Regatta VI Funding, Ltd./LLC

Presale Report

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Related Criteria

Global Structured Finance Rating Criteria (July 2015)

Global Rating Criteria for CLOs and Corporate CDOs (November 2015)

Criteria for Interest Rate Stresses in Structured Finance Transactions and Covered Bonds (December 2014)

Counterparty Criteria for Structured Finance and Covered Bonds (May 2014)

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Capital Structure

Class	Rating	Rating Outlook	Amount ($ Mil.)	CE (%)[a]	Modeled Interest Rate (%)	Final Maturity	TT (%)	TTLM (x)
X	AAA(EXP)sf	Stable	3.00	N.A.	TBD	July 2028	N.A.	N.A.
A	AAA(EXP)sf	Stable	252.00	37.0	TBD	July 2028	63.0	8.1.
B-1	NR(EXP)sf	N.A.	33.25	24.9	TBD	July 2028	N.A.	N.A.
B-2	NR(EXP)sf	N.A.	15.00	24.9	TBD	July 2028	N.A.	N.A.
C	NR(EXP)sf	N.A.	23.75	19.0	TBD	July 2028	N.A.	N.A.
D	NR(EXP)sf	N.A.	22.00	13.5	TBD	July 2028	N.A.	N.A.
E	NR(EXP)sf	N.A.	20.00	8.5	TBD	July 2028	N.A.	N.A.
Subordinated Notes[b]	NR(EXP)sf	N.A.	42.00	N.A.	Residual	July 2028	N.A.	N.A.
Total			**411.00**					

Expected ratings do not reflect final ratings and are based on information provided by the issuer as of April 7, 2016. These expected ratings are contingent on final documents conforming to information already received. Ratings are not a recommendation to buy, sell or hold any security. The offering circular and other materials should be reviewed prior to any purchase. See Cash Flow Model section for modeled spreads. [a]Credit enhancement (CE) is based on the target par amount of $400.0 million and calculated with the expectation that class X notes will ultimately be paid in full from interest proceeds. [b]Includes class S1, S2, and P notes. TT – Tranche thickness. TTLM – Tranche thickness loss multiple. NR – Not rated. N.A. – Not applicable. 3mL – Three-month LIBOR. TBD – To be determined.

Transaction Summary

Regatta VI Funding Ltd. (the issuer) and Regatta VI Funding LLC (the co-issuer) constitute an arbitrage cash flow collateralized loan obligation (CLO) that will be managed by Regatta Loan Management LLC. Net proceeds from the issuance of the secured notes and subordinated securities will be used to purchase a portfolio of approximately $400 million primarily senior secured leveraged loans. The CLO will have an approximately four-year reinvestment period and a two-year noncall period.

Key Rating Drivers

Sufficient Credit Enhancement: Credit enhancement (CE) of 37.0% for class A notes, in addition to excess spread, is sufficient to protect against portfolio default and recovery rate projections in a 'AAAsf' stress scenario. The degree of CE available to class A notes is in line with the average CE of recent CLO issuances. Class X notes are ultimately expected to be paid in full primarily from the application of interest proceeds via the interest waterfall.

'B+/B' Asset Quality: The average credit quality of the indicative portfolio is approximately 'B+/B', which is comparable with recent CLOs. Issuers rated in the 'B' rating category denote a highly speculative credit quality; however, in Fitch Ratings' opinion, class X and A notes are unlikely to be affected by the foreseeable level of defaults. Class X and A notes are projected to be able to withstand default rates of up to 100.0% and 63.3%, respectively.

Strong Recovery Expectations: The indicative portfolio consists of 97.3% first lien senior secured loans. Approximately 91.1% of the indicative portfolio has strong recovery prospects or a Fitch-assigned recovery rating of 'RR2' or higher and the base case recovery assumption is 77.2%. In determining the class X and A note ratings, Fitch stressed the indicative portfolio by assuming a higher portfolio concentration of assets with lower recovery prospects and further reduced recovery assumptions for higher rating stresses, resulting in a 38.0% recovery rate in Fitch's 'AAAsf' scenario.

Transaction Comparison

	Regatta VI Funding	Regatta V Funding	4Q15–1Q16[a] Average	Minimum	Maximum
Investment Manager	Regatta Loan Mgmt	Napier Park	—	—	—
Target Portfolio Amount ($ Mil.)	400.0	500.0	466.5	300.0	992.0
Closing Date	TBD	11/6/14			
Reinvestment (Years)	4.2	4.0	4.3	1.6	5.1
Noncall (Years)	2.2	2.0	2.1	1.1	3.1
Maturity Date	7/12/28	11/15/26			
AAA Spread (bps)	TBD	156	159	137	180
Notes – Credit Enhancement					
AAA CE (%)	37.0	35.5	36.8	34.5	45.4
Structure					
Senior OC Test (Class)	A/B	A/B	—	—	—
Initial Senior OC Test Cushion (%)	10.0	10.0	10.0	5.5	11.1
Portfolio Covenants and Concentration					
Max. WAL (Years)	8.0	8.0	8.2	6.5	9.0
Initial Target Moody's WARF	2607	2575	2726	2316	3250
Max. CCC Assets (%)	7.5	5.0	7.5	7.5	7.5
Min. WAS (%)	3.85	3.88	3.77	3.30	4.20
Initial WAS All-In Rate (%)[b]	4.27	4.65	4.37	3.67	4.77
Max. Fixed Assets (%)	5.0	7.5	5.0	0.0	10.0
Min. WAC (%)	7.50	7.00	7.03	0.00	7.50
Max. Single Obligor (Top Five) (%)	2.5	2.5	2.5	2.0	3.0
Max. Single Obligor (Below Top Five) (%)	2.0	2.0	2.0	1.5	2.5
Max. Single Industry (Largest) (%)	15.0	15.0	14.9	12.0	17.0
Max. Single Industry (Second Largest) (%)	12.0	12.0	12.3	12.0	15.0
Max. Single Industry (Third Largest) (%)	12.0	12.0	11.1	10.0	13.5
Max. Single Industry (Fourth Largest) (%)	10.0	12.0	10.4	10.0	12.0
Max. Single Industry (Below Top Four) (%)	10.0	10.0	10.1	10.0	12.0
Min. Senior Secured (%)	90.0	92.5	92.2	85.0	96.0
Max. Second Lien (%)	10.0	7.5	7.8	4.0	15.0
Max. Subordinate (%)	0.0	0.0	0.0	0.0	0.0
Max. Senior Unsecured (%)	10.0	7.5	7.2	0.0	15.0
Max. Covenant-Lite (%)	70.0	50.0	66.3	50.0	80.0
Max. Long-Dated Collateral (%)	0.0	0.0	0.0	0.0	2.0
Max. Other than U.S. (%)	20.0	20.0	20.0	20.0	20.0

[a]Includes arbitrage CLOs backed by portfolios of broadly syndicated loans and priced between Oct. 1, 2015 and March 30, 2016.
[b]WAS of 3.91% without benefit for LIBOR floors.

