9	20	.8	10	1,787.7	27	.4	10
Regions Bank	1,880.8	21	.8	35	1,531.9	30	.3	24
Societe Generale	1,718.5	22	.7	13	3,929.1	21	.8	20
PNC Financial Services Group	1,666.8	23	.7	18	4,335.1	19	.9	44
Commerzbank AG	1,626.1	24	.7	7	7,591.2	13	1.6	6
Mitsubishi UFJ Financial Group	1,591.5	25	.7	19	4,490.5	18	.9	24
Industry Total	244,207.2	-	100.0	973	484,465.8	-	100.0	1,616

Includes all debt underwritten for high yield companies

Source: Thomson Reuters

U.S. High Yield Bonds

Bookrunner	1/1/2009-12/29/2009				1/1/2008-12/31/2008			
	Proceeds Amount This Market (US\$ Mil)	Rank	Mkt. Share	Number of Issues	Proceeds Amount This Market (US\$ Mil)	Rank	Mkt. Share	Number of Issues
JP Morgan	24,429.7	1	16.6	151	8,201.6	1	21.0	46
Bank of America Merrill Lynch	22,992.2	2	15.7	166	7,881.4	2	20.2	49
Citi	14,147.3	3	9.6	78	3,021.5	4	7.8	16
Deutsche Bank AG	13,956.6	4	9.5	92	2,076.4	8	5.3	16
Goldman Sachs & Co	13,049.0	5	8.9	81	2,217.3	7	5.7	17
Credit Suisse	12,959.1	6	8.8	69	4,396.0	3	11.3	20
Morgan Stanley	10,787.0	7	7.3	60	2,651.7	5	6.8	17
Wells Fargo & Co	9,087.2	8	6.2	79	1,048.2	11	2.7	12
Barclays Capital	6,702.4	9	4.6	50	2,333.8	6	6.0	16
Jefferies & Co Inc	3,621.6	10	2.5	27	1,944.1	9	5.0	5
RBS	3,444.2	11	2.3	30	547.3	12	1.4	4
UBS	2,793.8	12	1.9	23	1,395.0	10	3.6	9
RBC Capital Markets	1,562.6	13	1.1	17	480.7	13	1.2	6
BNP Paribas SA	1,507.1	14	1.0	15	287.4	14	.7	4
HSBC Holdings PLC	1,163.9	15	.8	11	152.5	16	.4	2
Calyon	877.9	16	.6	11	-	-	-	-
BMO Capital Markets	741.6	17	.5	8	-	-	-	-
Scotiabank-Bank of Nova Scotia	711.5	18	.5	6	199.3	15	.5	2
TD Securities Inc	351.1	19	.2	3	-	-	-	-
Intesa SanPaolo	279.7	20	.2	2	-	-	-	-
Citadel Investment Group LLC	256.5	21	.2	2	-	-	-	-
SunTrust Banks	251.8	22	.2	5	66.2	18	.2	1
Macquarie Group	243.3	23	.2	2	-	-	-	-
BMPS	177.3	24*	.1	1	-	-	-	-
UniCredit Group	177.3	24*	.1	1	-	-	-	-
Industry Total	146,946.7	-	100.0	334	38,987.7	-	100.0	95

