

Presale:

# GoldenTree Loan Management EUR CLO 7 DAC

May 16, 2024

## Preliminary ratings

Class	Prelim. rating*	Amount (mil. €)	Credit enhancement (%)	Interest rate (%)§
X	AAA (sf)	2.00	N/A	3mE+0.50
A-1	AAA (sf)	244.00	39.00	3mE+1.46
A-2	AAA (sf)	6.00	37.50	3mE+1.75
B	AA (sf)	44.00	26.50	3mE+2.15
C	A (sf)	23.60	20.60	3mE+2.70
D	BBB- (sf)	27.60	13.70	3mE+3.95
E	BB- (sf)	16.80	9.50	3mE+6.71
F	B- (sf)	11.00	6.75	3mE+8.48
Sub. notes	NR	28.24	N/A	N/A

Note: This presale report is based on information as of May 16, 2024. The ratings shown are preliminary. Subsequent information may result in the assignment of final ratings that differ from the preliminary ratings. Accordingly, the preliminary ratings should not be construed as evidence of final ratings. This report does not constitute a recommendation to buy, hold, or sell securities. \*The preliminary ratings assigned to the class X, A-1, A-2, and B notes address timely interest and ultimate principal payments. The preliminary ratings assigned to the class C, D, E, and F notes address ultimate interest and principal payments. §The payment frequency switches to semiannual and the index switches to six-month EURIBOR when a frequency switch event occurs. 3mE--Three-month Euro Interbank Offered Rate. Sub.--Subordinated.

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## Transaction Summary

GoldenTree Loan Management EUR CLO 7 DAC is a European cash flow CLO transaction, securitizing a portfolio of primarily senior secured leveraged loans and bonds. GLM III, LP will manage the transaction.

## Key Credit Metrics

### Selected credit metrics

Total par leverage (x)*	13.28
Weighted-average cost of debt (%)§	2.24
Modelled WAS (%)	3.85

**Selected credit metrics (cont.)**

Actual WAS (%)†	3.92
Modelled WAC (%)	4.50
Excess spread (%)‡	1.68
SDR ('AAA') (%)	59.46
Modelled 'AAA' recovery rate (%)	37.25
'AAA' recovery rate (%)--target pool	39.23
'AAA' recovery rate (%)--identified pool	39.23

\*Total debt/equity. §Spread over EURIBOR for all classes, excluding the subordinated notes. †Actual WAS is based on spreads including floor and spreads on dummy assets in the pool. ‡WAS minus the weighted-average cost of debt. WAS--Weighted-average spread. WAC--Weighted-average coupon. SDR--Scenario default rate.

**Portfolio credit benchmarks**

SPWARF*	2,656.86
'AAA' default rate dispersion	684.52
Obligor diversity measure§	122.74
Industry diversity measure†	16.93
Regional diversity measure‡	1.40
Weighted-average life of the portfolio – including reinvestment	4.52
Weighted-average life of the portfolio – excluding reinvestment	4.25

\*The SPWARF is calculated by multiplying the par balance of each collateral obligation (with a rating from S&P Global Ratings of 'CCC-' or higher) by S&P Global Ratings' rating factor, then summing the total for the portfolio, and then dividing this result by the aggregate principal balance of all of the collateral obligations included in the calculation. The S&P Global Ratings' rating factor of an individual asset is the five-year default rate given its S&P Global Ratings' credit rating and the default table in the corporate CDO criteria, multiplied by 10,000. §The effective number of obligors in the underlying collateral, obtained by squaring the exposure for each obligor and taking the reciprocal of the sum of these squares [i.e.,  $1/\sum()^2$ ]. †The effective number of industries in the underlying collateral obtained the same way as the obligor diversity measure. ‡The effective number of regions in the underlying collateral obtained the same way as obligor diversity measure. SPWARF--S&P Global Ratings' weighted-average rating factor.

**Transaction Timeline****Transaction timeline**

Expected closing date	July 12, 2024
Non-call period end date	Jan. 12, 2026
Reinvestment period end date	Jan. 20, 2029
Stated maturity date	July 20, 2037
Note payment frequency	Quarterly, beginning Oct. 20, 2024. After a frequency switch event, semiannually.

**Key participants**

Collateral manager	GLM III, LP
Arranger	Morgan Stanley & Co. International plc

Transaction timeline (cont.)

Trustee	The Bank of New York Mellon Trust Company, National Association
Calculation agent, principal paying agent, account bank, and custodian	The Bank of New York Mellon, London Branch

Rationale

- The preliminary ratings assigned to GoldenTree Loan Management EUR CLO 7 DAC's notes reflect our assessment of:
- The diversified collateral pool, which primarily comprises syndicated speculative-grade senior secured term loans and bonds that are governed by collateral quality tests.
  - The credit enhancement provided through the subordination of cash flows, excess spread, and overcollateralization.
  - The collateral manager's experienced team, which can affect the performance of the rated notes through collateral selection, ongoing portfolio management, and trading.
  - The transaction's legal structure, which we expect to be bankruptcy remote.
  - The transaction's counterparty risks, which we expect to be in line with our counterparty rating framework.

Rating Considerations

In our analysis, we considered the factors in table 1, among others.