Fitch's analysis centered on a Fitch stressed portfolio, which was created by making adjustments to the indicative portfolio to reflect permissible concentration limits and collateral quality test levels, as described in this report. References to the Fitch stressed portfolio in this report reflect the portfolio created by Fitch.

Asset Analysis

The Fitch Portfolio Credit Model (PCM) was used to determine hurdle default rates (rating default rates, or RDRs) and expected portfolio recovery rates (rating recovery rates, or RRRs) for the 'AAAsf' rating level. The PCM was run on the indicative portfolio, as well as a Fitch stressed portfolio created according to the portfolio concentration limits and collateral quality tests, as described below. Fitch's analysis focused on the Fitch stressed portfolio given the manager's ability to reinvest principal proceeds.

The indicative portfolio presented to Fitch included 163 assets from 151 high yield (HY) obligors totaling approximately 78.5% of the target initial par amount. Additionally, there were 43 unidentified obligors with assumed characteristics that compose the remaining 21.5% of the portfolio. Fitch considered the indicative portfolio to be of similar diversity in terms of rating and recovery distributions and obligor and industry concentrations relative to recently issued CLOs.

Related Research

Global CLO Market Trends Quarterly (January 2016)

U.S. Leveraged Market Quarterly (January 2016)

U.S. CLO Index: Loan Defaults Not Just Commodities for U.S. CLOs (February 2016)

Fitch U.S. Leveraged Loan CLO Tracker – 4Q15 (January 2016)

Asset Quality

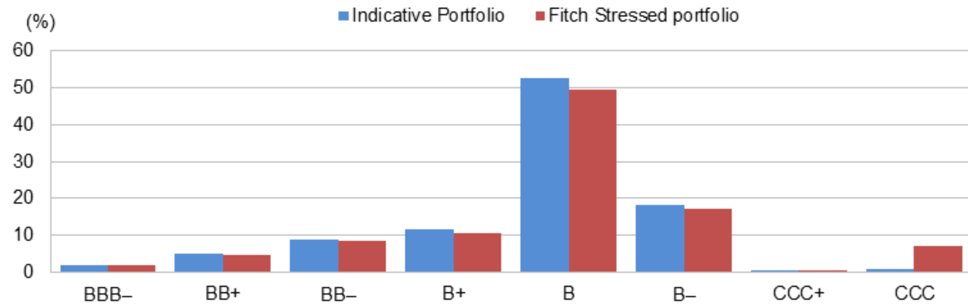
Fitch has an explicit rating or a credit opinion on approximately 51.1% of the identified portion of the indicative portfolio.

The weighted average rating of the indicative portfolio is approximately 'B+/B'. Fitch has an explicit rating or a credit opinion for 77 obligors composing 40.1% of the portfolio par balance; ratings for 37.9% of the total portfolio were derived using Fitch's issuer default rating (IDR) equivalency map. In addition, 21.5% of the portfolio were unidentified obligors and were indicated to be rated within the 'B' rating category. The remaining 0.5% did not have a public rating or a Fitch credit opinion and was assumed to be rated 'CCC'.

Fitch considers 1.5% of the indicative portfolio to be rated in the 'CCC' rating category. The transaction has a 7.5% concentration limitation for permitted exposure to 'CCC' rated collateral (as defined by Moody's). The exposure to 'CCC' assets in the Fitch stressed portfolio was increased to reach the 7.5% permitted exposure.

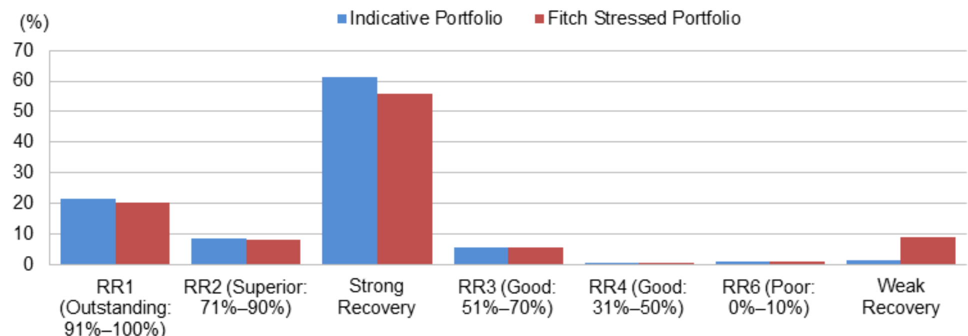
Distribution of Assets Considered CCC+ or Lower

Fitch IDR Mapping	Portfolio (%)
Rated ≤ CCC+	1.0
No Public Rating	0.5
Total	**1.5**



Asset Security

The indicative portfolio consists of 97.3% first lien senior secured loans. Fitch has assigned asset-specific recovery ratings to 37.2% of the indicative portfolio. For assets to which no asset-specific recovery ratings have been assigned, Fitch applied the standard Fitch recovery rate assumptions for assets based in the same jurisdiction and having the same ranking in the capital structure (*as determined in Fitch's "Global Rating Criteria for CLOs and Corporate CDOs," dated November 2015, available at www.fitchratings.com*).



The transaction's concentration limitations specify that a minimum of 90% of the portfolio must consist of first lien senior secured loans (excluding first lien last out loans). Up to 10% of the portfolio may consist of second lien loans and unsecured loans. Bonds and notes are not a permitted collateral type. In its construction of the Fitch stressed portfolio, Fitch assumed that 10% of the portfolio consists of assets with junior priority claims or no claims on the underlying security and, thus, is expected to demonstrate weak recovery prospects.

Obligor and Industry Concentration

The concentration limitations allow maximum exposure of 2.5% for up to five obligors, which was incorporated into the Fitch stressed portfolio. No other obligors may exceed 2.0% of the portfolio.

The transaction also permits concentrations of up to 15.0% in one Moody's industry and up to 12.0% in two additional Moody's industries, with all other industry concentrations capped at 10.0%. Fitch accounted for the maximum allowable industry concentration in the top three industries in its construction of the Fitch stressed portfolio.

Top Five Industry Concentrations

(%)

Industry	Indicative Portfolio	Fitch Stressed Portfolio
Healthcare	11.0	15.0
Business Services	10.9	12.0
Computer and Electronics	9.7	12.0
Gaming and Leisure and Entertainment	9.3	8.5
Chemicals	6.4	7.9

Top Five Obligor Concentrations

Obligor	Fitch Rating	Indicative Portfolio (%)	Fitch Stressed Portfolio (%)	Fitch Industry	Seniority
1	B	1.5	2.5	Banking and Finance	Senior Secured Loans
2	B	1.1	2.5	Healthcare	Senior Secured Loans
3	B	0.8	2.5	Chemicals	Senior Secured Loan
4	B	0.8	2.5	Business Services	Senior Secured Loan
5	B	0.8	2.5	Industrial and Manufacturing	Senior Secured Loan

Weighted Average Life

The indicative portfolio has a weighted average life (WAL) of approximately 4.9 years while the transaction is initially covenanted to an eight-year maximum WAL that steps down with the passage of time. Fitch assumed an eight-year WAL in the Fitch stressed portfolio.

