Regatta XI Funding Ltd.

Presale Report

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Related Criteria

Global Structured Finance Rating Criteria (May 2018)

CLOs and Corporate CDOs Rating Criteria (February 2018)

Structured Finance and Covered Bonds Interest Rate Stresses Rating Criteria (February 2018)

Structured Finance and Covered Bonds Counterparty Rating Criteria (May 2017)

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Capital Structure

Class	Expected Rating	Expected Rating Outlook	Amount ($ Mil.)	CE (%)[a]	Modeled Interest Rate (%)[b]	Final Maturity
A	AAAsf	Stable	320.00	36.0	3mL + 1.07	July 2031
B	NRsf	N.A.	60.00	24.0	3mL + 1.65	July 2031
C-1	NRsf	N.A.	15.50	18.9	3mL + 1.85	July 2031
C-2	NRsf	N.A.	10.00	18.9	4.82	July 2031
D	NRsf	N.A.	30.00	12.9	3mL + 2.85	July 2031
E	NRsf	N.A.	24.50	8.0	3mL + 5.50	July 2031
Subordinated Notes[c]	NRsf	N.A.	53.00	N.A.	Residual	July 2031
Total			**513.00**			

Expected ratings do not reflect final ratings and are based on information provided by the issuer as of May 23, 2018. 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 material should be reviewed prior to any purchase. [a]Credit enhancement (CE) is based on the target par amount of $500.0 million. [b]Transaction documents provide mechanisms to replace LIBOR with an alternative rate under certain scenarios that involve consent of a majority of each of the controlling class and the subordinated notes, at the discretion of the manager. [c]Includes class S1, S2 and P notes. NR – Not rated. N.A. – Not applicable. 3mL – Three-month LIBOR.

Transaction Summary

Regatta XI Funding Ltd. (the issuer) is an arbitrage cash flow collateralized loan obligation (CLO) that will be managed by Regatta Loan Management LLC (RLM). Net proceeds from the issuance of the secured notes and subordinated notes will be used to purchase a portfolio of approximately $500 million of primarily senior secured leveraged loans. The CLO will have an approximately five-year reinvestment period and a two-year noncall period.

Key Rating Drivers

Sufficient Credit Enhancement: Credit enhancement (CE) of 36.0% for class A notes, in addition to excess spread, is sufficient to protect against portfolio default and recovery rate projections in the ‘AAAsf’ stress scenarios. The degree of CE available to class A notes is below the average CE of recent ‘AAAsf’ CLO issuances; however, cash flow modeling indicates performance in line with other Fitch-rated ‘AAAsf’ CLO notes.

‘B’ Asset Quality: The average credit quality of the indicative portfolio is ‘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 A notes are unlikely to be affected by the foreseeable level of defaults. Class A notes are projected to be able to withstand default rates of up to 59.8%.

Strong Recovery Expectations: The indicative portfolio consists of 97.5% first lien senior secured loans and 2.5% second lien loans. Approximately 90.3% of the indicative portfolio has strong recovery prospects or a Fitch-assigned recovery rating of ‘RR2’ or higher, resulting in a base case recovery assumption of 78.6%. In determining the class A notes’ rating, 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 37.4% recovery rate in Fitch’s ‘AAAsf’ scenario.

This presale report reflects information at the time that Fitch’s Expected Ratings are issued and as of the date of this report. Investors should be aware that the transaction has yet to be finalized and changes could occur. Investors should refer to Fitch’s related Rating Action Commentary issued at transaction closing for final ratings. Final ratings will include an assessment of any material information that may have changed subsequent to the publication of the presale.

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.

Transaction Comparison

	Regatta XI Funding Ltd.	Regatta X Funding Ltd.	1Q18-2Q18[a] Average	Minimum	Maximum
Collateral Manager	Regatta Loan Mgmt	Regatta Loan Mgmt	—	—	—
Target Portfolio Amount ($ Mil.)	500.0	525.0	534.9	300.0	1479.0
Closing Date	6/26/2018	12/21/2017			
Reinvestment (Years)	5.0	5.1	4.6	0.0	6.1
Noncall (Years)	2.1	2.1	1.9	0.5	4.0
Maturity Date	7/17/2031	1/17/2031			
'AAA' Spread (bps)	107	112	101	60	124
Structure					
'AAA' CE (%)	36.0	36.0	37.6	23.1	49.6
Portfolio Covenants and Concentration					
Senior OC Test (Class)	A/B	A/B			
Initial Senior OC Test Cushion (%)	10.0	10.0	10.0	8.9	10.7
General Terms					
Max. WAL (Years)	9.1	9.0	8.7	5.3	10.1
Initial Target Moody's WARF	2716	2688	2726	2303	3292
Max. CCC Assets (%)	7.5	7.5	7.5	7.5	10.0
Min. WAS (%)	3.20	3.40	3.29	2.85	4.20
Initial WAS All-In Rate (%)	3.35	3.40	3.42	2.97	4.27
Max. Fixed Assets (%)	5.0	5.0	5.3	0.0	10.0
Min. WAC (%)	6.50	7.50	6.71	3.10	7.50
Max. Single Obligor (Top Five) (%)[b]	2.5	2.5	2.5	2.0	3.5
Max. Single Obligor (Below Top Five) (%)[b]	2.0	2.0	2.0	1.5	3.0
Max. Single Industry (Largest) (%)	15.0	15.0	14.9	12.5	15.0
Max. Single Industry (Second Largest) (%)	12.0	12.5	12.3	12.0	15.0
Max. Single Industry (Third Largest) (%)	12.0	12.5	11.6	10.0	13.5
Max. Single Industry (Fourth Largest) (%)	10.0	12.5	10.8	8.0	13.5
Max. Single Industry (Below Top Four) (%)	10.0	10.0	10.0	8.0	12.0
Min. Senior Secured (%)	90.0	90.0	90.6	90.0	96.0
Max. Second Lien (%)	10.0	10.0	9.3	4.0	10.0
Max. Subordinate (%)	0.0	0.0	0.0	0.0	0.0
Max. Senior Unsecured (%)	10.0	10.0	9.2	2.5	10.0
Max. Covenant-Lite (%)	60.0	60.0	64.3	1.0	95.0
Max. Long-Dated Collateral (%)	1.0	0.0	0.3	0.0	3.0
Max. Other Than U.S. (%)	20.0	20.0	19.7	15.0	20.0

