Regatta IV Funding Ltd./LLC

Presale Report

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Related Presale Appendix

Regatta IV Funding, Ltd./LLC (May 2014)

Related Criteria

Global Structured Finance Rating Criteria (May 2014)

Global Rating Criteria for Corporate CDOs (August 2013)

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

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

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Capital Structure

Class	Expected Rating	Expected Rating Outlook	Amount ($Mil.)	CE (%)[a]	Interest Rate (%)	Final Maturity	TT (%)	TTLM (x)
X	AAAsf (EXP)	Stable	3.50	—	3mL + 1.00	2026	62.3	6.6
A-1	AAAsf (EXP)	Stable	291.00	38.3	3mL + 1.41	2026	62.3	6.6
A-2	AAAsf (EXP)	Stable	79.50	38.3	3mL + 1.53	2026	62.3	6.6
B	NR	N.A.	75.00	25.8	3mL + 2.01	2026	N.A.	N.A.
C	NR	N.A.	37.50	19.5	3mL + 2.95	2026	N.A.	N.A.
D	NR	N.A.	38.25	13.1	3mL + 3.50	2026	N.A.	N.A.
E	NR	N.A.	33.75	7.5	3mL + 4.95	2026	N.A.	N.A.
F	NR	N.A.	10.00	5.8	3mL + 5.50	2026	N.A.	N.A.
Subordinated Notes	NR	N.A.	57.50	N.A.	Residual	2026	N.A.	N.A.
Total			**626.00**					

[a]Credit enhancement (CE) is based on the target par amount of $600 million and calculated with the expectation that class X notes will ultimately be paid in full from interest proceeds. Notes: Expected ratings do not reflect final ratings and are based on information provided by the issuer as of May 23, 2014. 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. TT – Tranche thickness. TTLM – Tranche thickness loss multiple. NR – Not rated. N.A. – Not applicable. 3mL – Three-month LIBOR.

Transaction Summary

Regatta IV Funding Ltd. (the issuer) and Regatta IV Funding LLC (the co-issuer) represent an arbitrage cash flow collateralized loan obligation (CLO) that will be managed by Napier Park Global Capital (US) LP (Napier Park). Net proceeds from the issuance of notes will be used to purchase a portfolio of approximately $600 million of leveraged loans. The CLO will have a four-year reinvestment period.

Key Rating Drivers

Sufficient Credit Enhancement: Credit enhancement (CE) of 38.3% for the class A-1 and A-2 notes (collectively, the class A notes), in addition to excess spread, is sufficient to protect against portfolio default and recovery rate projections in the 'AAAsf' stress scenario. The level of CE for the class A notes is in line with the average for recent CLO issuances.

'B/B–' Asset Quality: The average credit quality of the indicative portfolio is 'B/B–', which is consistent with that of recent CLOs. Issuers rated in the 'B' rating category denote relatively weak credit quality; however, in Fitch Ratings' opinion, the class X and A notes are unlikely to be affected by the foreseeable level of defaults. The class X and A notes display robust projected performance against default rates of up to 100% and 62.1%, respectively.

Strong Recovery Expectations: The indicative portfolio consists of 95.6% first lien senior secured loans, 90.7% of which have strong recovery prospects or a Fitch-assigned recovery rating of 'RR2' or higher. This is in line with the seniority profile of recent vintage CLOs.

Consistent Portfolio Parameters: The portfolio will be actively managed and bound by concentration limitations addressing various loan characteristics. The concentration limitations presented to date are within the range of limits set in the majority of recent CLOs. Fitch addressed the impact of the most prominent risk-presenting concentration allowances.

Transaction Comparison

	Regatta IV Funding	Regatta III Funding	1Q14–2Q14[a] Average	Minimum	Maximum
Collateral Manager	Napier Park	Napier Park	—	—	—
Target Portfolio Amount ($ Mil.)	600.0	475.0	522.6	300.0	800.0
Closing Date	6/26/2014	3/27/14	—	—	—
Reinvestment (Years)	4	4	4	4	5
Noncall (Years)	2	2	2	2	4
Maturity Date	2026	4/15/26			
'AAA' Spread (bps)	141	152	150	135	160
Notes — Credit Enhancement					
'AAA' CE (%)	38.3	38.0	37.7	35.0	40.3
Structure					
Senior OC Test (Class)	A/B	A			
Senior OC Test Level (%)	124.7	124.2	124.0	119.4	132.6
Portfolio Covenants and Concentration					
Max. WAL (Years)	9.1	8.0	8.0	7.5	9.1
Initial Target Moody's WARF	2700	2600	2715	2408	3150
Max. CCC Assets (%)	7.5	5.0	7.1	5.0	7.5
Min. WAS (%)	3.8	3.8	3.8	3.3	4.7
Initial WAS All-In Rate (%)	4.6	4.6	4.6	3.9	5.6
Max. Fixed Assets (%)	5.0	7.5	5.9	0.0	10.0
Min. WAC (%)	7.0	7.0	6.7	0.0	7.5
Max. Single Obligor (Top 5) (%)	2.5	2.5	2.5	2.0	3.0
Max. Single Obligor (Below Top 5) (%)	2.0	2.0	2.0	1.5	2.5
Max. Single Industry (Largest) (%)	15.0	15.0	14.9	12.0	20.0
Max. Single Industry (2nd Largest) (%)	12.0	12.0	12.5	12.0	15.0
Max. Single Industry (3rd Largest) (%)	12.0	12.0	11.5	10.0	15.0
Max. Single Industry (4th Largest) (%)	12.0	12.0	10.7	8.0	13.5
Max. Single Industry (Below Top 4) (%)	10.0	10.0	10.0	8.0	12.0
Min. Senior Secured (%)	90.0	92.5	91.3	90.0	98.0
Max. 2nd Lien (%)	10.0	7.5	8.8	5.0	10.0
Max. Subordinate (%)	0.0	0.0	1.1	0.0	10.0
Max. Senior Unsecured (%)	10.0	7.5	7.8	0.0	10.0
Max. Covenant-Lite (%)	60.0	50.0	56.4	45.0	65.0
Max. Long-Dated Collateral (%)	0.0	0.0	0.1	0.0	2.0
Max. Other Than U.S. (%)	10.0	20.0	18.1	5.0	20.0

[a]CLOs backed by broadly syndicated loans and priced between Jan. 1, 2014 and May 13, 2014.