Additional Portfolio Concentrations

In addition to the permitted 'CCC' bucket, seniority restrictions, and industry and obligor concentrations, the documents include other notable concentration limitations. Exposures to fixed-rate assets, deferrable securities, bridge loans, and debtor-in-possession loans are kept to a minimum. The issuer is not permitted to invest in bonds, notes, long-dated assets, step-up and stepdown securities, leases, synthetic assets or structured finance assets.

The concentration limitations and collateral quality tests are further detailed in Appendix D, pages 19–20.

Cash Flow Analysis

Fitch used a customized proprietary cash flow model to replicate the principal and interest waterfalls (described in detail in Appendix C), as well as the various structural features of the

transaction, and to assess their effectiveness, including the structural protection provided by excess spread diverted through the overcollateralization (OC) and interest coverage (IC) tests. The cash flow model was run using the PCM outputs for both the indicative portfolio and the Fitch stressed portfolio. Fitch assumed a weighted average cost of funding of 2.55% in its cash flow analysis.

The transaction documents provide the investment manager with the flexibility to choose certain combinations of covenants, including the minimum weighted average spread (WAS), maximum weighted average rating factor (WARF) and minimum diversity score, toward which the portfolio will be managed. More discussion on the use of these multiple parameters as a portfolio management tool can be found in the Management to Dynamic Collateral Quality Tests section on page 8.

Interest Income

Fitch's analysis of the indicative portfolio accounted for the actual spreads on indicative portfolio assets (including LIBOR floors) while the analysis of the Fitch stressed portfolio assumed all floating-rate assets earn 3.85% over LIBOR without additional benefit from LIBOR floors. The transaction documents permit a maximum of 5.0% fixed-rate collateral with a minimum weighted average coupon (WAC) of 7.50%. Fitch tested a portfolio comprising 100% floating-rate assets and a portfolio consisting of 95.5% floating-rate and 5.0% fixed-rate assets. The latter scenario generally resulted in the most constraining model results and, therefore, was considered as the Fitch stressed portfolio assumption.

Additionally, the Fitch stressed portfolio assumed that 5.0% of the underlying assets pay interest less frequently than quarterly. The transaction documents prohibit investments in assets that pay interest less frequently than semiannually.

OC, IC, and Interest Diversion Tests

The structure includes standard OC tests, IC tests and an interest diversion test. Failure of an OC or IC test will result in interest or principal proceeds, as applicable, being diverted to redeem the rated notes sequentially. Class X notes are not included in the calculation of any coverage tests. The IC tests will not be applicable until the determination date occurring immediately prior to the second payment date.

The interest diversion test is calculated the same way as the class E OC test and is only applicable during the reinvestment period. Upon failure of this test, the lesser of 50% of the remaining interest proceeds and the required cure amount will be deposited into the collection account as principal proceeds. The coverage tests are further detailed in Appendix D, pages 19–20.

Cash Flow Model Outputs

Break-even default rates (BDRs) show the maximum portfolio default rates class X and A notes could withstand in stress scenarios without experiencing a loss. BDRs for class X and A notes were then compared with the PCM hurdle rate at the 'AAAsf' rating stress. A rating committee would typically expect the BDR to be above the PCM hurdle rate to achieve a given rating, in this case, 'AAAsf' for class X and A notes.

The table below presents the lowest BDR of the nine stress scenarios in the analysis of both the indicative and Fitch stressed portfolios. Class X and A notes both passed the 'AAAsf' PCM hurdle rate in all nine stress scenarios when analyzing the indicative portfolio with a minimum cushion of 44.6% and 14.8%, respectively. Class X notes and A notes also passed the 'AAAsf'

PCM hurdle rate in all nine stress scenarios when analyzing the Fitch stressed portfolio with a minimum cushion of 40.2% and 3.5%, respectively.

PCM RDRs and RRRs for the Fitch Stressed Portfolio

(%)

Rating	RDR	RRR
AAAsf	59.8	38.0
AAsf	55.2	46.2
Asf	49.4	51.0
BBBsf	45.2	57.1
BBsf	38.4	66.4
Bsf	34.4	73.8

Break-Even Default Rates

(%)

Portfolio	Indicative	Fitch Stressed[a]	Indicative	Fitch Stressed[a]
Class	Class X	Class X	Class A	Class A
Break-Even Default Rate	91.0	100.0	61.2	63.3
Assumed Recovery Rate	40.7	38.0	40.7	38.0
PCM Hurdle Rate	46.4	59.8	46.4	59.8
Default Cushion	44.6	40.2	14.8	3.5
Default Timing	Front	All	Front	Mid
LIBOR	Up	All	Up	Up

[a]Fitch stressed portfolio based on assumed 8.0-year WAL, 95.0% floating-rate assets paying a 3.85% WAS, 5.0% fixed-rate assets paying a 7.5% coupon, and maximum second lien, obligor and industry concentrations. The indicative portfolio consists of 100% floating-rate assets.

Fitch also analyzed a 100% floating-rate Fitch stressed portfolio. Class X and A notes passed all nine stress scenarios with minimum cushions of 40.2% and 4.9%, respectively.

Fitch was comfortable assigning 'AAAsf' expected ratings to the class X and A notes because it believes the notes can sustain a robust level of defaults, combined with low recoveries, as well as other factors, such as the strong performance of class X and A notes in the sensitivity scenarios, the degree of cushion in the performance of these notes when analyzing the indicative portfolio and the manager's track record as a CLO asset manager.

Rating Sensitivity

In addition to its analysis of the indicative and Fitch stressed portfolios, Fitch analyzed the structure's sensitivity to the potential variability of key model assumptions. The rating sensitivity analysis is based on the Fitch stressed portfolio. These sensitivities only describe the model-implied impact of a change in one or more of the input variables. This is designed to provide information about the sensitivity of the rating to key model assumptions. It should not be used as an indicator of possible future performance. The key model assumptions analyzed are described in the following sections.

Rating Sensitivity to Default Probability

Default probability multipliers of 125% and 150% are applied to the default probability of each obligor.

Rating Sensitivity to Recovery Rates

Multipliers of 75% and 50% are applied to asset-level recovery rates.

Rating Sensitivity to Correlation

A 2.0x base country correlation increase is applied.

Rating Sensitivity to Combined Stress

A default probability multiplier of 125%, recovery rate multiplier of 75%, and 2.0x base correlation for the country are applied.

