Presale:

Buttermilk Park CLO Ltd./Buttermilk Park CLO LLC

September 6, 2018

This presale report is based on information as of Sept.6, 2018. The ratings shown are preliminary. This report does not constitute a recommendation to buy, hold, or sell securities. Subsequent information may result in the assignment of final ratings that differ from the preliminary ratings.

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Preliminary Ratings

Class	Preliminary rating	Balance (mil. $)	Overcollateralization (%)	Subordination (%)	Par Subordination (%)	Interest rate (%)
A-1	AAA (sf)	306.25	163.27	40.61	38.75	Three-month LIBOR + 1.10
A-2	NR	18.75	153.85	36.97	35.00	Three-month LIBOR + 1.40
B-1	AA (sf)	35.00	134.23	27.76	25.50	Three-month LIBOR + 1.65
B-2	AA (sf)	12.50	134.23	27.76	25.50	4.43
C (deferrable)	A (sf)	37.00	122.10	20.59	18.10	Three-month LIBOR + 2.10
D (deferrable)	BBB- (sf)	30.00	113.77	14.77	12.10	Three-month LIBOR + 3.10
E (deferrable)	BB- (sf)	18.00	109.29	11.28	8.50	Three-month LIBOR + 5.75
Subordinated notes	NR	58.15	N/A	N/A	N/A	N/A

(i)The rating on each class of securities is preliminary and subject to change at any time. NR--Not rated. N/A--Not applicable.

Executive Summary

Buttermilk Park CLO Ltd. is a $515.65 million broadly syndicated collateralized loan obligation (CLO) managed by GSO/Blackstone Debt Funds Management LLC, an affiliate of GSO Capital Partners. This is GSO/Blackstone Debt Funds Management LLC's second CLO in 2018, which will bring their total CLO assets under management (AUM) to approximately $16.05 billion.

Based on provisions in the transaction documents:

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- The transaction will be collateralized by at least 90.0% senior secured loans, with a minimum of 85.0% of the loan issuers required to be based in the U.S. or Canada.
- A maximum of 70.0% of the loans in the collateral pool can be covenant-lite.
- 97.55% of the identified underlying collateral obligations have credit ratings assigned by S&P Global Ratings.
- 97.11% of the identified underlying collateral obligations have recovery ratings issued by S&P Global Ratings.

Key Credit Metrics

Selected Credit Metrics

	Buttermilk Park CLO Ltd.	Three-month average(i)
Total leverage (x)(ii)	7.87	9.65
Subordination ('AAA'/'BBB') (%)	40.61/14.77	40.78/14.14
Weighted average cost of debt (%)(iii)	1.58	1.61
Portfolio WAS (excluding LIBOR floors)(%)	3.33	3.44
Excess spread (%)(iv)	1.76	1.68
SDR ('AAA'/'BBB') (%)	67.06/48.00	66.88/44.86
WA portfolio recovery ('AAA'/'BBB') (%)	43.27/64.52	45.15/66.25
Obligor diversity measure (%)(v)	157.61	96.47

(i)Three-month average comprises S&P Global Ratings-rated deals. (ii)Total debt/equity (excluding any class X notes, if applicable). (iii)Spread over LIBOR for all classes, excluding the subordinated notes and, if applicable, any class X notes (if there is a fixed-rate tranche, LIBOR is subtracted from the fixed coupon in the calculation). (iv)WAS minus the weighted average cost of debt. (v)The effective number of obligors in the underlying collateral, obtained by squaring the result for each obligor and taking the reciprocal of the sum of these squares [i.e., 1/sum()^2]. WA--Weighted average. WAS--Weighted average spread. SDR--Scenario default rate.

Deal comparison

Compared to other broadly syndicated CLOs that we assigned preliminary ratings to in the three months ended July 2018, Buttermilk Park CLO Ltd. has:

- Lower total leverage and lower subordination at the 'AAA' rating level (higher at the 'BBB' level).
- A lower weighted average cost of debt.
- A lower weighted average spread and higher available excess spread.
- A higher scenario default rate and lower weighted average recovery rate (WARR).
- A portfolio with a higher obligor diversity measure.

Transaction Timeline/Participants

Transaction Timeline

Expected closing date	Sept. 20, 2018.
Effective date	Dec. 15, 2018.
Non-call period end date	Sept. 20, 2020.
Reinvestment period end date	Oct. 15, 2023.
Stated maturity date	Oct. 15, 2031.
Note payment frequency	Quarterly, beginning Jan. 15, 2019.

Participants

Collateral manager	GSO/Blackstone Debt Funds Management LLC.
Initial Purchaser	Merrill Lynch, Pierce, Fenner & Smith Inc.
Trustee	State Street Bank and Trust Co.

Rationale

The preliminary ratings assigned to Buttermilk Park CLO Ltd.'s $438.75 million floating- and fixed-rate notes reflect our assessment of:

- The diversified collateral pool, which consists primarily of broadly syndicated speculative-grade senior secured term loans 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 is expected to be bankruptcy remote.

