Regatta VII Funding Ltd./LLC

New Issue Report

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Global Rating Criteria for CLOs and Corporate CDOs (September 2016)

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Capital Structure

Class	Rating	Rating Outlook	Amount ($ Mil.)	CE (%)[a]	Interest Rate (%)	Final Maturity	TT (%)	TTLM (x)
A-1	AAAsf	Stable	206.00	36.0	3mL + 1.520	Dec. 2028	64.0	9.0
A-2	AAAsf	Stable	0.00	36.0	3mL + 1.463	Dec. 2028	64.0	9.0
A-2 Loans[b]	AAAsf	Stable	50.00	36.0	3mL + 1.463	Dec. 2028	64.0	9.0
B-1	AAsf	Stable	34.25	24.0	3mL + 2.000	Dec. 2028	12.0	1.7
B-2	AAsf	Stable	13.75	24.0	3mL + 1.800	Dec. 2028	12.0	1.7
C	NRsf	N.A.	24.00	18.0	3mL + 2.600	Dec. 2028	N.A.	N.A.
D	NRsf	N.A.	20.00	13.0	3mL + 3.750	Dec. 2028	N.A.	N.A.
E	NRsf	N.A.	20.00	8.0	3mL + 7.150	Dec. 2028	N.A.	N.A.
Subordinated Notes	NRsf	N.A.	39.25	N.A.	Residual	Dec. 2028	N.A.	N.A.
Total			407.25					

[a]Credit enhancement (CE) is based on the target par amount of $400.0 million. [b]Class A-2 loans are issued at close and include a conversion option to convert all or a portion of class A-2 loan balances into an equivalent amount of class A-2 notes. TT – Tranche thickness. TTLM – Tranche thickness loss multiple. NR – Not rated. N.A. – Not applicable. 3mL – Three-month LIBOR.

Transaction Summary

Regatta VII Funding Ltd. (the issuer) and Regatta VII Funding LLC (the co-issuer) constitute 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 debt and subordinated notes 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 36.0% for class A-1 notes, A-2 notes, and A-2 loans (collectively, the class A debt) and 24.0% for class B-1 notes and B-2 notes (collectively, the class B notes), in addition to excess spread, is sufficient to protect against portfolio default and recovery rate projections in the ‘AAAsf’ and ‘AAsf’ stress scenarios, respectively. The degree of CE available to class A debt and class B notes is in line with the average CE of recent 'AAAsf' and 'AAsf' CLO issuances, respectively.

‘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 A debt and class B notes are unlikely to be affected by the foreseeable level of defaults. Class A debt and class B notes are projected to be able to withstand default rates of up to 62.0% and 57.1%, respectively.

Strong Recovery Expectations: The indicative portfolio consists of 99.6% first lien senior secured loans. Approximately 95.1% 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 81.9%. In determining the class A debt and class B notes' 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 39.4% and 47.9% recovery rates in Fitch’s ‘AAAsf’ and ‘AAsf’ scenarios, respectively.

Transaction Comparison

	Regatta VII Funding	Regatta VI Funding	2Q16–4Q16[a] Average	Minimum	Maximum
Collateral Manager	RLM	RLM			
Target Portfolio Amount ($ Mil.)	400.0	400.0	464.1	300.0	800.0
Closing Date	10/20/16	5/19/16			
Reinvestment (Years)	4.2	4.2	4.3	2.0	5.3
Noncall (Years)	2.2	2.2	2.1	1.0	3.1
Maturity Date	12/20/28	7/20/28			
AAA Spread (bps)	152	175	158	140	210
Notes – Credit Enhancement					
AAA CE (%)	36.0	37.0	36.6	33.0	40.3
Structure					
Senior OC Test (Class)	A/B	A/B			
Initial Senior OC Test Cushion (%)	10.0	10.0	10.0	8.0	11.7
Portfolio Covenants and Concentration					
Max. WAL (Years)	8.0	8.0	8.1	6.0	9.5
Initial Target Moody's WARF	2501	2725	2691	2168	3258
Max. CCC Assets (%)	7.5	7.5	7.5	7.5	7.5
Min. WAS (%)	3.80	3.75	3.83	3.39	4.15
Initial WAS All-In Rate (%)[b]	3.94	4.23	4.23	3.74	4.74
Max. Fixed Assets (%)	5.0	5.0	4.9	0.0	10.0
Min. WAC (%)	7.50	7.50	6.99	4.00	8.00
Max. Single Obligor (Top Five) (%)[c]	2.5	2.5	2.5	2.0	4.0
Max. Single Obligor (Below Top Five) (%)	2.0	2.0	2.0	1.5	3.0
Max. Single Industry (Largest) (%)	15.0	15.0	14.8	12.0	15.0
Max. Single Industry (Second Largest) (%)	12.0	12.0	12.1	12.0	15.0
Max. Single Industry (Third Largest) (%)	12.0	12.0	11.2	10.0	13.5
Max. Single Industry (Fourth Largest) (%)	10.0	10.0	10.5	10.0	13.5
Max. Single Industry (Below Top Four) (%)	10.0	10.0	10.1	10.0	12.0
Min. Senior Secured (%)	92.5	90.0	91.8	90.0	96.0
Max. Second Lien (%)	7.5	10.0	8.1	4.0	10.0
Max. Subordinate (%)	0.0	0.0	0.0	0.0	0.0
Max. Senior Unsecured (%)	7.5	10.0	7.6	2.5	10.0
Max. Covenant-Lite (%)	60.0	70.0	63.0	50.0	80.0
Max. Long-Dated Collateral (%)	0.0	0.0	0.2	0.0	5.0
Max. Other than U.S. (%)	20.0	20.0	19.2	10.0	20.0