Rating Sensitivity to Moody's Matrix Points

Fitch expects to test two extreme points on the Moody's matrix, which features various WAS, WARF, and diversity score combinations, once the matrix becomes available. The results will be published in the new issue report after closing. The two matrix points to be tested will represent a high credit quality/low WAS combination and a low credit quality/high WAS combination

Rating Sensitivity

	Class X		Class A	
	Median Rating	**Lowest Rating**	**Median Rating**	**Lowest Rating**
Rating Sensitivity to Default Probability (DP) – 125% DP Multiplier	AAA	AAA	AA+	AA+
Rating Sensitivity to DP – 150% DP Multiplier	AAA	AAA	AA+	AA
Rating Sensitivity to Recovery Rates (RRs) – 75% RR Multiplier	AAA	AAA	AA+	AA+
Rating Sensitivity to RRs – 50% RR Multiplier	AAA	AAA	AA-	AA-
Rating Sensitivity to Correlation – 2.0x Base Correlation Increase	AAA	AAA	AAA	AAA
Rating Sensitivity to Combined Stress – 125% DP Multiplier, 75% RR Multiplier, 2.0x Base Correlation Increase	AAA	AAA	AA-	A+
Rating Sensitivity to Moody's Matrix Point 1 (High Credit Quality/ Low WAS)	TBD	TBD	TBD	TBD
Rating Sensitivity to Moody's Matrix Point 2 (Low Credit Quality/ High WAS)	TBD	TBD	TBD	TBD

[a]To be determined (TBD) in conjunction with Fitch's final analysis of the transaction.

Portfolio Management

The transaction will have an approximately four-year reinvestment period. Discretionary sales are permitted at any time, subject to certain conditions, and are limited to 25% of the portfolio during the preceding 12-month period (as measured by the portfolio balance at the beginning of such 12-month period). The collateral manager will be permitted to sell defaulted assets, equity securities, and credit-risk and credit-improved obligations at any time.

After the reinvestment period, the manager may reinvest proceeds from the sale of credit-risk obligations, as well as unscheduled principal payments, subject to certain conditions as outlined in the Conditions to Reinvestment table on the next page. Reinvestment after the reinvestment period must occur within the longer of (x) 30 days after receipt of the applicable proceeds and (y) the last day of the related collection period.

Conditions to Reinvestment

	During Reinvestment Period		After Reinvestment Period	
	Type of Proceeds: Scheduled/Unscheduled Principal Payments, Discretionary Sales, Credit-Improved Sales and Any Other Sales Proceeds	**Type of Proceeds: Credit-Risk Sales and Defaulted Obligations Sales**	**Type of Proceeds: Unscheduled Principal Payments and Volker Rule Dispositions**	**Type of Proceeds: Credit-Risk Sales**
Collateral Quality Tests	Satisfaction, or if failing, maintain or improve.		The WAC, WAS, WARR and diversity tests will be satisfied, or if failing, maintained or improved. The WAL will be satisfied or the average WAL of the collateral obligations for each of the last 5 days of the reinvestment period was less than or equal to 4.0 and on no such day was the WAL of those same obligations greater than 4.05. The WARF test must be satisfied.	
Concentration Limitations	Satisfaction, or if failing, maintain or improve.		Not more than 7.5% of the CPA may consist of obligations with a Moody's default probability rating of 'Caa1' or below	
Coverage Tests	Satisfaction, or if failing, maintain or improve. If any coverage test is not satisfied, then principal proceeds received in respect of any defaulted obligation may not be reinvested.		Each coverage test must be satisfied after giving effect to the reinvestment.	
Par Amount Requirements	Either (i) APB of all collateral shall be maintained or increased, or (ii) the APB of all collateral and principal proceeds shall be greater than the RTPB.	Either (i) APB of all collateral purchased with such proceeds will at least equal such sale proceeds, (ii) the APB of all collateral shall be maintained or increased, or (iii) the APB of all collateral and principal proceeds shall be greater than the RTPB.	The APB of all additional collateral obligations at least equals the related proceeds.	
Rating Requirements	N.A.		The Moody's default probability rating must be the same or higher than that of the related prepaid or sold obligation.	
Maturity Requirements	N.A.		The stated maturity of the new obligation must be the same as or earlier than that of the related prepaid or sold obligation.	
Restricted Trading Period	N.A.		A restricted trading period must not be in effect.	
Amend and Extend Provisions	The manager may consent to a maturity extension of a collateral obligation only if: (i) The extended maturity is no later than the stated maturity of the notes and (ii) the WAL test is satisfied (unless the manager believes such action is necessary to prevent the related asset from becoming a defaulted asset or to minimize material losses on the related asset).		The manager may consent to a maturity extension of a collateral obligation only if: (i) The extended maturity is no later than the stated maturity of the notes and (ii) the WAL test is satisfied (unless the manager believes such action is necessary to prevent the related asset from becoming a defaulted asset).	

APB – Aggregate principal balance. CPA – Collateral principal amount. RTPB – Reinvestment target par balance. WAC – Minimum fixed coupon. WAL – Weighted average life. WARF – Maximum Moody's rating factor. WARR – Moody's minimum weighted average recovery rate. WAS – Minimum floating spread. N.A. – Not applicable. Notes: Conditions to reinvestment outlined above assume additional assets meet the requirements of a collateral obligation as defined in the indenture.

Management to Dynamic Collateral Quality Tests

The minimum WAS, maximum WARF and minimum diversity score covenants are subject to a Moody's asset quality matrix. The initial matrix point will be selected on or prior to the effective date and, thereafter, can be changed by the investment manager at any time provided that: (i) if the portfolio is in compliance with all three tests, it will continue to be in compliance with all three tests at the new matrix point; or (ii) if the portfolio is not in compliance with all three tests or would not be in compliance with all three tests at any other matrix point, the degree of noncompliance with each test must be maintained or improved at the new matrix point.

Fitch views several factors as mitigating the risk presented by the multitude of potential asset-quality parameters presented by the Moody's matrix. First, the construction of the matrix is designed to allow for manager flexibility through various market scenarios while maintaining similar overall portfolio-risk characteristics. Consequently, the introduction of additional portfolio risk, such as lower average credit quality, should be mitigated with an offsetting aspect, such

as a higher spread and/or portfolio diversity. Additionally, Fitch has assessed the investment manager and is comfortable with its ability to adequately manage the portfolio in accordance with terms of the transaction documents. Finally, Fitch has tested various sensitivity scenarios, as discussed herein, which highlight the strong performance of the notes under various stressful scenarios.

Additional Structural Features

Additional Notes

During the reinvestment period, if an EOD has not occurred and is continuing, and with written consent of the manager, a majority of the subordinated notes and the retention holder, the issuer may issue additional notes of existing classes (other than the class X, S1, S2, and P notes). Proceeds from any such issuance shall be treated as principal proceeds or will be used to purchase additional collateral.