Related Research

Global CLO Market Trends (April 2014)

U.S. Leveraged Market Quarterly - First-Quarter Synopsis (April 2014)

U.S. Leveraged Finance: Road to Recovery Ratings (April 2014)

Fitch U.S. High Yield Default Insight - 2013 Summary and Key Statistics (March 2014)

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 presale report. References to the Fitch stressed portfolio in this report reflect the portfolio created by Fitch.

Asset Analysis

The Fitch Portfolio Credit Model (PCM v.2.4.3) 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 that was 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.

Fitch has an explicit rating or a credit opinion on approximately 33.2% of the identified portion of the indicative portfolio.

Distribution of Assets Considered CCC+ or Lower

Fitch IDR Mapping	Portfolio (%)
Rated < or = CCC+	2.8
B–/Rating Watch Negative	0.0
No Rating	3.4
Total	**6.2**

The indicative portfolio includes 236 loans from 226 high-yield (HY) obligors, including 50 unidentified assets with assumed characteristics constituting 25% of the portfolio. Fitch considers the indicative portfolio to be of similar diversity, in terms of obligor and industry concentration, as recently issued CLOs.

Asset Quality

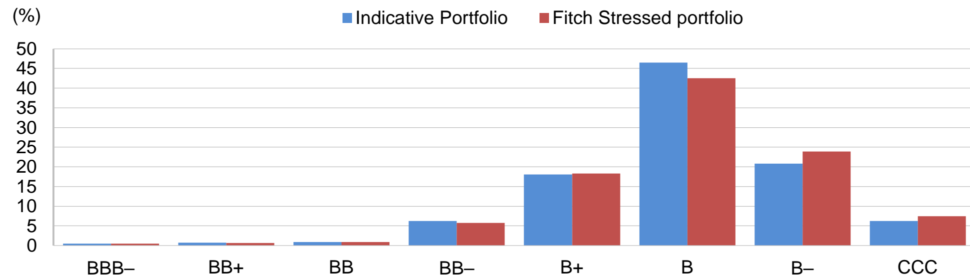
The weighted average rating of the portfolio is 'B/B–'. Fitch has an explicit rating or a credit opinion for 52 obligors comprising 24.9% of the total portfolio par balance; ratings for 46.7% of the total portfolio were derived using Fitch's issuer default rating (IDR) equivalency map. In addition, the 25% of unidentified obligors were indicated to be within the 'B' rating category. The remaining 3.4% did not have a public rating or a Fitch credit opinion and were assumed to be rated 'CCC'.

Fitch considers 6.2% of the indicative portfolio to be rated in the 'CCC' rating category, including 3.4% of unrated obligors, for which Fitch assumed 'CCC' ratings. The remaining 2.8% are explicitly rated 'CCC+' or below.

The transaction has two concentration limitations (as defined by either Moody's or S&P, separately) to address permitted exposure to 'CCC' rated collateral. Each concentration limitation has a 7.5% permissible 'CCC' bucket. The exposure to 'CCC' assets in the Fitch stressed portfolio was increased to reach the 7.5% permitted exposure.

Underlying Rating Distribution

As of May 23, 2014

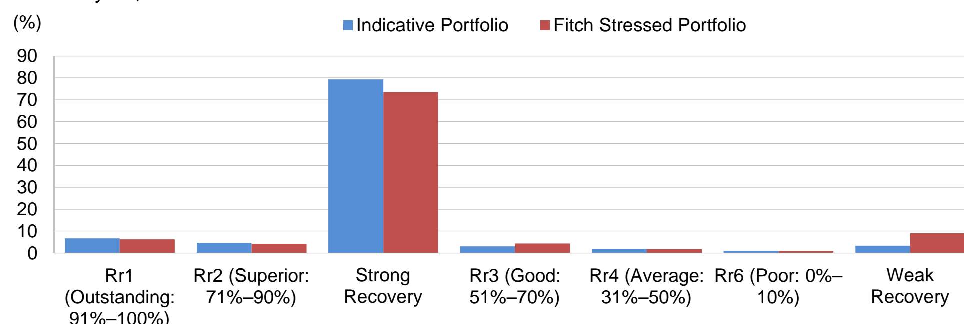


Asset Security

The indicative portfolio consists of 95.6% first lien senior secured loans and 4.4% second lien loans. Fitch has assigned asset-specific recovery ratings to 17.3% of the portfolio assets. For assets to which no asset-specific recovery ratings were assigned, Fitch's analysis 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 the agency's global rating criteria for corporate CDOs).

The concentration limitations specify that senior secured loans and eligible investments representing principal proceeds must represent at least 90% of the portfolio; second lien and unsecured loans cannot exceed 10% of the portfolio. Senior secured bonds, senior unsecured bonds and letters of credit are not permissible asset types, unless the Volcker Rule condition is satisfied, after which they are limited to 10% of the portfolio. See the Regulatory Matters section on page 13 for more information on the Volcker Rule condition. Adjustments were made to the Fitch stressed portfolio to mirror this distribution.

Recovery Distribution
As of May 23, 2014



Obligor and Industry Concentration

The concentration limitations allow exposure of up to 2.5% each for five obligors; this was incorporated into the Fitch stressed portfolio. The remaining obligors may each constitute up to 2% of the portfolio. The transaction also allows for concentrations of up to 15% for the largest Moody's industry and 12% for each of the next three largest Moody's industries, with all other industry concentrations capped at 10%. Fitch accounted for the maximum allowable industry concentrations in the top four industries in its construction of the Fitch stressed portfolio.

Top Five Industry Concentrations
(%)

Industry	Indicative Portfolio (%)	Fitch Stressed Portfolio (%)
Business Services	14.3	15.0
Energy	8.1	12.0
Retail (General)	8.0	12.0
Telecommunications	7.7	12.0
Broadcasting & Media	7.1	5.8

Top Five Obligor Concentrations
(%)

Obligor	Fitch Rating	Indicative Portfolio (%)	Fitch Stressed Portfolio (%)	Fitch Industry	Seniority
1	B–	1.0	2.5	Business Services	Senior Secured
2	B–	1.0	2.5	Business Services	Senior Secured and Second Lien
3	B–	1.0	2.5	Business Services	Senior Secured
4	B	1.0	2.5	Chemicals	Senior Secured
5	B+	0.8	2.5	Business Services	Senior Secured

Weighted Average Life

The identified portfolio has a weighted average life (WAL) of approximately 5.9 years, while the transaction is initially covenanted to a 9.1 year maximum WAL that steps down with the passage of time. Fitch assumed a 9.1-year WAL in the Fitch stressed portfolio.