[a]Average/minimum/maximum calculations consider all arbitrage CLOs priced during 2Q16 , 3Q16 and 4Q16 (through Oct. 16, 2016) and backed by portfolios of broadly syndicated loans. [b]Regatta VII has a WAS of 3.84% without the benefit of LIBOR floors. [c]Regatta VII allows maximum exposure of 2.5% for up to three obligors.

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 188 assets from 181 primarily high-yield (HY) obligors totaling approximately 90% of the target initial par amount. Additionally, there were 20 unidentified obligors with assumed characteristics that compose the remaining 10% 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 (July 2016)

U.S. CLO Index: Par and OC Cushions Continue to Decline in U.S. CLOs (August 2016)

Fitch U.S. CLO Tracker – 2Q16 (August 2016)

Asset Quality

Fitch has an explicit rating or a credit opinion on approximately 49.7% of the identified portion of the indicative portfolio.

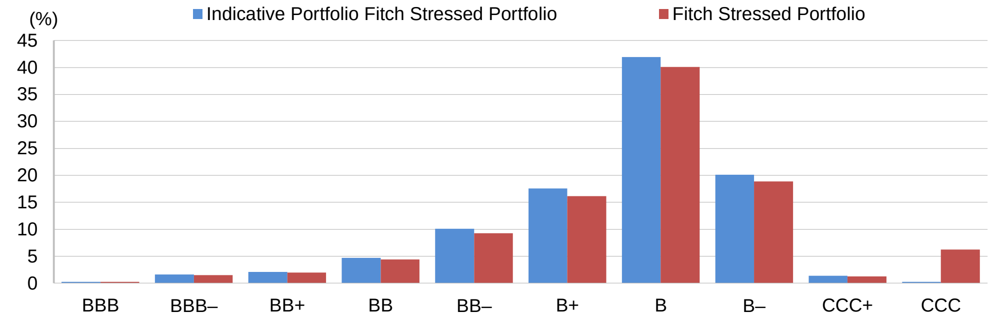
The weighted average rating of the indicative portfolio is approximately 'B+/B'. Fitch has an explicit rating or a credit opinion for 90 obligors composing 44.7% of the portfolio par balance; ratings for 45.1% of the total portfolio were derived using Fitch's issuer default rating (IDR) equivalency map. In addition, 10.0% of the portfolio were unidentified obligors and were indicated to be rated within the 'B' rating category. The remaining 0.2% did not have a public rating or a Fitch credit opinion and was assumed to be rated 'CCC'.

Distribution of Assets Considered CCC+ or Lower

Fitch IDR Mapping	Portfolio (%)
Rated ≤ CCC+	1.4
No Public Rating	0.2
Total	**1.6**

Fitch considers 1.6% 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 either Moody's or S&P, separately). The exposure to 'CCC' assets in the Fitch stressed portfolio was increased to reach the 7.5% permitted exposure.

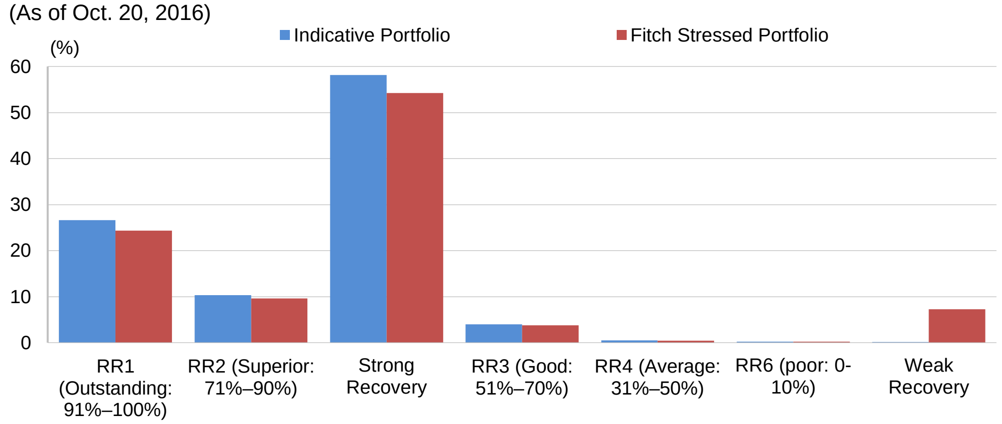
Rating Distribution
(As of Oct. 20, 2016)



Asset Security

The indicative portfolio consists of 99.6% first lien senior secured loans. Fitch has assigned asset-specific recovery ratings or recovery estimates to 41.7% 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 "Global Rating Criteria for CLOs and Corporate CDOs," available at www.fitchratings.com*).