In the event of an additional issuance of any one or more classes of notes, the following conditions must be met, inter alia:

- Additional issuances of existing classes must be issued on a pro rata basis for each class of notes or on a pro rata basis for all classes subordinate to the class A notes, except that a larger proportion of subordinated notes may be issued.
- Collateral manager consents to such issuance and it is approved by a majority of the subordinated notes.
- Issuance cannot exceed 100% of the original principal amount of the applicable class or classes of secured notes, provided that this clause will not apply to the subordinated notes if such additional issuance is required to prevent or cure a retention deficiency.
- No additional issuance shall be senior to the class A notes, and, in the case of additional issuance of any class A notes or any additional class of notes that is pari passu with the class A notes, prior written consent of a majority of the class A notes shall be obtained.
- The degree of compliance with each OC test is maintained or improved after giving effect to such issuance.
- Terms of any new notes must be identical to those of the previously issued notes of the same class, except for the interest rate.
- If additional rated notes are issued, the interest rate of such notes may not exceed the interest rate of the original notes of such class, as applicable.

These provisions should mitigate any credit concerns for class X and A notes, as the degree of subordination and OC available to such notes must be maintained or increased pursuant to an additional note issuance and class A notes have voting control over additional issuance of existing rated notes. Fitch will evaluate the impact of any additional issuance at the time of such occurrence.

Optional Redemption

After the Non-Call Period has expired, an optional redemption of all rated notes (in whole but not in part) that is at least partially financed with liquidation proceeds from the collateral portfolio may be undertaken at the written direction of a majority of the subordinated notes and consent of the collateral manager (except in the case of a redemption by liquidation of the portfolio that would require only consultation with the collateral manager). The notes must each be paid their applicable "Redemption Prices". If the expected liquidation proceeds along with

any other amounts available for the redemption would not be sufficient to pay the Redemption Prices of all notes (plus related expenses and fees) then the redemption cannot occur.

Fitch's credit view on the optional redemption provisions is neutral, since repayment in whole of all classes is a prerequisite to such redemption.

Refinancing

After the Non-Call Period has expired, a refinancing of any one or more classes of notes (in whole but not in part with respect to any applicable class) may be undertaken at the written direction of a majority of the subordinated securities and the collateral manager. Any refinanced class must be paid its Redemption Price. Individual classes may be refinanced (in whole but not in part with respect to the applicable class) from refinancing proceeds and partial redemption interest proceeds.

In the case of a refinancing of any one or more classes of notes the following conditions must be met, inter alia:

- The refinancing proceeds, partial refinancing interest proceeds and other available proceeds are sufficient to pay the redemption prices of the applicable class.
- The aggregate principal amount of any obligations providing the refinancing is equal to the aggregate outstanding amount of the notes being refinanced.
- The obligations providing the refinancing has a stated maturity equal to that of the corresponding notes being refinanced.
- The obligations providing the refinancing are subject to the priority of payments and do not rank higher in priority than the corresponding class being refinanced.
- The interest rate of the refinanced obligation may be greater than the original obligation as long as the weighted average interest rate of the newly issued obligations does not exceed that of the class of notes being refinanced.
- The refinancing will not cause the collateral manager to violate the U.S. Risk Retention Rules or CRR Retention Requirements.

The refinanced rate applied may be greater than the interest rate applicable to such class. However, if this were to occur, the WA interest rate of the obligations providing the refinancing shall be less than the WA interest rates of the notes subject to such refinancing.

The notes may be refinanced from a floating-rate note to a fixed-rate note or vice versa.

A partial refinancing of a floating-rate note(s) using a fixed-rate replacement note(s), and vice versa, could result in additional credit risk because the overall cost of capital could increase as a result of such partial refinancing in certain interest rate scenarios. In addition, such partial refinancing may result in interest rate mismatches between the notes and underlying assets. Fitch would expect to analyze any impact of a partial refinancing and make comments or adjustments to ratings as appropriate at such time a partial refinancing is proposed.

Repricing

After the non-call period has expired, a majority of the subordinated notes (with consent of the collateral manager) or the collateral manager may direct the issuer to reduce the spread over LIBOR (or provide for a fixed rate of interest) for any class of floating rate notes (other than class A, B-1 and B-2 notes) and reduce the interest rate applicable to the fixed rate notes (or provide for a spread over LIBOR).

Class A, B-1 and B-2 notes are not eligible for repricing.

Floating-rate notes can be converted to fixed-rate notes and vice versa, as part of a repricing.

Holders who do not consent to the repricing may be required to sell their notes or have their notes redeemed in a repricing redemption from issuance proceeds of new notes. A repricing may not occur unless all notes held by nonconsenting holders have been sold and transferred or otherwise redeemed. Any sale of notes in relation to a repricing will be made at the applicable redemption price with respect to such notes.

A floating-rate note may be repriced into a fixed-rate note and vice versa. This may present similar additional risks as described in the Refinancing section on page 10, namely the cost of funding after such conversion could be greater than that prior to such conversion in certain interest rate scenarios and such repricing can also expose the transaction to greater interest rate mismatches with the underlying collateral. Fitch would expect to analyze any impact of a repricing and make comments or adjustments to ratings as appropriate.

Repurchased/Surrendered Notes

No notes may be surrendered, except for payment as provided in the indenture or for transfer or exchange. Given these provisions, Fitch's view is that there are no unmitigated concerns about notes being cancelled or repurchased to manipulate OC tests or to the detriment of senior notes' CE levels.

Contributions may also be applied to repurchase notes. In this case, there are no requirements to effect such repurchases in sequential. However, any notes repurchased with the proceeds of contributions will be deemed to remain outstanding for purposes of the OC tests until all notes of such class and each class senior thereto are paid in full.

Events of Default: Undercollateralization

On any measurement date after the effective date, on which class A notes remain outstanding, an event of default (EOD) will occur if the ratio of the aggregate principal balance of the portfolio (with defaulted assets carried at market value) plus principal proceeds to the aggregate outstanding amount of class A notes is less than 102.5%. If an EOD occurs under this clause, holders of a majority of the class A notes may direct the sale and liquidation of the portfolio.

Counterparty Risk

Investment Manager

The transaction will be managed by Regatta Loan Management LLC, an affiliate of Napier Park Global Capital. Fitch's Funds and Asset Manager Ratings Group evaluated Regatta and determined its capabilities satisfactory in the context of the ratings assigned to the transaction and the investment parameters that govern the company's activities.

As compensation for managing the portfolio, the investment manager will receive senior and subordinated management fees of 20.0 bps and 30.0 bps per annum, respectively, as well as an incentive management fee of 20% of remaining proceeds once the subordinated securities achieve a 12% internal rate of return. The investment management fees are mostly in line with those of recent CLOs. The fee arrangements would be an important factor in facilitating the replacement of the investment manager if this becomes necessary for any reason.

Fitch views Regatta as satisfactory for the management of the transaction.