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.	S&P Global Ratings' quantitative analysis simulates various default patterns and interest rate movements, under various stress scenarios taking into account portfolio characteristics, payment mechanics, covenants, collateral quality tests, and excess spread.
Excess concentration in certain types of collateral obligations	The collateral manager's ability to invest in certain types of collateral is outlined by the indenture. Larger concentrations in certain obligations can introduce additional risks to the rated notes.	S&P Global Ratings' cash flow analysis generally assumes the underlying portfolio contains the maximum allowable amount of certain types of collateral obligations to stress test the transaction for concentration risk. Examples include: 7.5% 'CCC' rated; 2.5% current pay; 5.0% fixed rate, 0.0% deferrable, 0.0% long-dated, and 5.0% assets paying less frequently than quarterly. For more detail please see table 10.

Table 1

Rating Considerations (cont.)

Risk	Risk description	Mitigating factors
Collateral manager trading performance	During the reinvestment period (and, subject to additional restrictions, after the reinvestment period), the collateral manager can change the underlying portfolio's composition, thus exposing the transaction to potential deterioration in credit enhancement. For this particular transaction, the collateral manager can reinvest proceeds from credit risk sales or unscheduled prepayments during and after the reinvestment period.	The transaction documents require that any collateral obligation sold is replaced with another of equal or higher par value, or that the trade maintains or increases the level of the transaction's overcollateralization. Credit risk, defaulted, and equity securities are exempt from these restrictions so the collateral manager is not forced to purchase a discounted obligation. In addition, the indenture requires that each additional purchase satisfy, maintain, or improve certain additional collateral quality tests. After the reinvestment period, the asset purchased must have the same or higher S&P Global Ratings' credit rating and the same or lower stated maturity than the asset being replaced.
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 materially different than the one presented to S&P Global Ratings for its preliminary analysis.	S&P Global Ratings offers collateral managers a 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 10). 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 a 'AAA' level of stress versus 50% for a senior secured first-lien loan that is not covenant-lite). In addition, the transaction documents mandate that any loan that is pari passu with a covenant-lite loan of the same obligor, or which contains a cross-default provision with such loan, will also use the reduced recovery rates regardless of whether these pari passu or cross-defaulting loans are counted as covenant-lite for the purposes of portfolio concentration limits.
Long-dated collateral obligation can introduce market value risk	A portfolio containing long-dated collateral obligations exposes a transaction to market value risk. To repay the noteholders at the transaction's maturity, the collateral manager will be forced to sell such obligations at the prevailing market price, which may be below par.	According to the transaction documents, the collateral manager cannot purchase any long-dated collateral obligations but may vote in favor of any waiver, modification, or amendment that would extend a collateral obligation's maturity beyond the notes' stated maturity if the manager reasonably believes the obligation can be sold within 30 days of the amendment. Any long-dated obligations are carried at a haircut in the O/C numerator, and we would expect that the ability to vote in favor of such amendments will be limited.
Ability to purchase assets with (sf) rating qualifiers from other NRSROs	The collateral manager has the ability to purchase assets that have received ratings with (sf) qualifiers from other NRSROs. Therefore, there is a risk that the portfolio could contain assets that S&P Global Ratings would consider to be structured finance obligations.	We expect the final transaction documents to contain the appropriate structured finance industry classification and recovery rate tables as outlined in our criteria, "Global CDOs of Pooled Structured Finance Assets: Methodology and Assumptions," published Feb. 21, 2012.

O/C--Overcollateralization.

Collateral Manager

GSO/Blackstone Debt Funds Management LLC currently manages 23 U.S. CLOs and has $15.5 billion in total CLO AUM.

Analysis of past CLO 2.0 transactions managed by GSO/Blackstone Debt Funds Management LLC and its affiliates and rated by S&P Global Ratings reveals the following information:

- An average overlap in collateral composition of 51.04%. This is lower than the average of 51.99% for all CLO 2.0 transactions rated by S&P Global Ratings.
- An average portfolio turnover rate of 24.32% over the past 12 months. This is lower than the average of 25.96% for all CLO 2.0 transactions rated by S&P Global Ratings.
- An average margin of 13.71% between the quantity of covenant-lite assets held versus the maximum allowable amount, as reported by the trustee.
- Industry concentration favors software, and health care providers and services.
- Of the transactions that are still in the reinvestment period, 77.78% have a current par amount that is above the effective date target par.
- An average senior overcollateralization cushion of 10.38% at the transaction's closing date.

We met with the collateral manager to assess the firm's ability to carry out its duties as defined in the transaction documents.

Quantitative Analysis

In analyzing this transaction, S&P Global Ratings conducted a quantitative review consisting of two analyses: a portfolio analysis and a cash flow analysis.

Understanding our portfolio and cash flow analyses

For the portfolio analysis, S&P Global Ratings 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 S&P Global Ratings criteria. This resulted in a set of scenario default rates (SDRs), which represent expected default levels for the portfolio under the different stress scenarios associated with each rating level (see chart 1).