Cash Flow Analysis

Fitch used a customized proprietary cash flow model to replicate the principal and interest waterfalls *(described in detail in Appendix C)* and 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. Each model run considers 12 stress scenarios to account for different combinations of default timings and interest rate stresses,

as described in Fitch's cash flow analysis criteria. The cash flow model was run using the PCM outputs for the indicative portfolio, as well as for the Fitch stressed portfolio.

Transaction documents provide the asset manager 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. The levels of these covenants will be determined by the investment manager on or prior to the effective date, contingent on a Moody's collateral quality matrix. 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 9. In its analysis of the Fitch stressed portfolio, Fitch modeled the WAS at 3.8%, according to the initial level targeted by the asset manager as represented to Fitch, and the weighted average coupon (WAC) at 7%, per the minimum required level specified in the indenture.

Interest Income and LIBOR Floors

Fitch's calculations of the initial IC levels of the indicative portfolio are based on a portfolio WAS of 4.6% over LIBOR. Fitch included the benefit from LIBOR floors for indicative assets featuring such floors.

Fitch's calculations of the initial IC levels of the Fitch stressed portfolio assume that all floating-rate assets pay a 3.8% spread over LIBOR, and that the fixed-rate collateral pays interest at 7% per annum.

The calculation of WAS includes additional spread above actual LIBOR from loans that have a LIBOR floor mechanism in place. While LIBOR floors create additional interest cash flow during periods of low LIBOR, the benefit is expected to disappear after LIBOR reaches 1.5%. The indicative portfolio's WAS is 4.6% when including the benefit from LIBOR floors, while the same portfolio would lead to WAS of 3.9% if LIBOR rises above 1.5%. Approximately 97.2% of the current indicative portfolio has LIBOR floors between 0.75% and 1.5%, which is generally in line with recent HY loan issuance.

Fitch's analysis of the indicative portfolio accounted for the actual spreads on the indicative portfolio assets (including LIBOR floors), while the analysis of the Fitch stressed portfolio assumed all floating-rate assets earn 3.8% over LIBOR, without additional benefit from LIBOR floors. Additionally, the transaction documents permit a maximum of 5% fixed-rate collateral, with a minimum WAC of 7%, as represented to Fitch. Fitch included the maximum fixed-rate collateral bucket in its analysis of the Fitch stressed portfolio and assumed the remaining 95% of the portfolio to pay on a floating-rate basis. Finally, the Fitch stressed portfolio assumed that 5% of the underlying assets pay interest less frequently than quarterly. No assets may pay interest less frequently than semiannually.

OC, IC and Interest Reinvestment 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 are not applicable until the second payment date.

The interest diversion test is calculated the same way a class F OC test would be calculated and is applicable only during the reinvestment period. Upon failure of this test during the reinvestment period, the lesser of 50% of the remaining interest proceeds and the required cure amount shall be applied to purchase additional assets or deposited into the principal collection account for future reinvestment.

Coverage Tests

		Indicative Portfolio		Fitch Stressed Portfolio	
	Trigger (%)	Initial Level (%)[a]	Cushion	Initial Level (%)[a]	Cushion
Overcollateralization (OC) Tests					
Class A/B OC Test	124.7	134.7	10.00	134.7	10.00
Class C OC Test	116.2	124.2	8.00	124.2	8.00
Class D OC Test	109.1	115.1	6.00	115.1	6.00
Class E OC Test	104.1	108.1	4.00	108.1	4.00
Interest Diversion Tests					
Interest Diversion Test	103.2	106.2	3.00	106.2	3.00
Interest Coverage (IC) Tests					
Class A/B IC Test	120.0	472.4	352.4	422.1	302.1
Class C IC Test	110.0	409.1	299.1	365.5	255.5
Class D IC Test	105.0	353.6	248.6	315.9	210.9

[a]Initial OC levels based on target portfolio amount of $600 million.

Effectiveness of Coverage Tests May be Diminished by Discount Obligation Provisions

The transaction features discount obligation provisions that differ slightly from recent CLO issuances to accommodate compliance with Section 13 of the Bank Holding Company Act of 1956 (the Volcker Rule).

While discount obligations are generally included at their purchase price for purposes of calculating OC tests, a senior secured loan (or if the Volcker Rule condition has been satisfied, a loan) will not be considered a discount obligation unless it is rated 'B3' or higher from Moody's and is purchased at a price below 80% of par. For a senior secured loan (or if the Volcker Rule condition has been satisfied, a loan) rated below 'B3', the price threshold increases to 85% of par. Collateral other than a senior secured loan (or if the Volcker Rule condition has been satisfied, a bond) will not be considered a discount obligation unless it is rated 'B3' or higher and is purchased at a price below 75% of par; for ratings below 'B3', this price threshold increases to 80% of par.

Since assets purchased at a price below par, yet above discount obligation thresholds, may be marked at par for calculations of OC and interest reinvestment test ratios, this may minimize the effectiveness of these tests during the reinvestment period. The asset manager may potentially build par with purchases of assets priced below par, yet above discount obligation thresholds. Therefore, Fitch considered a sensitivity scenario in which credit was not given to excess spread or the diversion of interest proceeds through OC and IC tests during the four-year reinvestment period.

Cash Flow Model Outputs

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

The table on page 7 presents the lowest BDR of the 12 stress scenarios in the analysis of the indicative and Fitch stressed portfolios. Class X and A notes each passed the 'AAAsf' PCM hurdle rate in all 12 stress scenarios when analyzing the indicative portfolio with a minimum cushion of 48.0% and 13.0%, respectively. Class X notes also passed the 'AAAsf' PCM hurdle rate in all 12 stress scenarios when analyzing the Fitch stressed portfolio with a minimum cushion of 36.9%.

Class A notes passed the 'AAAsf' PCM hurdle rate in 10 of 12 stress scenarios when analyzing the Fitch stressed portfolio, with a maximum shortfall of 1.0%. Fitch was comfortable assigning ‘AAAsf’ expected ratings to both class X and A notes because the agency believes the two tranches can sustain a robust level of defaults, combined with low recoveries, as well as such other factors as the strong performance of the notes in the sensitivity scenarios and the degree of cushion in the performance of the notes when analyzing the indicative and Fitch stressed portfolio.