Hedge Counterparties

The notes and the indicative portfolio assets reference the same index, minimizing basis risk. No hedging strategies are included in the analysis at this time. Fitch would evaluate any credit implications of future entry into a hedge agreement at such time.

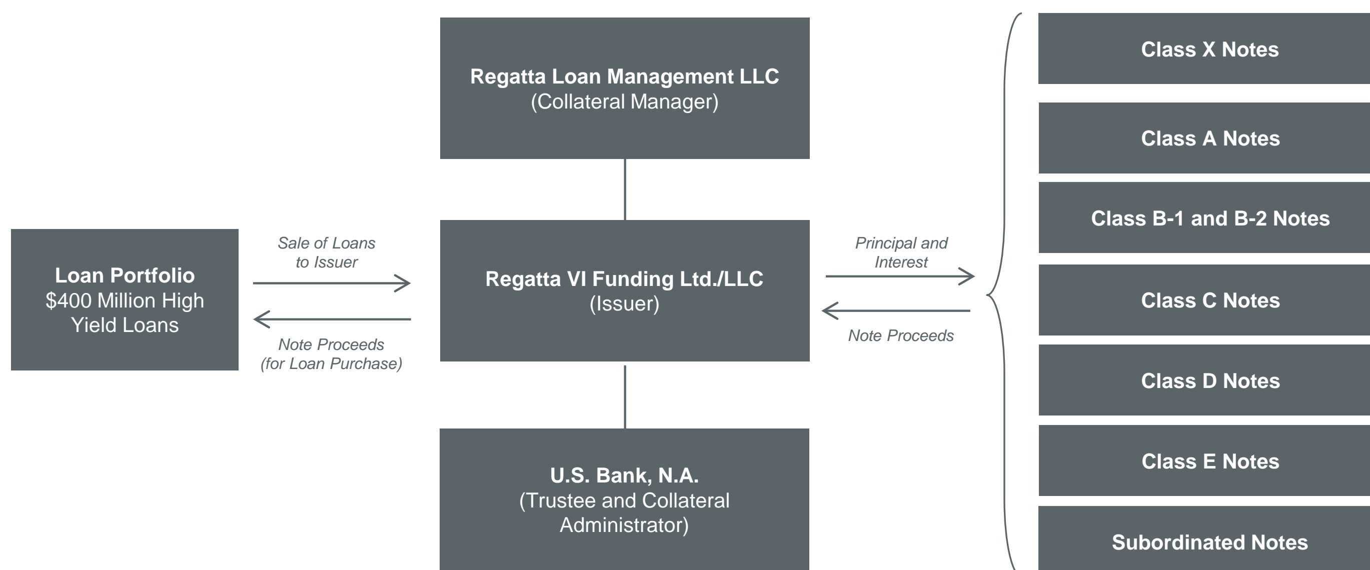
Other Counterparties

Provisions for the eligible investments to be purchased with intraperiod interest and principal collections, as well as the rating requirements of the institutions at which the issuer's various bank accounts will be established, are expected to conform to Fitch's counterparty criteria for supporting note ratings of up to 'AAAsf'. Eligible investments are required to mature or be putable at par prior to the next payment date. Requirements for other counterparties, such as the trustee and the custodian, also conform to Fitch criteria.

Transaction and Legal Structure

The notes will be issued by Regatta VI Funding Ltd. and Regatta VI Funding LLC, which are bankruptcy-remote, special-purpose vehicles organized under the laws of the Cayman Islands and Delaware, respectively. The rated notes are secured by the underlying portfolio of assets. Payments to the notes will be made quarterly, commencing in October 2016.

Transaction Structure



Source: Transaction documents.

Regulatory Matters

Volcker Rule

The transaction documents contain provisions designed to address Section 619 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Volcker Rule). According to the documents, the issuer will initially rely on section 3(c)(7) of the U.S. Investment Company Act of 1940 for its exemption from registration as an investment company, possibly causing the issuer to be considered a covered fund and, thus, subject to the Volcker Rule.

To address Volcker Rule concerns, the transaction does not permit the purchase of bonds, notes or other securities (other than loans).

Risk Retention

The transaction is intended to comply with both European and U.S. risk retention guidelines. The collateral manager is expected to retain subordinated notes in an amount sufficient to satisfy the minimum retention requirements per both jurisdictions' guidelines. A proportion of the initial collateral portfolio is also intended to be considered as originated by the collateral manager in relation to European risk retention requirements.

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Criteria Application, Model and Data Adequacy

Criteria Application

The key criteria report utilized in the rating of this transaction is titled "Global Rating Criteria for CLOs and Corporate CDOs," dated November 2015, available on Fitch's website at www.fitchratings.com. Additional criteria used in Fitch's analysis are listed on page 1.

Model

The modeling analysis followed a two-step process. First, Fitch analyzed the portfolio's default and recovery probabilities using its PCM. Second, Fitch analyzed the structure using its proprietary cash flow model, as customized for the transaction's specific structural features, both in accordance with the CLO and corporate CDO criteria.

Data Adequacy

Fitch utilized publicly available information to provide credit opinions on 33.3% of the indicative portfolio. In addition, Fitch publicly rates 6.7% of the portfolio. The information utilized in Fitch's analysis is as of April 7, 2016.

Fitch's credit opinions and recovery ratings are produced by the Corporates group and reviewed by a credit committee.

Performance Analytics

Fitch will monitor the transaction regularly and as warranted by events with a review. Events that may trigger a review include, but are not limited to, the following:

- Asset defaults, paying particular attention to restructurings and recoveries.
- Portfolio migration, including assets being downgraded to 'CCC' or portions of the portfolio being placed on Rating Watch Negative or Rating Outlook Negative.
- OC or IC test breach.
- Breach of concentration limitations or portfolio quality covenants.

- Issuance of any additional notes.
- Future changes to Fitch's rating criteria.

Surveillance analysis is conducted on the basis of the then-current portfolio. Fitch's goal is to ensure that the assigned ratings remain an appropriate reflection of the issued notes' credit risk. Details of the transaction's performance are available to subscribers on Fitch's website at www.fitchratings.com.

Appendix A: Transaction Overview

Regatta VI Funding Ltd./LLC — U.S./Structured Credit

Capital Structure

Class	Rating	Rating Outlook	Size (%)	Size ($ Mil.)	CE (%)[a]	Modeled Interest Rate (%)	PMT Freq.	Final Maturity
X	AAA(EXP)sf	Stable	0.7	3.00	N.A.	TBD	Quarterly	July 2028
A	AAA(EXP)sf	Stable	61.3	252.00	37.0	TBD	Quarterly	July 2028
B-1	NR(EXP)sf	N.A.	8.1	33.25	24.9	TBD	Quarterly	July 2028
B-2	NR(EXP)sf	N.A.	3.6	15.00	24.9	TBD	Quarterly	July 2028
C	NR(EXP)sf	N.A.	5.8	23.75	19.0	TBD	Quarterly	July 2028
D	NR(EXP)sf	N.A.	5.4	22.00	13.5	TBD	Quarterly	July 2028
E	NR(EXP)sf	N.A.	4.9	20.00	8.5	TBD	Quarterly	July 2028
Subordinated Notes[b]	NR(EXP)sf	N.A.	10.2	42.00	N.A.	Residual	N.A.	July 2028
Total			**100.0**	**411.00**				

[a]Based on the target par amount of $400.0 million and calculated with the expectation that class X notes will ultimately be paid in full from interest proceeds. [b]Includes class S1, S2 and P notes. NR – Not rated. N.A. – Not applicable. 3mL – Three-month LIBOR. TBD – To be determined.

