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December 17, 2018

Paul G. Cellupica
Deputy Director and Chief Counsel
U.S. Securities and Exchange Commission
Division of Investment Management
100 F Street NE
Washington, DC 20549

**Re: Madison Capital Funding LLC**

Dear Mr. Cellupica:

On behalf of our client Madison Capital Funding LLC ("Madison"), an investment adviser registered with the U.S. Securities and Exchange Commission (the "Commission" or the "SEC") under the U.S. Investment Advisers Act of 1940, as amended (the "Advisers Act"), we are writing to request relief from the application of Rule 206(4)-2(a)(1)(ii) and Rule 206(4)-2(a)(3) under the Advisers Act, in connection with Madison's administrative agent services for its loan syndication business. The basis for the relief requested is that (i) due to Madison's development and implementation of certain internal policies and procedures pertaining to its administrative agent services, allowing Madison to commingle client assets with non-client assets in a single account would not materially affect the client protections provided under Rule 206(4)-2(a)(1)(ii), and (ii) because Madison's clients have established separate bank accounts and either (1) receive quarterly account statements from the qualified custodians of those bank accounts or (2) are pooled investment vehicles that prepare and distribute audited financial statements in accordance with Rule 206(4)-2(b)(4), not receiving a quarterly account statement relating to the commingled account would not materially affect the client protections provided under Rule 206(4)-2(a)(3).

Background

*1. The Loan Syndication Industry*

A significant number of non-bank lending organizations serve the needs of the commercial loan market. Non-bank lenders, particularly following the global financial crisis of 2008, serve a critical role in the U.S. economy by making loans available to companies in the middle market that may not have access to financing from traditional banks or other financial organizations.[1] Typically, non-bank lenders fund only a portion of their loans to middle market companies and syndicate the remaining portion of the loans. In many cases, a portion of the loan will be sold to pooled investment vehicles or separately managed accounts that are managed by an SEC-registered investment adviser that is affiliated with the entity organizing the loan syndicate(s). The underlying investors in these pooled investment vehicles and separately managed accounts are commonly institutional and other sophisticated investors that seek the yields available on middle market loans.

[1] Although non-bank lenders loan to organizations and companies of various size and type, the focus of this letter is on middle market companies because that is the focus of Madison's loan syndication business.

The non-bank lender (or an affiliate) will often also act as the administrative agent on behalf of the loan syndicate pursuant to terms set forth in the credit agreement. In this type of arrangement, each participating lender appoints the administrative agent to take action on its behalf pursuant to the credit agreement and to exercise powers that are delegated to it thereunder, together with other reasonably incidental powers. Virtually every syndicated loan transaction has an administrative agent.

The administrative agent plays a significant role in the relationship between the loan syndicate and the borrower primarily by (i) serving as a conduit for most communications (whether ministerial or material) among the borrower and the loan syndicate, (ii) being the single point of contact for payment of principal and interest, as well as the receipt of loan proceeds, so that the borrower does not need to make or receive multiple wires, and (iii) allowing loans to be traded among lenders without disrupting the relationship with the borrower. Without an administrative agent, borrowers would need to interact with multiple lenders, risk making payments to the wrong lender or to the correct lender but for the wrong amount and, if a lender were to sell its loan to another lender, the borrower would need to comply with instructions from and make wire payments to that new lender – all of which would increase the burden, risk, complexity and cost for the borrowers and the lenders.

Most non-bank lenders offering loan syndications to separately managed accounts and funds have built (for themselves or for an affiliate) significant operations and back-office teams to handle reporting and administrative agent functions – the quality and efficiency of the administrative agency functions are differentiating factors that non-bank lenders rely on in competing for lending business.

*2. Madison's Loan Syndication Business*

Madison is one of the largest non-bank lenders providing senior loans to middle market companies. For a majority of such senior loans, Madison organizes a loan syndicate (each loan syndicate organized by Madison, a "Loan Syndicate") and serves as the administrative agent to the Loan Syndicate. The participants in a Loan Syndicate (the "Loan Syndicate Participants") generally include Madison and its affiliates, other bank and non-bank lenders, and various institutional and sophisticated investors (either directly, through self-directed investments or separately managed accounts, or through private investment vehicles in which they invest).