Additionally, since the Volcker Rule condition may impede investment in fixed-rate collateral, Fitch also analyzed an all-floating-rate Fitch stressed portfolio, which passes the 'AAAsf' PCM hurdle rate in all 12 stress scenarios with a minimum cushion of 0.9%.

Break-Even Default Rates

(%)

Portfolio	Indicative	Fitch Stressed[a]	Indicative	Fitch Stressed[a]
Class	Class X	Class X	Class A	Class A
Break-Even Default Rate	100.0	100	65.0	62.1
Assumed Recovery Rate	38.1	35.0	38.1	35.0
PCM Hurdle Rate	52.0	63.1	52.0	63.1
Default Cushion	48.0	36.9	13.0	(1.0)
Default Timing	All	All	Mid	Mid
LIBOR	All	All	Up	Up

[a]Fitch stressed portfolio based on 9.1 year WAL, 3.80% WAS, minimum senior secured loan concentration and maximum obligor and industry concentrations.

Rating Sensitivity

In addition to Fitch’s stated criteria, the agency analyzed the structure’s sensitivity to the potential variability of key model assumptions. The rating sensitivity analysis is based on the Fitch stressed portfolio. These sensitivities only describe the model-implied impact of a change in one or more of the input variables. This analysis 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 below.

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 loan-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 Inefficient Coverage Tests

OC and IC tests were not accounted for during the reinvestment period.

Rating Sensitivity to Moody's Matrix Points

Fitch expects to test two extreme points on the Moody's matrix, which features various WAS, WARF and diversity score combinations, once the matrix becomes available. The results will be published in the new issue report after closing. The two matrix points to be tested are:

- Lowest credit quality/highest WAS combination, where Fitch will increase the WAS to the highest limit and reduce the average credit quality of the portfolio to be commensurate with the Fitch equivalent of the highest Moody's WARF specified in the matrix.
- Highest credit quality/lowest WAS combination, where Fitch will reduce the WAS to the lowest limit without adjusting the average credit quality of the portfolio, creating additional cushion to the actual matrix point that would require a commensurate improvement in average credit quality to reduce the WAS.

Rating Sensitivity

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

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

Portfolio Management

Regatta IV will have a four-year reinvestment period, which is expected to expire in July 2018. Discretionary sales are permitted at any time other than during the restricted trading period 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 manager will be permitted to sell defaulted, credit-risk and credit-improved assets and equity securities at any time, including after the reinvestment period.

Conditions to Reinvestment

	During Reinvestment Period		After Reinvestment Period
	Type of Proceeds: Scheduled/Unscheduled Principal Payments, Discretionary Sales and Credit-Improved Sales	Type of Proceeds: Credit-Risk Sales and Defaulted Obligations Sales	Reinvesting After the Reinvestment Period Is Not Permitted
Collateral Quality Tests	Satisfaction, or if failing, maintain or improve		N.A.
Concentration Limitations	Satisfaction, or if failing, maintain or improve.		N.A.
Coverage Tests	Satisfaction, or if failing, maintain or improve.		N.A.
Maturity Requirements	N.A.		N.A.
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.	N.A.
Rating Requirements	N.A.		N.A.
Restricted Trading Period	N.A.		N.A.
Model-Based Monitor Test	N.A.	N.A.	N.A.
Amend & Extend Provisions	The manager may consent to a maturity extension of a collateral obligation only if: (i) The extended maturity is no later than the stated maturity of the notes and (ii) the WAL test is satisfied (unless the manager believes such action is necessary to prevent the related asset from becoming a defaulted asset or to minimize material losses on the related asset)		The manager may consent to a maturity extension of a collateral obligation only if: (i) The extended maturity is no later than the stated maturity of the notes and (ii) the WAL test is satisfied (unless the manager believes such action is necessary to prevent the related asset from becoming a defaulted asset or to minimize material losses on the related asset)

Note: Conditions to reinvestment outlined above assume additional assets meet the definition of a collateral obligation as defined in the indenture. APB – Aggregate principal balance. RTPB – Reinvestment target par balance. CPA – Collateral principal amount. N.A. – Not applicable.

Management to Dynamic Collateral Quality Tests

Management of the portfolio will be constrained by a Moody's asset quality matrix that identifies permitted combinations of the minimum diversity score, minimum WAS and maximum rating factor requirements. The manager will select a particular point on the Moody's matrix on or prior to the effective date and may change such election at any time thereafter, given certain conditions. Portfolio trading is generally restricted such that each covenant in the Moody's matrix must be satisfied or, if currently failing, maintained or improved, pursuant to any reinvestment.

Fitch views several factors as mitigating the risk presented by the multitude of potential asset quality parameters presented by the Moody's collateral quality matrix. First, the construction of the collateral quality 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 should be mitigated with a concurrent tightening of another covenant. For example, a lower-average credit quality should be mitigated by an offsetting aspect, such as higher spread and/or portfolio diversity. Second, Fitch has assessed the manager and gained comfort with Napier Park's ability to adequately manage the portfolio in accordance with the transaction documents. Finally, Fitch has tested various sensitivity scenarios, as discussed in this report, which highlight the strong performance of the notes in high-default and/or low-recovery scenarios, among others.

Additional Portfolio Concentrations

In addition to the permitted 'CCC' bucket, second lien loan and industry and obligor concentrations, the documents include other notable concentration limitations. Exposures to fixed-rate assets, assets paying less frequently than quarterly and current-pay assets, among others, are kept to a minimum. Investments in structured finance assets, synthetic assets, deferrable interest assets and long-dated assets are not permitted. These concentration limitations and collateral quality tests are further detailed in Appendix D, starting on page 19.

Additional Structural Features

Repurchased/Surrendered Notes

No note may be surrendered, including in connection with any abandonment, for any purpose other than for payment in full, registration, transfer, exchange or redemption. The issuers are not permitted to repurchase notes from any noteholder; however, the transaction gives the manager the ability to designate notes for repurchase using funds available from the contribution account. The par balance of any repurchased notes will be deemed outstanding for the coverage test and interest diversion test ratios until such class is the most senior class. This eliminates the possibility of utilizing note cancellations to artificially improve the performance of OC ratios by reducing the denominator in the amount of the cancelled notes.