For example, the 'AAA' stress scenario assumes an extreme level of stress, one similar to what was experienced during the Great Depression, while the 'BBB' stress scenario assumes a high, but less severe, level of stress that is more akin to the most recent recession. As a result, the portfolio will experience a higher level of defaults in the 'AAA' stress scenario than the 'BBB' stress scenario.

For the cash flow analysis, we input the transaction-specific structural features presented to us into the Standard & Poor's Cash Flow Evaluator model to generate a base case set of cash flows. These cash flows are then subjected to various default timing and interest rate stress scenarios to arrive at a break-even default rate (BDR) for each rated class of notes (see chart 2).

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

Chart 1

CDO Evaluator Model

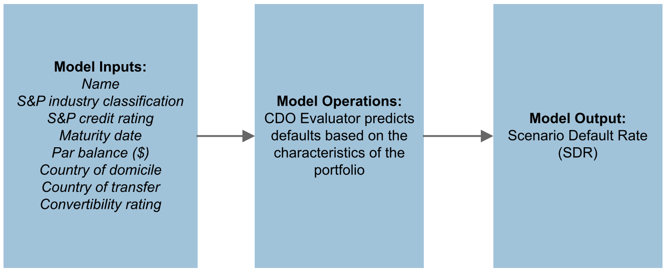
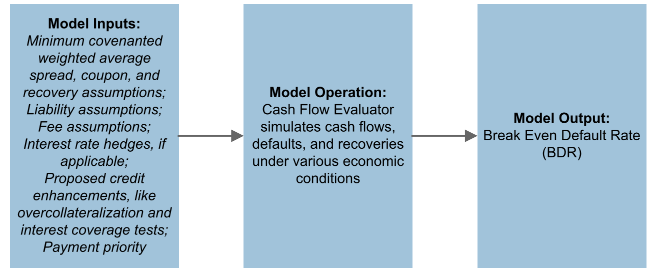


Chart 2

Standard & Poor's Cash Flow Evaluator

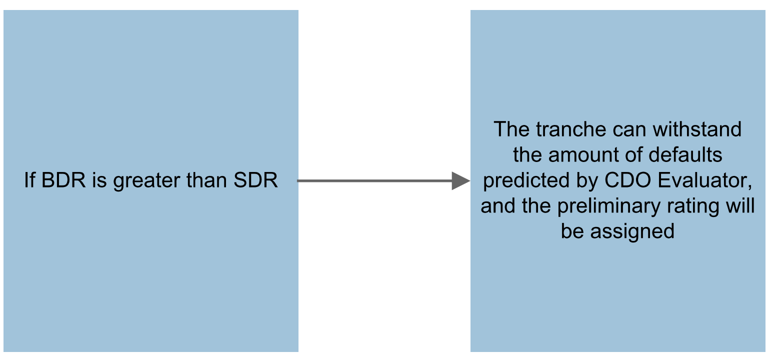


Connecting the portfolio and cash flow analyses

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 timely interest and principal (see chart 3).

Chart 3

Assignment Of Tranche Rating



The results shown in table 2 indicate that the rated notes have sufficient credit enhancement to withstand our projected default levels.

Table 2

Credit Enhancement

Class	Subordination (%)	BDR (%)	SDR (%)	BDR cushion (%)
A-1	40.61	68.93	67.06	1.87
B-1	27.76	64.93	59.64	5.29
B-2	27.76	64.93	59.64	5.29
C (deferrable)	20.59	55.34	54.11	1.24
D (deferrable)	14.77	46.52	45.21	1.31
E (deferrable)	11.28	39.65	39.13	0.52

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

Supplemental tests

We also conduct a largest-industry default test and largest-obligor default test according to "Global Methodologies And Assumptions For Corporate Cash Flow And Synthetic CDOs," published Aug. 8, 2016. Under these assumptions, the notes can withstand the loss amounts indicated in table 3 at their preliminary rating levels.

Table 3

Supplemental Tests

Class	Preliminary rating	Preliminary amount (mil. $)	Largest industry default test loss amount (mil. $)	Largest obligor default test loss amount (mil. $)
A-1	AAA (sf)	306.25	44.15	51.29
B-1	AA (sf)	35.00	44.15	41.84
B-2	AA (sf)	12.50	44.15	41.84
C (deferrable)	A (sf)	37.00	N/A	32.21
D (deferrable)	BBB- (sf)	30.00	N/A	22.05
E (deferrable)	BB- (sf)	18.00	N/A	16.85

N/A--Not applicable.

Sensitivity analysis

Finally, several of the assumptions specified in the collateralized debt obligation criteria are stressed to evaluate the sensitivity of the transaction's performance to those parameters. Such stresses include:

- A negative 10% adjustment to the proposed collateral pool's recovery rates relative to each tranche's WARR.
- Defaults on the underlying portfolio biased to include the highest spread and lowest base-case recoveries.
- Intra- and inter-industry correlation adjustments as described in table 4.

Table 4

Correlation

Scenario	Within industry (%)	Between industries (%)
Below base case	15.0	5.0
Base case equals preliminary rating	20.0	7.5
Above base case	25.0	10.0

Table 5 illustrates the rating migration that would occur under each of the aforementioned scenarios.