Table 1

Rating considerations

Risk	Risk description	Mitigating factors
Reduction in cash flow	Defaults, adverse interest rate movements, and low recoveries can reduce the cash flow generated by the underlying portfolio and affect the issuer's ability to meet its obligations in a timely manner.	Our quantitative analysis simulates various default patterns and interest rate movements, under various stress scenarios considering portfolio characteristics, payment mechanics, covenants, collateral quality tests, and excess spread.
Excess concentration in certain types of collateral obligations	Larger concentrations in certain obligations can introduce additional risks to the rated notes.	The transaction documents limit the collateral manager's ability to invest in certain types of collateral. Our cash flow analysis also considers the underlying portfolio's maximum allowable amount of certain types of collateral obligations. Examples include: 12.5% fixed rate assets.
Collateral manager trading performance	During the reinvestment period, the collateral manager can change the underlying portfolio's composition, exposing the transaction to potential deterioration in credit enhancement.	During the reinvestment period, among other conditions the collateral manager is expected to run our CDO Monitor.

Table 1

**Rating considerations (cont.)**

<b>Risk</b>	<b>Risk description</b>	<b>Mitigating factors</b>
Divergence of effective date portfolio from preliminary assumptions	Most underlying portfolios are not fully purchased by closing. Therefore, there is a risk that the fully ramped-up portfolio at the transaction's effective date will be different than the one presented to us for its preliminary analysis.	We offer collateral managers both a model and formula-based version of its CDO Monitor at closing. This tool is intended to assist the collateral manager in maintaining a similar credit risk and cash flow profile to what was initially presented for our preliminary analysis.
Exposure to covenant-lite loans	The collateral manager can purchase covenant-lite loans (those that do not contain incurrence or maintenance covenants for the benefit of the lending party) for up to a certain percentage of the underlying portfolio (see table 8). Exposure to these types of loans may reduce the transaction's recovery prospects.	For covenant-lite loans that do not have an asset-specific recovery rating, we apply reduced recovery rates in our cash flow analysis (41% under an 'AAA' level of stress versus 50% for a senior secured first-lien loan that is not covenant-lite (in a group "A" country).

**Collateral Manager**

GLM III, LP will act as collateral manager to the issuer.

At closing, we expect the operational risk associated with key transaction parties (such as the collateral manager) that provide an essential service to the issuer to be in line with our operational risk criteria (see "Global Framework For Assessing Operational Risk In Structured Finance Transactions," published on Oct. 9, 2014).

**Quantitative Analysis**

In analyzing this transaction, we conducted a quantitative review consisting of two analyses: a portfolio analysis and a cash flow analysis.

**Portfolio analysis**

For the portfolio analysis, we ran the portfolio presented to us through the CDO Evaluator model, which defaults portions of the underlying collateral based on the default probability and correlation assumptions defined in our criteria. This resulted in a set of SDRs, which represent expected default levels for the portfolio under the different stress scenarios associated with each rating level.

**Cash flow analysis**

For the cash flow analysis, we input the transaction-specific structural features presented to us into S&P Global Ratings' Cash Flow Evaluator model to generate a base-case set of cash flows. We then subjected these cash flows to various default timing and interest rate stress scenarios to arrive at a break-even default rate (BDR) for each rated class of notes.

For each class, the BDR represents the maximum amount of defaults that it can withstand while still being able to pay timely interest, or ultimate interest as applicable, and ultimate principal to its noteholders. Classes with higher subordination typically have higher BDRs.

The transaction allows the collateral manager to buy a maximum of 12.5% fixed paying assets, and we considered in our cash flow analysis the BDRs where this fixed bucket is filled. Our base case is 100.0% floating assets. In our analysis, we modeled the weighted-average spread and coupon provided by the collateral manager.

## Connecting the portfolio and cash flow analyses

For a tranche to achieve a particular rating, it must be able to withstand the level of defaults projected by the CDO Evaluator and still pay interest and principal based on its terms and conditions.

The results shown in table 2 indicate that the rated notes have sufficient credit enhancement to withstand our projected default levels. This scenario represents the scenario with the lowest BDR cushion at the 'AAA' level, in which we have modeled 100.0% of floating-rate assets.

Table 2

### Cash flow results

Class	BDR (%)	SDR (%)	BDR cushion (%)
X	99.99	59.46	40.52
A-1	66.93	59.46	7.46
A-2	65.54	59.46	6.08
B	61.58	52.01	9.57
C	55.37	46.06	9.32
D	44.97	36.97	8.01
E	35.56	30.06	5.50
F	26.53	24.36	2.17

BDR--Break-even default rate. SDR--Scenario default rate.

The collateral manager has identified approximately 94% of the portfolio. The identified portfolio currently generates a weighted-average spread (WAS) of 3.88% and weighted-average coupon (WAC) of 4.64%. In our cash flow analysis, we have considered a WAS of 3.85% and a WAC of 4.50%. The weighted-average recovery rate (WARR) on the identified portfolio is 39.23% (at the 'AAA' rating level). We have been asked to consider a 'AAA' recovery rate of 39.24% on the unidentified portion (approximately 6%), resulting in a WARR of 39.23%. We have considered covenanted recovery rates for the purposes of our cash flow analysis.

## Supplemental tests

We also conduct a largest industry default test, a largest obligor default test, a largest sovereign default test, and a largest transfer and convertibility default test according to "Global Methodology And Assumptions For CLOs And Corporate CDOs," published on June 21, 2019, and "Incorporating Sovereign Risk In Rating Structured Finance Securities: Methodology And Assumptions," published on Jan. 30, 2019. Under these assumptions, the notes can withstand the loss amounts indicated in table 3 at the assigned preliminary ratings.