Additional Notes

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

Provisions for additional note issuance include:

- 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 collateral manager agrees to such issuance and such is approved by a majority of the subordinated notes.
- Issuance cannot exceed 100% of the original principal amount of the applicable class or classes of secured notes.
- Notice has been given to each rating agency, unless only additional subordinated notes are being issued.
- 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 at least two-thirds of the class A noteholders shall be obtained.

- The OC ratio for each class of notes must be maintained or improved after giving effect to such issuance.
- Terms of any new notes must be identical to those of the previously issued notes of the same class, except for the interest rate.
- If additional rated notes are issued, the interest rate of such notes may not exceed the interest rate of the original notes of such class, as applicable.

These provisions should mitigate any credit concerns for class 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.

Optional Redemption/Refinancing

The transaction features standard optional redemption and refinancing provisions that may be undertaken after the two-year noncall period expires at the written direction of a majority of the subordinated noteholders. An optional redemption consists of either liquidating the collateral (redemption) or acquiring a loan or issuing new notes (refinancing). Each class of notes must be redeemed in whole but not in part if any asset sales are to be conducted. An optional redemption may only occur if the expected liquidation proceeds and/or refinancing proceeds are sufficient to pay the redemption prices (full principal amount and accrued and unpaid interest) of the notes, any administrative expenses and all amounts payable to the holders of the subordinated fee notes, included the subordinated fee note make-whole amount.

This transaction also features the possibility to redeem any one or more classes of notes through a refinancing. Any new notes issued pursuant to a refinancing would have the same principal amount as the refinanced notes and would not have a higher rank in the priority of payments. Additionally, the spread over LIBOR in respect to all replacement notes would not exceed that of the notes being replaced. Moreover, the stated maturity of the new notes would equal that of the notes being replaced.

Fitch’s credit view on these features is neutral, since repayment in whole of the applicable class of notes is a prerequisite to any redemption or refinancing.

Repricing

Following the noncall period, a majority of the subordinated noteholders may direct the issuer to reduce the spread over LIBOR on any class of notes (other than the class X, A, and B notes). Noteholders of the affected class will be notified at least 25 days prior to the proposed repricing date, with such notification indicating the repricing date and proposed spread, and request consent for the proposal. The notice will also specify the price at which any nonconsenting holders may sell their notes, which will be the outstanding principal amount plus any accrued and unpaid interest.

Holders who do not deliver written consent to the repricing notice 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 nonconsenting notes will be sold to the consenting noteholders on a pro rata basis based on how many notes each consenting holder desired to purchase. In the event of undersubscription, those holders who opted to purchase nonconsenting notes will be able

to purchase such notes, and the issuer or a repricing intermediary will sell the remaining nonconsenting notes to one or more transferees designated by the repricing intermediary. In either case, the notes would be sold at a price equal to full principal and accrued and unpaid interest.

Fitch expects to review the terms of any spread reduction, analyzing the then-current capital structure and portfolio composition, and make a public comment, if appropriate. Absent any salient credit issues in the portfolio, Fitch expects the repricing of the notes would be a credit-neutral event at worst and a modest credit-positive at best, since any reduction in spread or interest rate of a CLO will result in a lower cost of funding to the CLO and generate more excess spread that could be available in the interest waterfall to pay notes following the failure of a coverage test.

Release of Unused Principal Proceeds after the Effective Date

Before the first determination date after the effective date is reached, which may be reached solely via the passage of time or any date selected by the manager after the aggregate ramp-up par condition is satisfied, the manager may divert up to $6 million from the ramp-up account to be transferred to the interest collection account, so long as the aggregate ramp-up par condition has been satisfied and a rating confirmation redemption is not required. The aggregate ramp-up par condition is satisfied if, as of the effective date, the sum of principal proceeds in the collection account and the traded portfolio has reached $600 million.

Events of Default: Undercollateralization

On any measurement date after the effective date, 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 eligible investments and any equity securities 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.

Fitch views Napier Park as satisfactory for the management of Regatta IV.

Counterparty Risk

Asset Manager

The transaction will be managed by Napier Park. As part of its analysis, Fitch's Funds and Asset Manager Ratings Group evaluated Napier Park and determined its capabilities satisfactory in the context of the ratings assigned to the transaction and the investment parameters that govern Napier Park's activities.

As compensation for managing the portfolio, the asset manager will receive senior and subordinated management fees of 20 bps and 30 bps per annum, respectively, based on the total portfolio size as of the beginning of each collection period. The senior management fee is paid prior to class X and A note interest, while the subordinated management fee will be payable after all note interest is paid and after the interest diversion test. Fitch views the senior management fee as being in line with industry averages, which is an important factor in facilitating the replacement of an asset manager in the event of the departure of key members of the management team or any other form of wind-down, bankruptcy or insolvency of the existing asset manager.

Hedge Counterparties

The floating-rate notes and most of the indicative 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.

