Regatta IX Funding Ltd./LLC

Presale Report

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Related Criteria

Global Structured Finance Rating Criteria (June 2016)

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

Structured Finance and Covered Bonds Interest Rate Stresses Rating Criteria (February 2017)

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

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Capital Structure

Class	Rating	Rating Outlook	Amount ($ Mil.)	CE (%)[a]	Modeled Interest Rate (%)	Final Maturity	TT (%)	TTLM (x)
A	AAA(EXP)sf	Stable	256.00	36.0	3mL + 1.30	May 2030	64.0	7.9
B	NR(EXP)sf	N.A.	47.50	24.1	3mL + 1.60	May 2030	N.A.	N.A.
C	NR(EXP)sf	N.A.	18.80	19.4	3mL + 2.30	May 2030	N.A.	N.A.
D	NR(EXP)sf	N.A.	24.80	13.2	3mL + 3.50	May 2030	N.A.	N.A.
E	NR(EXP)sf	N.A.	20.90	8.0	3mL + 6.00	May 2030	N.A.	N.A.
Subordinated Notes[b]	NR(EXP)sf	N.A.	40.05	N.A.	Residual	May 2030	N.A.	N.A.
Total			**408.05**					

Expected ratings do not reflect final ratings and are based on information provided by the issuer as of April 24, 2017. 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 $400.0 million. [b]Includes class S1, S2, and P notes. TT – Tranche thickness. TTLM – Tranche thickness loss multiple. NR – Not rated. N.A. – Not applicable. 3mL – Three-month LIBOR.

Transaction Summary

Regatta IX Funding Ltd. (the issuer) and Regatta IX 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 notes and subordinated notes will be used to purchase a portfolio of approximately $400 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 in line with the average CE of recent ‘AAAsf’ CLO issuances.

‘B+/B’ Asset Quality: The average credit quality of the indicative portfolio is ‘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 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 60.6%.

Strong Recovery Expectations: The indicative portfolio consists of 98.4% first lien senior secured loans. Approximately 92.5% 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 80.2%. 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 37.9% 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.

Transaction Comparison

	Regatta IX Funding	Regatta VII Funding	1Q17–2Q17[a]		
			Average	Minimum	Maximum
Collateral Manager	RLM	RLM			
Target Portfolio Amount ($ Mil.)	400.0	400.0	550.0	400.0	875.0
Closing Date	TBD	10/20/2016			
Reinvestment (Years)	5.0	4.2	4.6	2.0	6.0
Noncall (Years)	2.0	2.2	2.1	1.3	2.6
Maturity Date	May 2030	Dec 2028			
AAA Spread (bps)	130	152	131	118	147
Notes – Credit Enhancement					
AAA CE (%)	36.0	36.0	36.4	34.8	39.5
Structure					
Senior OC Test (Class)	A/B	A/B			
Initial Senior OC Test Cushion (%)	10.0	10.0	9.9	9.0	10.0
Portfolio Covenants and Concentration					
Max. WAL (Years)	9.0	8.0	8.5	6.3	10.0
Initial Target Moody's WARF	2571	2501	2728	2298	3200
Max. CCC Assets (%)	7.5	7.5	7.5	7.5	7.5
Min. WAS (%)	3.45	3.80	3.63	3.25	4.00
Initial WAS All-In Rate (%)[b]	3.53	3.94	3.80	3.43	4.19
Max. Fixed Assets (%)	5.0	5.0	4.6	0.0	7.5
Min. WAC (%)	7.50	7.50	6.92	4.00	7.50
Max. Single Obligor (Top Three) (%)	2.5	2.5	2.5	2.0	3.0
Max. Single Obligor (Below Top Three) (%)	2.0	2.0	2.0	1.5	2.5
Max. Single Industry (Largest) (%)	15.0	15.0	14.9	12.5	15.0
Max. Single Industry (Second Largest) (%)	13.5	12.0	12.2	12.0	13.5
Max. Single Industry (Third Largest) (%)	13.5	12.0	11.4	10.0	13.5
Max. Single Industry (Fourth Largest) (%)	13.5	10.0	10.5	10.0	13.5
Max. Single Industry (Below Top Four) (%)	10.0	10.0	10.0	10.0	10.0
Min. Senior Secured (%)	90.0	92.5	91.1	90.0	96.0
Max. Second Lien (%)	10.0	7.5	8.9	4.0	10.0
Max. Subordinate (%)	0.0	0.0	0.0	0.0	0.0
Max. Senior Unsecured (%)	10.0	7.5	8.9	4.0	10.0
Max. Covenant-Lite (%)	60.0	60.0	66.1	50.0	90.0
Max. Long-Dated Collateral (%)	0.0	0.0	0.5	0.0	15.0
Max. Other than U.S. (%)	20.0	20.0	19.4	10.0	20.0