Table 3

## Supplemental tests

Class	Preliminary rating	Largest industry default test loss amount (mil. €)	Largest obligor default test loss amount (mil. €)	Largest sovereign test amount (mil. €)	Largest sovereign T&C test amount (mil. €)
X	AAA (sf)	55.81	49.49	21.55	0.00
A-1	AAA (sf)	55.81	49.49	21.55	0.00
A-2	AAA (sf)	55.81	49.49	21.55	0.00
B	AA (sf)	54.00	40.94	21.55	0.00
C	A (sf)	0.00	31.84	0	0.00
D	BBB- (sf)	0.00	22.35	0	0.00
E	BB- (sf)	0.00	17.60	0	0.00
F	B- (sf)	0.00	11.90	0	0.00

T&C--Transfer and convertibility.

## Credit Metrics

In addition to the quantitative framework, we produce and review other metrics to assess specific risks inherent in a transaction. Results are based on the portfolio provided to us and are shown in table 4.

Table 4

## Credit quality metrics

Test	Weighted- average
WAL (years) with reinvestments*	4.52
WWAL (years) without reinvestments	4.25
WAS including floors (%)	3.92
WAS excluding floors (%)	3.92
Identified portfolio (%)	93.97
Identified portfolio paying a floating rate (%)	98.24
Identified portfolio paying a fixed rate (%)	1.76
Weighted-average fixed coupon (%)--identified portfolio	4.64
Weighted-average fixed coupon (%)--unidentified portfolio	N/A
WARR 'AAA' (%)	39.23
WARR 'AAA'--identified portfolio (%)	39.23
WARR 'AAA'--unidentified portfolio (%)	39.24

\*The modeled WAL is the one used in our cash flow analysis and is quarterly. WAL--Weighted-average life. WAS-- Weighted-average spread. WARR--Weighted-average recovery rate.

## Portfolio Characteristics

The latest metrics based on the portfolio presented to us are shown in table 5.

Table 5

### Target collateral obligations

Target par balance (mil. €)	400.00
Par balance of identified collateral (mil. €)	375.87
Par balance of collateral not yet identified (mil. €)	24.13
<b>Obligors</b>	
Number of unique obligors	142
Number of identified obligors	129
Average obligor holding (%)	0.70
Largest-obligor holding (%)	1.60
Smallest-obligor holding (%)	0.03
Non-euro assets (%)	0.00
Top 5 countries exposure (%)	69.27
Top 10 industries (%)	59.84
Senior secured first lien loan (%)	31.89
Senior secured bond (%)	7.48
Senior unsecured bond (%)	1.15

In the portfolio data referenced for this analysis, the issuer had identified almost all of the portfolio's collateral. As the portfolio composition changes, the information and results presented in the report are also likely to change.

### Obligor concentration

The underlying portfolio presented to us for our rating analysis comprises 142 distinct obligors. Table 6 below shows the respective industries of the 10 top obligors.

Table 6

### Top obligor holdings

Obligor reference	Industry	Notional amount (mil. €)		Notional amount (%)	
		Obligor	Cumulative	Obligor	Cumulative
1	Software	6.40	6.40	1.60	1.60
2	Software	6.13	12.53	1.53	3.13
3	Software	6.00	18.53	1.50	4.63
4	Chemicals	5.00	23.53	1.25	5.88
5	Electronic equipment, instruments and components	5.00	28.53	1.25	7.13
6	Machinery	5.00	33.53	1.25	8.38

Table 6

Top obligor holdings (cont.)

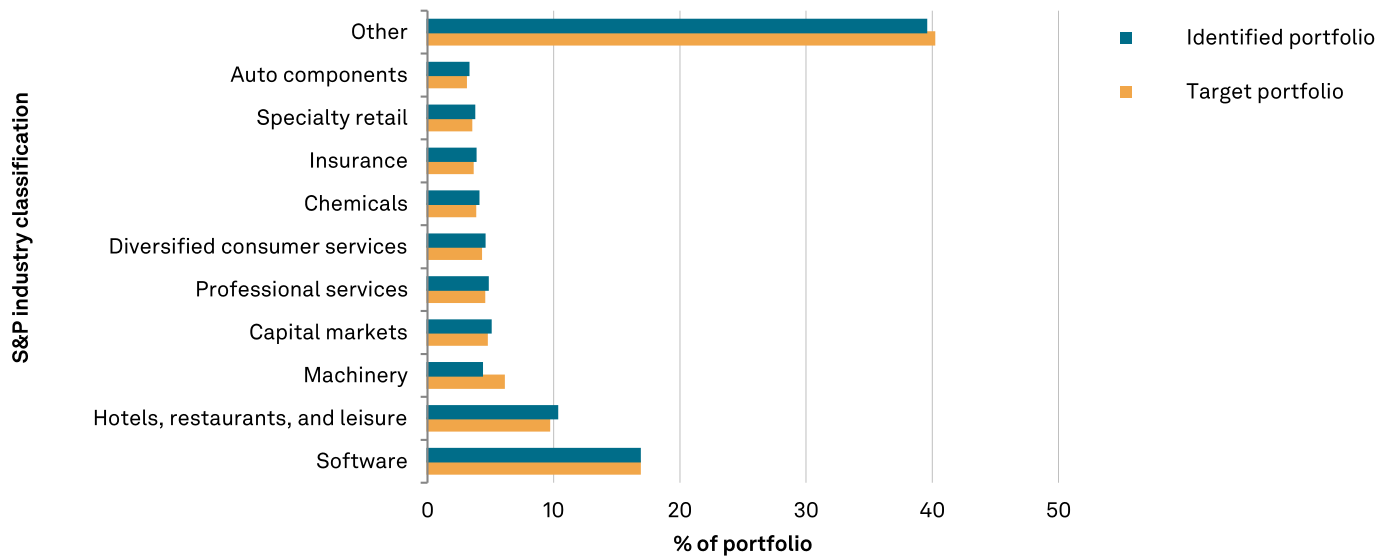
7	Specialty retail	4.99	38.52	1.25	9.63
8	Household durables	4.98	43.49	1.24	10.87
9	Textiles, apparel and luxury goods	4.60	48.09	1.15	12.02
10	Building products	4.60	52.69	1.15	13.17

