

## Fitch Takes Various Rating Actions on Anthracite CDO III Ltd./Corp.

Written by Australian Business

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NEW YORK--( [BUSINESS WIRE](#) )--Fitch Ratings upgrades one class, downgrades two, and affirms nine classes of Anthracite CDO III Ltd./Corp. (Anthracite CDO III). A complete list of rating actions follows at the end of this release.

### Key Rating Drivers:

Since the last rating action in October 2012, approximately 29.8% of the collateral has been downgraded. Currently, 70.1% of the portfolio has a Fitch derived rating below investment grade and 46.3% has a rating in the 'CCC' category and below, compared to 60.9% and 3.2%, respectively, at the last rating action. Over this period, the class A notes have received \$87.4 million principal paydowns.

This transaction was analyzed under the framework described in the report 'Global Rating Criteria for Structured Finance CDOs' using the Portfolio Credit Model (PCM) for projecting future default levels for the underlying portfolio. The default levels were then compared to the breakeven levels generated by Fitch's cash flow model of the CDO under the various default timing and interest rate stress scenarios, as described in the same report. Fitch also analyzed the structure's sensitivity to the assets that are distressed, experiencing interest shortfalls, and those with near-term maturities. Based on this analysis, the class A through C notes' breakeven rates are generally consistent with the ratings assigned below.

For the class D through H notes, Fitch analyzed the sensitivity of each class to the default of the distressed assets ('CCC' and below). Given the high probability of default of these assets and expected limited recovery prospects upon default, Fitch has downgraded the class D notes to 'Csf' and affirmed the class E through H notes at 'Csf', indicating that default is inevitable.

The Stable Outlook on classes A and B reflects the cushion in the passing ratings and the expectation that the transaction will continue to delever.

### Rating Sensitivities:

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In addition to those sensitivities discussed above, further negative migration and defaults beyond those projected by SF PCM as well as increasing concentration in assets of a weaker credit quality could lead to downgrades.

Anthracite CDO III is a collateralized debt obligation (CDO) that closed on March 30, 2004. Currently, the portfolio is composed of 37 securities from 22 issuers of which 66.9% are commercial mortgage backed securities (CMBS), 18.7% CMBS rake bonds or credit tenant leases (CTL) classified as commercial real estate loans (CREL), and 14.4% real estate investment trusts (REITs).

Fitch has taken the following actions:

--\$22,281,315 class A notes upgraded to 'BBBsf' from 'BBsf'; Outlook revised to Stable from Evolving;

--\$27,000,000 class B-FL notes affirmed at 'Bsf'; Outlook Stable;

--\$14,384,000 class B-FX notes affirmed at 'Bsf'; Outlook Stable;

--\$24,727,000 class C-FL notes affirmed at 'CCCs';

--\$2,500,000 class C-FX notes affirmed at 'CCCs';

--\$14,396,399 class D-FL notes downgraded to 'Csf' from 'CCsf';

--\$11,345,477 class D-FX notes downgraded to 'Csf' from 'CCsf';

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--\$11,235,137 class E-FL notes affirmed at 'Csf';

--\$30,906,892 class E-FX notes affirmed at 'Csf';

--\$27,101,641 class F notes affirmed at 'Csf';

--\$8,328,733 class G notes affirmed at 'Csf';

--\$15,812,611 class H notes affirmed at 'Csf'.

Additional information is available at '[www.fitchratings.com](http://www.fitchratings.com)'.

Applicable Criteria and Related Research:

--'Global Structured Finance Rating Criteria' (May 24, 2013);

--'Global Rating Criteria for Structured Finance CDOs' (Sept. 12, 2013).

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Global Structured Finance Rating Criteria

[http://www.fitchratings.com/creditdesk/reports/report\\_frame.cfm?rpt\\_id=708661](http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=708661)

#### Global Rating Criteria for Structured Finance CDOs

[http://www.fitchratings.com/creditdesk/reports/report\\_frame.cfm?rpt\\_id=718027](http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=718027)

#### Additional Disclosure

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