Table 5

Sensitivity Analysis Rating Migration

		Resulting rating transition			
Class	Preliminary rating	10% recovery decrease	Spread default bias	Recovery default bias	Correlation above base case
A-1	AAA (sf)	AA+ (sf)	AA+ (sf)	AA+ (sf)	AA+ (sf)
B-1	AA (sf)	AA- (sf)	AA (sf)	A+ (sf)	AA (sf)
B-2	AA (sf)	AA- (sf)	AA (sf)	A+ (sf)	AA (sf)
C (deferrable)	A (sf)	BBB+ (sf)	A- (sf)	BBB (sf)	A- (sf)
D (deferrable)	BBB- (sf)	BB+ (sf)	BB+ (sf)	B+ (sf)	BB+ (sf)
E (deferrable)	BB- (sf)	B- (sf)	B (sf)	CCC- (sf)	B+ (sf)

Collateral Quality Tests And Credit Metrics

In addition to the quantitative framework, we produce and review collateral quality metrics to assess specific risks inherent in a transaction. Results for the collateral quality tests based on the identified portfolio provided to us are shown in table 6.

Table 6

Collateral Quality Metrics––Performing Identified Collateral

Test	Weighted average	Covenant	Margin
Weighted average life (years)(i)	6.90	9.00	2.10
Weighted average spread (including LIBOR floors) (%)	3.33	3.20	0.13
Weighted average LIBOR floor (%)	0.95	N/A	N/A
Weighted average fixed coupon (%)(ii)	N/A	7.50	N/A
Weighted average rating	B+	N/A	N/A

(i)Calculated value that assumes collateral maturing during the reinvestment period is extended by the maximum weighted-average life covenant applicable on the reinvestment period end date. (ii)Calculated value does not give credit to excess spread, which may positively adjust the calculation when determining compliance with the covenant. N/A--Not applicable.

Portfolio Characteristics

Metrics based on the portfolio presented to S&P Global Ratings and the level of ramp-up completion are shown in tables 7A and 7B.

Table 7A

Target Collateral Obligations

Target par balance (mil. $)	500.00
Par balance of identified collateral (mil. $)	500.00
Par balance of collateral not yet identified (mil. $)	0.00
Ramp-up completion (% of target par balance)	100.00
S&P Global Ratings' rating (% of identified collateral)(i)	97.55
S&P Global Ratings' implied rating (% of identified collateral)	2.45

(i)May include credit estimates and confidential ratings.

Table 7B

Identified Collateral Obligations (Obligors)

No. of obligors	249
Avg. obligor holding (%)	0.40
Largest-obligor holding (%)	1.22
Smallest-obligor holding (%)	0.02

In the portfolio data referenced for this analysis, the issuer had identified 100.00% of the portfolio's collateral. As the portfolio composition changes, the information and results presented in table 8 and charts 4-7 are also likely to change.

Obligor concentration

The underlying portfolio presented to S&P Global Ratings for its rating analysis consists of obligors in the industries shown in table 8.

Table 8

Top Obligor Holdings As Of Sept. 6, 2018

						Notional amount (mil. $)		Notional amount (%)	
Obligor reference	**Industry**	**Security type**	**S&P Global Ratings' rating**	**S&P Global Ratings' implied rating**	**CreditWatch/outlook**	**Obligor**	**Cumulative**	**Obligor**	**Cumulative**
1	Healthcare providers and services	Senior secured	B	No	Stable	6.10	6.10	1.22	1.22
2	Communications equipment	Senior secured	B	No	Stable	6.09	12.19	1.22	2.44

Table 8

Top Obligor Holdings As Of Sept. 6, 2018 (cont.)

						Notional amount (mil. $)		Notional amount (%)	
Obligor reference	Industry	Security type	S&P Global Ratings' rating	S&P Global Ratings' implied rating	CreditWatch/outlook	Obligor	Cumulative	Obligor	Cumulative
3	Healthcare providers and services	Senior secured	BB	No	Stable	5.86	18.06	1.17	3.61
4	Healthcare providers and services	Senior secured	B	No	Stable	5.55	23.60	1.11	4.72
5	Pharmaceuticals	Senior secured	B	No	CreditWatch Positive	5.47	29.07	1.09	5.81

N/A--Not applicable.

Industry and ratings distribution

Chart 4 shows the industry distribution in the portfolio. Chart 5 shows the ratings distribution in the portfolio.