Recovery Distribution
(As of Oct. 20, 2016)



The transaction's concentration limitations specify that a minimum of 92.5% of the portfolio must consist of first lien senior secured loans (excluding first-lien last-out loans). Up to 7.5% of the portfolio may consist of first-lien last-out loans, 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 7.5% 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 not more than 1.0% of the portfolio may consist of obligors that are not senior secured loans (excluding first lien last out loans). 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	11.4	15.0
Computer and Electronics	11.1	12.0
Telecommunications	7.3	12.0
Healthcare	7.0	7.9
Transportation and Distribution	3.7	6.8

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%.

Top Five Obligor Concentrations

Obligor	Fitch Rating	Indicative Portfolio (%)	Fitch Stressed Portfolio (%)	Fitch Industry	Seniority
1	B	0.9	2.5	Food and Beverage and Tobacco	Senior Secured Loans
2	B	0.7	2.5	Healthcare	Senior Secured Loans
3	B	0.6	2.5	Transportation and Distribution	Senior Secured Loans
4	B	0.6	2.0	Transportation and Distribution	Senior Secured Loans
5	B	0.6	2.0	Utilities Power	Senior Secured Loans

Fitch accounted for the maximum allowable industry concentration in the top three industries in its construction of the Fitch stressed portfolio.

Weighted Average Life

The indicative portfolio has a weighted average life (WAL) of approximately 5.7 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, 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, bridge loans, 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.

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. 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 3.80% 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 95.0% 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 debt 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 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 A debt and class B notes could withstand in stress scenarios without experiencing a loss. BDRs for class A debt and class B 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 debt and class B notes passed the 'AAAsf'

PCM RDRs and RRRs for the Fitch Stressed Portfolio

(%)

Rating	RDR	RRR
AAAsf	58.9	39.4
AAsf	54.5	47.9
Asf	48.8	52.9
BBBsf	44.6	59.0
BBsf	37.8	68.3
Bsf	33.8	75.4

and ‘AAsf’ PCM hurdle rates, respectively, in all nine stress scenarios when analyzing both the indicative and Fitch stressed portfolios with the minimum cushions shown in the table below.

Break-Even Default Rates

(%)

Portfolio	Indicative[a]	Fitch Stressed[a]	Indicative[a]	Fitch Stressed[a]
Class	A	A	B	B
Break-Even Default Rate	65.7	62.0	60.2	57.1
Assumed Recovery Rate	43.8	39.4	53.2	47.9
PCM Hurdle Rate	47.5	58.9	44.2	54.5
Default Cushion	18.2	3.1	16.0	2.6
Default Timing	Mid	Mid	Mid	Mid
LIBOR	Up	Up	Up	Up

[a]Fitch stressed portfolio based on assumed 8.0-year WAL, 95.0% floating-rate assets paying a 3.80% 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.

When testing a stressed portfolio consisting of 100% floating-rate assets, the class A debt and class B notes passed the ‘AAAsf’ and ‘AAsf’ PCM hurdle rates, respectively, in all nine stress scenarios with minimum cushions of 5.0% and 2.6 %, respectively.

Though the class B notes passed the ‘AA+sf’ PCM hurdle rate in all nine stress scenarios with a minimum cushion of 0.40%, Fitch assigned a ‘AAsf’ rating because the CE level available to such notes is in line with the ‘AA’ CE level on recently issued CLOs and modeling results are in line with other Fitch-rated ‘AAsf’ CLO notes.

Fitch was comfortable assigning a ‘AAAsf’ rating to class A and a ‘AAsf’ rating to class B 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 classeswhen analyzing the indicative portfolio.

Rating Sensitivity

In addition to its analysis of the indicative and Fitch stressed portfolios, Fitch analyzed the debt’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 tested two extreme points on the Moody's collateral quality matrix, which features various WAS, WARF and diversity score combinations. The two matrix points tested were:

- High credit quality/low WAS combination, where Fitch reduced the WAS to 2.10% and increased the average credit quality of the portfolio to be the Fitch equivalent of a Moody's WARF of 1440.
- Low credit quality/high WAS combination, where Fitch increased the WAS to 5.20% and decreased the average credit quality of the portfolio to be the Fitch equivalent of a Moody's WARF of 3242.