[a]Average, minimum and maximum calculations consider all arbitrage CLOs priced during 1Q18 and 2Q18 (through May 16, 2018) and backed by portfolios of broadly syndicated loans. [b]Only the top three obligors may be up to 2.5% for Regatta X and XI, with all other obligors limited to 2.0%.

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 365 assets from 292 primarily high-yield (HY) obligors, including 21 unidentified obligors with assumed characteristics representing 10.3% 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.

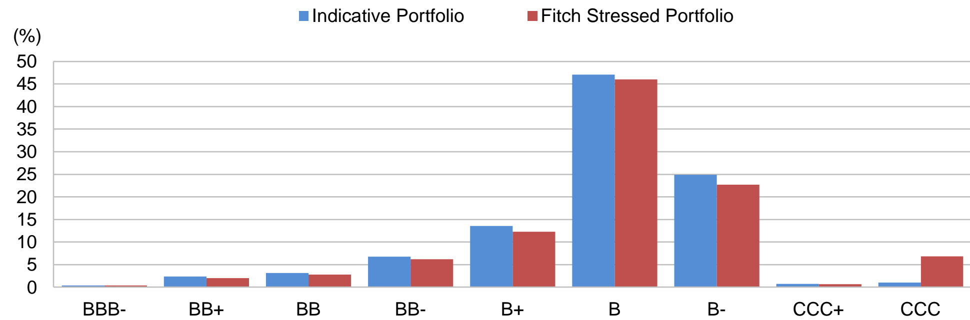
Asset Quality

The weighted average rating of the indicative portfolio is approximately ‘B’. Fitch has an explicit rating or a credit opinion for 30.1% of the portfolio par balance; ratings for 58.5% of the total portfolio were derived using Fitch’s Issuer Default Rating (IDR) equivalency map. In addition, 10.3% of the portfolio were unidentified obligors and were indicated to be rated within the ‘B’ rating category. The remaining 1.0% of the portfolio did not have a public rating or credit opinion and were assumed to be rated ‘CCC’.

Distribution of Assets Considered CCC+ or Lower

Fitch IDR Mapping	Portfolio (%)
Rated ≤ CCC+	0.8
No Public Rating	1.0
Total	**1.8**

Rating Distribution

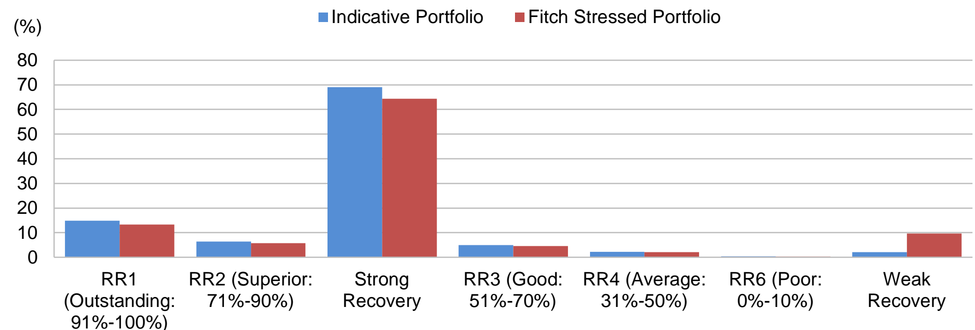


Fitch considers 1.8% of the indicative portfolio to be rated in the ‘CCC’ rating category. The transaction has two 7.5% concentration limitations for permitted exposure to ‘CCC’ rated collateral (as defined by Moody’s and S&P, separately, and excluding defaulted or discount obligations)Fitch ran the stressed portfolio with a 7.5% ‘CCC’ bucket.

Asset Security

The indicative portfolio consists of 97.5% first lien senior secured loans and 2.5% second lien loans. Fitch has assigned asset-specific recovery ratings or recovery estimates to 28.8% of the indicative portfolio. For assets to which no asset-specific recovery ratings or recovery estimates 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 “CLOs and Corporate CDOs Rating Criteria,” available at www.fitchratings.com).

Recovery Distribution



The transaction’s concentration limitations specify that a minimum of 90.0% of the portfolio must consist of first lien senior secured loans (excluding first lien last-out loans). Up to 10.0% of the portfolio may consist of first lien last-out loans, second lien loans and unsecured loans. In its construction of the Fitch stressed portfolio, Fitch assumed 10.0% 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 three obligors. No other obligors may exceed 2.0% of the portfolio, and obligors of non-senior secured loans are further limited to 1.0% of the portfolio. Fitch accounted for the maximum allowable obligor concentration for the top five obligors in its construction of the Fitch stressed portfolio.