Chart 4

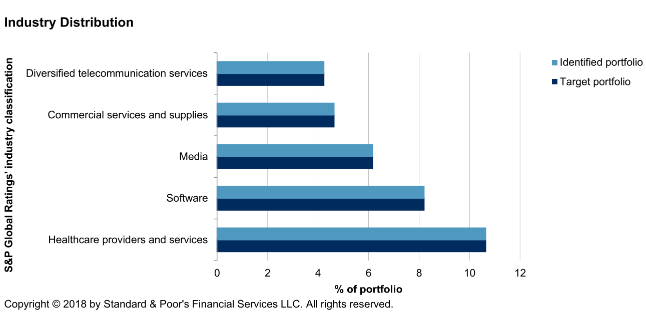
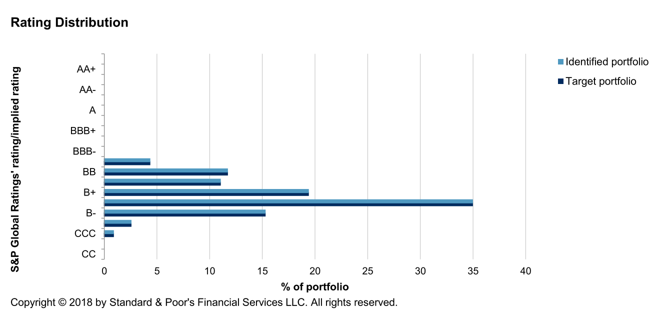


Chart 5



Recovery rating and maturity distribution

Table 9 and chart 6 below presents a summary of identified portfolio S&P Global Ratings' loan recovery rates. Chart 7 shows the maturity distribution in the identified portfolio.

Chart 6

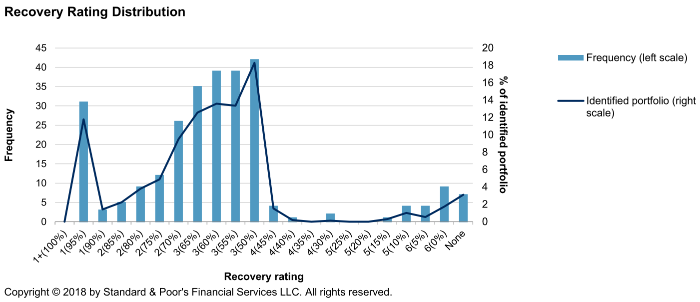
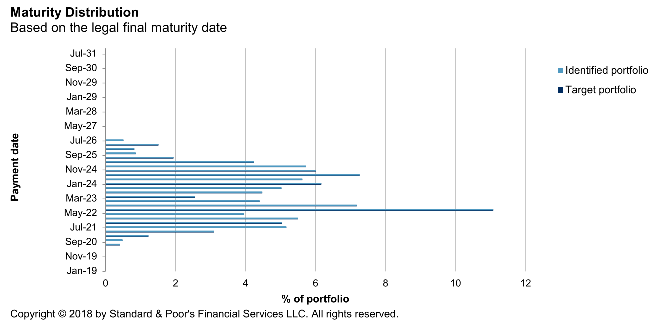


Chart 7



Portfolio Investment Guidelines

The underlying portfolio will consist primarily of U.S. dollar-denominated senior secured loans to broadly syndicated corporate borrowers. The collateral portfolio's effective date and reinvestment guidelines are expected to comply with the limitations shown in table 10.

Table 10

Collateral Pool Guidelines

	Limit (%)
Type of obligation	
Other than senior secured loans, cash, and eligible investments	10.0
Covenant-lite loans(i)	70.0
Current-pay obligations(ii)	2.5
Debtor-in-possession obligations	7.5
Deferrable obligations(ii)	0.0
Delayed-drawdown and revolving obligations	10.0
Fixed-rate obligations(ii)	5.0
Long-dated obligations(ii)	0.0
Obligations that pay interest less frequent than quarterly(other than a partial PIK obligation, which may pay interest no less frequently than annually)(ii)	5.0
Obligor and its affiliates: single/up to five	2.0/2.5
Participation interests	20.0
Second-lien and senior unsecured loans	10.0
S&P Global Ratings' industry classification single/second largest/largest	10.0/13.5/15.0
S&P Global Ratings' credit rating of 'CCC+' or below(ii)	7.5
Structured finance obligations	0.0
Location	
Other than the U.S.	20.0

Table 10

Collateral Pool Guidelines (cont.)

	Limit (%)
Emerging markets	0.0

(i)Covenant-lite loans are assigned lower recovery ratings than similar obligations that require continued compliance with covenants. (ii)S&P Global Ratings generally conducts its cash flow analysis assuming that the CLO holds the maximum amount of these types of obligations permitted under the transaction documents. For long-dated and 'CCC+' and below obligations, we generally apply stresses when the exposure is greater than 5%. CLO--Collateralized loan obligation. PIK--Payment in kind securities. N/A--Not applicable.

Risk of concentration in certain obligation types

S&P Global Ratings considers larger concentrations in the types of obligations shown in table 11 to pose additional risk to the transaction. If the transaction can purchase such collateral obligations, our quantitative analysis would consider the risk associated with such types of obligations (see table 10 above for transaction-specific limitations).