Source: Thomson Reuters

BANK LOAN REPORT

Global Leverage Loans

Bookrunner	1/1/2009-12/29/2009				1/1/2008-12/31/2008			
	Proceeds Amount This Market (US\$ Mil)	Rank	Mkt. Share	Number of Issues	Proceeds Amount This Market (US\$ Mil)	Rank	Mkt. Share	Number of Issues
Bank of America Merrill Lynch	56,658.4	1	14.1	397	103,439.8	1	12.4	508
JP Morgan	46,338.0	2	11.5	192	97,724.0	2	11.7	321
Wells Fargo & Co	28,592.7	3	7.1	224	44,264.0	5	5.3	286
Citi	22,889.3	4	5.7	77	48,738.0	4	5.8	103
BNP Paribas SA	21,024.8	5	5.2	91	43,991.6	6	5.3	172
Deutsche Bank AG	14,028.6	6	3.5	42	30,864.8	7	3.7	67
RBS	13,602.1	7	3.4	59	50,056.0	3	6.0	150
Barclays Capital	13,188.8	8	3.3	48	21,506.2	9	2.6	82
RBC Capital Markets	9,472.1	9	2.4	45	13,809.2	18	1.7	52
Credit Suisse	8,885.5	10	2.2	41	18,163.4	12	2.2	52
UBS	8,852.9	11	2.2	14	5,013.1	31	.6	25
Calyon	8,832.7	12	2.2	51	22,248.8	8	2.7	83
General Electric Co	8,328.5	13	2.1	65	16,292.8	13	2.0	124
HSBC Holdings PLC	7,681.4	14	1.9	33	15,947.4	16	1.9	53
Commerzbank AG	6,957.4	15	1.7	19	16,009.7	15	1.9	44
ING	5,392.2	16	1.3	32	16,192.6	14	1.9	94
State Bank of India	4,712.2	17	1.2	19	9,793.9	21	1.2	30
Societe Generale	4,277.2	18	1.1	34	14,141.0	17	1.7	73
Nordea	4,213.6	19	1.1	9	1,413.4	65	.2	9
TD Securities Inc	4,108.3	20	1.0	17	3,018.1	39	.4	21
Standard Chartered PLC	4,062.3	21	1.0	25	5,930.9	28	.7	39
Sumitomo Mitsui Finl Grp Inc	3,795.4	22	.9	19	11,970.5	19	1.4	37
Mitsubishi UFJ Financial Group	3,760.9	23	.9	33	9,277.3	22	1.1	52
BMO Capital Markets	3,677.2	24	.9	25	5,950.6	27	.7	36
Rabobank	3,517.5	25	.9	20	6,265.2	25	.8	28
Industry Total	401,717.9	-	100.0	1,275	836,943.0	-	100.0	2,313

Includes all debt underwritten for high yield companies

Source: Thomson Reuters

Global High Yield Bonds

Bookrunner	1/1/2009-12/29/2009				1/1/2008-12/31/2008			
	Proceeds Amount This Market (US\$ Mil)	Rank	Mkt. Share	Number of Issues	Proceeds Amount This Market (US\$ Mil)	Rank	Mkt. Share	Number of Issues
JP Morgan	26,785.1	1	15.2	156	8,201.6	1	20.6	46
Bank of America Merrill Lynch	24,322.8	2	13.8	170	7,881.4	2	19.8	49
Deutsche Bank AG	18,589.0	3	10.5	103	2,076.4	8	5.2	16
Credit Suisse	15,820.4	4	9.0	75	4,396.0	3	11.0	20
Citi	15,708.8	5	8.9	81	3,021.5	4	7.6	16
Goldman Sachs & Co	14,640.9	6	8.3	82	2,217.3	7	5.6	17
Morgan Stanley	10,911.9	7	6.2	60	2,815.7	5	7.1	18
Wells Fargo & Co	9,087.2	8	5.2	79	1,048.2	11	2.6	12
Barclays Capital	7,579.9	9	4.3	54	2,333.8	6	5.9	16
RBS	6,973.9	10	4.0	40	1,036.9	12	2.6	5
Jefferies & Co Inc	3,621.6	11	2.1	27	1,944.1	9	4.9	5
UBS	3,355.5	12	1.9	24	1,559.0	10	3.9	10
BNP Paribas SA	3,265.5	13	1.9	21	287.4	14	.7	4
Calyon	2,929.2	14	1.7	16	-	-	-	-
HSBC Holdings PLC	1,913.9	15	1.1	15	152.5	16	.4	2
Intesa SanPaolo	1,627.3	16	.9	5	-	-	-	-
RBC Capital Markets	1,562.6	17	.9	17	480.7	13	1.2	6
UniCredit Group	1,333.3	18	.8	3	-	-	-	-
Societe Generale	1,011.7	19	.6	4	-	-	-	-
Commerzbank AG	911.7	20	.5	1	-	-	-	-
Scotiabank-Bank of Nova Scotia	773.9	21	.4	6	199.3	15	.5	2
BMO Capital Markets	741.6	22	.4	8	-	-	-	-
Natixis	710.9	23	.4	5	-	-	-	-
TD Securities Inc	351.1	24	.2	3	-	-	-	-
BMPS	332.0	25	.2	1	-	-	-	-
Industry Total	176,517.6	-	100.0	362	39,805.3	-	100.0	97