Top Five Industry Concentrations

Industry	Indicative Portfolio (%)	Fitch Stressed Portfolio (%)
Business Services	13.7	15.0
Computer and Electronics	10.2	12.5
Gaming and Leisure and Entertainment	9.4	12.5
Chemicals	6.2	7.7
Industrial and Manufacturing	7.5	6.8

The transaction also permits concentrations of up to 15.0% in one Moody's industry and up to 12.5% 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 Obligor Concentrations

Obligor	Fitch Rating	Indicative Portfolio (%)	Fitch Stressed Portfolio (%)	Fitch Industry	Seniority
1	B	0.7	2.5	Gaming and Leisure and Entertainment	Senior Secured Loan
2	B	0.5	2.5	Business Services	Senior Secured Loan
3	B	0.5	2.5	Chemicals	Senior Secured Loan
4	B	0.5	2.0	Transportation and Distribution	Senior Secured Loan
5	B	0.5	2.0	Gaming and Leisure and Entertainment	Senior Secured Loan

Weighted Average Life

The indicative portfolio has a weighted average life (WAL) of approximately 5.9 years, while the transaction is initially covenanted to a 9.06-year WAL that steps down to zero with each quarterly payment period. The WAL test level reaches 4.25 years at the end of the reinvestment period, effectively permitting a 9.25-year risk horizon; Fitch assumed a 9.25-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, participations and debtor-in-possession loans are kept to a minimum. The issuer is not permitted to invest in bonds, notes, step-up and stepdown securities, bridge loans, leases, synthetic assets or structured finance assets.

The concentration limitations and collateral quality tests are further detailed in Appendix C.

Cash Flow Analysis

Fitch used a customized proprietary cash flow model to replicate the principal and interest waterfalls (described in detail in Appendix B), 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.

The transaction documents provide the 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.

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 3.20% 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 6.5%. Fitch tested a portfolio comprising 100% floating-rate assets and a portfolio consisting of 95.0% 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. 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 as a 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 C.

Cash Flow Model Outputs

Break-even default rates (BDRs) show the maximum portfolio default rates class A notes could withstand in stress scenarios without experiencing a loss. BDRs for class A notes were then compared with the PCM hurdle rates at the applicable rating stress.

The table below presents the lowest BDR of the nine stress scenarios in the analysis of both the indicative and Fitch stressed portfolios. Class A notes passed the ‘AAAsf’ PCM hurdle rate in all nine stress scenarios when analyzing the indicative portfolio with a minimum cushion of 14.3%. When analyzing the Fitch stressed portfolio, the class A notes passed the ‘AAAsf’ PCM hurdle rate in seven out of nine stress scenarios, with two marginal failures of 1.4% below the threshold.

PCM RDRs and RRRs for the Fitch Stressed Portfolio

Rating	RDR (%)	RRR (%)
AAAsf	61.2	37.4
AAsf	56.3	46.0
Asf	50.9	52.1
BBBsf	47.0	58.1
BBsf	40.7	66.8
Bsf	36.8	74.5

Break-Even Default Rates

(%)

Portfolio	Indicative[a]	Fitch Stressed[a]
Class	A	A
Break-Even Default Rate	63.9	59.8
Assumed Recovery Rate	40.5	37.4
PCM Hurdle Rate	49.6	61.2
Default Cushion	14.3	(1.4)
Default Timing	Mid	Front and Mid
LIBOR	Up	Up

[a]Fitch stressed portfolio based on assumed 9.25-year WAL, 95.0% floating-rate assets paying a 3.20% WAS, 5.0% fixed-rate assets paying a 6.5% coupon, and maximum second lien, obligor, and industry concentrations. The indicative portfolio consists of 100% floating-rate assets.

Given the marginal failures for the class A notes, Fitch tested their performance at a level one notch below the 'AAAsf' rating hurdle; the notes passed the 'AA+sf' PCM hurdle rate in all nine scenarios with a minimum cushion of 7.3%.

Additionally, when testing a stressed portfolio consisting of 100% floating-rate assets, the class A notes passed the ‘AAAsf’ PCM hurdle rates, respectively, in all nine stress scenarios with a minimum cushion of 0.1%.

Fitch was comfortable assigning an expected ‘AAAsf’/Outlook Stable rating to the class A notes because it believes these classes can sustain a robust level of defaults, combined with low recoveries, as well as other factors, such as the strong performance of these classes in the sensitivity scenarios and the degree of cushion in the performance of these classes when analyzing the indicative portfolio.

Rating Sensitivity

In addition to its analysis of the indicative and Fitch stressed portfolios, Fitch analyzed the notes’ 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

Multipliers of 125% and 150% are applied to the mean RDR, with the increase added to all other rating-level RDRs.

Rating Sensitivity to Recovery Rates

Multipliers of 75% and 50% are applied to the RRR for all rating levels.

Rating Sensitivity

Sensitivity to:	Class A Lowest Rating
Default Probability (DP) – 125% DP Multiplier	AAsf
DP – 150% DP Multiplier	A+sf
Recovery Rates (RRs) – 75% RR Multiplier	AAsf
RRs – 50% RR Multiplier	A+sf
Combined Stress – 125% DP Multiplier, 75% RR Multiplier	A+sf

Rating Sensitivity to Combined Stress

A 125% default probability multiplier and 75% recovery rate multiplier, as described above, are applied.