Table 11

Risks Of Obligation Types

Obligation type	Risk specific to the obligation
Current-pay obligations	S&P Global Ratings' criteria allow transactions to purchase current-pay obligations as long as the collateral manager reasonably believes that the obligor will remain current on all contractual payments (as well as other factors). Due to the increased risk associated with these obligations, they are carried at 'CCC-' in the portfolio analysis, which will increase the SDRs produced by the CDO Evaluator.
Deferrable obligations	Obligations where interest payments may be deferred can result in a discrepancy in the timing of cash inflows and outflows. If this mismatch is significant, it may result in a shortfall in cash available to pay the rated noteholders. S&P Global Ratings conducts its cash flow analysis assuming that the transaction holds the maximum amount of deferrable obligations permitted. The timing differences will be captured in the BDRs generated by the Cash Flow Evaluator.
Fixed-rate obligations	Because interest payments for the majority of the rated notes are tied to LIBOR, obligations in the underlying portfolio that pay a fixed rate create exposure to interest rate movements. Should market rates change significantly over the transaction's life, this may reduce excess spread. To account for such risk, S&P Global Ratings' cash flow analysis assumes the transaction holds the maximum amount of fixed-rate obligations permitted. The results are captured in the BDRs generated by the Cash Flow Evaluator.
Long-dated obligations	Collateral obligations scheduled to mature after the transaction's stated maturity date introduce market value risk, as the collateral manager must sell the obligations at the prevailing market price to pay the rated noteholders. To account for this risk, in the event that the allowable bucket exceeds 5% of the asset balance, S&P Global Ratings' cash flow analysis haircuts the par amount of these obligations (10% per year after the transaction's stated maturity), which will lower the BDRs produced by the Cash Flow Evaluator. This stress would also be considered for long-dated assets that the transaction can hold after any maturity amendments.
Obligations that pay interest less frequently than quarterly	Because transactions typically require quarterly interest payments to be made to the noteholders, a portfolio consisting of collateral obligations that pay interest less frequently creates a discrepancy in the timing of cash inflows and outflows. If this mismatch is significant, it may result in a shortfall in cash available to pay the rated noteholders. S&P Global Ratings conducts its cash flow analysis assuming that the transaction holds the maximum amount of non-quarterly obligations permitted. The timing differences will be captured in the BDRs generated by the Cash Flow Evaluator.
S&P Global Ratings' rating of 'CCC+' or below	Transaction documents typically limit the amount of obligations 'CCC+' or below that the collateral manager can purchase. A higher concentration of obligations rated 'CCC+' or lower will increase the SDRs produced by the CDO Evaluator.

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

Note Payment Considerations

Overcollateralization, interest coverage, and reinvestment overcollateralization 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 12).

Table 12

Overcollateralization, Interest Coverage, And Reinvestment Overcollateralization Tests

Class	Actual O/C (%)	Min. O/C required (%)	Min. I/C required (%)
A/B	134.23	124.23	120.00
C	122.10	114.10	110.00
D	113.77	107.77	105.00
E	109.29	104.29	N/A
Reinvestment O/C(i)	109.29	105.29	N/A

(i)The reinvestment O/C test will be satisfied when the class E O/C test is equal to or higher than the specified level. 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 an acceleration following an event of default occurs, proceeds will be distributed in the priorities outlined in tables 13 and 14.

Table 13

Interest Waterfall Payment Priority

Priority	Payment
1	Taxes and fees, and then administrative expenses (capped).
2	Senior management fee.
3	Hedge payments, if applicable, pro rata, except for amounts due to termination (or partial termination).
4	Class A-1 note interest.
5	Class A-2 note interest.
6	Class B-1 and B-2 note interest, pro rata.
7	Class A/B coverage test (i).
8	Class C note interest.
9	Class C coverage test(i).
10	Class C note deferred interest.
11	Class D note interest.
12	Class D coverage test(i).
13	Class D note deferred interest.
14	Class E note interest.
15	Class E overcollateralization ratio test(i).
16	Class E note deferred interest.
17	Interest diversion test (during the reinvestment period only). If it fails, purchase additional collateral obligations, an amount equal to required interest diversion amount.
18	Effective date ratings confirmation. If it is not obtained, on first payment date, apply pursuant to priority of payments. On any other payment date, purchase collateral obligations or pay according to the note payment sequence(ii) (each to the extent necessary to obtain a rating agency confirmation).
19	Subordinated management fee and any redirected fee.
20	Refinancing or re-pricing expenses, and then administrative expenses (uncapped).
21	Hedge payments, if applicable, pro rata.
22	To the contributors, pro rata.
23	Contribution account, at the collateral manager's direction.
24	To the holders of the subordinated note to realize an IRR of 12%.
25	Up to 50% of remaing proceeds to the incentive management fee and remaining proceeds to the holders of the subordinated notes.

(i)If it fails, pay according to the note payment sequence until each test is satisfied. (ii)Note payment sequence: class A-1 note interest, then class A-1 note principal, then class A-2 note interest, then class A-2 note principal, then class B-1 and B-2 note interest, pro rata, then class B-1 and B-2 note principal, pro rata, then class C note interest, then class C note deferred interest, then class C note principal, then class D note interest, then class D note deferred interest, then class D note principal, then class E note interest, then class E note deferred interest, and then class E note principal. IRR-Internal rate of return.