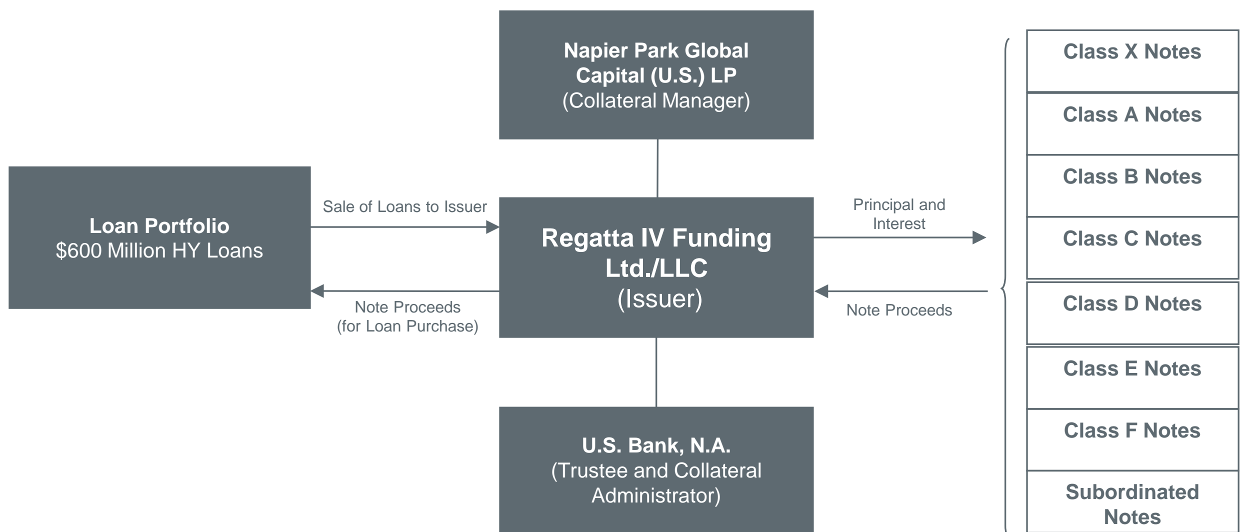
Other Counterparties

Provisions for the eligible investments to be purchased with intra-period interest and principal collections, as well as rating requirements of the institutions at which the issuer's various bank accounts will be established, conform to Fitch's counterparty criteria for supporting note ratings of 'AAAsf'. The closing issuer account banks meet Fitch's counterparty criteria, and requirements for other counterparties, such as the trustee, collateral administrator and custodian, also conform.

Transaction and Legal Structure

The notes will be issued by Regatta IV Funding Ltd. and Regatta IV Funding LLC, which are bankruptcy-remote, special-purpose vehicles organized under the laws of the Cayman Islands and the state of Delaware. The notes are secured by the underlying loan portfolio. Payments to the notes will be made quarterly.

Transaction Structure



Source: Transaction documents.

Regulatory Matters

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 only permits the purchase of senior secured bonds, senior unsecured bonds and letters of credit if the Volcker Rule condition is satisfied. The Volcker Rule condition is satisfied if both (1) the issuer has received advice from counsel

that either (x) the issuer's ownership of any senior secured or unsecured bonds or letter of credit will not cause the issuer to become a covered fund under the Volcker Rule or (y) none of the secured notes constitute ownership interests under the Volcker Rule and (2) a majority of the controlling class provides written notice that the Volcker Rule condition is satisfied.

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

Key criteria reports used include "Global Rating Criteria for Corporate CDOs," dated August 2013, available on Fitch's website at www.fitchratings.com. Additional criteria used in Fitch's analysis are listed on page 1.

Model

The credit analysis followed a two-step process. First, the agency analyzed the portfolio's default and recovery probabilities using Fitch's PCM v.2.4.3 in accordance with its corporate CDO criteria. Second, Fitch analyzed the structure using its proprietary cash flow model, as customized for the transaction's specific structural features, in accordance with the cash flow analysis criteria.

Data Adequacy

Fitch utilized publicly available information to provide credit opinions on 17.9% of the underlying public companies. In addition, Fitch publicly rates 6.3% of the portfolio. The information utilized in Fitch's analysis is as of May 23, 2014.

Fitch's credit opinions and recovery ratings are produced by the Corporates group and reviewed by a rating committee. The rating committee has a similar profile to those for Fitch's explicit ratings in terms of the number and seniority of voting members in the quorum. Fitch will review and update its credit opinions and recovery ratings through this committee process at least annually, with informal reviews on a quarterly basis and ongoing monitoring of information in the market.

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.

- 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 IV Funding Ltd./LLC U.S./Structured Credit

Capital Structure

Class	Expected Rating	Expected Outlook	Size ($ Mil.)	Size (%)	CE (%)[a]	Interest Rate (%)	PMT Frequency	Final Maturity
X	AAAsf (EXP)	Stable	3.50	0.6	—	3mL + 1.00	Quarterly	2026
A -1	AAAsf (EXP)	Stable	291.00	46.5	38.3	3mL + 1.41	Quarterly	2026
A-2	AAAsf (EXP)	Stable	79.50	12.7	38.3	3mL + 1.53	Quarterly	2026
B	NR	N.A.	75.00	12.0	25.8	3mL + 2.01	Quarterly	2026
C	NR	N.A.	37.50	6.0	19.5	3mL + 2.95	Quarterly	2026
D	NR	N.A.	38.25	6.1	13.1	3mL + 3.50	Quarterly	2026
E	NR	N.A.	33.75	5.4	7.5	3mL + 4.95	Quarterly	2026
F	NR	N.A.	10.00	1.6	5.8	3mL + 5.50	Quarterly	2026
Subordinated Notes	NR	N.A.	57.50	9.2	N.A.	Residual	—	2026
Total			**626.00**	**100.0**				

[a]Based on the target par amount of $600 million and calculated with the expectation that class X notes will ultimately be paid in full from interest proceeds. NR – Not rated. N.A. – Not applicable. 3mL – Three-month LIBOR.

Scheduled Revolving Period Four years
Scheduled Non-Call Period Two Years

Swaps None
Payment Frequency Quarterly

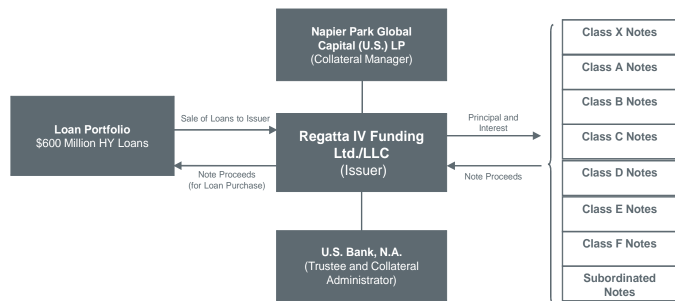
Key Information Details:
Expected Closing Date June 2014
Country of Assets and Type U.S. Leveraged Loans
Country of SPV Cayman Islands
Primary Analyst Aaron Hughes
+1 312 368-2074
Secondary Analyst Cristina Feracota
+1 312 606-2300
Fund and Asset Manager Rating Analyst Gwen Fink-Stone, J.D.
+1 212 908-9128

Parties:
Arranger Morgan Stanley & Co. LLC.
Trustee and Collateral Administrator U.S. Bank National Association
Asset Manager Napier Park Global Capital (US) LP
Issuers Regatta IV Funding Ltd. and Regatta IV Funding LLC

Key Rating Drivers

Sufficient Credit Enhancement: Credit enhancement (CE) of 38.3% for the class A-1 and A-2 notes (collectively, the class A notes), in addition to excess spread, is sufficient to protect against portfolio default and recovery rate projections in the 'AAAsf' stress scenario. The level of CE for the class A notes is in line with the average for recent CLO issuances.
'B/B-' Asset Quality: The average credit quality of the indicative portfolio is 'B/B-', which is consistent with that of recent CLOs. Issuers rated in the 'B' rating category denote relatively weak credit quality; however, in Fitch Ratings' opinion, the class X and A notes are unlikely to be affected by the foreseeable level of defaults. The class X and A notes display robust projected performance against default rates of up to 100% and 62.1%, respectively.
Strong Recovery Expectations: The indicative portfolio consists of 95.6% first lien senior secured loans, 90.7% of which have strong recovery prospects or a Fitch-assigned recovery rating of 'RR2' or higher. This is in line with the seniority profile of recent vintage CLOs.
Consistent Portfolio Parameters: The portfolio will be actively managed and bound by concentration limitations addressing various loan characteristics. The concentration limitations presented to date are within the range of limits set in the majority of recent CLOs. Fitch addressed the impact of the most prominent risk-presenting concentration allowances.