Industry distribution

Chart 1 shows the top 10 industry distribution in the portfolio. The portfolio comprises 42 distinct industries as per the Capital IQ industry--level 3 classification.

Chart 1

Top industry distribution



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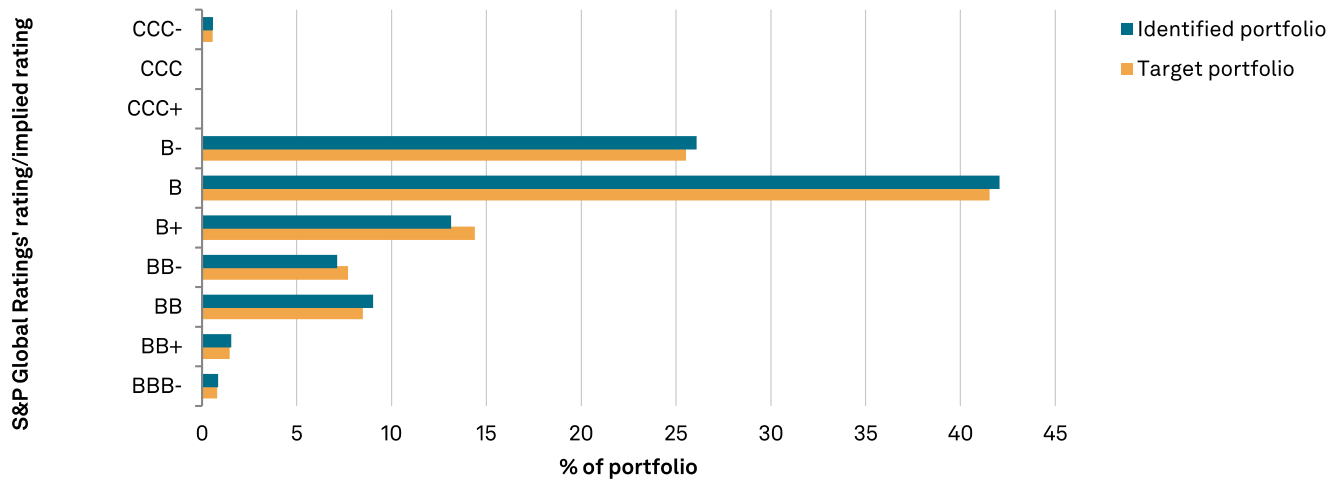
Ratings distribution

Chart 2 shows the ratings distribution in the portfolio. Of the underlying collateral obligations, 99.47% have ratings assigned by us (including private, confidential, and credit estimates).



Chart 2

### Rating distribution



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### Recovery rating distribution

Table 7 presents the recovery rates modeled to calculate the targeted portfolio's BDRs and actual recovery rates. Chart 3 presents our recovery rates distribution of the portfolio. Of the underlying collateral obligations, 98.67% have recovery ratings assigned by us. For assets that don't have recovery ratings, we have applied table 4 in our guidance (see "Guidance: Global Methodology And Assumptions For CLOs And Corporate CDOs", published on June 21, 2019).