Rating Sensitivity

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

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. Either (i) the WAL will be satisfied or (ii) the Reinvestment Condition is satisfied and the WAL test is maintained or improved. The WARF test must be satisfied after giving effect to the reinvestment.	
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 and not more than 7.5% of CPA may consist of obligations with an S&P rating of 'CCC+' or below.	
Coverage Tests	Satisfaction, or if failing, maintain or improve. If any coverage test is not satisfied, 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.	For unscheduled principal payments, the APB of all collateral shall be maintained or increased.	The APB of all additional collateral at least equals the related proceeds.
Rating Requirements	N.A.		The Moody's and S&P 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 debt 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).			

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. No reinvestment is permitted if such reinvestment would cause a Retention Deficiency. . Reinvestment Condition – A condition satisfied if the 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.

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 collateral 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 debt under various stressful scenarios.

Additional Structural Features

Class A-2 Loan Conversion Option

The class A-2 loan contains a conversion option where, if exercised, all or a portion of the outstanding class A-2 loan balance may be converted to class A-2 notes. Upon conversion, the aggregate outstanding amount of class A-2 notes shall be increased by the principal amount of the class A-2 loans so converted, and the portion of the class A-2 loans so converted shall cease to be outstanding. After a conversion, interest accrued on class A-2 loans since the prior payment date (or closing date if no payment date has occurred) will be deemed to have accrued on class A-2 notes. No class A-2 notes may be converted into class A-2 loans.

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 will be based on a percentage of the fee basis amount, 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 assets (i) purchase price or (ii) principal balance, net of expenses. The ability to designate trading gains as interest proceeds is to aid flexibility of noncompliance with European 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 the weighted average rating factor and weighted average life test are satisfied after giving effect to such transfer and (b) depositing trading gains in 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. The retention holder is expected to retain approximately 51% of the subordinated notes, or 5% of the collateral principal amount. Such a re-classification 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 debt. This mechanism effectively transfers the market value gains from the structure to the manager and equity holders. Fitch's analysis considers the target initial par amount of the transaction, or $400 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 Debt

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

During the reinvestment period, if no EOD has 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 debt of existing classes (other than the class S1, S2, and P notes); provided, that only consent of the retention holder will be required if only subordinated notes are being issued to prevent or cure a retention deficiency. 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 debt, 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 debt or on a pro rata basis for all classes subordinate to the class A debt except that a larger proportion of subordinated notes may be issued.
- Issuance cannot exceed 100% of the original principal amount of the applicable class or classes of secured debt, 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 debt, and, in the case of additional issuance of any class A debt or any additional class of debt that is pari passu with the class A debt, prior written consent of a majority of the class A debt 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 debt must be identical to those of the previously issued debt of the same class, except for the price and interest rate, which may not exceed the interest rate of the original debt of such class.

These provisions should mitigate any credit concerns for class A debt and class B notes, as the degree of subordination and OC available to such debt must be maintained or increased pursuant to an additional debt issuance. Fitch will evaluate the impact of any additional issuance at the time of such occurrence.

It is possible to issue additional debt of an existing class into either a floating- or fixed-rate debt, 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 must not be increased as a result of such issuance. However, such additional issuance could also result in interest rate mismatches with the CLO's underlying collateral. Fitch would 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 expires, at the written direction of a majority of the subordinated noteholders 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). If sales proceeds from the underlying collateral are to be used pursuant to an optional redemption, all rated classes of debt must be redeemed in whole but not in part, at their applicable redemption prices (full principal plus accrued interest). The debt 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 debt to be redeemed, plus all administrative expenses and any other amounts payable prior to repayment of the debt.

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

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 debt subject to such refinancing.

The debt may be refinanced from a floating-rate debt to a fixed-rate debt.

The transaction also features standard refinancing provisions that may be undertaken after the noncall period expires at the direction of a majority of subordinated noteholders and consent the portfolio manager at least 30 days prior to the proposed refinancing date. Refinancing proceeds may be used in addition to sales proceeds to effect a redemption of all secured debt, as long as such total proceeds are sufficient to repay all the redemption prices and other fees and expenses payable prior to redeeming the debt. The secured debt can also be redeemed in part by class from refinancing proceeds and partial refinancing interest proceeds (so long as any class to be redeemed represents the entire class).

In the case of a refinancing of any one or more classes of debt 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 debt being refinanced.
- The obligations providing the refinancing has a stated maturity equal to that of the corresponding debt 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 weighted average spread over LIBOR does not exceed the weighted average spread over LIBOR of the debt being refinanced. If the refinancing obligations bear interest at a fixed rate, such fixed rate is less than the spread over LIBOR of such class.
- The refinancing will not cause the collateral manager to violate the U.S. Risk Retention Rules or Retention Requirements.

A partial refinancing of a floating-rate debt using fixed-rate replacement debt 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 debt 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

Class A debt is not eligible for repricing.