Transaction Structure



Source: Transaction documents.

Appendix B: Asset Manager Profile Report — The Fitch View

Napier Park Global Capital (US) LP

Strengths

- Experience and stability of senior portfolio managers with more than 18 years' average experience in the loan market and more than 14 years together as a team.
- Demonstrated track record of credit risk management and loss mitigation supported through active management strategy.
- Thorough, well defined credit process focusing on bottom-up credit analysis to avoid defaults and preserve capital.

Challenges

- Maintain asset growth given runoff in legacy CLOs combined with increasing competition from larger CLO managers and an increase in the number of smaller managers.
- To continue diversifying Napier Park's asset base away from CLOs (43% of AUM as of Dec. 31, 2013), raising further assets and developing new product lines in uncertain market conditions.

Company

- With approximately 100 employees and $5.5 billion in assets under management as of Jan. 1, 2014, Napier Park (Formerly Citi Capital Advisors [CCA]), the operating unit of Citi Alternative Investors (CAI) is a specialist in the leveraged loan market with experience managing 15 different leveraged loan vehicles.
- Products Napier Park offers investors include CLOs, hedge funds, private investments, and bespoke managed accounts.
- Napier Park currently manages $2.4bn in CLO vehicles and has managed another $4.0bn in different leveraged loan vehicles. In August 2011 they replaced DiMaio Ahmad Capital LLC as manager of four Duane Street CLOs.
- Senior portfolio managers have an average of 18 years' corporate loan experience, and have been working together for over 10 years.
- In addition to portfolio managers, the CLOs are supported by 11 credit analysts with an average of 14 years' experience.
- Citigroup, Inc. retains 25% stake in Napier Park, with the remaining 75% ownership in Napier being held by its employees.

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 deep proprietary research and active communication of all members of the credit and investment teams to ensure appropriate portfolio construction.
- Credit research is focused on in-depth financial statement analysis, while also taking into account various other sources of data including industry reports and market intelligence.
- 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 information such 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.

Operations

- An automated daily credit risk monitoring process is supported by an appropriate portfolio management framework.
- Multiple levels of review and oversight, including, CCA, and until Aug. 31, 2013, Citi to support accuracy of trading, portfolio management, and administration functions.
- Investment risk and CLO performance are successfully monitored through daily reports received by Virtus. The leveraged loan group has experienced 10 defaults since 2008.
- 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.
- Strong administrative systems and procedures are utilized by experienced and stable staffing.
- There is an established relationship with Virtus and the trustee for a seamless loan processing platform.
- Scalability of processes is demonstrated through integration of previously acquired CLOs to Napier's platform.

Technology

- Napier Park is running all IT systems independently after successful spinoff from CAI.
- 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, pay taxes and governmental fees, and second, pay administrative expenses (up to 0.018% + 200,000 p.a.)	1	First, pay taxes and governmental fees, and second, pay administrative expenses (up to 0.018% + 200,000 p.a.)
2	Senior management fee (0.20% p.a.)	2	Senior management fee (0.20% p.a.)
3	Any hedge payments and hedge termination payments	3	Any hedge payments and hedge termination payments
4	Class X interest, class A-1 interest and class A-2 interest, pro rata	4	Class X interest, class A-1 interest and class A-2 interest, pro rata
5	Principal to the class X notes until PIF	5	Principal to the class X notes until PIF
6	Class B interest	6	Class B interest
7	Class A/B coverage tests	7	Class A/B coverage tests
8	Class C interest	8	If the class C notes are the controlling class, class C interest
9	Class C deferred interest	9	If the class C notes are the controlling class, class C deferred interest
10	Class C coverage tests	10	Class C coverage tests
11	Class D interest	11	If the class D notes are the controlling class, class D interest
12	Class D deferred interest	12	If the class D notes are the controlling class, class D deferred interest
13	Class D coverage tests	13	Class D coverage tests
14	Class E interest	14	If the class E notes are the controlling class, class E interest
15	Class E deferred interest	15	If the class E notes are the controlling class, class E deferred interest
16	Class E Coverage Test	16	Class E coverage test
17	Class F interest	17	If the class F notes are the controlling class, class F interest
18	Class F deferred interest	18	If the class F notes are the controlling class, class F deferred interest
19	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	19	On any special redemption date, payment of the special redemption amount in accordance with the note payment sequence
20	On the first payment date only, (i) if effective date ratings confirmation has not been obtained, to pay class X notes in an amount determined by the collateral manager with the remainder of interest proceeds deposited into the interest collection account for distribution after the first payment date or (ii) if effective date ratings confirmation has been obtained, to pay principal on the Class X notes until PIF.	20	During the reinvestment period only, to purchase additional collateral or invest in eligible investments
21	If effective date rating confirmation has not been obtained, to the payment of the rating confirmation redemption amount.	21	After the reinvestment period, to make payments in accordance with the note payment sequence
22	Pro rata, (x) first, the subordinated fee note payment amounts; plus any deferred subordinated fee note payment amounts; plus, if such payment date is a redemption date with respect to an optional redemption of the subordinated notes or a clean-up call redemption , the subordinated fee note make-whole amount and (y) second, the subordinated management fees (0.30% p.a.) plus, any deferred subordinated management fees	22	After the reinvestment period, pro rata, (x) first, the subordinated fee note payment amounts; plus any deferred subordinated fee note payment amounts; plus, if such payment date is a redemption date with respect to an optional redemption of the subordinated notes or a clean-up call redemption , the subordinated fee note make-whole amount and (y) second, the subordinated management fees (0.30% p.a.) plus, any deferred subordinated management fees
23	Unpaid administrative expenses not paid do to the administrative expense cap in clause 1	23	After the reinvestment period, to pay any unpaid administrative expenses not paid do to the administrative expense cap in clause 1
24	Unpaid hedge payments and hedge termination payments	24	After the reinvestment period, unpaid hedge payments and hedge termination payments
25	At the direction of the collateral manager, the supplemental reserve amount	25	First, to pay the subordinated notes until an IRR of 12% is achieved, and then 20% of the remaining interest proceeds to pay the collateral manager as the incentive fee amount
26	First, to pay the subordinated notes until an IRR of 12% is achieved, and then 20% of the remaining interest proceeds to pay the collateral manager as the incentive fee amount	26	Remainder to the subordinated notes
27	Remainder to the subordinated notes		