[a]Includes arbitrage CLOs backed by portfolios of broadly syndicated loans that priced from Jan. 1, 2017 through April 18, 2017. [b]WAS of 3.53% without benefit of LIBOR floors.

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

Asset Analysis

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

The indicative portfolio presented to Fitch included 251 assets from 227 primarily high-yield (HY) obligors totaling approximately 86.0% of the target initial par amount. Additionally, there were 28 unidentified obligors with assumed characteristics that compose the remaining 14.0% 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

U.S. CLO Index: Spreads Decline as CLO Refinancings Pick Up (February 2017)

U.S. CLO Tracker Portfolio (February 2017)

Global CLO Market Trends Quarterly (January 2017)

Fitch U.S. Leveraged Loan Default Insight (March 2017)

Fitch has an explicit rating or a credit opinion on approximately 47.2% of the identified portion of the indicative portfolio.

Distribution of Assets Considered CCC+ or Lower

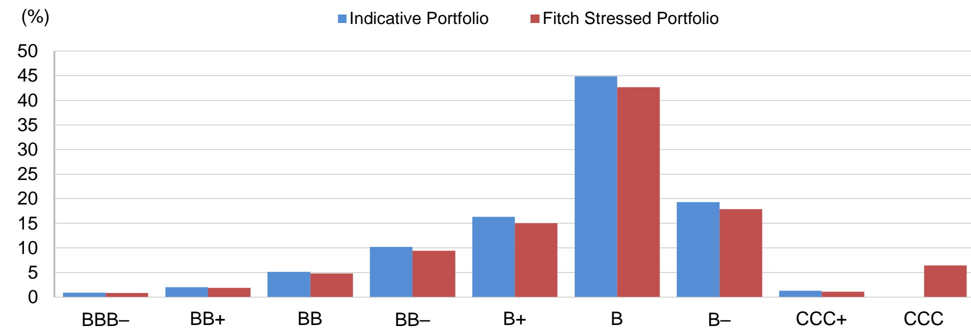
Fitch IDR Mapping	Portfolio (%)
Rated ≤ CCC+	1.3
No Public Rating	0.0
Total	**1.3**

Asset Quality

The weighted average rating of the indicative portfolio is approximately 'B+/B'. Fitch has an explicit rating or a credit opinion for 110 obligors composing 40.6% of the portfolio par balance; ratings for 45.4% of the total portfolio were derived using Fitch's issuer default rating (IDR) equivalency map. In addition, 14.0% of the portfolio were unidentified obligors and were indicated to be rated within the 'B' rating category.

Fitch considers 1.3% 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.