After the non-call period, a majority of the subordinated noteholders (with consent of the collateral manager) or the collateral manager may direct the issuer to reduce the spread over LIBOR for any class of floating rate debt (other than class A debt) and reduce the interest rate applicable to the fixed-rate debt . Any repricing may be withdrawn by a majority of the subordinated noteholders or the collateral manager on any day up to and including the fourth business day prior to the scheduled repricing date.

At least 20 business days prior to the proposed repricing date, each holder of the class proposed to be repriced will receive a notice that specifies the proposed repricing date, the class or classes subject to the repricing and the revised spread over LIBOR (or fixed interest rate) to be applied to such class and the price at which the debt will be sold or transferred if any holder does not consent to the repricing.

Holders who do not deliver written consent to the repricing notice at least 15 business days prior to the specified repricing date are deemed to be nonconsenting holders. If less than all holders of the applicable class agree to the repricing, then those holders who do agree to such repricing will be given the opportunity to purchase debt from the nonconsenting holders. In the event of oversubscription, the issuer or a repricing intermediary will sell the nonconsenting debt (or repricing replacement debt) to the consenting noteholders on a pro rata basis, based on the amount of debt each consenting holder desires to purchase. In the event of undersubscription, the issuer or a repricing intermediary will sell the nonconsenting debt (or repricing replacement debt) to one or more transferees.

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 debt 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 Debt

No debt may be surrendered except for payment as provided in the indenture or for transfer or exchange. While the co-issuers may not repurchase any debt using principal proceeds, contributions may be applied during the reinvestment period to repurchase the most senior class outstanding.

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

Events of Default: Undercollateralization

On any measurement date after the effective date, on which class A debt 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 debt is less than 102.5%. If an EOD occurs under this clause, holders of a majority of the class A debt 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, an affiliate of Napier Park Global Capital. As part of its analysis, Fitch evaluated RLM 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 collateral manager will receive senior and subordinated management fees of 6 bps and 9 bps 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 (14.0 bps), class S2 (21.0 bps), 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 investment manager if this becomes necessary for any reason.

Hedge Counterparties

The debt 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.

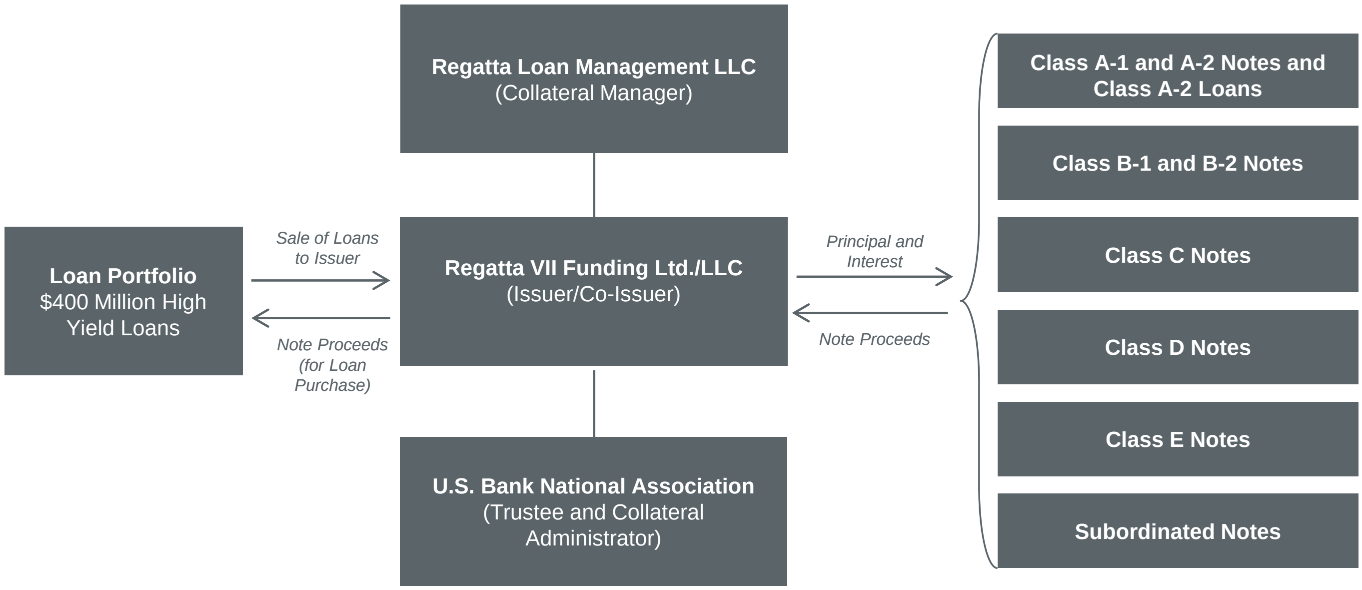
Other Counterparties

Provisions for the eligible investments to be purchased with 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 debt 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 and Legal Structure

The debt will be issued by Regatta VII Funding Ltd. and Regatta VII Funding LLC, which are bankruptcy-remote, special-purpose vehicles organized under the laws of the Cayman Islands and Delaware, respectively. The rated debt is secured by the underlying portfolio of assets. Payments to the debt will be made quarterly, commencing in March 2017.