Source: Thomson Reuters

Most Recent U.S. Leveraged Loans

Close Date	Borrower	Facility Amount (\$ mil)	Tranche Amount (\$ mil)	Loan Type	Maturity	All Agents
12/21/09	Prometheus Laboratories Inc	260.0	50.0	RevCred/TLA	12/21/13	BOA/SUNTRUST-BK/GECC/ FIFTH-THIRD-BK/ US-BANK-NA/BBVA/ DNB-NOR
12/21/09	Prometheus Laboratories Inc	260.0	210.0	RevCred/TLA	12/21/13	BOA/SUNTRUST-BK/GECC/ FIFTH-THIRD-BK/ US-BANK-NA/BBVA/ DNB-NOR
12/18/09	Martin Midstream Partners LP	335.7	267.7	RevCred/Term Ln	12/18/12	WELLS-FARGO/RBC/ UBS-BANK/COMERICA-BK/ REGIONS-BK
12/18/09	Martin Midstream Partners LP	335.7	67.9	RevCred/Term Ln	12/18/12	WELLS-FARGO/RBC/ UBS-BANK/COMERICA-BK/ REGIONS-BK
12/18/09	Peak 10 Inc	95.0	15.0	RevCred/Term Ln	12/18/14	RBC/GECC/RBC-CAP-MKTS
12/18/09	Peak 10 Inc	95.0	70.0	RevCred/Term Ln	12/18/14	RBC/GECC/RBC-CAP-MKTS
12/18/09	Peak 10 Inc	95.0	10.0	RevCred/Term Ln	12/18/14	RBC/GECC/RBC-CAP-MKTS
12/18/09	Tasc Inc	690.0	100.0	RevCred/Term Ln	12/18/14	BARCLAYS/RBC/ DEUTSCHE-BANK
12/18/09	Tasc Inc	690.0	200.0	RevCred/Term Ln	12/18/14	BARCLAYS/RBC/ DEUTSCHE-BANK
12/18/09	Tasc Inc	690.0	390.0	RevCred/Term Ln	12/18/14	BARCLAYS/RBC/ DEUTSCHE-BANK
12/18/09	Gerdau Ameristeel US Inc	650.0	650.0	Rev Cred Fac	12/18/12	BOA/WELLS-FARGO
12/15/09	Sierra Nevada Corp	91.0	91.0	Rev Cred Fac	06/15/13	BOA/BRANBT/ COMERICA-BK/RBC
12/14/09	Champion Opco LLC	113.0	113.0	Term Loan	12/14/13	BOA
12/14/09	Liberty Mutual Group Inc	400.0	400.0	Rev Cred Fac	12/14/12	BOA/CITI/HSBC/JPM/MS/ WELLS-FARGO
12/14/09	Powdr Corp	176.4	100.0	RevCred/TLA	06/14/13	BOA/WELLS-FARGO/ US-BANK-NA/ZIONBCORP
12/14/09	Powdr Corp	176.4	76.4	RevCred/TLA	06/14/13	BOA/WELLS-FARGO/ US-BANK-NA/ZIONBCORP
12/11/09	Pinnacle Foods Group LLC	875.0	25.0	RevCred/TLB	05/05/13	BARCLAYS/BOA/CS/HSBC/ MACQUARIE-GROUP
12/11/09	Pinnacle Foods Group LLC	875.0	850.0	RevCred/TLB	05/06/14	BARCLAYS/BOA/CS/HSBC/ MACQUARIE-GROUP
12/11/09	Booz Allen Hamilton	495.0	145.0	RevCred/Term Ln	06/11/14	CS/BOA/BARCLAYS/GS/ MS/SUMITOMO-MITSUI
12/11/09	Booz Allen Hamilton	495.0	350.0	RevCred/Term Ln	06/11/15	CS/BOA/BARCLAYS/GS/ MS/SUMITOMO-MITSUI
12/11/09	Six3 Systems Inc	73.5	15.0	RevCred/TLA	12/11/12	BOA
12/11/09	Six3 Systems Inc	73.5	58.5	RevCred/TLA	12/11/12	BOA
12/11/09	JD Heiskell & Co	120.0	120.0	Rev Cred Fac	12/11/12	BOA/SOC-GEN
12/11/09	Roadrunner Transportation Serv	9.0	9.0	Term Loan A	06/10/12	BOA
12/10/09	Hanesbrands Inc	1,150.0	400.0	RevCred/TLB	12/10/13	JPM/BOA/HSBC/ BARCLAYS//GS
12/10/09	Hanesbrands Inc	1,150.0	750.0	RevCred/TLB	12/10/15	JPM/BOA/HSBC/ BARCLAYS//GS
12/10/09	Valerus Compression Svcs LP	350.0	350.0	Rev Cred Fac	12/10/13	JPM/BOA
12/09/09	Rural/Metro Corp	220.0	180.0	RevCred/Term Ln	11/01/14	RBC//GECC
12/09/09	Rural/Metro Corp	220.0	40.0	RevCred/Term Ln	11/01/13	RBC//GECC
12/09/09	Associated Regional & Univ	66.0	15.0	RevCred/TLA	12/09/14	BOA
12/09/09	Associated Regional & Univ	66.0	51.0	RevCred/TLA	12/09/14	BOA
12/09/09	Encore Acquisition Co	1,250.0	1,250.0	Rev Cred Fac	12/09/14	BOA//WACHOVIA/FORTIS/ BNP-PARIBAS/CALYON
12/08/09	U-Store-It Trust	450.0	250.0	RevCred/TLA	08/19/12	WELLS-FARGO/BOA/ REGIONS-BK
12/08/09	U-Store-It Trust	450.0	200.0	RevCred/TLA	08/19/12	WELLS-FARGO/BOA/ REGIONS-BK