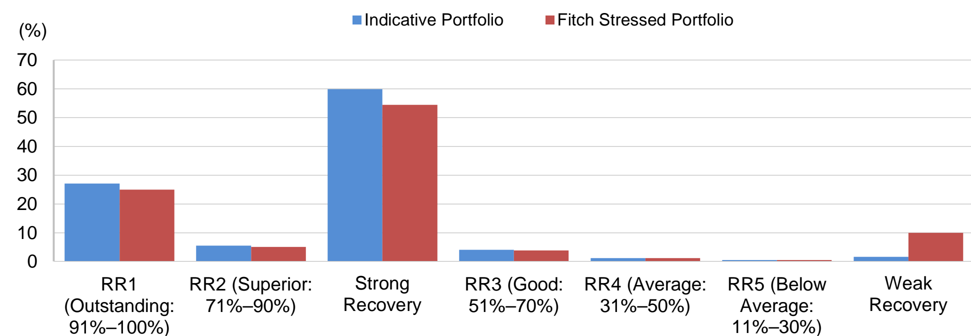
Rating Distribution
(As of April 24, 2017)



Asset Security

The indicative portfolio consists of 98.4% first lien senior secured loans. Fitch has assigned asset-specific recovery ratings or recovery estimates to 38.4% 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 April 24, 2017)



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.

Bonds and notes are not a permitted collateral type. 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. 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	9.9	15.0
Computer and Electronics	9.8	13.5
Gaming and Leisure and Entertainment	8.6	13.5
Broadcasting and Media	7.5	10.5
Chemicals	7.4	6.9

The transaction also permits concentrations of up to 15.0% in one Moody's industry and up to 13.5% in three 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	0.8	2.5	Broadcasting and Media	Senior Secured Loans
2	B	0.8	2.5	Broadcasting and Media	Senior Secured Loans
3	B	0.6	2.5	Computer and Electronics	Senior Secured Loan
4	B	0.6	2.0	Industrial and Manufacturing	Senior Secured Loan
5	B	0.6	2.0	Utilities Power	Senior Secured Loan

Weighted Average Life

The indicative portfolio has a weighted average life (WAL) of approximately 5.6 years while the transaction is initially covenanted to a nine-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 3.45% 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 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 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 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 on page 6 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 18.0%. When analyzing the Fitch stressed portfolio, the class A notes passed the 'AAAsf' PCM hurdle rate in eight of the nine stress scenarios, with one marginal model failure of 0.6% below the 'AAAsf' rating threshold.

Given the marginal failure for the class A notes, Fitch tested the performance of these notes 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 8.3%.

PCM RDRs and RRRs for the Fitch Stressed Portfolio

Rating	RDR (%)	RRR (%)
AAAsf	61.2	37.9
AAsf	56.4	46.3
Asf	50.6	51.4
BBBsf	46.4	57.3
BBsf	39.6	66.9
Bsf	35.4	73.7

Break-Even Default Rates

(%)

Portfolio	Indicative[a]	Fitch Stressed[a]
Class	A	A
Break-Even Default Rate	65.0	60.6
Assumed Recovery Rate	42.6	37.9
PCM Hurdle Rate	47.0	61.2
Default Cushion	18.0	(0.6)
Default Timing	Mid	Mid
LIBOR	Up	Up

[a]Fitch stressed portfolio based on assumed 9.0-year WAL, 95.0% floating-rate assets paying a 3.45% 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.

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 minimum cushions of 1.1%.

Fitch was comfortable assigning a ‘AAA(EXP)sf’ 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

	Class A
	Lowest Rating
Rating Sensitivity to Default Probability (DP) – 125% DP Multiplier	AA+sf
Rating Sensitivity to DP – 150% DP Multiplier	A+sf
Rating Sensitivity to Recovery Rates (RRs) – 75% RR Multiplier	AAsf
Rating Sensitivity to RRs – 50% RR Multiplier	A+sf
Rating Sensitivity to Correlation – 2.0x Base Correlation Increase	AA+sf
Rating Sensitivity to Combined Stress – 125% DP Multiplier, 75% RR Multiplier, 2.0x Base Correlation Increase	Asf

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.