Table 14

Principal Waterfall Payment Priority

Priority	Payment
1	Items 1-6 of the interest waterfall.
2	Item 7 of the interest waterfall.
3	Item 8 of the interest waterfall(i).
4	Item 9 of the interest waterfall.
5	Item 10 of the interest waterfall(i).
6	Item 11 of the interest waterfall(i).
7	Item 12 of the interest waterfall.
8	Item 13 of the interest waterfall(i).
9	Item 14 of the interest waterfall(i).
10	Item 15 of the interest waterfall.
11	Item 16 of the interest waterfall(i).
12	Effective date ratings confirmation. If it is not obtained, purchase collateral obligations or pay according to the note payment sequence(ii) (each to the extent necessary to obtain a rating agency confirmation).
13	On any redemption date (other than for special redemption or refinancing), pay according to the note payment sequence(ii). On any other payment date, pay according to note payment sequence (special redemption amount).
14	During the reinvestment period (and after the reinvestment period, proceeds from the sale of credit risk obligations and unscheduled principal payments), invest in eligible investments and/or purchase additional collateral obligations, unless a redemption date, in which case no distributions shall be made.
15	Note payment sequence(ii).
16	Item 19 of the interest waterfall.
17	Item 20 of the interest waterfall.
18	Hedge payments, if applicable, pro rata.
19	Hedge payments, if applicable, pro rata.
20	To the contributors, pro rata.
21	To the holders of the subordinated note to realize an IRR of 12%.
22	Up to 50% of remaing proceeds to the incentive management fee and remaining proceeds to the holders of the subordinated notes.

(i)In each case, only to the extent that the relevant class is the controlling class. (ii)Note payment sequence: class A-1 note interest, then class A-1 note principal, then class A-2 note interest, then class A-2 note principal, then class B-1 and B-2 note interest, pro rata, then class B-1 and B-2 note principal, pro rata, then class C note interest, then class C note deferred interest, then class C note principal, then class D note interest, then class D note deferred interest, then class D note principal, then class E note interest, then class E note deferred interest, and then class E note principal. IRR--Internal rate of return.

Note redemption circumstances

Under the transaction documents, the notes can be redeemed before the stated maturity date of the transaction in the circumstances outlined below (see table 15).

Table 15

Note Redemption

Redemption events	Redemption terms
Optional redemption	On any business day after the non-call period, the notes may be redeemed, in whole but not in part, at the direction of more than 50% of the subordinated notes' aggregate outstanding amount.
Mandatory redemption	If any coverage test is not met on any applicable determination date, the issuer will apply amounts available in the payment account according to the payment priority.
Refinancing	On any business day after the non-call period, any class of notes may be refinanced, in whole but not in part, at the direction of the holders of more than 50% of the subordinated notes' aggregate outstanding amount. Under the indenture, the issuer will obtain a partial refinancing only if certain conditions are met.
Re-pricing	After the non-call period, at the direction of the holders of more than 50% of the subordinated notes' aggregate outstanding amount and with the collateral manager's consent, the spread over LIBOR on any class can be reduced. Any nonconsenting noteholder will be repaid in full.
Tax redemption	If a tax event occurs, any class of notes may be redeemed, in whole but not in part, before their legal final maturity. Redemption can occur at the direction of the holders of at least 50% of the affected class' or the subordinated notes' aggregate outstanding amount.

Application Of Standard & Poor's CDO Monitor/Compliance With Standard & Poor's CDO Monitor Test

Standard & Poor's 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 may be used as an alternative to the model-based approach. This version of CDO Monitor is built on the foundation of six portfolio benchmarks, which are used to provide insight into the characteristics that inform the way S&P Global Ratings assesses credit quality. These benchmarks are meant to enhance transparency for investors and other CLO market participants by allowing them to compare metrics across transactions and assess changes within a given CLO over time (for details, see "Standard & Poor's Introduces Non-Model Version Of CDO Monitor," published Dec. 8, 2014).

Table 16 illustrates the benchmarks for Buttermilk Park CLO Ltd. in the context of average values by vintage.

Table 16

CDO Monitor Metrics

	Buttermilk Park CLO Ltd.	2018 vintage	Difference
Expected portfolio default rate (%)	24.24	28.18	(3.93)
Default rate dispersion (%)	8.66	8.66	0.00
Obligor diversity measure	157.61	153.08	4.53
Industry diversity measure	24.38	21.87	2.51
Regional diversity measure	1.19	1.18	0.01
Weighted average life (years)	4.57	5.14	(0.58)

(i)Expected portfolio default rate (EPDR)--The weighted average portfolio expected default rate expressed as a percentage of the par balance of the assets rated 'CCC-' or higher. (ii)Default rate dispersion (DRD)--The weighted average absolute deviation of the asset default rates from the EPDR. Obligor diversity measure (iii)Obligor diversity measure (ODM)--The measure of effective number of obligors in the pool obtained by squaring the result for each obligor and taking the reciprocal of the sum of these squares [i.e., 1/sum()^2]. (iv)Industry diversity measure (IDM)--Effective number of industries in the pool obtained in the same way as ODM above. (v)Regional diversity measure (RDM)--Effective number of regions in the pool obtained the same way as ODM and IDM. (vi)Weighted average life (WAL)--The portfolio's weighted average life is based on the remaining number of years to maturity for each loan.