As the administrative agent to the Loan Syndicates, Madison performs the duties and responsibilities typically assigned to an administrative agent, as described above, for and on behalf of each Loan Syndicate. Like the credit agreements for most syndicated loans, each Loan Syndicate's credit agreement requires Madison to follow negotiated guidelines or formulas regarding the movement of cash to and from the lenders and the borrower, as applicable, for the Loan Syndicate (e.g., the collection of loan proceeds from lenders and their disbursement to the borrower, as well as the use and distribution of payments received from the borrower). Accordingly, Madison, in its capacity as the administrative agent, applies the terms of each credit agreement and has no authority to determine how the cash is used, allocated or disbursed.

A single bank account (the "Agency Account"), established by Madison and maintained by a major U.S. bank that meets the definition of a "qualified custodian" under Rule 206(4)-2 of the Advisers Act (the "Custody Rule"), facilitates the movement of cash to and from the lenders and the borrowers, as applicable, for all of the Loan Syndicates. The Agency Account was opened by and in the name of Madison as agent for the Loan Syndicate Participants (i.e., the funds related to the Loan Syndicates are

not held in separate accounts or sub-accounts for each Loan Syndicate Participant under the Loan Syndicate Participant's name, but are commingled in the Agency Account). The qualified custodian of the Agency Account does not send Agency Account statements to the Loan Syndicate Participants.

*3. Madison's Investment Advisory Business*

In addition to its business as a middle market lender, loan syndicator and administrative agent, Madison provides investment advisory services to private investment funds and separately managed accounts for institutional investors (collectively, "Advisory Clients"). Madison primarily invests its Advisory Clients' assets in senior loans made to middle market companies, as well as related mezzanine debt and equity investments. The senior loans held in Advisory Clients' portfolios are generally loans that were originated by Madison; for a majority of such senior loans, Madison organized the Loan Syndicate[2] and serves as the administrative agent to the Loan Syndicate. Loan Syndicate Participants therefore may include Advisory Clients, and other individuals and/or entities that are not Advisory Clients, including Madison or an affiliate (collectively, "Third Parties").[3]

Each of Madison's Advisory Clients has established a separate account at a qualified custodian where such Advisory Client's portfolio holdings and cash, including its interest in any Loan Syndicate and its share of the interest and principal payments from the Agency Account, are held, which is maintained by a major U.S. bank that meets the definition of a qualified custodian. For each Advisory Client, either (i) the qualified custodian of such Advisory Client's bank account sends quarterly account statements to the Advisory Client or (ii) such Advisory Client is a pooled investment vehicle that prepares and distributes audited financial statements in accordance with Rule 206(4)-2(b)(4).

Analysis

*1. Applicability of the Custody Rule*

Under Rule 206(4)-2(d)(2), an adviser is deemed to have "custody" of client assets if it (or an affiliate in connection with the adviser's advisory services) holds, directly or indirectly, or has the authority to obtain possession of, client funds or securities, including if it (or such affiliate) acts as a general partner of a client limited partnership or a managing member of a client limited liability company or if it has the authority to withdraw client funds from a separately managed account pursuant to an investment advisory agreement. In connection with Madison's loan syndication business, it is likely that Madison would be deemed to have custody of the assets in the Agency Account, which includes Advisory Client assets, because it serves as the administrative agent to the Loan Syndicates and has access to and authority to obtain the cash in the Agency Account. Although Madison has no authority to determine how the cash is used, allocated or disbursed under the applicable credit agreements, nothing would prevent Madison from withdrawing cash held in the Agency Account for reasons unrelated to the Loan Syndicates, as Madison controls the Agency Account.

[2] Advisory Clients may also be part of loan syndicates organized by unrelated third parties.

[3] Madison or an affiliate is often, if not almost always, a Loan Syndicate Participant, and for purposes of this letter, it is not treated any differently from any other Loan Syndicate Participant. Please note that it is very common, and expected, for non-bank lenders to participate as lenders in the loan syndicates for which they also serve as administrative agent. In addition, for purposes of this letter, a Loan Syndicate Participant includes Advisory Clients or Third Parties, as defined herein, that acquire a portion of the Loan Syndicate, through transfer or otherwise, after the loan proceeds are distributed to the borrower.

Further, in connection with Madison's investment advisory business, Madison would be deemed to have custody of the assets of the Advisory Clients for which it or an affiliate serves as the general partner or managing member, as applicable, and/or for which it has the authority to withdraw Advisory Client funds from a separately managed account pursuant to an investment advisory agreement, if any.