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 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 below. Reinvestment after the reinvestment period must occur within the longer of (x) 30 business 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.		Satisfaction, or if failing, maintain or improve.	
Concentration Limitations	Satisfaction, or if failing, maintain or improve.		N.A.	
Coverage Tests	Satisfaction, or if failing, maintain or improve.		Each coverage 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 (either cash or in eligible investments) shall be greater than the RTPB.	Either (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 (either cash or in eligible investments) 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 eligible investments and cash representing principal proceeds is the same or greater than 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, 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.		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, and (ii) either (x) the WAL test was satisfied on the last date of the reinvestment period, or (y) will be satisfied, or if failing, maintained or improved after giving effect to such maturity extension and any proposed 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.	

APB – Aggregate principal balance. RTPB – Reinvestment target par balance. WAL – Weighted average life. N.A. – Not applicable. Note: 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 ten business day period to which the Investment Criteria above is applied as whole, rather to any one single reinvestment in that period (subject to certain conditions). Credit Amendment is any maturity amendment which, in the collateral manager's judgement, is necessary to (i) prevent the collateral obligation from becoming a defaulted obligation, or (ii) to minimize material losses on the collateral obligation due to its material adverse financial condition. Credit Amendments are subject to a 10% cap, measured cumulatively since the last day of the reinvestment period.

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 notes under various stressful scenarios.

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 assets (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 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, after giving effect to such transfer, the weighted average rating factor and weighted average life test are satisfied 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 60% of the subordinated notes, or 6% 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 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 $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 Notes

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.

During the reinvestment period, if no EOD has occurred and is continuing, and with written 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 compliance, 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.
- No additional issuance shall be senior to the class A notes, and, in the case of additional issuance of any class A notes or any additional class of notes that is pari passu with the class A notes, prior written consent of a majority of the class A notes shall be obtained.
- The degree of compliance with each OC test is maintained or improved after giving effect to such issuance.
- Terms of any new notes must be identical to those of the previously issued notes of the same class, except for the interest rate, which may not exceed the interest rate of the original notes 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. Fitch will evaluate the impact of any additional issuance at the time of such occurrence.

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 expires, at the written direction of the collateral manager or a majority of the subordinated noteholders (with consent of the collateral 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

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

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

The transaction also features standard refinancing provisions that may be undertaken after the noncall period expires at the direction of the collateral manager or a majority of subordinated noteholders (with consent of the collateral manager) at least 14 business days prior to the proposed refinancing date. Refinancing proceeds may be used effect a redemption of all secured 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. The secured notes can also be redeemed in part by class from refinancing proceeds and partial redemption 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 notes 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 aggregate principal amount of any obligations providing the refinancing is equal to the aggregate outstanding amount of the notes being refinanced.
- The obligations providing the refinancing have a stated maturity equal to that of the corresponding notes being refinanced.
- The obligations providing the refinancing are subject to the priority of payments and do not rank higher in priority than the corresponding class being refinanced.
- The weighted average spread over LIBOR does not exceed the weighted average spread over LIBOR of the notes 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, 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.

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

Repricing

After the non-call period, 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 notes (other than class A notes) and reduce the interest rate applicable to any fixed-rate notes (if applicable). Any repricing may be withdrawn by a majority of the subordinated noteholders or the collateral manager on any day up to and including the second business day prior to the scheduled repricing date.

At least 14 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 notes will be sold or transferred if any holder does not consent to the repricing.

Class A notes are not eligible for repricing.

Holders who do not deliver written consent to the repricing notice at least seven 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 notes from the nonconsenting holders. In the event of oversubscription, the issuer or a repricing intermediary will sell the nonconsenting notes (or repricing replacement notes) to the consenting noteholders on a pro rata basis, based on the amount of notes each consenting holder desires to purchase. In the event of undersubscription, the issuer or a repricing intermediary will sell the remaining nonconsenting notes (or repricing replacement notes) 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 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 co-issuers may not repurchase any notes 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 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 on which class A notes remain outstanding, an event of default (EOD) will occur if the ratio of the aggregate principal balance of the portfolio (with defaulted assets carried at market value) plus principal proceeds to the aggregate outstanding amount of class A notes is less than 102.5%. If an EOD occurs under this clause, holders of a majority of the class A notes may direct the sale and liquidation of the portfolio.