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, letters or credit or other securities.

Risk Retention

The transaction is intended to comply with both European and forthcoming 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 portion of the initial collateral portfolio is also intended to be considered as originated by the collateral manager in relation to European risk 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 advice or confirm that the legal and/or tax opinions or any other transaction documents or any transaction structures are sufficient for any purpose. The disclaimer at the foot of this report makes it clear that this report does not constitute legal, tax and/or structuring advice from Fitch and should not be used or interpreted as legal, tax, and/or structuring advice from Fitch. Should readers of this report need legal, tax and/or structuring advice, they are urged to contact relevant advisers in the relevant jurisdictions.

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," 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 35.4% of the indicative portfolio. In addition, Fitch publicly rates 9.3% of the portfolio. The information utilized in Fitch's analysis is as of Oct. 20, 2016.

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 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 VII Funding Ltd./LLC — U.S./Structured Credit

Capital Structure

Class	Rating	Rating Outlook	Size (%)	Size ($ Mil.)	CE (%)[a]	Interest Rate (%)	PMT Freq.	Final Maturity
A-1	AAAsf	Stable	50.6	206.00	36.0	3mL + 1.520	Quarterly	Dec. 2028
A-2	AAAsf	Stable	0.0	0.00	36.0	3mL + 1.463	Quarterly	Dec. 2028
A-2 Loan [b]	AAAsf	Stable	12.3	50.00	36.0	3mL + 1.463	Quarterly	Dec. 2028
B-1	AAsf	Stable	8.4	34.25	24.0	3mL + 2.000	Quarterly	Dec. 2028
B-2	AAsf	Stable	3.4	13.75	24.0	3mL + 1.800	Quarterly	Dec. 2028
C	NRsf	N.A.	5.9	24.00	18.0	3mL + 2.600	Quarterly	Dec. 2028
D	NRsf	N.A.	4.9	20.00	13.0	3mL + 3.750	Quarterly	Dec. 2028
E	NRsf	N.A.	4.9	20.00	8.0	3mL + 7.150	Quarterly	Dec. 2028
Subordinated Notes	NRsf	N.A.	9.6	39.25	N.A.	Residual	N.A.	Dec. 2028
Total			**100.0**	**407.25**				

[a]Based on the target par amount of $400.0 million. [b] Class A-2 loans are issued at close and include a conversion option to convert all or a portion of class A-2 loan balances into an equivalent amount of class A-2 notes. NR – Not rated. N.A. – Not applicable. 3mL – Three-month LIBOR.

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

Key Information

Details:		**Parties:**	
Closing Date	10/20/16	Arranger and Initial Purchaser	BNP Paribas Securities Corp.
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	Cristina Jennings	Issuer and Co-Issuer	Regatta VII Funding Ltd. and Regatta VII Funding LLC
	+1 312 606-2300		
Secondary Analyst	Aaron Hughes		
	+1 312 368-2074		
Asset Manager Assessment	Russ Thomas		
	+1 312 368-3189		

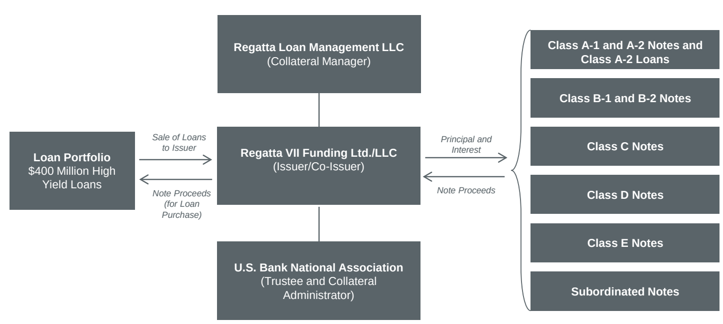
Key Rating Drivers

Sufficient Credit Enhancement: Credit enhancement (CE) of 36.0% for class A-1 notes, A-2 notes, and A-2 loans (collectively, the class A debt) and 24.0% for class B-1 notes and class B-2 notes (collectively, the class B notes), in addition to excess spread, is sufficient to protect against portfolio default and recovery rate projections in the ‘AAAsf’ and ‘AAsf’ stress scenarios, respectively. The degree of CE available to class A debt and B notes is in line with the average CE of recent 'AAAsf' and 'AAsf' CLO issuances, respectively.

‘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 A debt and class B notes are unlikely to be affected by the foreseeable level of defaults. Class A debt and class B notes are projected to be able to withstand default rates of up to 62.0% and 57.1%, respectively.