If Madison has, or is deemed to have, custody of the Advisory Clients' assets, it must comply with the Custody Rule, including Rule 206(4)-2(a)(1)(ii) and Rule 206(4)-2(a)(3), unless, with respect to Rule 206(4)-2(a)(3), the Advisory Clients are pooled investment vehicles that prepare and distribute audited financial statements in accordance with Rule 206(4)-2(b)(4).

*2. Rule 206(4)-2(a)(1)(ii)*

Rule 206(4)-2(a)(1) provides that client funds and securities must be maintained with a qualified custodian in a separate account for each client under the client's name or in accounts that contain only the adviser's clients' funds and securities, under the adviser's name as agent or trustee for the clients. As noted above, the Agency Account is maintained with a qualified custodian and was opened in the name of Madison, serving as an agent for Loan Syndicate Participants (including both Advisory Clients and Third Parties). Because the assets of Advisory Clients and Third Parties are commingled in the Agency Account, Madison is not in compliance with Rule 206(4)-2(a)(1)(ii).

In the absence of relief from the application of Rule 206(4)-2(a)(1)(ii), in order to comply with the Custody Rule, Madison would have to establish an agency account for Advisory Clients and a separate agency account for Third Parties, so that there would be no commingling of Advisory Client assets with Third Party assets. However, this would require (i) Madison, in its capacity as administrative agent, to monitor and ensure that Loan Syndicate Participants remit loan proceeds to the correct agency account (i.e., Advisory Clients remit loan proceeds to the agency account for Advisory Clients and Third Parties remit loan proceeds to the agency account for Third Parties) and (ii) borrowers to make at least two separate payments per loan (rather than a single payment) each time a payment of principal and/or interest is due (i.e., a payment to an account for Advisory Clients only, and a separate payment to an account for Third Parties). A requirement such as this would be highly unusual, if not unprecedented, in the current environment for the loan syndication industry, and would be burdensome on the borrowers (because they expect to make a single payment) and on Madison (because it would need to spend additional resources checking for and correcting errors).[4] Such a requirement would also partially defeat the very purpose of having an administrative agent, and put Madison at a competitive disadvantage.

Accordingly, a strict application of Rule 206(4)-2(a)(1)(ii) would create serious operational and practical issues for Madison or force it to exit the business entirely. Moreover, because Madison's administrative agent services are similar to many of its competitors in the loan syndication industry, many of whom are also investment advisers or have investment adviser affiliates whose clients invest in loans for which they serve as administrative agent, it is likely that the commingling issue is not unique to

[4] Payment tracking, as between Advisory Clients and Third Parties, is complicated by the fact that, unlike bonds, loan agreements track ownership to determine interest payments on a daily basis, as opposed to using periodic record dates, which means that, not only would borrowers have to pay to multiple accounts, the proportion payable to each account could fluctuate constantly (and possibly even daily, depending on trading activity in the underlying loan) due to transfers of loans between Advisory Clients and Third Parties.

Madison and that other SEC-registered advisers that use a single agency account are also violating the Custody Rule's prohibition on commingling client assets with non-client assets.

A review of the legislative history of the Custody Rule highlights the rationale behind prohibiting the commingling of client assets with non-client assets. Specifically, the proposing release (Release 40IA-122, 26 F.R. 10607 (Nov. 10, 1961)) for the original Custody Rule provides, in relevant part, as follows:

> The proposed rule is designed to implement these provisions by requiring an investment adviser who has custody or possession of funds or securities of any client to maintain them in such a way that they will be insulated from and not be jeopardized by any unlawful activities or financial reverses, including insolvency, of the investment adviser.

The adopting release for the original Custody Rule (Release 40IA-123, 27 F.R. 2149 (March 6, 1962)), further provides, in relevant part, as follows:

> The new rule is designed to implement these provisions by requiring an investment adviser who has custody of funds or securities of any client to maintain them in such a way that they will be insulated from and not be jeopardized by financial reverses, including insolvency, of the investment adviser.

The legislative history, particularly the adopting release, indicates that the primary purpose of the prohibition on commingling was to reduce the risk that client assets would be subject to unlawful activities or the bankruptcy of the adviser.