Table 7

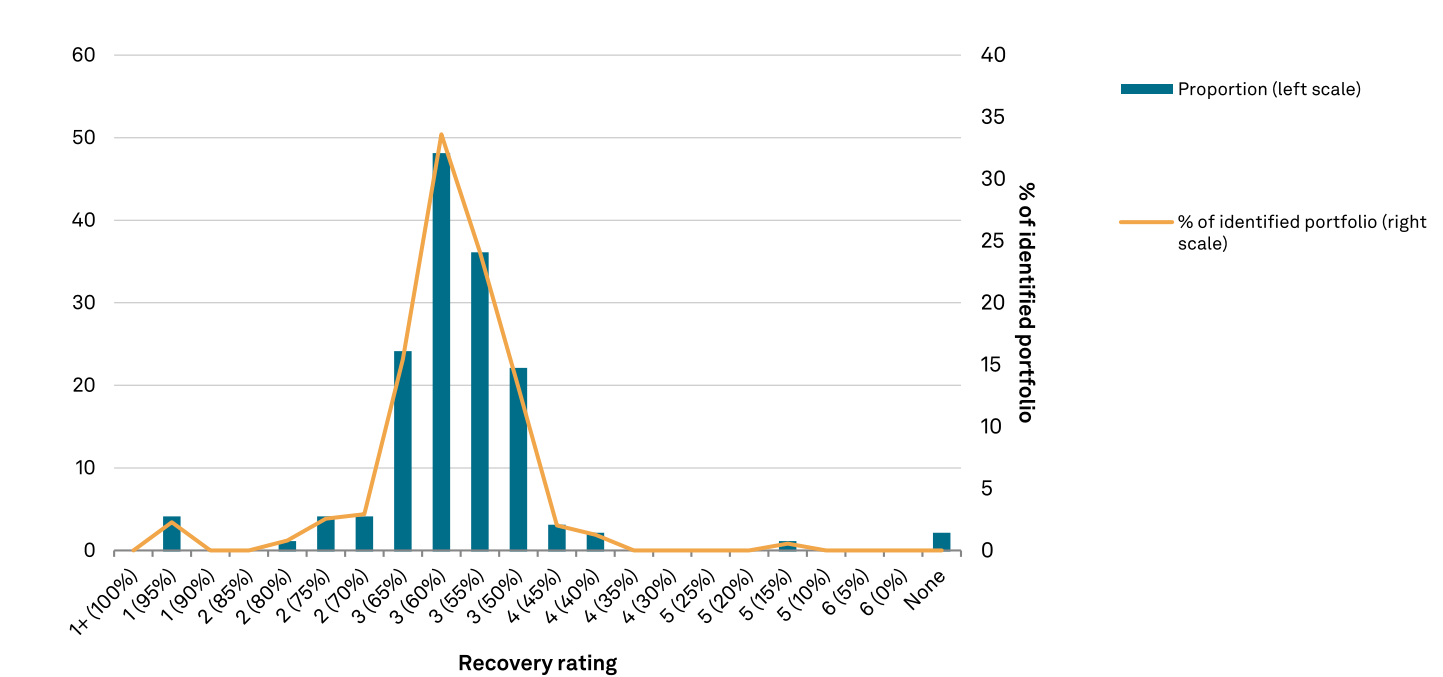
### Collateral WARR

Liability rating	Modeled WARR (%)	Target pool WARR (%)	Actual WARR on identified portfolio (%)
AAA (sf)	37.25	39.23	39.23
AA (sf)	47.65	49.09	49.09
A (sf)	53.61	55.01	55.00
BBB- (sf)	60.44	61.77	61.77
BB- (sf)	65.22	66.56	66.56
B- (sf)	66.44	67.83	67.86

During the ramp-up period (generally six months from closing), the manager will buy assets to reach at or above the modeled WARR considered in our analysis. WARR--Weighted-average recovery rate.

Chart 3

Recovery rating distribution



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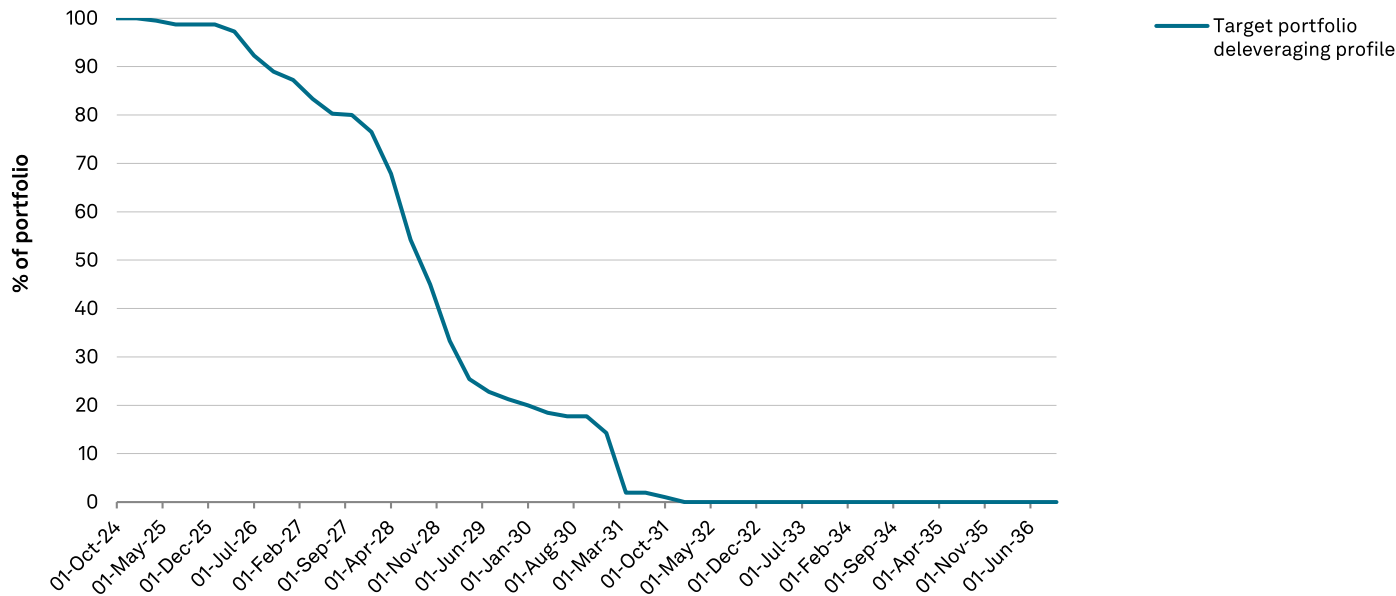
Deleveraging profile

Chart 4 shows the portfolio's deleveraging profile. For our cash flow analysis, we have used a standard amortization profile of 4.50 years in line with table 6 in our guidance (see "Guidance: Global Methodology And Assumptions For CLOs And Corporate CDOs", published on June 21, 2019).