Strong Recovery Expectations: The indicative portfolio consists of 99.6% first lien senior secured loans. Approximately 95.1% 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 81.9%. In determining the class A debt and class B notes' 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 39.4% and 47.9% recovery rates in Fitch’s ‘AAAsf’ and ‘AAsf’ scenarios, respectively**.**

Transaction Structure



Source: Transaction documents.

Appendix B: Asset Manager Profile Report — The Fitch View

Napier Park Global Capital (US) LP, (as Services Provider for CLOs issued by Regatta Loan Management LLC)

Key Considerations

- Napier Park has entered into both a Staff and Services Agreement and a Structuring and Advisory Services Agreement with Regatta Loan Management LLC (RLM), retention holder for the purposes risk retention requirements.
- Napier Park provides credit research, risk management services, a legal and compliance team, a finance team, technology, reporting, loan execution and certain other middle and back office support on an exclusive basis to RLM-managed CLOs.
- Napier Park has experience and stability of senior portfolio managers, who have more than 22 years' average experience in the loan market; they have worked together as a team for over 15 years.
- Napier Park has a demonstrated track record of credit risk management and loss mitigation supported through an active management strategy.
- Continuing to diversify Napier Park's asset base away from CLOs (40% of AUM as of Jan. 1, 2016), raising further assets and developing new product lines under uncertain market conditions is an ongoing challenge.

Company

- With approximately 100 employees and $6.2 billion in AUM as of Jan. 1, 2016, Napier Park is a specialist in the leveraged loan market with experience managing 20 different leveraged loan vehicles. The company is 100% employee-owned.
- Napier Park currently manages $2.9bn in CLO vehicles and has managed another $8.0bn in different leveraged loan vehicles. In August 2011 Napier Park assumed the management contracts of four Duane Street CLOs from DiMaio Ahmad Capital LLC.
- Senior portfolio managers have an average of 22 years' corporate loan experience, and have worked together for over 15 years.
- In addition to portfolio managers, the CLOs are supported by seven credit analysts with an average of 14 years' experience.

Investments

- Active portfolio management focusing on principal preservation, supplemented by continuous evaluation of relative value and market standards.
- Portfolio reviews and investment decisions are driven from bottom-up credit analysis supported by proprietary research.
- Credits are assigned to analysts by sector and all are reviewed formally at least quarterly. There is a formalized watch list process for analyzing and monitoring changes to credit quality.
- Watch list analysis includes perception of risk and potential for loss with a focus on financial performance, liquidity, industry deterioration, and management dynamics.
- The investment committee consists of three senior managing directors. The committee examines formal buy recommendations from credit analysts along with such information as macro-economic and industry-specific issues, and collateral protection and potential repayment options. Each credit is assigned an internal rating and is categorized based on expected loss.
- There is a formalized ongoing surveillance process in daily meetings covering all aspects of portfolio analysis including performance against benchmark, credit specific events and forward projections.

Controls

- An automated daily credit risk monitoring process is supported by an appropriate portfolio management framework.
- Multiple levels of review and oversight to support accuracy of trading, portfolio management, and administration functions.
- Investment risk and CLO performance are successfully monitored through daily reports received by Virtus.
- Risk, Valuation, Fiduciary, New Product, and Technology Steering Committees provide comprehensive oversight and governance.

Operations

- Portfolio management and credit analysis are conducted fully in-house, supplemented by the use of third-party analytical resources including Bloomberg, CDO Suite, ALPS and Geneva.
- Reporting services to investors are transparent, investor-centric and well aligned to underlying asset classes, providing historical data as well as risk analytics.
- There is an established relationship with Virtus and the trustee for a seamless loan processing platform.

Technology

- An integrated and flexible platform is based on a combination of proprietary analytics and third-party administration systems including widely accepted industry systems such as CDO Suite, ALPS, and Virtus.
- Front- to middle-office position monitoring and order management systems are efficient and robust.
- The business continuity plan is appropriate and tested annually.