In Madison's case, as the administrative agent for the Loan Syndicates, it does not receive payments from the Loan Syndicate Participants (i.e., the lenders) or the underlying loan obligors (i.e., the borrowers) in its personal capacity, but as agent for the Loan Syndicate Participants. Thus, the payments would not be a part of Madison's estate in bankruptcy. Specifically, pursuant to Section 541(d) of the Bankruptcy Code (11 U.S.C. §541(d)), a bankruptcy estate does not include property in which the bankruptcy debtor holds only legal title and not an equitable interest. If property is held in the name of the bankruptcy debtor, but the debtor holds such funds in its capacity as a trustee, a fiduciary, or an agent, that property will not be part of the bankruptcy estate and will not be administered as part of the bankruptcy. The trustee/fiduciary/agent remains obligated to fulfill its trust/fiduciary/agency obligations and the bankruptcy filing does not excuse compliance with those duties. This bankruptcy statute applies to an administrative agent under a syndicated credit agreement just the same as any other fiduciary or agent. If the lenders make a payment to the administrative agent for the benefit of the borrower or if a borrower makes a payment to the administrative agent for the benefit of the lenders, that payment does not belong to the administrative agent and is not part of the bankruptcy estate. The administrative agent remains liable under the credit agreement and applicable law to distribute the payment to the lenders or the borrower, as applicable, in accordance with the terms of the credit agreement.

These concepts are incorporated in the Loan Syndications and Trading Association ("LSTA") model credit agreement provisions that all or substantially all middle market lenders, borrowers and investors use (or benefit from) and all such parties have a reasonable expectation that in the event of a bankruptcy or insolvency, the standards in Section 541(d) would be adhered to. We are not aware of any

situation in the middle market lending business where this is not the case. Accordingly, we believe that clients of investment advisers that use affiliated or unaffiliated administrative agents are protected as a result of industry practice and the bankruptcy code working in tandem. As Madison's administrative agent services would not subject Advisory Client assets to the bankruptcy of Madison, the only real risk to the Advisory Clients in the Loan Syndicates is that Madison fraudulently converts the payments for its own account.[5] However, that fraud risk is inherent in any investment, including in a loan or bond where a person acts as a payment agent, and would not be mitigated by maintaining separate bank accounts for client assets and non-client assets.

Although Madison serving as the administrative agent for the Loan Syndicates does not necessarily increase the risk to Advisory Clients or run afoul of the rationale stated above, because Advisory Client assets are commingled with Third Party assets in the Agency Account, in the absence of relief from the application of Rule 206(4)-2(a)(1)(ii) of the Custody Rule with respect to the Agency Account, Madison would still be in violation of the Custody Rule.

*3. Rule 206(4)-2(a)(3)*

Rule 206(4)-2(a)(3) provides that an adviser that has custody of client funds or securities must have a reasonable basis, after due inquiry, for believing that each qualified custodian that holds such funds or securities on behalf of a client sends an account statement, at least quarterly, to such client for which the adviser maintains funds or securities. The account statement must identify the amount of funds and securities in the account at the end of the relevant period and list all transactions in the account occurring during such period. However, if an adviser's clients are pooled investment vehicles that prepare and distribute audited financial statements in accordance with Rule 206(4)-2(b)(4), the adviser is not required to comply with Rule 206(4)-2(a)(3) with respect to such clients (such exception, hereinafter referred to as the "Audited Pool Exception").

As noted above, the qualified custodian of the Agency Account does not send Agency Account statements to the Loan Syndicate Participants. Although it may be possible for the qualified custodian of the Agency Account to send Agency Account statements at least quarterly to those Advisory Clients that do not qualify for the Audited Pool Exception, Madison does not believe that the statements would be meaningful to those Advisory Clients. As the Agency Account contains assets related to multiple Loan Syndicates, some of which belong to Advisory Clients and some of which belong to Third Parties, an Advisory Client would not be able to identify its own holdings in the Agency Account from the Agency Account statements. Moreover, Advisory Clients do not have access to all of the information that the Administrative Agent has regarding the payments made to and from, and the transactions occurring with respect to, the Agency Account and would not be able to accurately use or decipher the information contained in the Agency Account statements.