Scheduled Revolving Period:	Four Years	Swaps:	None
Scheduled Noncall Period:	Two Years		

Key Information

Details:		**Parties:**	
Closing Date	TBD	Arranger and Initial Purchaser	Morgan Stanley & Co. LLC.
Country of Assets and Type	U.S. HY Loans	Trustee and Collateral Administrator	U.S. Bank National Association
Country of SPV	Cayman Islands and Delaware	Investment Manager	Regatta Loan Management LLC
Primary Analyst	Aaron Hughes +1 312 368-2074	Issuer and Co-Issuer	Regatta VI Funding VI Ltd. and Regatta VI Funding LLC
Secondary Analyst	Trevor Lee +1 212 908-1881		
Fund and Asset Manager Rating Analyst	Russ Thomas +1 312 368-3189		

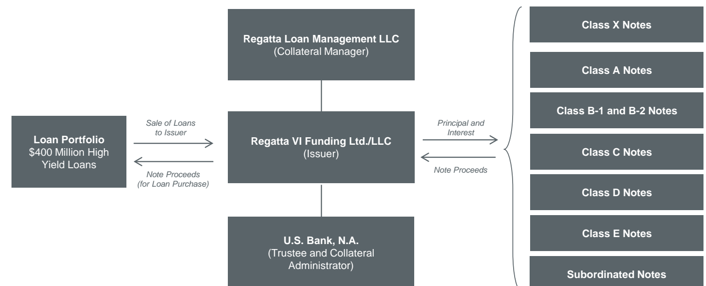
Key Rating Drivers

Sufficient Credit Enhancement: Credit enhancement (CE) of 37.0% for class A notes, in addition to excess spread, is sufficient to protect against portfolio default and recovery rate projections in a 'AAAsf' stress scenario. The degree of CE available to class A notes is in line with the average CE of recent CLO issuances. Class X notes are ultimately expected to be paid in full primarily from the application of interest proceeds via the interest waterfall.

'B+/B' Asset Quality: The average credit quality of the indicative portfolio is approximately 'B+/B', which is comparable with recent CLOs. Issuers rated in the 'B' rating category denote a highly speculative credit quality; however, in Fitch Ratings' opinion, class X and A notes are unlikely to be affected by the foreseeable level of defaults. Class X and A notes are projected to be able to withstand default rates of up to 100.0% and 63.3%, respectively.

Strong Recovery Expectations: The indicative portfolio consists of 97.3% first lien senior secured loans. Approximately 91.1% of the indicative portfolio has strong recovery prospects or a Fitch-assigned recovery rating of 'RR2' or higher, and the base case recovery assumption is 77.2%. In determining the class X and A note ratings, Fitch stressed the indicative portfolio by assuming a higher portfolio concentration of assets with lower recovery prospects and further reduced recovery assumptions for higher rating stresses, resulting in a 38.0% recovery rate in Fitch's 'AAAsf' scenario.

Transaction Structure



Source: Transaction documents.

Appendix B: Priority of Payments

Waterfalls

	Interest Waterfall		Principal Waterfall
1	First, taxes and governmental fees; second, administrative expenses (subject to a cap of 0.0175% + $250,000 p.a.)	1	First, taxes and governmental fees; second, administrative expenses (subject to a cap of 0.0175% + $250,000 p.a.)
2	Senior management fee (0.20% p.a.) and deferred senior management fee, provided that any deferred senior management fee payment will not result in a failure to pay in in full any payment to hedge counterparties or any interest on the class X, A or B notes	2	Senior management fee (0.20% p.a.) and deferred senior management fee, provided that any deferred senior management fee payment will not result in a failure to pay in in full any payment to hedge counterparties or any interest on the class X, A or B notes
3	Class S1 note payment amount and deferred note payment amount, provided that payment of any deferred payment amount will not result in a failure to pay in in full any payment to hedge counterparties or any interest on the class X, A or B notes	3	Class S1 note payment amount and deferred note payment amount, provided that payment of any deferred note payment amount will not result in a failure to pay in in full any payment to hedge counterparties or any interest on the class X, A or B notes
4	Any hedge payments and hedge termination payments	4	Any hedge payments and hedge termination payments
5	Class X and A interest, pro rata	5	Class X and A interest, pro rata
6	Class B-1 and B-2 interest, pro rata	6	Class B-1 and B-2 interest, pro rata
7	Starting on the second payment date, class X principal	7	Starting on the second payment date, class X principal
8	Class A/B coverage tests	8	Class A/B coverage tests
9	First, class C interest and second, class C deferred interest	9	First, class C interest and second, class C deferred interest, only if class C is controlling class
10	Class C coverage tests	10	Class C coverage tests
11	First, class D interest and second, class D deferred interest	11	First, class D interest and second, class D deferred interest, only if class D is controlling class
12	Class D coverage tests	12	Class D coverage tests
13	First, class E interest and second, class E deferred interest	13	First, class E interest and second, class E deferred interest, only if class E is controlling class
14	Class E OC test	14	Class E OC test
15	During the reinvestment period only, if the interest diversion test is not satisfied, the lesser of 50% of remaining interest proceeds and the amount required to cure the interest diversion test to be used for the purchase of additional collateral or invest in eligible investments	15	During the reinvestment period only, if the interest diversion test is not satisfied, the lesser of 50% of remaining interest proceeds and the amount required to cure the interest diversion test to be used for the purchase of additional collateral or invest in eligible investments
16	On the first payment date only, (i) if effective date ratings confirmation has not been obtained, to pay class X notes in an amount determined by the collateral manager with the remainder of interest proceeds deposited into the interest collection account for distribution after the first payment date or (ii) if effective date ratings confirmation has been obtained, to pay principal on the class X notes until PIF	16	On the first payment date only, (i) if effective date ratings confirmation has not been obtained, to pay class X notes in an amount determined by the collateral manager with the remainder of interest proceeds deposited into the interest collection account for distribution after the first payment date or (ii) if effective date ratings confirmation has been obtained, to pay principal on the class X notes until PIF
17	If effective date rating confirmation has not been obtained, to the payment of the rating confirmation redemption amount, in accordance with the note payment sequence	17	If effective date rating confirmation has not been obtained, to the payment of the rating confirmation redemption amount, in accordance with the note payment sequence
18	Subordinated management fees (0.30% p.a.) plus, any deferred subordinated management fees	18	On any special redemption date, payment of the special redemption amount in accordance with the note payment sequence
19	Class S2 note payment amount and deferred note payment amount	19	During the reinvestment period only, to purchase additional collateral or invest in eligible investments
20	Unpaid administrative expenses	20	After the reinvestment period, to make payments in accordance with the note payment sequence
21	Unpaid hedge payments and hedge termination payments	21	After the reinvestment period, subordinated management fees (0.30% p.a.) plus, any deferred subordinated management fees
22	At the direction of the collateral manager, the supplemental reserve amount	22	After the reinvestment period, class S2 note payment amount and deferred note payment amount
23	To pay the subordinated notes until an IRR of 12% is achieved	23	After the reinvestment period, to pay any unpaid administrative expenses
24	To pay (i) 15% of the remaining interest proceeds to pay the class P notes and (i) 5% of the remaining interest proceeds to the collateral manager as the incentive fee amount	24	After the reinvestment period to pay unpaid hedge payments and hedge termination payments
25	Remainder to the subordinated notes	25	To pay the subordinated notes until an IRR of 12% is achieved
		26	To pay (i) 15% of the remaining principal proceeds to pay the class P notes and (i) 5% of the remaining principal proceeds to the collateral manager as the incentive fee amount
		27	Remainder to the subordinated notes