p.a. – Per annum. IRR – Internal rate of return. Note payment sequence: (i) Class X and A-1 and A-2 principal, pro rata, (ii) class B principal, (iii) class C interest and then class C deferred interest, (iv) class C principal, (v) class D interest and then class D deferred interest, (vi) class D principal, (vii) class E interest and then class E deferred interest, (viii) class E principal, (ix) class F interest and then class F deferred interest and, finally, (x) class F principal.

Appendix D: Collateral Quality Tests, Concentration Limitations, Prohibited Asset Types, and Coverage Tests

Notable Concentration Limitations

Description	Limit
Minimum % of Senior Secured Loans and Eligible Investments Representing Principal Proceeds	90.0
Maximum % of Second Lien and Unsecured Loans	10.0
Minimum % of U.S. Obligors	90.0
Maximum % of Covenant-Lite Loans	60.0
Maximum % Top Moody's Industry	15.0
Outside of the Top Moody's Industry, Maximum % of Next Three Moody's Industries	12.0
Outside of the Top Four Moody's' Industries, Maximum % of Single Moody's Industry	10.0
Maximum % of Revolving or Unfunded Delayed Draw Loans	10.0
Maximum % of Fixed-Rate Assets	5.0
Maximum % of Assets that Pay Less Frequently than Quarterly	5.0
Maximum % of Assets Rated ‘Caa1’ or Below by Moody's	7.5
Maximum % of Assets Rated ‘CCC+’ or Below by S&P	7.5
Maximum % of DIP Loans	7.5
Maximum % of DIP Loans issued by a Single Obligor	1.0
Maximum % of Participation Interests	5.0
Maximum % of Current-Pay Assets	2.5
Maximum % of Each of the Top Five Obligors	2.5
Outside of the Top Five Obligors, Maximum % of Single Obligor	2.0
Maximum % of Each Obligor that is not a Senior Secured Loan	1.0

Notable Prohibited Asset Types

Description	Limit
Maximum % of Senior Secured Bonds, Senior Unsecured Bonds and Letters of Credit[a]	0.0[a]
Maximum % of Equity Securities or Securities Convertible to Equity	0.0
Maximum % of Synthetic Securities	0.0
Maximum % of Long-Dated Assets	0.0
Maximum % of Structured Finance Securities	0.0
Maximum % of Zero-Coupon Securities	0.0
Maximum % Step-Up and Step-Down securities	0.0
Maximum % of Deferrable or Partially Deferrable Securities	0.0
Maximum % of Small Obligor Loans	0.0
Maximum % of Margin Stock	0.0
Maximum % of Assets that Pay Less Frequently than Semiannually	0.0
Maximum % of Leases	0.0
Maximum % of Obligors Domiciled in Portugal, Italy, Greece or Spain.	0.0
Maximum % of Bridge Loans	0.0
Maximum % of Interest Only Securities	0.0

[a]If the Volcker Rule condition is satisfied, then the maximum percentage is 10%

Collateral Quality Tests

Description	Limit
Minimum Weighted Average Spread (at Close %)	3.8; subject to matrix
Minimum Weighted Average Coupon (%)	7
Maximum Weighted Average Life (Years)	9.1 (Declining)
Moody's Minimum Weighted Average Recovery Rate (%)	47
Maximum Moody's Weighted Average Rating Factor (at Close)	2800; subject to matrix
Minimum Moody's Diversity Score (at Close)	60; subject to matrix

Coverage Tests

(%)

Test	Trigger	Definition[a]
OC		
Class A/B	124.7	ACPA divided by A + B
Class C	116.2	ACPA divided by A + B + C (including class C deferred interest amounts).
Class D	109.1	ACPA divided by A + B +C + D (including class C and D deferred interest amounts).
Class E	104.1	ACPA divided by A + B + C + D +E (including class C, D and E deferred interest amounts).
Reinvestment OC Test		
Interest Diversion Test	103.2	ACPA divided by A + B + C + D + E + F (including class C, D, E and F deferred interest amounts).
IC		
Class A/B	120.0	Interest proceeds and expected interest income minus senior expenses, divided by interest due to class A and class B.
Class C	110.0	Interest proceeds and expected interest income minus senior expenses, divided by interest due to class A, class B, and class C
Class D	105.0	Interest proceeds and expected interest income minus senior expenses, divided by interest due to class A, class B, class C, and class D
Par Value EOD		
Event of Default Par Ratio	102.5	Aggregate principal balance of the collateral obligations(with defaulted obligations at MV) eligible investments, and any equity security divided by the aggregate outstanding amount of class A

[a]A equals class A-1 and A-2 principal amounts outstanding; B equals class B principal amounts outstanding; C equals class C principal amount outstanding; D equals class D principal amount outstanding; E equals class E principal amount outstanding; and F equals class F principal amount outstanding . MV -- Market value. Notes: Adjusted collateral principal amount (ACPA) equals aggregate principal balance of assets plus principal proceeds in collection and ramp-up accounts and principal financed accrued interest. Assets are generally included at their par value, except the following, which are included at: Defaulted and deferring assets: if defaulted < three years, the Moody's collateral value (the lesser of [i] its Moody's recovery amount and [ii] its market value). If defaulted for > three years, treated as zero. Discounted obligations are included at purchase price. Excess of the greater of (x) assets with a Moody's default probability rating of 'Caa1' or below or (y) assets with an S&P rating of 'CCC+' or below, over 7.5% of aggregate collateral balance of assets: included at MV. Long dated assets are not permitted.
Source: Transaction documents.

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