Chart 4

### Target portfolio deleveraging profile

Based on the legal final maturity date



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## Portfolio Investment Guidelines

The underlying portfolio will primarily comprise euro-denominated senior secured loans and bonds to broadly syndicated corporate borrowers. Some of the portfolio limitations are outlined below in table 8 which the collateral manager is expected to comply with during the life of the transaction.

Table 8

### Portfolio profile test

Type of obligation	Limit (%)
Minimum senior secured loans or senior secured bonds	96.00
Maximum second-lien loans, senior unsecured obligations, high yield bonds, and mezzanine obligations	4.00
Minimum senior secured loans	70.00
Senior secured bonds, high yield bonds, and mezzanine obligations in the form of bonds	30.00
Maximum single obligor, provided up to three obligors may each represent up to 3.0% of the aggregate collateral balance	2.50
Maximum collateral obligations of a single obligor (in the case of collateral obligations are secured senior loans and bonds) provided up to three obligors may each represent up to 3.0% of the aggregate collateral balance	2.50

Table 8

## Portfolio profile test (cont.)

Type of obligation	Limit (%)
Maximum unsecured senior obligations, second lien loans, and mezzanine obligations and high yield bonds to a single obligor	1.50
Maximum obligations of an obligor which is a collateral manager portfolio company	10.00
Maximum single S&P industry, provided that any one S&P industries may comprise up to 15.0% each and any further one single industry may comprise up to 12.0%	10.00
Maximum obligors domiciled in countries with a credit rating from S&P Global Ratings below 'AA-'	20.00
Maximum obligors domiciled in countries with a credit rating from S&P Global Ratings below 'A-'	10.00
Maximum obligors domiciled in countries with a credit rating from S&P Global Ratings below 'BB-'	5.00
Maximum covenant-lite loans (if class A investor condition satisfied then 30.0%)	25.00
Maximum participations (shall not include initial participations)	5.00
Maximum current pay obligations (if class A condition satisfied, then 5.0% and current pay obligations that are uptier priming debt may comprise up to an additional 2.5%)	2.5
Maximum corporate rescue loans and any defaulted uptier priming debt (not more than 2% shall consist of corporate rescue loans from a single obligor)	5.00
Maximum non-euro-denominated obligation	20.00
Maximum payment in kind obligations	5.00
Maximum S&P Global Ratings' credit rating of 'CCC+', 'CCC', and 'CCC-'	7.50
Maximum annual obligations (if class A investor condition satisfied then 5.0%)	1.00
Maximum unfunded amounts under revolving obligations or delayed drawdown CDOs	5.00
Maximum bridge loans (the class A investor condition needs to be satisfied)	2.50
Maximum investment manager related collateral debt	10.00
Maximum unhedged collateral debt obligations	2.50
Collateral debt obligations of the top 10 obligors	20.00
Maximum fixed-rate obligations	12.50
Maximum discount obligations	25.00
Maximum obligations with a maturity date falling on a date that is 11 years from the issue date	10.00
Indebtedness of obligor between €200 million and €250 million	5.00

Under the transaction documents, certain conditions must be satisfied before collateral is bought for or sold from the portfolio (see tables 9 and 10).

Table 9

## Summary of trading conditions during reinvestment period

Conditions to reinvest proceeds from each type of assets sold/received	Coverage tests\$	New asset minimum par amount	S&P CDO Monitor test	Concentration limitations
Defaulted (including recovery on defaulted assets)	Satisfy	Not less than 100% of the sale proceeds*	Not required	Satisfy otherwise maintain or improve
Credit risk	Satisfy otherwise maintain or improve	Not less than 100% of the sale proceeds of assets sold*	Not required	Satisfy otherwise maintain or improve

Table 9

**Summary of trading conditions during reinvestment period (cont.)**

Conditions to reinvest proceeds from each type of assets sold/received	Coverage tests§	New asset minimum par amount	S&P CDO Monitor test	Concentration limitations
Discretionary	Satisfy otherwise maintain or improve	Not less than 100% of the principal balance of assets sold*	Satisfy otherwise maintain or improve	Satisfy otherwise maintain or improve
Credit improved	Satisfy otherwise maintain or improve	Not less than 100% of the principal balance of assets sold*	Satisfy otherwise maintain or improve	Satisfy otherwise maintain or improve
Unscheduled principal (including recoveries)	Satisfy otherwise maintain or improve	Not less than 100% of the principal balance of assets sold*	Satisfy otherwise maintain or improve	Satisfy otherwise maintain or improve
Scheduled principal	Satisfy otherwise maintain or improve	Not less than 100% of the principal balance of assets sold*	Satisfy otherwise maintain or improve	Satisfy otherwise maintain or improve

\*Alternatively, if the aggregate collateral balance of the portfolio exceeds the reinvestment target par balance. §Interest coverage ratio on or after second interest payment date

Table 10

**Summary of trading conditions after reinvestment period**

Conditions to reinvest proceeds from each type of assets sold/received	Coverage tests	New asset minimum par amount	Limitations	New asset with an equal or a higher rating	New asset with the same or a shorter maturity
Credit risk	Passing before and after	Not less than 100% of the sale proceeds of assets sold	Satisfy otherwise maintain or improve	Yes (or same of better SDR)	Yes
Credit improved	Passing before and after	Not less than 100% of the principal balance of assets generating proceeds	Satisfy otherwise maintain or improve	Yes (or same of better SDR)	Yes
Unscheduled principal	Passing before and after	Not less than 100% of the principal balance of assets generating proceeds	Satisfy otherwise maintain or improve	Yes (or same of better SDR)	Yes

Note: Discretionary trading, scheduled principal received from collateral, and recoveries from defaulted assets cannot be reinvested. For credit improved obligations trading permitted subject to class A investor condition being satisfied. SDR--Scenario default rate.