Counterparty Risk

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 bps), class S2 (21 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.

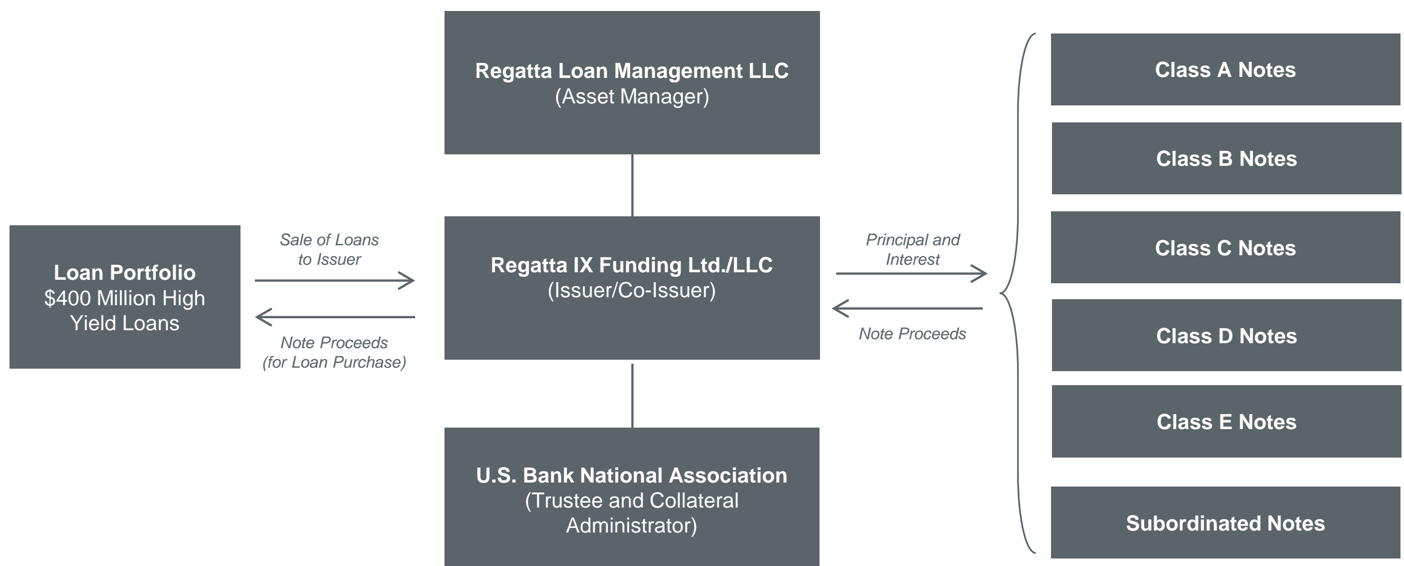
Hedge Counterparties

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

Other Counterparties

Provisions for the eligible investments to be purchased with 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 IX Funding Ltd. and Regatta IX Funding LLC, which are bankruptcy-remote, special-purpose vehicles organized under the laws of the Cayman Islands and Delaware, respectively. The rated notes are secured by the underlying portfolio of assets. Payments on the notes will be made quarterly, commencing in November 2017.

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. The issuer intends to qualify for the loan securitization exclusion.

Risk Retention

The transaction features provisions intended to achieve compliance with both European and U.S. risk retention guidelines. The collateral manager is expected to retain subordinated notes in an amount sufficient to satisfy the minimum retention requirements per both jurisdictions' guidelines. The retention method is expected to constitute an "eligible horizontal residual interest." The collateral manager will act as originator for the purpose of satisfying European risk retention requirements.

Disclaimer

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Criteria Application, Model and Data Adequacy

Criteria Application

The key criteria report utilized in the rating of this transaction is titled "Global Rating Criteria for CLOs and Corporate CDOs," 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 32.7% of the indicative portfolio. In addition, Fitch publicly rates 5.9% of the portfolio. The information utilized in Fitch's analysis is as of April 24, 2017.