Source: Thomson Reuters

MOST RECENT RATINGS ACTIONS

UPGRADES

DATE	ISSUER	LOAN DETAILS	RATINGS ACTION	AGENCY	RATIONALE
28-Dec	Vi-Jon	\$210M TLB, \$30M R	BB- from B	S&P	Strong operating, financial performance
23-Dec	Dollar Financial Group	\$370M 1st TL, \$100M R	BB from BB-	S&P	Issued debt to pay down outstanding term loans
23-Dec	Select Medial Corp.	\$680M TLB, \$300M R	BB- from B+	S&P	Improving margins
21-Dec	Dana Holding	\$1B TL	B1 from Caa1	Moody's	Significantly improved Ebitda
21-Dec	Team Health	\$425M TLB, \$125M R	BB from BB-	S&P	Improved financial risk profile
17-Dec	BMCA	\$948.5M TL	Ba3 from B3	Moody's	Strong operating performance
17-Dec	Conseco	\$800M TL, \$300M TLB, \$1B TLA	B- from CCC	S&P	Improved financial flexibility
17-Dec	Greenwood Racing	\$265M 1st TLB	BB+ from BB-	S&P	No more construction risks
16-Dec	Burlington Coat Factory	\$315M TLB	B- from CCC+	S&P	Increased recovery for term loan lenders
16-Dec	PCI Gaming Authority	\$75M TLB, \$85M DDTL	BB from BB-	S&P	Solid operating performance
16-Dec	Prestige Brands	\$370M TLB	BB from BB-	S&P	Leading market positions
15-Dec	B&G Foods	\$130M TLC, \$25M R	BB from BB-	S&P	Improved credit metrics
15-Dec	Building Materials	\$975M 1st TL	BB from B+	S&P	Improvement in financial profile
15-Dec	Graphic Packaging International	\$1.2B TLC, \$1B TLB, \$400M R	BB from BB-	S&P	Satisfactory business risk profile
10-Dec	Dollar General	\$1.7B 1st TL	BB from BB-	S&P	Better-than-expected operating results
10-Dec	Dollar General	\$600M 1st TL	B from B-	S&P	Better-than-expected operating results
10-Dec	Wm. Bolthouse Farms	\$135M 2nd TL	CCC+ from CCC	S&P	Amended credit facility
10-Dec	Wm. Bolthouse Farms	\$500M 1st TL, \$75M R	B+ from B	S&P	Amended credit facility