Portfolio Management

The transaction will have an approximately five-year reinvestment period. Discretionary sales are permitted at any time (other than during a restricted trading period), subject to certain conditions, and are limited to 25% of the portfolio during any 12-month period (as measured by the portfolio balance at the beginning of such 12-month period). The 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 following page. Reinvestment after the reinvestment period must occur within the longer of (x) 30 business days after receipt of the applicable proceeds or (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.		Satisfaction, or if failing, maintain or improve.	
Concentration Limitations	Satisfaction, or if failing, maintain or improve.		The limitation on 'CCC' exposure must be satisfied. All others, satisfaction, or if failing, maintain or improve.	
Coverage Tests	Satisfaction, or if failing, maintain or improve.	Each coverage test must be satisfied.	Each OC test must be satisfied.	
Maturity Requirements	N.A.		The stated maturity of the new obligation must be the same or earlier than that of the related prepaid or sold credit risk obligation.	
Par Amount Requirements	Either (i) APB of all collateral shall be maintained or increased or (ii) APB of all collateral and principal proceeds shall be greater than the RTPB.	Any of: (i) APB of collateral purchased with sale proceeds will at least equal such sale proceeds, (ii) APB of all collateral shall be maintained or increased, (iii) ACPA is maintained or increased or (iv) APB of all collateral and principal proceeds shall be greater than the RTPB.	Either (i) the APB of all collateral shall be maintained or increased or (ii) the APB of all collateral plus principal proceeds is greater than or equal to the RTPB.	The APB of all collateral obligations purchased at least equals the related sales proceeds.
Rating Requirements	N.A.		The Moody's rating must be the same or higher than that of the related prepaid or sold credit risk 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 the extended maturity is no later than the stated maturity of the notes, unless (x) such amendment is a credit amendment (or in connection with bankruptcy, insolvency, restructuring or workout) and (y) long-dated obligations do not exceed 1.0% of the portfolio, and (ii) the WAL test will be satisfied, or if failing, mainted or improved after giving effect to such maturity extension and any identified reinvestments, provided that the WAL test shall not apply if the maturity extension is a credit amendment or in connection with an insolvency/bankruptcy/reorganization or debt restructuring. These restrictions will not apply if the manager intends to sell such collateral within 30 business days after the effective date of such maturity amendment; if it is not sold, such obligation will be treated as defaulted.			

N.A. – Not applicable. APB – Aggregate principal balance. RTPB – Reinvestment target par balance. ACPA – Adjusted collateral principal amount. WAL – Weighted average life.
Notes: Conditions to reinvestment outlined above assume additional assets meet the definition of a collateral obligation as defined in the indenture. Reinvestments must not cause a retention deficiency. Identified reinvestments are a series of reinvestments occurring within a 10-business day period to which the investment criteria above are applied as whole, rather to any one single reinvestment in that period (subject to certain conditions). Credit amendment is any maturity amendment that, in the manager's judgement, is necessary to (i) prevent the collateral from becoming a defaulted obligation or (ii) to minimize material losses on the collateral due to the material adverse financial condition of the obligor. Credit amendments are subject to a 7.5% cap, measured cumulatively since the closing date.

Additional Structural Features

Class S1, S2 and P Notes

Class S1, S2 and P notes will not bear a stated interest nor receive any stated principal. Instead, payments to class S1 and S2 notes will be based on a percentage of the fee basis amount, and class P notes will receive residual proceeds as specified in Appendix C. The manager is expected to transfer all or a portion of these notes to Napier Park Global Capital in consideration for structuring and advisory services provided.

Trading Gains

The transaction defines trading gains as any excess of principal proceeds or sale proceeds received from the repayment, prepayment, redemption or sale of any asset over the greater of such asset's (i) purchase price or (ii) principal balance, net of expenses. The ability to designate trading gains as interest proceeds is to aid flexibility upon noncompliance with EU risk retention rules if, in the manager's discretion, depositing such investment gains into the collection account as principal proceeds would cause a retention deficiency. The manager may only designate trading gains as

interest proceeds if (a) the collateral principal amount is at least equal to the reinvestment target par balance and, after giving effect to such transfer, the WARF and WAL tests are satisfied and (b) depositing trading gains into the principal collection account would cause a retention deficiency.

A retention deficiency occurs if the aggregate outstanding amount of subordinated notes held by the retention holder is less than 5.0% of the retention basis amount. Such a reclassification limits the build-up of portfolio par by releasing principal or sale proceeds through the interest waterfall rather than using the proceeds for reinvestment or repayment of the notes. This mechanism effectively transfers the market value gains from the structure to the manager and equity holders. Fitch views this feature to be credit neutral because, at most, sales proceeds in excess of par can be considered trading gains. This ensures that the total portfolio balance will not be reduced for the designation of trading gains. Fitch's analysis considers the target initial par amount of the transaction, or $500 million, without any credit for potential par-building. Consequently, the release of trading gains via these provisions does not affect Fitch's analysis but should be noted by investors.

Additional Notes

During the reinvestment period, if no event of default (EOD) has occurred and is continuing, and with consent of the manager and the retention holder, the issuer may issue additional notes of existing classes (other than the class S1, S2, and P notes). Subordinated notes and junior mezzanine notes may be issued at any time. Proceeds from any such issuance shall be treated as principal proceeds and used to purchase additional collateral and/or eligible investments or applied pursuant to the priority of payments. In the case of an additional issuance of only subordinated notes and/or junior mezzanine notes, proceeds may be used for one or more permitted uses.

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

- Unless the manager determines the issuance is required to meet U.S. risk retention rules, 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.
- The retention holder must purchase sufficient subordinated notes to maintain 5% of the retention basis amount.
- 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, or if the manager determines that such issuance is required for compliance with U.S. risk retention.
- In the case of an additional issuance of class A notes, consent of a majority of the class A notes shall be obtained unless such issuance is required for compliance with U.S. risk retention.
- Unless the manager determines the issuance is required to meet U.S. risk retention rules and the global rating agency condition is satisfied, the degree of compliance with each OC test is not reduced 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, which may not exceed the interest rate of the original notes of such class.

Additional notes of an existing class may be issued as either floating- or fixed-rate notes, independent of the original coupon type of such class.