In the absence of relief from the application of Rule 206(4)-2(a)(3), in order to comply with the Custody Rule, Madison would have to require the qualified custodian of the Agency Account to send the Agency Account statements at least quarterly to those Advisory Clients that do not qualify for the

[5] Please note that the bankruptcy of a Loan Syndicate Participant will not affect funds in the Agency Account that belong to other Loan Syndicate Participants or the transfer of funds to and from the Agency Account that belong to other Loan Syndicate Participants. The bankrupt Loan Syndicate Participant will remain entitled only to its pro rata share of funds in the Agency Account or funds transferred to and from the Agency Account.

Audited Pool Exception. Sending the Agency Account statements to those Advisory Clients could cause confusion because the Agency Account statements would not identify the assets or transactions that relate to a particular Loan Syndicate, Advisory Client or Third Party and Advisory Clients do not have all of the information necessary to use or decipher the information contained in the Agency Account statements. However, Madison has a reasonable belief, upon due inquiry, in accordance with Rule 206(4)-2(a)(3), that each Advisory Client that does not qualify for the Audited Pool Exception currently receives, and would continue to receive, quarterly account statements from the qualified custodian of the bank account where such Advisory Client's funds and securities are custodied (i.e., where the Advisory Client's portfolio holdings and cash, including its interest in any Loan Syndicate and its share of the interest and principal payments from the Agency Account, are held). Madison believes that the bank account statements provided to the Advisory Clients that do not qualify for the Audited Pool Exception provide those Advisory Clients with the relevant information they need to monitor their assets.

Although the Advisory Clients that do not qualify for the Audited Pool Exception are receiving quarterly account statements from the qualified custodians of their respective bank accounts, which provide them with the information they need to monitor their assets managed by Madison, because those Advisory Clients do not receive Agency Account statements, in the absence of relief from the application of Rule 206(4)-2(a)(3) of the Custody Rule with respect to the Agency Account, Madison would still be in violation of the Custody Rule.

Requested Relief

*1. Rule 206(4)-2(a)(1)(ii)*

We are requesting relief from the application of Rule 206(4)-2(a)(1)(ii) with respect to the Agency Account. In order to minimize any material adverse effect on Advisory Clients resulting from the commingling of their assets with the assets of Third Parties, while still staying within the spirit of the Custody Rule, Madison proposes to implement the following policies and procedures:

*a. Only the Assets of Loan Syndicate Participants may be placed in the Agency Account.*

The sole purpose of the Agency Account will be to process loan payments for the Loan Syndicates (i.e., the movement of cash to and from the lenders and the borrower, as applicable, for each Loan Syndicate). No cash will be deposited in or withdrawn from the Agency Account except pursuant to the credit agreements for the Loan Syndicates. Payments to the Agency Account from Loan Syndicate Participants (i.e., the lenders) and the underlying loan obligors (i.e., the borrowers) will only be received by Madison as agent for the Loan Syndicate Participants, and not in Madison's personal capacity, so that such payments will not be part of Madison's estate in bankruptcy. The Agency Account will continue to be maintained by a qualified custodian.

*b. Madison's Form ADV Part 1A will disclose all of the Qualified Custodians that hold Advisory Client Assets over which Madison is deemed to have custody and its Form ADV Part 2A will contain disclosure regarding the commingling of Advisory Client and Third Party assets.*

Madison will disclose on its Form ADV Part 1A the Advisory Client assets over which Madison has custody and each qualified custodian with which such assets are maintained. In addition, Madison

will revise its disclosure in its Form ADV Part 2A to reflect its custody of the assets in the Agency Account and that the account commingles Advisory Client and Third Party assets. In particular, it will revise Item 15 of its Form ADV Part 2A to include language that is substantially similar to the following:

> The senior loans held in Madison Capital clients' portfolios that are originated or otherwise sourced by Madison Capital are typically funded by a loan syndicate organized by Madison Capital ("Loan Syndicate"). In most cases, Madison Capital serves as the administrative agent to such Loan Syndicates. The participants in a Loan Syndicate (the "Loan Syndicate Participants") generally include Madison Capital and its affiliates, Madison Capital's clients, other bank and non-bank lenders, and various institutional and sophisticated investors (either directly, through self-directed investments or separately managed accounts, or through private investment vehicles in which they invest).
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> As the administrative agent to the Loan Syndicates, Madison Capital performs the duties and responsibilities typically assigned to an administrative agent for and on behalf of each Loan Syndicate. Like the credit agreements for most syndicated loans, each Loan Syndicate's credit agreement requires Madison Capital to follow negotiated guidelines or formulas regarding the movement of cash to and from the lenders and the borrower, as applicable, for the Loan Syndicate (e.g., the collection of loan proceeds from lenders and their disbursement to the borrower, as well as the use and distribution of payments received from the borrower). Accordingly, Madison Capital, in its capacity as the administrative agent, applies the terms of each credit agreement and has no authority to determine how the cash is used, allocated or disbursed.
>
> A single bank account (the "Agency Account"), established by Madison Capital and maintained by a major U.S. bank that meets the definition of a "qualified custodian" under the custody rule of the Advisers Act (the "Custody Rule"), facilitates the movement of cash to and from the lenders and the borrowers, as applicable, for all of the Loan Syndicates. The Agency Account was opened by and in the name of Madison Capital as agent for the Loan Syndicate Participants (i.e., the funds related to the Loan Syndicates are not held in separate accounts or sub-accounts for each Loan Syndicate Participant under the Loan Syndicate Participant's name, but are commingled in the Agency Account). The qualified custodian of the Agency Account does not send Agency Account statements to the Loan Syndicate Participants.
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> Under the Custody Rule, an adviser is deemed to have "custody" of client assets if it (or an affiliate in connection with the adviser's advisory services) holds, directly or indirectly, or has the authority to obtain possession of, client funds or securities, including if it (or such affiliate) acts as a general partner of a client limited partnership or a managing member of a client limited liability company or if it has the authority to withdraw client funds from a separately managed account pursuant to an investment advisory agreement. In connection with the Loan Syndicates, it is likely that Madison Capital would be deemed to have custody of the assets in the Agency Account because it serves as the administrative agent to the Loan Syndicates and has access to, and the sole authority to, obtain the cash in the Agency Account. Although Madison Capital has no authority to determine how the cash is used, allocated or disbursed, nothing would prevent Madison Capital from withdrawing cash held in the Agency Account for reasons unrelated to the Loan Syndicates, as Madison Capital

controls the Agency Account. Further, Madison Capital would be deemed to have custody of the assets of the clients for which it or an affiliate serves as the general partner or managing member, as applicable, and/or for which it has the authority to withdraw client funds from a separately managed account pursuant to an investment advisory agreement, if any.

If Madison Capital is deemed to have custody of its clients' assets, it must comply with the Custody Rule. In particular, Rule 206(4)-2(a)(1) provides that client funds and securities must be maintained with a qualified custodian in a separate account for each client under the client's name or in accounts that contain only the adviser's clients' funds and securities, under the adviser's name as agent or trustee for the clients. As noted above, the Agency Account is maintained with a qualified custodian and was opened in the name of Madison Capital, serving as an agent for Loan Syndicate Participants (including both Madison Capital's advisory clients and third parties, including Madison Capital and its affiliates). Because the assets of advisory clients and third parties are commingled in the Agency Account, Madison Capital is not in compliance with Rule 206(4)-2(a)(1)(ii) with respect to the Agency Account.

In addition, Rule 206(4)-2(a)(3) provides that an adviser that has custody of client funds or securities must have a reasonable basis, after due inquiry, for believing that the qualified custodian that holds such funds or securities on behalf of the adviser's client sends an account statement, at least quarterly, to such client for which the adviser maintains funds or securities. The account statement must identify the amount of funds and securities in the account at the end of the relevant period and list all transactions in the account occurring during such period. However, if an adviser's clients are pooled investment vehicles that prepare and distribute audited financial statements in accordance with Rule 206(4)-2(b)(4), the adviser is not required to comply with Rule 206(4)-2(a)(3) with respect to such clients (such exception, hereinafter referred to as the "Audited Pool Exception"). Because the qualified custodian of the Agency Account does not send Agency Account statements to the Loan Syndicate Participants, Madison Capital is not in compliance with Rule 206(4)-2(a)(3) with respect to the Agency Account for those clients that do not qualify for the Audited Pool Exception.

On December 17, 2018, Madison Capital submitted a letter to the staff of the SEC requesting relief from the application of Rule 206(4)-2(a)(1)(ii) and Rule 206(4)-2(a)(3) with respect to the Agency Account. The staff of the SEC responded on [date], stating that it would not recommend enforcement action against Madison Capital, provided that Madison Capital satisfies and continues to satisfy the requirements set forth in the SEC staff's response.