DOWNGRADES

DATE	ISSUER	LOAN DETAILS	RATINGS ACTION	AGENCY	RATIONALE
24-Dec	Graceway Pharmaceuticals	\$330M 2nd TL	CCC+ from B-	S&P	Limited size, heavy reliance on one niche product
24-Dec	Graceway Pharmaceuticals	\$650M TLB, \$30M R	BB- from BB	S&P	Limited size, heavy reliance on one niche product
24-Dec	NCO Group	\$465M TLB, \$100M R	B from B+	S&P	Downwards revision of cash-flow
21-Dec	NextMedia	\$80M 2nd TL	D from CC	S&P	Filed for Chapter 11
21-Dec	NextMedia	\$260M 1st TL, \$75MR	D from CCC+	S&P	Filed for Chapter 11
21-Dec	Citadel Broadcasting	\$1.5B TLB, \$600M TLA, \$200M R	D from CCC-	S&P	Filed for Chapter 11
17-Dec	Network Communications	\$76.6M TLB, \$15M R	CCC from CCC+	S&P	Liquidity concerns
16-Dec	Culligan	\$552M 1st TL	B3 from B2	Moody's	Weak financial strength metrics
15-Dec	Alon USA Energy	\$450M TL	BB- from BB	S&P	Challenges as small, independent oil refinery
14-Dec	Newport Television	\$515M TLB, \$75M R	CCC from B-	S&P	Potential outcome of litigation
11-Dec	Evergreen International	\$240M 1st TL, \$30M R	CCC+ from B+	S&P	Liquidity concerns
11-Dec	Evergreen International	\$100M 2nd TL	CC from CCC+	S&P	Liquidity concerns
11-Dec	Motorsport Aftermaker	\$160M TLB, \$60M R	CCC from CCC+	S&P	Rising leverage, weakening operations
10-Dec	Booz Allen	\$550M Mezz TL	B- from B	S&P	Highly leveraged financial profile
10-Dec	Booz Allen	\$125M TLA, \$585M TLB, \$350M TLC	BB- from BB	S&P	Highly leveraged financial profile
10-Dec	Hanley Wood	\$400.9M TLB, \$22.5M R	CCC from B-	S&P	Soft U.S. housing market
10-Dec	Quality Home Brands	\$100M 2nd TL	C from Caa2	Moody's	Filed pre-packaged Chapter 11
10-Dec	Quality Home Brands	\$231M TL, \$20M R	Caa3 from B2	Moody's	Filed pre-packaged Chapter 11

ASSIGNMENTS

DATE	ISSUER	LOAN DETAILS	RATINGS ACTION	AGENCY	RATIONALE
24-Dec	Pinnacle Foods	\$850M TLC	B	S&P	Strong business risk profile
24-Dec	TRW Automotive	\$225M TL, \$175M TL	BB-	S&P	Weak global market for light vehicles
23-Dec	Blount	\$103.5M TL	Ba1	Moody's	Solid market position
16-Dec	Targa Resources	\$550M TLB, \$150M R	BB-	S&P	Financing to delever company
11-Dec	Advanced Disposal Services	\$150M TLB	B+	S&P	Modest scale of operations
10-Dec	AMN Healthcare	\$110M 1st TLB	Ba1	Moody's	Debt reduction trend
10-Dec	Booz Allen	\$350M TLC	BB-	S&P	Aggressive financial profile
4-Dec	ATI	\$165M TLB	B1	Moody's	Limited scale, diversification
3-Dec	Booz Allen	\$350M TLC	Ba2	Moody's	Consistent track record of revenue growth
2-Dec	Hanesbrands	\$750M TL	BB+	S&P	Leveraged financial profile

