

Fitch to Rate Adams Mill CLO Ltd./LLC; Issues Presale

Written by Australian Business

CHICAGO--([BUSINESS WIRE](#))--Fitch Ratings expects to assign the following ratings and Rating Outlooks to Adams Mill CLO Ltd./LLC:

--\$230,625,000 class A-1 notes 'AAAsf'; Outlook Stable;

--\$105,000,000 class A-2 notes 'AAAsf'; Outlook Stable.

Fitch does not expect to rate the class B-1, B-2, C-1, C-2, D-1, D-2, E-1, E-2, or F notes or the subordinated notes.

TRANSACTION SUMMARY

Adams Mill CLO Ltd. (the issuer) and Adams Mill CLO LLC (the co-issuer) comprise an arbitrage cash flow collateralized loan obligation (CLO) that will be managed by Shenkman Capital Management, Inc. Net proceeds from the issuance of the secured and subordinated notes will be used to purchase a portfolio of approximately \$535 million of primarily senior secured leveraged loans. The CLO will have a four-year reinvestment period and a two-year non-call period.

KEY RATING DRIVERS

Sufficient Credit Enhancement: Credit enhancement (CE) of 37.3% for the class A-1 and A-2 (together, class A) notes, in addition to excess spread, is sufficient to protect against portfolio default and recovery rate projections in a 'AAAsf' stress scenario. The degree of CE available to class A notes is slightly lower than the average CE of recent CLO issuances.

'B' Asset Quality: The average credit quality of the indicative portfolio is 'B', which is

comparable to recent CLOs. Issuers rated in the 'B' rating category denote a highly speculative credit quality; however, in Fitch's opinion, class A notes are unlikely to be affected by the foreseeable level of defaults. Class A notes are projected to be able to withstand default rates of up to 61.8%.

Strong Recovery Expectations: The indicative portfolio consists of 96.5% first lien senior secured loans. Approximately 90.3% of the indicative portfolio has either strong recovery prospects or a Fitch-assigned Recovery Rating of 'RR2' or higher.

Consistent Portfolio Parameters: The concentration limitations and collateral quality test levels 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 in the Fitch stressed portfolio analysis.

RATING SENSITIVITIES

Fitch evaluated the structure's sensitivity to the potential variability of key model assumptions, including decreases in recovery rates and increases in default rates or correlation. Fitch expects the class A notes to remain investment grade even under the most extreme sensitivity scenarios. Results under these sensitivity scenarios ranged between 'A+sf' and 'AAAsf' for the class A notes.

The expected ratings are based on information provided to Fitch as of July 2, 2014. Sources of information used to assess these ratings were provided by the arranger, Nomura Securities International, Inc., and the public domain.

Key Rating Drivers and Rating Sensitivities are further detailed in the accompanying presale report, available at 'www.fitchratings.com'.

Additional information is available at 'www.fitchratings.com'.

Applicable Criteria & Related Research:

--'Global Structured Finance Rating Criteria' (May 20, 2014);

--'Global Rating Criteria for Corporate CDOs' (Aug. 8, 2013);

--'Criteria for Interest Rate Stresses in Structured Finance Transactions and Covered Bonds' (Jan. 23, 2014);

--'Counterparty Criteria for Structured Finance and Covered Bonds' (May 14, 2014).

Applicable Criteria and Related Research: Adams Mill CLO Ltd./LLC

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=750905

Counterparty Criteria for Structured Finance and Covered Bonds

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=744158

Criteria for Interest Rate Stresses in Structured Finance Transactions and Covered Bonds

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=725537

Global Rating Criteria for Corporate CDOs

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=715492

Global Structured Finance Rating Criteria

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=748821

Additional Disclosure

Solicitation Status

http://www.fitchratings.com/gws/en/disclosure/solicitation?pr_id=837703

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