P.A. – Per annum. IRR – Internal rate of return. Note payment sequence: (i) class X and A principal, pro rata, (ii) class B-1 and B-2 principal, pro rata, (iii) class C interest, (iv) class C deferred interest, (v) class C principal, (vii) class D interest, (viii) class D deferred interest, (ix) class D principal, (x) class E interest, (xi) class E deferred interest, and (xii) class E principal. Class S1 and S2 note do not pay interest or principal; S1 and S2 note payment amounts are equal to 14bps and 21bps, respectively, of the fee basis amount at the beginning of each collection period.

Appendix C: Collateral Quality Tests, Concentration Limitations, and Coverage Tests

Collateral Quality Tests

Description	Limit
Minimum Weighted Average Spread (at Close %)	3.85; Subject to Matrix
Minimum Weighted Average Coupon (%)	7.5
Maximum Weighted Average Life (Years)	8.0 (Declining)
Minimum Moody's Weighted Average Recovery Rate (%)	46.5
Maximum Moody's Weighted Average Rating Factor (at Close)	2725; Subject to Matrix
Minimum Moody's Diversity Score (at Close)	60; Subject to Matrix

Notable Concentration Limitations

Description	Limit
Minimum % of Senior Secured Loans	90.0
Maximum % of Second Lien Loans, First Lien Last Out Loans and Unsecured Loans	10.0
Maximum % of Each of the Top Five Obligors	2.5
Outside the Top Five Obligors, Maximum % of Each Obligor	2.0
Maximum % from a Single Obligor that are DIP Obligations	1.0
Maximum % of Largest Moody's Industry	15.0
Outside of the Largest Industry; Maximum % of Next Two Moody's Industries	12.0
Outside of the Top Three Moody's Industries; Maximum % of Single Moody's Industry	10.0
Maximum % of Securities Rated 'Caa1' or Below by Moody's	7.5
Maximum % of Fixed-Rate Assets	5.0
Maximum % of Assets That Pay Less Frequently than Quarterly	5.0
Maximum % of Covenant-Lite Loans	70.0
Maximum % of Bridge Loans	2.5
Minimum % of U.S. Obligors	80.0
Maximum % of Current-Pay Assets	2.5
Maximum % of DIP Collateral Obligations	7.5
Maximum % of Participation Interests	5.0
Maximum % of Revolving Collateral Obligations and Unfunded Delayed Drawdown Collateral Obligations	10.0

Notable Prohibited Asset Types

Description	Limit
Maximum % of Bonds, Notes or Other Securities	0.0
Maximum % of Letters of Credit	0.0
Maximum % of Long-Dated Assets	0.0
Maximum % of Assets That Pay Less Frequently than Semiannually	0.0
Maximum % of Convertible Securities	0.0
Maximum % of Interest-Only Securities and Zero Coupon Bonds	0.0
Maximum % of Step-Up and Step-Down Obligations	0.0
Maximum % of Leases	0.0
Maximum % of Structured Finance Obligations and Synthetic Securities	0.0
Maximum % of Assets Issued by Issuer with Total Indebtedness Below $200 Million	0.0
Maximum % of Margin Stock	0.0
Maximum % of Deferrable Securities	0.0

Appendix C: Collateral Quality Tests, Concentration Limitations, and Coverage Tests (continued)

Coverage Tests

Test	Trigger (%)	Definition[a]
OC		
Class A/B	123.2	ACPA divided by A + B.
Class C	115.5	ACPA divided by A + B + C.
Class D	109.6	ACPA divided by A + B + C + D.
Class E	105.3	ACPA divided by A + B + C + D + E.
Interest Diversion Test		
Interest Diversion Test	106.3	ACPA divided by A + B + C + D + E.
IC		
Class A/B	120.0	Interest proceeds and expected interest income minus senior expenses, divided by interest due to class A and B notes (excluding deferred interest, but including interest on deferred interest).
Class C	110.0	Interest proceeds and expected interest income minus senior expenses, divided by interest due to class A, B and C notes (excluding deferred interest, but including interest on deferred interest).
Class D	105.0	Interest proceeds and expected interest income minus senior expenses, divided by interest due to class A, B, C and D notes (excluding deferred interest, but including interest on deferred interest).
Par Value EOD		
Par Value EOD	102.5	Aggregate principal balance of the collateral portfolio (with defaulted assets treated at market value) plus principal cash in the collection and ramp-up accounts divided by the class A principal amount outstanding.

[a]A equals class A principal amount outstanding, B equals class B-1 and B-2 principal amounts outstanding, C equals class C principal and deferred interest amounts outstanding, D equals class D principal and deferred interest amounts outstanding, and E equals class E principal and deferred interest amounts outstanding. Note: Adjusted collateral principal amount (ACPA) equals aggregate principal balance of assets plus principal cash. In the ACPA calculation, assets are generally included at their par value, except for: deferring securities: the Moody's collateral value. Defaulted assets: if defaulted ≤ three years, Moody's collateral value; if defaulted > three years, zero. Discount obligations: purchase price multiplied by principal balance. The greater of (i) assets rated 'Caa1' or below by Moody's in excess of 7.5% of portfolio and (ii) assets rated 'CCC+' or below by S&P in excess of 7.5% of portfolio: included at lower of market value or par.
Source: Transaction documents.

The ratings above were solicited by, or on behalf of, the issuer, and therefore, Fitch has been compensated for the provision of the ratings.

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