SECONDARY LOAN MARKET ADVANCERS AND DECLINERS

(For the week ended December 23, 2009)

Top 10 Advancers				Top 10 Decliners			
Facility	Previous Bid	Current Bid	Percent Change	Facility	Previous Bid	Current Bid	Percent Change
Orleans Homebuilders RC	30	85	183.333	SSP 11/09 (EUR) tranche B TLB	55	15	-72.727
SCA Packaging (2nd Lien 3/07) Hybrid TL	40	57.5	43.75	SSP 11/09 (GBP) tranche B TLB	55	15	-72.727
Vertis 10/09 Exit Last-out C2 TLC	74	90	21.622	SSP 11/09 (NOK) tranche B TLB	55	15	-72.727
Terreal (7/07) TLb	32	37.25	16.406	SSP 11/09 (SEK) tranche B TLB	55	15	-72.727
Eurotax Glass (6/06) TLb	51.75	59.75	15.459	SSP 11/09 (USD) tranche B TLB	55	15	-72.727
Eurotax Glass (GBP) 6/06 TLB2	51.75	59.75	15.459	Kerzner International (9/06) Revolving Credit	38.25	26.5	-30.719
Eurotax Glass (6/06) TLc	52.25	60.25	15.311	Panavision 2nd Lien 8/07 TL	76	60	-21.053
Eurotax Glass (GBP) 6/06 TLC2	52.25	60.25	15.311	Movie Gallery 5/08 TL	17	15	-11.765
MediaNews (Amend 9/05) Revolving Credit	29	33	13.793	Spanish Broadcasting (6/05) Revolving Credit	75	70	-6.667
Northland Cable 10/06 2nd Lien TL	60	67.5	12.5	Aleris 2/09 (USD) Rollup-US Borrower TLB1	51	48	-5.882

Source: Markit

CLOSED END LOAN PARTICIPATION FUND PERFORMANCE

Name Of Fund	Total Net Assets 11/30/09 (\$ Mil's)	12/31/08 To 12/24/09 % Change	Rank	Name Of Fund	Total Net Assets 11/30/09 (\$ Mil's)	12/31/08 To 12/24/09 % Change	Rank
Nuveen Float Rt Inc Opp	298.3	111.99	1	First Tr/4 Cor Sr Fl	64.5	74.70	11
Nuveen Senior Income	187.3	109.47	2	First Tr/4 Cor Sr Fl II	338.0	72.13	12
Nuveen Float Rate Inc	499.6	99.53	3	Van Kampen Dyn Cred Opps	892.3	70.56	13
Eaton Vance Senior Inc	232.8	98.00	4	BlackRock Flt Rt Inc	251.6	68.55	14
Eaton Vance Flt-Rt Inc	521.7	92.47	5	Pioneer Floating Rate Tr	461.3	67.55	15
Eaton Vance Sen Flt-Rt	458.7	92.45	6	BlackRock Flt Rt Inc II	132.7	64.29	16
BlackRock Dvds Inc Strat	121.6	89.10	7	PIMCO Floating Rate Inc	198.5	64.20	17
Van Kampen Senior Income	1,137.2	87.76	8	BlackRock Fltg Rate Inc	314.2	64.12	18
ING Prime Rate Trust	790.2	77.27	9	BlackRock Def Opp Credit	116.2	63.04	19
LMP Corporate Loan	110.9	76.06	10	ING Senior Income; A	443.3	62.99	20

Source: Lipper

— Average % Change: 59.34 —
— Number of Funds: 45 —

Loanbase Statistics – Syndicated U.S. Loans

Data distribution as of December 23, 2009 (in millions)