*c. Except with respect to the relief requested, Madison will comply with all of the applicable requirements of the Custody Rule.*

Assuming Madison is granted the relief sought from the application of Rule 206(4)-2(a)(1)(ii) and Rule 206(4)-2(a)(3) with respect to the Agency Account, Madison will comply with all of the other requirements of the Custody Rule applicable to the Agency Account. Madison will comply with all of the requirements of the Custody Rule applicable to the other accounts established by Madison's Advisory Clients held at qualified custodians.

*d. Madison will develop and implement Controls for its Administrative Agent Services, which will be subject to an annual Control Attestation.*

Madison will develop and implement controls for its administrative agent services which include controls that are designed and implemented to ensure that: (i) the assets of the Loan Syndicate Participants are safeguarded from loss or misappropriation; (ii) the assets in the Agency Account are distributed in a timely manner, accurately and completely, and in accordance with the applicable credit agreements; and (iii) the administrative agent services are, and the Agency Account is being operated in a manner that is, consistent with the credit agreements for the relevant loans; (the "Control Objectives").

Madison will obtain a written internal control report ("Control Attestation"), no less frequently than once each calendar year, prepared by an independent public accountant (the "Accountant"):

- The internal control report must include an opinion of the Accountant as to whether controls have been placed in operation as of a specific date, are suitably designed and are operating effectively during the year to meet the Control Objectives;

- The Accountant must verify that the funds and securities in the Agency Account are reconciled to a custodian other than Madison or a related person; and

- The Accountant must be registered with, and subject to regular inspection as of the commencement of the professional engagement period, and as of each calendar year-end, by, the Public Company Accounting Oversight Board in accordance with its rules.

Madison shall promptly seek to resolve any control activity exceptions identified in the Control Attestation on the part of Madison and/or its employees to comply with or fully implement the controls to meet the Control Objectives.

If the Accountant issues a qualified opinion with respect to any Control Attestation, Madison will promptly notify Advisory Clients that are Loan Syndicate Participants and inform them of the issue(s) that resulted in such qualified opinion and how such issue(s) will be detected and/or prevented going forward.

Madison shall include the annual Control Attestation as part of its books and records under Rule 204-2 of the Advisers Act and as part of its annual assessment of its internal policies and procedures under Rule 206(4)-7 of the Advisers Act.

Madison shall detail the controls developed and implemented for its administrative agent services that are designed and implemented to ensure that the Control Objectives are achieved, as well as the Control Attestation process, in its compliance manual.

We believe that the strict application of Rule 206(4)-2(a)(1)(ii) to the syndicated loan scenario described in this letter would unduly burden lenders and borrowers, which could have a material, adverse effect on the middle market companies that depend on non-bank lenders for needed financing, but would not materially increase the protections to investors. If Madison implements the policies and procedures described above, we believe that the Advisory Clients' protections under Rule 206(4)-2(a)(1)(ii) would not be materially diminished. Accordingly, we seek the staff's assurance that it will not recommend

enforcement action to the Commission if Madison commingles the assets of Advisory Clients with the assets of Third Parties in the Agency Account, provided that Madison implements the policies and procedures and adheres to the conditions described above.

*2. Rule 206(4)-2(a)(3)*

We are requesting relief from the application of Rule 206(4)-2(a)(3) with respect to the Agency Account. We believe that the strict application of Rule 206(4)-2(a)(3) with respect to the Agency Account would not materially increase the protections to Advisory Clients and could be confusing to Advisory Clients who do not have access to all of the information that the Administrative Agent has that relates to the payments made to and from, and transactions occurring with respect to, the Agency Account. As long as each Advisory Client that does not qualify for the Audited Pool Exception currently receives, and continues to receive, quarterly account statements from the qualified custodian of the bank account where such Advisory Client's funds and securities are custodied (i.e., where the Advisory Client's portfolio holdings and cash, including its interest in any Loan Syndicate and its share of the interest and principal payments from the Agency Account, are held), such Advisory Clients should have all of the relevant information they need to monitor their assets managed by Madison. Accordingly, we seek the staff's assurance that it will not recommend enforcement action to the Commission if no Agency Account statement is provided to such Advisory Clients, provided that such Advisory Clients receive quarterly account statements from the qualified custodians of the bank accounts where such Advisory Clients' funds and securities are custodied.

If you have any questions or would like to discuss Madison's request, please contact us.

Sincerely,

Jay B. Gould

Michael G. Wu