**Note Payment Considerations****Overcollateralization, interest coverage, and interest diversion tests**

The rated notes benefit from certain structural features that require sequential mandatory redemption upon a breach of any overcollateralization or interest coverage test. Additionally, during the reinvestment period, the rated notes benefit from the reinvestment of up to a certain amount of the excess interest proceeds, captured upon breach of the transaction's interest

diversion test (see table 11).

Table 11

### Overcollateralization, interest coverage, and interest diversion tests

Class	Actual O/C (%)	Min. O/C required (%)	Min. I/C required (%)
A/B	136.05	127.05	120.00
C	125.94	119.44	115.00
D	115.87	110.37	110.00
E	110.50	106.00	105.00
F (applicable during reinvestment period)	107.24	103.24	
Interest diversion test based on the class F notes (applicable during the reinvestment period)	107.24	103.74	N/A

O/C--Overcollateralization. I/C--Interest coverage. N/A--Not applicable.

### Payment priorities

Under the transaction documents, the collateral's interest and principal collections are payable according to separate payment priorities. On each payment date during and after the reinvestment period, unless at the stated maturity or an acceleration following an event of default occurs, proceeds will be distributed in the priority outlined in table 12.

Table 12

### Waterfall payment priority

Priority	Interest waterfall	Principal waterfall
A	Taxes and issuer profit amount	Payment of A through I of interest waterfall if previously unpaid
B	Accrued and unpaid trustee fees and expenses, up to the cap†	Cure class A/B coverage tests
C	Due and unpaid administrative expenses, up to the cap†	If class C is the controlling class, any unpaid interest
D	Transfers to expense reserve account	Cure class C coverage tests
E	(i) Senior investment management fee, some of which may be deferred to purchase additional collateral or waived (such as deferred senior collateral management amount)(ii) Catch up on previously due and unpaid senior management fee	If class C is the controlling class, unpaid deferred interest
F	Any scheduled periodic hedge issuer payments, any currency hedge issuer termination payments, any interest rate hedge issuer termination payments, any FX forward issuer termination payments and any hedge replacement payments.	If class D is the controlling class, any unpaid interest
G	Interest on class X and A-1 notes and class X notes' principal, pari passu	Cure class D coverage tests
H	Class A-2 notes' interest.	If class D is the controlling class, unpaid deferred interest
I	Class B notes' interest	If class E is the controlling class, any unpaid interest
J	Cure class A/B notes' coverage tests	Cure class E coverage tests

Table 12

**Waterfall payment priority (cont.)**

<b>Priority</b>	<b>Interest waterfall</b>	<b>Principal waterfall</b>
K	Class C notes' interest	If class E is the controlling class, any unpaid deferred interest
L	Cure class C notes' par value tests	If class F is the controlling class, unpaid interest
M	Class C notes' deferred interest	Cure class F par value test
N	Class D notes' interest, current period	If class F is the controlling class, unpaid deferred interest
O	Cure class D notes' coverage tests	Redemption following an effective date rating event
P	Class D notes' deferred interest	Make payments under a special redemption event
Q	Class E notes' interest, current period	Purchase collateral in line with reinvestment criteria during reinvestment period. After reinvestment period, unscheduled principal proceeds and sale proceeds from the sale of credit risk obligation to purchased substitute collateral obligation or to principal account
R	Cure class E notes' coverage tests	Note redemption in line with priority
S	Class E notes' deferred interest	Payment of Y through EE of interest waterfall if previously unpaid post reinvestment period
T	Class F notes' interest, current period	Payments to equity and, where appropriate, investment manager
U	Cure class F par value test	Residual payments to equity.
V	Class F notes' deferred interest	
W	Redemption following an effective date rating event.	
X	Reinvestment overcollateralization test, minimum of cure amount or 50% of remaining proceeds to either redeem notes or purchase additional collateral	
Y	(i) Senior distribution amount, some of which may be deferred to purchase additional collateral or waived(ii) Catch up on previously due and unpaid senior distribution amount	
Z	(i) Subordinated investment management fee, some of which may be deferred to purchase additional collateral or waived (such as deferred subordinated investment management amount)(ii) Subordinated distribution amount, some of which may be deferred to purchase additional collateral or waived (such as deferred subordinated distribution amount)(iii) Catch up on previously due and unpaid (other than senior management amounts) subordinated management fee(iv) Deferred senior management amount(v) Investment manager advances and interest thereon	
AA	Any remaining trustee fees and expenses not paid under the cap†	
BB	Any remaining administrative expenses under the cap	
CCA	Any payments relating to a defaulted hedge counterparty	

Table 12

**Waterfall payment priority (cont.)**

Priority	Interest waterfall	Principal waterfall
DD	At manager's discretion, transfer to collateral enhancement account, any collateral enhancement amount.	
EE	To the contributor, any contribution repayment amount.	
FF	Payments to equity and, where appropriate, investment manager	
GG	Residual payments to equity.	