These provisions should mitigate any credit concerns for class A notes, as the degree of subordination and OC available to such notes must be maintained or increased pursuant to an additional note issuance. It is possible to issue additional notes of an existing class into either a floating- or fixed-rate note, independent of the original coupon type of such class. Provisions for such issuance would follow the same mechanics as above, which means that the cost of

funding at the time of issuance must not be increased as a result of such issuance. However, such additional issuance could result in additional credit risk because the overall cost of capital could increase in certain interest rate scenarios. Additionally, such additional issuance may result in interest rate mismatches between the notes and the underlying collateral. Fitch will evaluate the impact of any additional issuance at the time of such occurrence.

Optional Redemption

The transaction features standard optional redemption provisions that may be undertaken after the noncall period, at the direction of the manager or a majority of the subordinated noteholders (with consent of the manager). If sales proceeds from the underlying collateral are to be used pursuant to an optional redemption, all rated classes of notes must be redeemed in whole but not in part, at their applicable redemption prices (full principal plus accrued interest). The notes may not be redeemed via the sale of any assets unless such sale proceeds, in addition to any other proceeds available for the redemption, are sufficient to pay the redemption price of all secured notes, plus all administrative expenses and any other amounts payable prior to repayment of the notes.

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

All Secured Notes

The transaction also features standard refinancing provisions that may be undertaken after the noncall period, at the direction of the manager or a majority of the subordinated noteholders (with consent of the manager). Refinancing proceeds may be used in addition to sale proceeds to effect a redemption on all rated notes, as long as such total proceeds are sufficient to repay all the redemption prices and other fees and expenses payable prior to redeeming the notes.

Fitch’s credit view on the refinancing of all secured notes is neutral since repayment in whole of the applicable class of notes is a prerequisite to such refinancing.

If all classes of secured notes are being redeemed, the manager and a majority of the subordinated notes may agree to designate principal proceeds up to the excess par amount as interest proceeds for payment on the redemption date (such amount, the designated excess par). The excess par amount is equal to the greater of (a) zero or (b) the collateral principal amount less the reinvestment target par balance. Utilization of this feature can release any gains from the sale of collateral if a refinancing is using both sale proceeds and refinancing proceeds. Fitch’s credit view on this mechanism is neutral, as the OC to the class A notes could, in the most severe case, return to the level analyzed when Fitch assigned ratings to these notes.

Partial Refinancing

In the case of a refinancing of any one or more classes of notes, but not a redemption of all classes, the following conditions must be met, inter alia:

- The refinancing proceeds, partial redemption interest proceeds and other available proceeds are sufficient to pay the redemption prices of the applicable class(es).
- The principal amount of any obligations providing the refinancing is equal to the aggregate outstanding amount of the corresponding notes being refinanced, unless the Moody’s rating condition is satisfied.

- The obligations providing the refinancing have a stated maturity equal to that of the corresponding notes being refinanced, unless the Moody's rating condition is satisfied.
- 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 obligations providing the refinancing have a spread over LIBOR (or fixed interest rate) no greater than that of the corresponding notes being refinanced, provided that such spread (or fixed interest rate) may be greater if (x) the weighted average spread over LIBOR (or fixed interest rate) does not exceed the weighted average spread over LIBOR (or fixed interest rate) of the notes being refinanced and (y) subject to satisfaction of the Moody's rating condition, if the refinancing obligations bear interest at a fixed rate (or spread over LIBOR), such fixed rate (or spread over LIBOR) is less than the spread over LIBOR (or fixed interest rate) of such class, together with LIBOR as of the most recent determination date.
- The refinancing will not cause the collateral manager to violate the U.S. risk retention rules or the EU retention requirements.

The refinanced rate applied may be greater than the interest rate applicable to such class. However, if this was to occur, the weighted average spread (or fixed interest rate) of the obligations providing the refinancing shall be less than that 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), potentially introducing additional credit risk to noteholders.

The provisions above should ensure that class A notes will not be subject to reduced subordination as a result of a refinancing. However, a partial refinancing could result in additional credit risk for the noteholders because, (i) although the weighted average spread (or fixed interest rate) of the refinancing obligations must be less than that of the notes being refinanced, individual refinancing obligations may have an interest rate that is greater than the respective existing obligations being refinanced and (ii) a refinancing of floating-rate notes with fixed-rate refinancing obligations (or vice versa) could result in interest rate mismatches with the CLO's underlying collateral. Fitch expects 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

Class A notes are not eligible for repricing.

Noteholders may be required to sell or transfer their notes if they do not consent to a repricing.

After the noncall period, a majority of the subordinated noteholders (with consent of the manager) or the manager may direct the issuer to reduce the spread over LIBOR (or interest rate, as applicable) for any class of notes other than class A notes. Any repricing may be withdrawn by a majority of the subordinated noteholders or the manager on any day up to and including the second business day prior to the scheduled repricing date.

Holders that do not consent to the repricing will be required to sell or transfer their notes at the redemption price (full principal amount plus any accrued and unpaid interest). Consenting holders will be given the opportunity to purchase notes from the nonconsenting holders. A repricing cannot occur unless the issuer has sold or transferred all notes held by any nonconsenting holders.

Fitch expects a repricing would be a credit-neutral event at worst and a modest credit-positive event at best, since any reduction in spread (or interest rate) would result in a lower cost of funding to the CLO and a potential increase in the amount of excess spread that would be available for note redemptions following a coverage test failure. 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. While the issuer may not repurchase any notes using principal proceeds, contributions may be applied during the reinvestment period to repurchase the most senior class outstanding, provided that each coverage test must be satisfied after giving effect to any such repurchase.

These provisions should eliminate the possibility of utilizing note cancellations or repurchases to artificially improve the performance of OC ratios by reducing the denominator in the amount of the canceled or repurchased notes.