M	2006		2007		2008		2009	
	All	Leverage	All	Leverage	All	Leverage	All	Leverage
Q1	384,579	173,298	448,153	295,267	279,488	127,832	115,134	30,138
No. packages	812	507	838	546	759	446	300	169
Q2	557,979	214,988	638,790	301,976	331,318	129,820	159,684	73,570
No. packages	1,013	604	1,044	622	795	465	459	301
Q3	348,476	145,286	519,003	250,078	267,701	145,372	101,003	54,904
No. packages	860	503	853	450	661	421	392	251
Q4	427,500	219,405	426,449	207,368	162,682	78,618	140,356	67,181
No. packages	890	470	822	404	438	284	313	210
Total Dollars	1,718,534	752,977	2,032,395	1,054,689	1,041,189	481,643	516,177	225,792
Total Packages	3,575	2,084	3,557	2,022	2,653	1,616	1,464	931

TOTAL RETURN

continued from page 1

The **Standard & Poor's/Loan Syndications and Trading Association** Leveraged Loan 100 index posted a year-to-date total return of more than 50%. The weighted average bid price on loans on the index was in the upper 80s, nearly 40% higher than at the start of the year.

However, in the 12 months to come, projections fall at much more modest levels. Analysts at **Barclays Capital** expect unleveraged loan returns in the 8% to 9% range and leveraged loan returns in the 24% to 26% range, assuming the asset class normalizes as fundamentals improve.

Loan managers began focusing more on total return at the onset of the recession, when OIDs got wider and features like Libor floors began popping up in new deals. While this has happened before in the loan market, total return has a new-found importance because managers are trying to attract new clients, and many of these potential investors are interested in total return.

"All the money we've raised last year was total return focused," a bank loan trader said. "I'm not sure if this will change our behaviors too much initially, but as managers at-

tempt to differentiate themselves, things could change."

One factor that may continue to fuel interest in leveraged loans is their floating rate nature, which will add return when the Federal Reserve finally raises interest rates.

"There will be investors looking for an inflation protection product," a Boston-based investor said.

"All the money we've raised this year has been total return focused."

"On the institutional side, we saw a whole slew of investors come into the space, investors like pension funds. People who had never invested in the loan market were investing. Some of them have left, others have stayed. For some of them, it was an equity investment, but now it's a fixed income investment. We continue to see pretty good interest

on the institutional side."

Credit funds represented the bulk of primary loan buyers, 42.7%, in 2009, according to **S&P Leveraged Commentary and Data**. With 31.3%, CLOs represented the second largest group of buyers, followed by banks (9.8%), prime-rate and high yield retail funds (7.8%), insurance companies (5.8%) and finance companies (2.6%). In a recent survey conducted by the **Loan Syndications and Trading Association**, 60% of respondents said that institutional managed funds will represent the bulk of loan buyers in 2010 and beyond. Only 11% thought loan mutual funds would represent the biggest group of buyers, while 8% thought it would be new CLOs, and 2% said old CLOs.

Some market participants believe new buyers finding their way to the loan market will fill the gap left by the CLOs. However, others aren't so hopeful. "I'm not optimistic that the loan market will ever find sufficient demand to replace CLO buyers," said a New York-based investor. "We're not going to see new types of investors until someone can figure out how to settle loans electronically in two to three days. And this assignment fee nonsense has to disappear. Until then we'll remain a niche asset class." —*RK*

RETURNS TARGETS BY INVESTORS CLASS "PAR" LOANS

Allocation	Strategic/Permanent	In Between	Tactical/Opportunistic
Investor Type	Strategic/Permanent Retail Funds Pension Funds Insurance Companies Banks Sovereign Wealth Funds	Endowments/Foundations Family Office/HNW	Tactical/Opportunistic Hedge Funds Funds of Funds Private Equity Credit Opportunity Funds Crossover Funds HY Mutual Funds Multi-Strategy Funds
Strategy	Libor Based		Absolute Return
Returns	Unleveraged: Up to 8%		Leveraged: Between 7% and 15%

Source: LSTA