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

Capital Structure

Class	Rating	Rating Outlook	Size (%)	Size ($ Mil.)	CE (%)[a]	Modeled Interest Rate (%)	PMT Freq.	Final Maturity
A	AAA(EXP)sf	Stable	62.7	256.00	36.0	3mL + 1.30	Quarterly	May 2030
B	NR(EXP)sf	N.A.	11.6	47.50	24.1	3mL + 1.60	Quarterly	May 2030
C	NR(EXP)sf	N.A.	4.6	18.80	19.4	3mL + 2.30	Quarterly	May 2030
D	NR(EXP)sf	N.A.	6.1	24.80	13.2	3mL + 3.50	Quarterly	May 2030
E	NR(EXP)sf	N.A.	5.1	20.90	8.0	3mL + 6.00	Quarterly	May 2030
Subordinated Notes[b]	NR(EXP)sf	N.A.	9.8	40.05	N.A.	Residual	N.A.	May 2030
Total			**100.0**	**408.05**				

[a]Based on the target par amount of $400.0 million. [b]Includes class S1, S2, and P notes. NR – Not rated. N.A. – Not applicable. 3mL – Three-month LIBOR.

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

Key Information

Details:		**Parties:**	
Closing Date	TBD	Arranger and Initial Purchaser	J.P. Morgan Securities 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	Issuer and Co-Issuer	Regatta IX Funding Ltd. and Regatta IX Funding LLC
	+1 312 368-2074		
Secondary Analyst	Steven Yaeger		
	+1 646 582-4759		

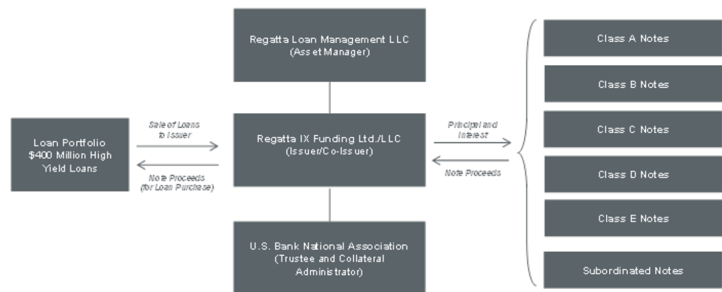
Key Rating Drivers

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 'AAAsf' stress scenarios. The degree of CE available to class A notes is in line with the average CE of recent 'AAAsf' CLO issuances.

'B+/B' Asset Quality: The average credit quality of the indicative portfolio is '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 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 60.6%.

Strong Recovery Expectations: The indicative portfolio consists of 98.4% first lien senior secured loans. Approximately 92.5% 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 80.2%. 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 37.9% recovery rate in Fitch's 'AAAsf' scenarios.

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 a staff and services agreement and a structuring and advisory services agreement with RLM, the retention holder for the purposes of risk retention requirements.
- Napier Park has stability in terms of senior portfolio management. These managers average more than 22 years' experience in the loan market and have worked together as a team for over 15 years.

Company

- Through the staff and services agreement, 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.
- RLM was established by Napier Park in response to risk retention regulations. RLM's primary business consists of acting as collateral manager for CLO transactions and related warehouse facilities and as a holder of CLO retention interests in both the U.S. and Europe.
- Napier Park managed USD3.2 billion in CLO vehicles and another USD8.0 billion in different leveraged loan vehicles as of Dec. 31, 2016. 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 23 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 13 years' experience.

Investments

- Napier Park has an active portfolio management strategy focusing on principal preservation, supplemented by continuous evaluation of relative value and market standards.
- The investment committee consists of three senior managing directors. Portfolio reviews and investment decisions are driven from bottom-up credit analysis supported by proprietary research.
- Watch list analysis includes perception of risk and potential for loss with a focus on financial performance, liquidity, industry deterioration and management dynamics.
- There is a formalized ongoing surveillance through daily review of relevant news related to names in the portfolio, the general economic and loan environment, price movements, relative value, industry developments and cash positions.