Events of Default: Undercollateralization

On any measurement date in which class A notes remain outstanding, an 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

Collateral Manager

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

The transaction will be managed by RLM, a wholly owned subsidiary and "relying adviser" of Napier Park Global Capital (US) LP (Napier Park). As such, RLM is dependent on support from Napier Park, as outlined in a services agreement between the two parties. Therefore, as part of its analysis, Fitch evaluated Napier Park and determined its capabilities satisfactory in the context of the ratings assigned to the transaction and the investment parameters that govern RLM's activities. Given the relationship and the services agreement between RLM and Napier Park, Fitch deems RLM as acceptable for managing the transaction. For a detailed assessment of the manager, see Fitch's profile for Napier Park, available on our website at www.fitchratings.com.

As compensation for managing the portfolio, the manager will receive senior and subordinated management fees of 6bps and 9bps per annum, respectively, as well as an incentive management fee of 5% of remaining proceeds once the subordinated securities achieve a 12% internal rate of return. When combined with the note payment amounts due under class S1 (14bps), class S2 (21bps) and class P notes (15% of remaining proceeds once the subordinated notes achieve a 12% internal rate of return), the aggregate 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 manager if this becomes necessary for any reason.

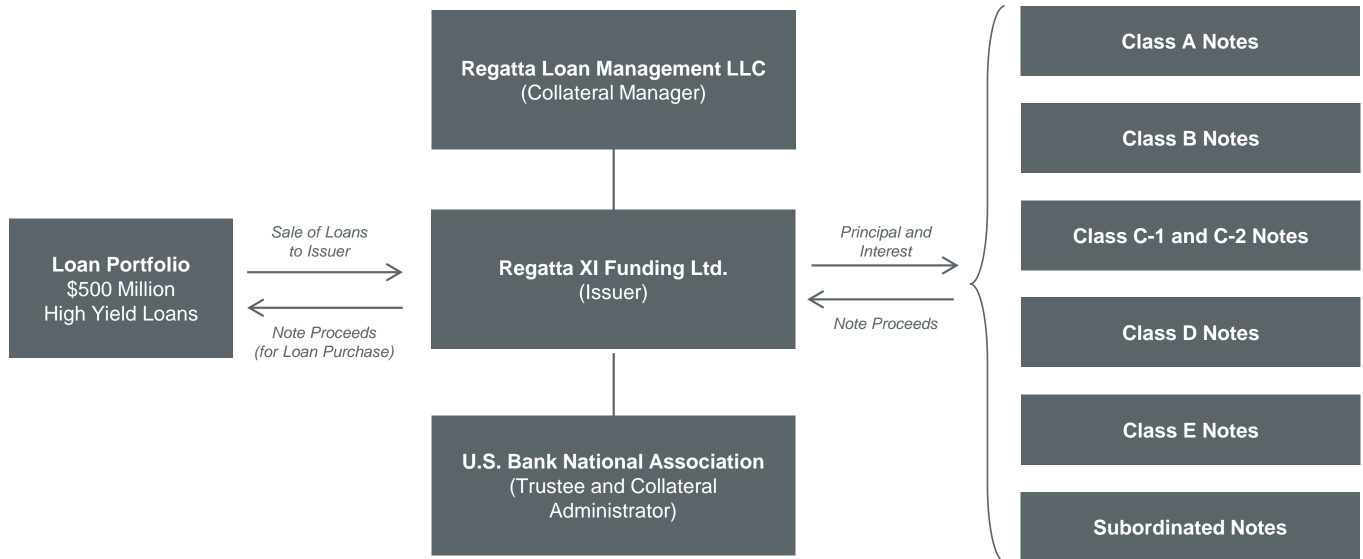
Hedge Counterparties

The notes and the portfolio assets are largely expected to 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 intra-period 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, also conform to Fitch criteria.

Transaction Structure



Source: Transaction documents.

Transaction and Legal Structure

The notes will be issued by Regatta XI Funding Ltd., which is a bankruptcy-remote, special-purpose vehicle organized under the laws of the Cayman Islands. The rated notes are secured by the underlying portfolio of assets. Payments on the notes will be made quarterly, commencing in October 2018.

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, letters of credit or other securities. The issuer intends to qualify for the loan securitization exclusion.

Risk Retention

The transaction features provisions intended to achieve compliance with European risk retention regulations (via the originator route). The manager is expected to retain subordinated notes in an amount sufficient to satisfy the minimum retention requirements.

Disclaimer

For the avoidance of doubt, Fitch relies, in its credit analysis, on legal and/or tax opinions provided by transaction counsel. As Fitch has always made clear, Fitch does not provide legal and/or tax

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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 “CLOs and Corporate CDOs Rating Criteria,” 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 24.5% of the indicative portfolio. In addition, Fitch publicly rates 5.1% and privately rates 0.5% of the portfolio. The information utilized in Fitch’s analysis is as of May 23, 2018.

Fitch’s credit opinions, recovery ratings and recovery estimates 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 below 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 XI Funding Ltd. U.S./Structured Credit

Capital Structure

Class	Expected Rating	Expected Rating Outlook	Size (%)	Size ($ Mil.)	CE (%)[a]	Modeled Interest Rate (%)[b]	PMT Freq.	Final Maturity
A	AAAsf	Stable	62.4	320.00	36.0	3mL + 1.07	Quarterly	July 2031
B	NRsf	N.A.	11.7	60.00	24.0	3mL + 1.65	Quarterly	July 2031
C-1	NRsf	N.A.	3.0	15.50	18.9	3mL + 1.85	Quarterly	July 2031
C-2	NRsf	N.A.	1.9	10.00	18.9	4.82	Quarterly	July 2031
D	NRsf	N.A.	5.8	30.00	12.9	3mL + 2.85	Quarterly	July 2031
E	NRsf	N.A.	4.8	24.50	8.0	3mL + 5.50	Quarterly	July 2031
Subordinated Notes[c]	NRsf	N.A.	10.3	53.00	N.A.	Residual	N.A.	July 2031
Total			**100.0**	**513.00**				

[a]Based on the target par amount of $500.0 million. [b]Transaction documents provide mechanisms to replace LIBOR with an alternative rate under certain scenarios that involve consent of a majority of each of the controlling class and the subordinated notes, at the discretion of the manager. [c]Includes class S1, S2 and P notes. NR – Not rated. N.A. – Not applicable. 3mL – Three-month LIBOR.