Surveillance

S&P Global Ratings will maintain active surveillance on the rated notes until the notes mature or are retired, or until S&P Global Ratings' 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 S&P Global Ratings to maintain continuous surveillance on the rated notes. For more information on our CLO surveillance process, please see "CDO Spotlight: Standard & Poor's Surveillance Process For Monitoring U.S. Cash Flow CLO Transactions," published Oct. 19, 2016

Related Criteria

- General Criteria: Guarantee Criteria, Oct. 21, 2016
- Criteria - Structured Finance - CDOs: Global Methodologies And Assumptions For Corporate Cash Flow And Synthetic CDOs, Aug. 8, 2016
- Criteria - Structured Finance - General: Ratings Above The Sovereign - Structured Finance: Methodology And Assumptions, Aug. 8, 2016
- General Criteria: Principles For Rating Debt Issues Based On Imputed Promises, Dec. 19, 2014
- Criteria - Structured Finance - CDOs: CDOs Of Project Finance Debt: Global Methodology And Assumptions, March 19, 2014
- General Criteria: Global Investment Criteria For Temporary Investments In Transaction Accounts, May 31, 2012
- Criteria - Structured Finance - CDOs: Global CDOs Of Pooled Structured Finance Assets: Methodology And Assumptions, Feb. 21, 2012
- Criteria - Structured Finance - CDOs: Surveillance Methodology For Global Cash Flow And Hybrid CDOs Subject To Acceleration Or Liquidation After An EOD, Sept. 2, 2009

- Criteria - Structured Finance - CDOs: Revised CDO Current-Pay Criteria Assumptions For Corporate Debt When Issuers Announce A Distressed Exchange Or Buyback, May 18, 2009
- Criteria - Structured Finance - CDOs: The Use Of Rating-Based Haircuts In Event Of Default Overcollateralization Tests For CDOs, March 19, 2008
- Criteria - Structured Finance - CDOs: Qualification And Treatment Of Current-Pay Obligations In Global Cash Flow CLOs, July 11, 2007
- Legal Criteria: Legal Criteria For U.S. Structured Finance Transactions: Special-Purpose Entities, Oct. 1, 2006
- Legal Criteria: Legal Criteria For U.S. Structured Finance Transactions: Appendix III: Revised UCC Article 9 Criteria, Oct. 1, 2006
- Criteria - Structured Finance - General: Structured Finance Criteria Introduced For Cayman Islands Special-Purpose Entities, July 18, 2002

Related Research

- Global Structured Finance Scenario And Sensitivity Analysis 2016: The Effects Of The Top Five Macroeconomic Factors, Dec. 16, 2016
- CDO Spotlight: Standard & Poor's Surveillance Process For Monitoring U.S. Cash Flow CLO Transactions, Oct. 19, 2016
- New Version of CDO Evaluator (7.1) Includes Updated Corporate Industry Codes, Sept. 13, 2016
- How Standard & Poor's Assesses Operational And Administrative Risks Of CLO Collateral Managers, April 19, 2016
- Global Corporate Rating Trends 2016: Largest Negative Swing Since 2009, Jan. 11, 2016
- Items Updated In Corporate CDO Criteria Used To Rate CLO Transactions, Sept. 17, 2015
- S&P Adds Transparency To Its Effective Date Process For CLOs, April 20, 2015
- CDO Monitor Non-Model Approach General Definitions, March 11, 2015
- Standard & Poor's Introduces Non-Model Version Of CDO Monitor, Dec. 8, 2014
- Use Of CDO Monitor Simplified, April 7, 2014
- How Typical CLO Document Provisions Affect Maintenance Of Collateral Characteristics For Managed CLOs, Nov. 6, 2013
- How Deferrable Assets In CLOs Are Treated Under Standard & Poor's Methodology, Oct. 1, 2012
- CDO Spotlight: The Relationship Between Long-Dated Assets And Market Value Risk In U.S. Cash Flow CLOs, April 26, 2012
- Credit FAQ: What Are Credit Estimates And How Do They Differ From Ratings? April 6, 2011
- CLO Collateral Managers' Treatment Of First-Lien-Last-Out Loans Could Affect Payments To Investors, Oct. 14, 2010
- Standard & Poor's Provides Guidance For Collateral Managers And Trustees Regarding CDO Monitor, Nov. 11, 2009

In addition to the criteria specific to this type of security (listed above), the following criteria articles, which are generally applicable to all ratings, may have affected this rating action: "Post-Default Ratings Methodology: When Does Standard & Poor's Raise A Rating From 'D' Or 'SD'?," March 23, 2015; "Global Framework For Assessing Operational Risk In Structured Finance Transactions," Oct. 9, 2014; "Methodology: Timeliness of Payments: Grace Periods, Guarantees, And Use of 'D' And 'SD' Ratings," Oct. 24, 2013; "Counterparty Risk Framework Methodology And Assumptions," June 25, 2013; "Criteria For Assigning 'CCC+', 'CCC', 'CCC-', And 'CC' Ratings," Oct. 1, 2012; "Methodology: Credit Stability Criteria," May 3, 2010; and "Use of CreditWatch And Outlooks," Sept. 14, 2009.