Controls

- Automated daily credit-risk monitoring process to track portfolio positions and key risks.
- The company has multiple levels of review and oversight to support accuracy of trading, portfolio management and administration functions.
- Investment risk and CLO performance are 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 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 interest; second, class C deferred interest.	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 interest; second, class C deferred interest.
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	On any special redemption date, the special redemption amount in accordance with the note payment sequence.
15	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.	15	During the reinvestment period only, to purchase additional collateral or invest in eligible investments.
16	Subordinated management fees (0.09% p.a.), plus any deferred subordinated management fees.	16	After the reinvestment period, to make payments in accordance with the note payment sequence.
17	Class S2 note payment amount (0.21% p.a.) and deferred S2 note payment amount.	17	After the reinvestment period, subordinated management fees (0.09% p.a.), plus any deferred subordinated management fees.
18	Unpaid administrative expenses.	18	After the reinvestment period, class S2 note payment amount (0.21% p.a.) and deferred S2 note payment amount.
19	Unpaid hedge payments and hedge termination payments.	19	After the reinvestment period, to pay any unpaid administrative expenses.
20	At the direction of the collateral manager, the supplemental reserve amount.	20	After the reinvestment period, to pay unpaid hedge payments and hedge termination payments.
21	To pay the subordinated notes until an IRR of 12% is achieved.	21	To pay the subordinated notes until an IRR of 12% is achieved.
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	Pro rata, (i) 15% of the remaining proceeds to pay the class P notes and (ii) 5% of the remaining proceeds to the collateral manager as the incentive fee amount.
23	Remainder to the subordinated notes.	23	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 interest and deferred interest, (iv) class C principal, (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 D: 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 Largest Moody's Industry	15.0
Outside of the Largest Industry; Maximum % of Next Three Moody's Industries	13.5
Outside of the Top Four 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	5.0
Maximum % of DIP Collateral Obligations	7.5
Maximum % of Participation Interests	20.0
Maximum % of Assets Issued by Issuer with Total Indebtedness Between $150 Million and $250 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 Letter of Credit	0.0
Maximum % of Long Dated Assets	0.0
Maximum % of Assets that Pay Less Frequently than Semiannually	0.0
Maximum % of Interest-Only Securities and Zero Coupon Bonds	0.0
Maximum % of Step-Up, Step-Down Obligations and Leases	0.0
Maximum % of Structured Finance Obligations and Synthetic Securities	0.0
Maximum % of Margin Stock	0.0
Maximum % of Small Obligor Loans [a] and Bridge Loans	0.0
Maximum % Equity Securities (or Convertible into an Equity Security)	0.0
Maximum % of Obligations Purchased at a Price Below the Minimum Price [b]	0.0

[a]Small Obligor Loans are loans issued by an Issuer with Total Indebtedness Below $150 Million [b] Minimum Price is the Lesser of (i) 50% of the Par Value of the Collateral Obligation and (ii) 50% of the latest average bid price of the Leveraged Loan Index.

Collateral Quality Tests

Description	Limit
Minimum Weighted Average Spread (at Close %)	3.45; Subject to Matrix and a Minimum of 2.0%
Minimum Weighted Average Coupon (%)	7.5
Maximum Weighted Average Life (Years)	9.0 (Declining)
Minimum Moody's Weighted Average Recovery Rate (%)	44.0
Maximum Moody's Weighted Average Rating Factor (at Close)[a]	2650; Subject to Matrix and a maximum of 3300
Minimum Moody's Diversity Score (at Close)	70; Subject to Matrix

Appendix D: Collateral Quality Tests,

Coverage Tests

Test	Trigger (%)	Definition[a]
OC		
Class A/B	121.80	ACPA divided by A + B
Class C	116.11	ACPA divided by A + B + C
Class D	109.24	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 notes 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 notes, 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 notes, 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 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 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 lower of market value and par. 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.

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