Scheduled Revolving Period:	5.0 Years	Swaps:	None
Scheduled Noncall Period:	2.1 Years		

Key Information

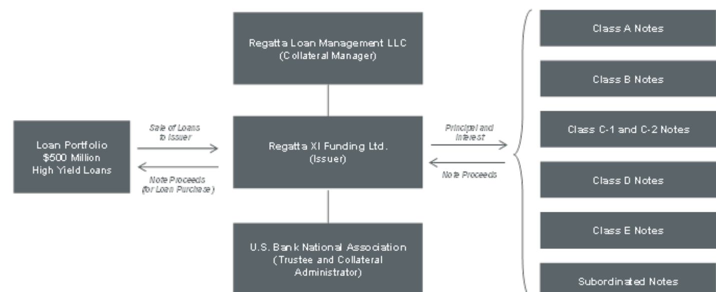
Details:		**Parties:**	
Closing Date	6/26/18	Arranger and Initial Purchaser	Morgan Stanley & Co. LLC
Country of Assets and Type	U.S. Leveraged Loans	Trustee and Collateral Administrator	U.S. Bank National Association
Country of SPV	Cayman Islands and U.S.	Collateral Manager	Regatta Loan Management LLC
Primary Analyst	Aaron Hughes +1 312 368-2074	Issuer	Regatta XI Funding Ltd.
Secondary Analyst	Andy Jozwiak +1 312 368-5469		

Key Rating Drivers

Sufficient Credit Enhancement: Credit enhancement (CE) of 36.0% for class A notes, in addition to excess spread, is sufficient to protect against portfolio default and recovery rate projections in the 'AAAsf' stress scenarios. The degree of CE available to class A notes is below the average CE of recent 'AAAsf' CLO issuances; however, cash flow modeling indicates performance in line with other Fitch-rated 'AAAsf' CLO notes.

'B' Asset Quality: The average credit quality of the indicative portfolio is '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 A notes are unlikely to be affected by the foreseeable level of defaults. Class A notes are projected to be able to withstand default rates of up to 59.8%.

Strong Recovery Expectations: The indicative portfolio consists of 97.5% first lien senior secured loans and 2.5% second lien loans. Approximately 90.3% of the indicative portfolio has strong recovery prospects or a Fitch-assigned recovery rating of 'RR2' or higher, resulting in a base case recovery assumption of 78.6%. In determining the class A notes' rating, 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 37.4% recovery rate in Fitch's 'AAAsf' scenario.



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% + $200,000 p.a.).	1	First, taxes and governmental fees; second, administrative expenses (subject to a cap of 0.0175% + $200,000 p.a.).
2	Senior management fee (0.06% p.a.) and deferred senior management fee, provided that any deferred senior management fee payment will not result in a failure to pay in full any payment to hedge counterparties or interest on the class A and class B notes.	2	Senior management fee (0.06% p.a.) and deferred senior management fee, provided that any deferred senior management fee payment will not result in a failure to pay in full any payment to hedge counterparties or interest on the class A and class B notes.
3	Class S1 note payment amount (0.14% p.a.) and deferred S1 note payment amount, provided that payment of any deferred payment amount will not result in a failure to pay in full any payment to hedge counterparties or interest on the class A and class B notes.	3	Class S1 note payment amount (0.14% p.a.) and deferred S1 note payment amount, provided that payment of any deferred payment amount will not result in a failure to pay in full any payment to hedge counterparties or interest on the class A and class B notes.
4	Any hedge payments and hedge termination payments.	4	Any hedge payments and hedge termination payments.
5	Class A interest.	5	Class A interest.
6	Class B interest.	6	Class B interest.
7	Class A/B coverage tests.	7	Class A/B coverage tests.
8	First, class C-1 and C-2 interest, pro rata; second, class C-1 and C-2 deferred interest, pro rata.	8	Class C coverage tests.
9	Class C coverage tests.	9	Class D coverage tests.
10	First, class D interest; second, class D deferred interest.	10	Class E coverage test.
11	Class D coverage tests.	11	If class C is controlling class: first, class C-1 and C-2 interest, pro rata; second, class C-1 and C-2 deferred interest, pro rata.
12	First, class E interest; second, class E deferred interest.	12	If class D is controlling class: first, class D interest; second, class D deferred interest.
13	Class E coverage test.	13	If class E is controlling class: first, class E interest; second, class E deferred interest.
14	During the reinvestment period only, if the interest diversion test is not satisfied, the lesser of (i) 50% of remaining interest proceeds or (ii) the required cure amount to be used for the purchase of additional collateral or invest in eligible investments.	14	If effective date ratings confirmation has not been obtained (other than the first payment date), to the payment of the rating confirmation redemption amount, in accordance with the note payment sequence.
15	On the first payment date, if effective date ratings confirmation has not been obtained, to deposit into the interest collection account for application as interest proceeds on the second payment date.	15	On any special redemption date, the special redemption amount in accordance with the note payment sequence.
16	If effective date ratings confirmation has not been obtained, to the payment of the rating confirmation redemption amount, in accordance with the note payment sequence.	16	During the reinvestment period only, to purchase additional collateral or invest in eligible investments.
17	Subordinated management fees (0.09% p.a.), plus any deferred subordinated management fees.	17	After the reinvestment period, to make payments in accordance with the note payment sequence.
18	Class S2 note payment amount (0.21% p.a.) and deferred S2 note payment amount.	18	After the reinvestment period, subordinated management fees (0.09% p.a.), plus any deferred subordinated management fees.
19	Unpaid administrative expenses.	19	After the reinvestment period, class S2 note payment amount (0.21% p.a.) and deferred S2 note payment amount.
20	Unpaid hedge payments and hedge termination payments.	20	After the reinvestment period, to pay any unpaid administrative expenses.
21	At the direction of the manager, the supplemental reserve amount.	21	After the reinvestment period, to pay unpaid hedge payments and hedge termination payments.
22	Pro rata to each contributor, any contribution repayment amounts.	22	Pro rata to each contributor, any contribution repayment amounts.
23	To pay the subordinated notes until an IRR of 12% is achieved.	23	To pay the subordinated notes until an IRR of 12% is achieved.
24	Pro rata, (i) 15% of the remaining interest proceeds to pay the class P notes and (ii) 5% of the remaining interest proceeds to the manager as the incentive fee amount.	24	Pro rata, (i) 15% of the remaining proceeds to pay the class P notes and (ii) 5% of the remaining proceeds to the manager as the incentive fee amount.
25	Remainder to the subordinated notes.	25	Remainder to the subordinated notes.