**Note:** The note payment sequence is as follows: first the class X and class A-1 notes at the applicable redemption price until fully redeemed, then the class A-2 notes, then the class B notes in the same manner, then the class C notes including unpaid interest and deferred interest at the applicable redemption price until they fully redeem, then the class D to F notes in the same manner.

**Application Of Our CDO Monitor/Compliance With Our CDO Monitor Test**

Our CDO Monitor is a tool that collateral managers use during the reinvestment period to determine if a particular trade or series of trades increases the risk to the rated liabilities.

The CDO Monitor test will be considered passing if the results indicate that the current portfolio produces an SDR that is equal to or below the transaction's BDR. There is no requirement that the CDO Monitor test be considered after the reinvestment period, or when reinvesting proceeds from the sale of a credit risk or defaulted obligation.

For this transaction, the non-model version of CDO Monitor will be used initially, with the option to switch to the model version.

**Events Of Default**

Under certain conditions, the following events of default may result in the acceleration of payments to the preliminary rated notes or the collateral's liquidation:

- The issuer fails to pay interest, when due and payable, to the class X, A-1, A-2, and B notes (within the related grace period in the transaction documents).
- A failure to pay principal payment or the redemption price on any rated class of notes when due and payable at the stated maturity date or any redemption date (each within the related grace period in the transaction documents).
- The issuer fails to disburse any amounts in accordance with the priority of payments within a grace period in the transaction documents.
- The portfolio balance (including cash and recovery on defaults) over the class X, A-1, and A-2 note balance falls below 102.5%.
- Under the transaction documents, the issuer is required to register as an investment company under the Investment Company Act. This requirement will be in effect for 45 days.
- A material default in the performance or material breach of any covenant, or other issuer agreement that is not cured within the 45-day cure period.
- The issuer's voluntary or involuntary bankruptcy.
- It becomes unlawful for the issuer to perform or comply with one or more of its obligations.



## Surveillance

We will maintain active surveillance on the rated notes until the notes mature or are retired, or until our credit ratings on the transaction have been withdrawn. The purpose of surveillance is to assess whether the rated notes are performing within the initial parameters and assumptions applied to each rating category. The issuer is required under the terms of the transaction documents to supply periodic reports and notices to us to maintain continuous surveillance on the rated notes.

## Environmental, social, and governance

We regard the exposure to environmental, social, and governance (ESG) credit factors in the transaction as being broadly in line with our benchmark for the sector (see "ESG Industry Report Card: Collateralized Loan Obligations," published on March 31, 2021). Primarily due to the diversity of the assets within CLOs, the exposure to environmental credit factors is viewed as below average, social credit factors are below average, and governance credit factors are average. For this transaction, the documents prohibit assets from being related to certain activities, including, but not limited to weapons or firearms, illegal drugs or narcotics etc. Accordingly, since the exclusion of assets from these industries does not result in material differences between the transaction and our ESG benchmark for the sector, no specific adjustments have been made in our rating analysis to account for any ESG-related risks or opportunities.

## Related Criteria

- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- Criteria | Structured Finance | General: Global Framework For Payment Structure And Cash Flow Analysis Of Structured Finance Securities, Dec. 22, 2020
- Criteria | Structured Finance | General: Methodology To Derive Stressed Interest Rates In Structured Finance, Oct. 18, 2019
- Criteria | Structured Finance | CDOs: Global Methodology And Assumptions For CLOs And Corporate CDOs, June 21, 2019
- Criteria | Structured Finance | General: Counterparty Risk Framework: Methodology And Assumptions, March 8, 2019
- Criteria | Structured Finance | General: Incorporating Sovereign Risk In Rating Structured Finance Securities: Methodology And Assumptions, Jan. 30, 2019
- Legal Criteria: Structured Finance: Asset Isolation And Special-Purpose Entity Methodology, March 29, 2017
- Criteria | Structured Finance | General: Global Framework For Assessing Operational Risk In Structured Finance Transactions, Oct. 9, 2014
- General Criteria: Methodology Applied To Bank Branch-Supported Transactions, Oct. 14, 2013
- Criteria | Structured Finance | General: Global Derivative Agreement Criteria, June 24, 2013
- General Criteria: Criteria For Assigning 'CCC+', 'CCC', 'CCC-', And 'CC' Ratings, Oct. 1, 2012

- General Criteria: Global Investment Criteria For Temporary Investments In Transaction Accounts, May 31, 2012
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

## **Related Research**

- Weekly European CLO Update, May 13, 2024
- CLO Pulse Q2 2023: The 'Snooze Drag' Takes Hold In Europe, Sept. 28, 2023
- Resilience Under Pressure Amid Tighter Financial Conditions, Sept. 26, 2023
- European Secured Debt Recovery Estimates Q1 2023: Refinancing Is Fueling Issuance, Recoveries Stable, July 13, 2023
- Credit Conditions Europe Q3 2023: The Slow Burn of Rising (Real) Rates, June 27, 2023
- ESG Industry Report Card: Collateralized Loan Obligations, March 31, 2021
- Leveraged Finance: A 10-Year Lookback At Actual Recoveries And Recovery Ratings, Feb. 4, 2019
- 2017 EMEA Structured Credit Scenario And Sensitivity Analysis, July 6, 2017
- Global Structured Finance Scenario And Sensitivity Analysis 2016: The Effects Of The Top Five Macroeconomic Factors, Dec. 16, 2016
- European Structured Finance Scenario And Sensitivity Analysis 2016: The Effects Of The Top Five Macroeconomic Factors, Dec. 16, 2016

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