Appendix C: 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 (0.06% p.a.) and deferred senior management fee, provided that any deferred senior management fee payment will not result in a failure to pay in in full any payment to hedge counterparties or any interest on the class A debt or 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 in full any payment to hedge counterparties or any interest on the class A debt or 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 in full any payment to hedge counterparties or any interest on the class A debt or 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 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 A debt or class B notes
4	Any hedge payments and hedge termination payments	4	Any hedge payments and hedge termination payments
5	Class A-1 notes, A-2 notes and A-2 loans interest, pro rata	5	Class A-1 notes, A-2 notes and A-2 loans interest, pro rata
6	Class B-1 and B-2 interest, pro rata	6	Class B-1 and B-2 interest, pro rata
7	Class A/B coverage tests	7	Class A/B coverage tests
8	First, class C interest and second, class C deferred interest	8	First, class C interest and second, class C deferred interest, only if class C is controlling class
9	Class C coverage tests	9	Class C coverage tests
10	First, class D interest and second, class D deferred interest	10	First, class D interest and second, class D deferred interest, only if class D is controlling class
11	Class D coverage tests	11	Class D coverage tests
12	First, class E interest and second, class E deferred interest	12	First, class E interest and second, class E deferred interest, only if class E is controlling class
13	Class E OC test	13	Class E OC test
14	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	14	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	If effective date rating confirmation has not been obtained, to the payment of the rating confirmation redemption amount, in accordance with the debt payment sequence	15	If effective date rating confirmation has not been obtained, to the payment of the rating confirmation redemption amount, in accordance with the debt payment sequence
16	Subordinated management fees (0.09% p.a.) plus, any deferred subordinated management fees	16	On any special redemption date, payment of the special redemption amount in accordance with the debt payment sequence
17	Class S2 note payment amount (0.21% p.a.) and deferred S2 note payment amount	17	During the reinvestment period only, to purchase additional collateral or invest in eligible investments
18	Unpaid administrative expenses	18	After the reinvestment period, to make payments in accordance with the debt payment sequence
19	Unpaid hedge payments and hedge termination payments	19	After the reinvestment period, subordinated management fees (0.09% p.a.) plus, any deferred subordinated management fees
20	At the direction of the collateral manager, the supplemental reserve amount	20	After the reinvestment period, class S2 note payment amount (0.21% p.a.) and deferred S2 note payment amount
21	To pay the subordinated notes until an IRR of 12% is achieved	21	After the reinvestment period, to pay any unpaid administrative expenses
22	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 collateral manager as the incentive fee amount	22	After the reinvestment period to pay unpaid hedge payments and hedge termination payments
23	Remainder to the subordinated notes	23	To pay the subordinated notes until an IRR of 12% is achieved
		24	Pro rata, (i) 15% of the remaining principal proceeds to pay the class P notes and (ii) 5% of the remaining principal proceeds to the collateral manager as the incentive fee amount
		25	Remainder to the subordinated notes

P.A. – Per annum. IRR – Internal rate of return. Debt payment sequence: (i) class A-1 notes, A-2 notes, and A-2 loans 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 D: Collateral Quality Tests, Concentration Limitations, and Coverage Tests

Notable Concentration Limitations

Description	Limit
Minimum % of Senior Secured Loans and Eligible Investments	92.5
Maximum % of Second Lien Loans, First-Lien Last-Out Loans and Unsecured Loans	7.5
Maximum % from a Single Obligor that are Second Lien Loans, First-Lien-Last-Out Loans or Unsecured Loans	1.0
Maximum % of Each of the Top Three Obligors	2.5
Outside the Top Three 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 'CCC+' or Below by S&P	7.5
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	60.0
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 Assets Issued by Issuer with Total Indebtedness Between $250 Million and $200 Million	10.0
Maximum % of Revolving Collateral Obligations and Unfunded Delayed Drawdown Collateral Obligations	10.0

Notable Prohibited Asset Types

Description	Limit
Maximum % of Bonds 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
Maximum % of Bridge Loans and Related Obligations	0.0

Collateral Quality Tests

Description	Limit
Minimum Weighted Average Spread (at Close %)	3.80; Subject to Matrix and a Minimum of 2.0%
Minimum Weighted Average Coupon (%)	7.5
Maximum Weighted Average Life (Years)	8.0 (Declining)
Minimum Moody's Weighted Average Recovery Rate (%)	43.0
Maximum Moody's Weighted Average Rating Factor (at Close)[a]	2780; Subject to Matrix and a maximum of 3250
Minimum Moody's Diversity Score (at Close)	60; Subject to Matrix

[a]Includes modifiers.

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

Coverage Tests

Test	Trigger (%)	Definition[a]
OC		
Class A/B	121.58	ACPA divided by A + B
Class C	113.95	ACPA divided by A + B + C
Class D	108.94	ACPA divided by A + B + C + D
Class E	104.70	ACPA divided by A + B + C + D + E
Interest Diversion Test		
Interest Diversion Test	105.20	ACPA divided by A + B + C + D + E
IC		
Class A/B	120.00	Interest proceeds and expected interest income minus senior expenses, divided by interest due to class A debt and B notes (excluding deferred interest, but including interest on deferred interest)
Class C	110.00	Interest proceeds and expected interest income minus senior expenses, divided by interest due to class A debt, B and C notes (excluding deferred interest, but including interest on deferred interest)
Class D	105.00	Interest proceeds and expected interest income minus senior expenses, divided by interest due to class A debt, B, C and D notes (excluding deferred interest, but including interest on deferred interest)
Par Value EOD		
Par Value EOD	102.50	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-1, A-2 and A-2 Loan principal amounts 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 excess of 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 market value. Long dated assets are given no credit.
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.