P.A. – Per annum. IRR – Internal rate of return. Note payment sequence: (i) class A principal, (ii) class B principal, (iii) class C-1 and C-2 interest and deferred interest, pro rata, (iv) class C-1 and C-2 principal, pro rata, (v) class D interest and deferred interest, (vi) class D principal, (vii) class E interest and deferred interest, (viii) class E principal. Class S1 and S2 notes 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

Notable Concentration Limitations

Description	Limit
Minimum % of Senior Secured Loans and Eligible Investments	90.0
Maximum % of Second Lien Loans, First Lien Last-Out Loans and Unsecured Loans	10.0
Maximum % of Each of the Top Three Obligors	2.5
Outside the Top Three Obligors, Maximum % of Each Obligor	2.0
Maximum % of Obligors of Non-Senior Secured Loans	1.0
Maximum % of Largest Moody's Industry	15.0
Outside of the Largest Industry; Maximum % of Next Two Moody's Industries	12.5
Outside of the Top Three Moody's Industries; Maximum % of Single Moody's Industry	10.0
Maximum % of Assets Purchased at a Price Below 60%	2.5
Maximum % of Securities Rated 'CCC+' or Below by S&P[a]	7.5
Maximum % of Securities Rated 'Caa1' or Below by Moody's[a]	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	60.0
Minimum % of U.S. Obligors	80.0
Maximum % of Current-Pay Assets	2.5
Maximum % of Discount Obligations	20.0
Maximum % of DIP Collateral Obligations	7.5
Maximum % of Participation Interests	10.0
Maximum % of Assets Issued by Issuer with Total Indebtedness ≥ $150 Million and < $250 Million	7.5
Maximum % of Revolving Collateral Obligations and Unfunded Delayed Drawdown Collateral Obligations	10.0

[a]Excludes defaulted and discount obligations.

Notable Prohibited Asset Types

Description
Bonds or Other Securities
Letter of Credit
Long Dated Assets [a]
Assets that Pay Less Frequently than Semiannually
Interest-Only Securities and Zero Coupon Bonds
Step-Up, Stepdown Obligations and Leases
Structured Finance Obligations and Synthetic Securities
Margin Stock
Small Obligor Loans [b] and Bridge Loans
Equity Securities (or Convertible into an Equity Security)
Obligations Purchased at a Price Below 50% of Par

[a]Other than long-dated assets acquired via maturity amendments. [b]Small obligor loans are loans issued by an issuer with total indebtedness below $150 million.

Collateral Quality Tests

Description	Limit
Minimum Weighted Average Spread (at Close %)	3.20; Subject to Matrix and a Minimum of 2.0%
Minimum Weighted Average Coupon (%)	6.5
Maximum Weighted Average Life (Years) [a]	9.06 (Declining to Zero)
Minimum Moody's Weighted Average Recovery Rate (%)	47.5
Maximum Moody's Weighted Average Rating Factor (at Close)	2825; Subject to Matrix and a maximum of 3200
Minimum Moody's Diversity Score (at Close)	75; Subject to Matrix

[a]Fitch applied the full 9.25-year risk horizon in its Fitch stressed portfolio analysis. See the Weighted Average Life section.

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

Coverage Tests

Test	Trigger (%)	Definition[a]
OC		
Class A/B	121.6	ACPA divided by A + B
Class C	115.3	ACPA divided by A + B + C
Class D	108.8	ACPA divided by A + B + C + D
Class E	104.7	ACPA divided by A + B + C + D + E
Interest Diversion Test		
Interest Diversion Test	105.2	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 notes 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 notes, 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 notes, 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 proceeds divided by the class A principal amount outstanding

[a]A equals class A principal amounts outstanding, B equals class B principal amounts outstanding, C equals class C-1 and C-2 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, included at the Moody's collateral value; defaulted assets (if defaulted ≤ three years, Moody's collateral value, or if defaulted > three years, zero); discount obligations, included at purchase price multiplied by principal balance; the excess of the greater of (i) assets rated 'Caa1' or below by Moody's in excess of 7.5% of portfolio (excluding defaulted or discount obligations) or (ii) assets rated 'CCC+' or below by S&P in excess of 7.5% of portfolio (excluding defaulted or discount obligations), included at lower of market value or par; and long-dated assets, included at the lower of market value or 70% of par.

Source: Transaction documents.

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