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PRIVATE CREDIT QUICK REFERENCE GUIDE (US)

BENEFITS OF A FITCH RATING

A rating from Fitch increases the marketability of non-public financing transactions as well as helps provide capital charge relief to investors who are subjected to NAIC (National Association of Insurance Commissioners) or other specific internal investment policies.

Fitch delivers superior service by providing:

- Industry expertise across asset classes including Corporates, Infrastructure & Project Finance and Commercial Real Estate
- Timely feedback
- Transparency in the rating process

Proposed NAIC Changes Middle Market Loans (MML)

Starting 2022 the number of NAIC designations increased from 6 to 20 making every rating notch important.

Rating	NAIC Designation	New Capital Charge	Direct Investment in 'BB' and 'B' Middle Market Loans (MML)	
BBB+	2.A	1.261%	Unrated Debt	→ NAIC Designation 6 at 30.0%
BBB	2.B	1.523%		
BBB-	2.C	2.168%	BB Rated Debt	→ NAIC Designation 3.B at 4.537%
BB+	3.A	3.151%		
BB	3.B	4.537%	B Rated Debt	→ NAIC Designation 4.B at 9.535%
BB-	3.C	6.017%		
B+	4.A	7.386%		
B	4.B	9.535%		
B-	4.C	12.428%		
CCC+	5.A	16.942%		
CCC	5.B	23.798%		
CCC-	5.C	30.000%		
Unrated	6	30.000%		

Source: NAIC

OVERVIEW OF CORPORATE RATINGS PRODUCTS

	Initial Stage	Main Rating Products	
	Indicative Rating	Private Rating	Public Rating
Description	• Cost-effective, confidential point-in-time rating • Engaged party decides whether to: • Publish the rating • Continue to monitor Private Rating • Stop the rating process	• Non-public financing transactions	• General corporate purposes • Financing purposes
Reference	• Point-in-time	• Monitored	• Monitored
Notch Specific	• Yes	• Yes	• Yes
Output	• Confidential rating letter • Issuer Default Rating (IDR) • Recovery Rating • Security Level Ratings	• Confidential rating letter • Issuer Default Rating (IDR) • Recovery Rating • Security Level Ratings	• Rating Action Commentary
Parties Involved During Rating Process	• Asset managers and/or investors	• Asset managers and/or investors	• Asset managers, investors and/or issuers

PRODUCTS RATED FOR THE MIDDLE MARKET

- Syndicated Middle Market Loans
- Separately Managed Accounts (SMAs) or Commingled Funds subjected to regulatory requirements (including compliance with NAIC, Solvency II, Basel III, etc.)
- Loan Funds/Collateralized Loan Obligations (CLOs)/Special Purpose Vehicles (SPVs)
- Business Development Companies (BDCs)
- Rule 144A and Regulation S Offerings/Private Placements
- Financing Facilities/Advance Borrowing Lines
- Underlying loans in a fund/CLO *

* Model-based credit opinions for middle market CLOs.

KEY RATING DETERMINANTS CREDIT OPINIONS*

Regression-based Model Credit Opinions

Issuer Default Credit Opinion (IDCO) from regression-based model is driven primarily by four major inputs:

- Revenue
- EBITDA
- Total Debt
- Interest Expense

Final IDCO, security level rating and recovery rating are subjected to an analytical overlay including:

- News Check
- Liquidity Analysis

Analyst-based Credit Opinions

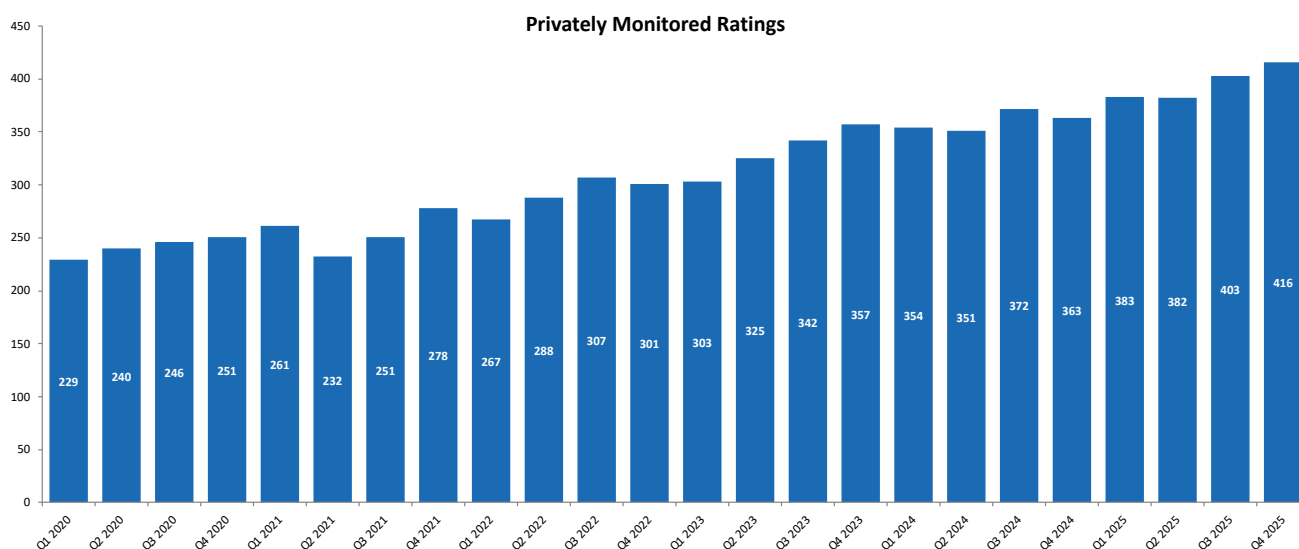
IDCO from analysts is derived from a robust analytical process by sector experts.

Credit opinions (COs) use a published rating scale, but either omit certain analytical characteristics of a rating, or match them to a lower standard than in a credit rating. The limitations of COs, compared to a rating, include: “point-in-time” coverage, limited information availability and review, an abbreviated surveillance review process in certain cases, and reduced robustness of outlooks and watch status. These limitations are consistent with the terms of their application within a pooled asset context, and are clearly signaled in the notation used to identify COs.

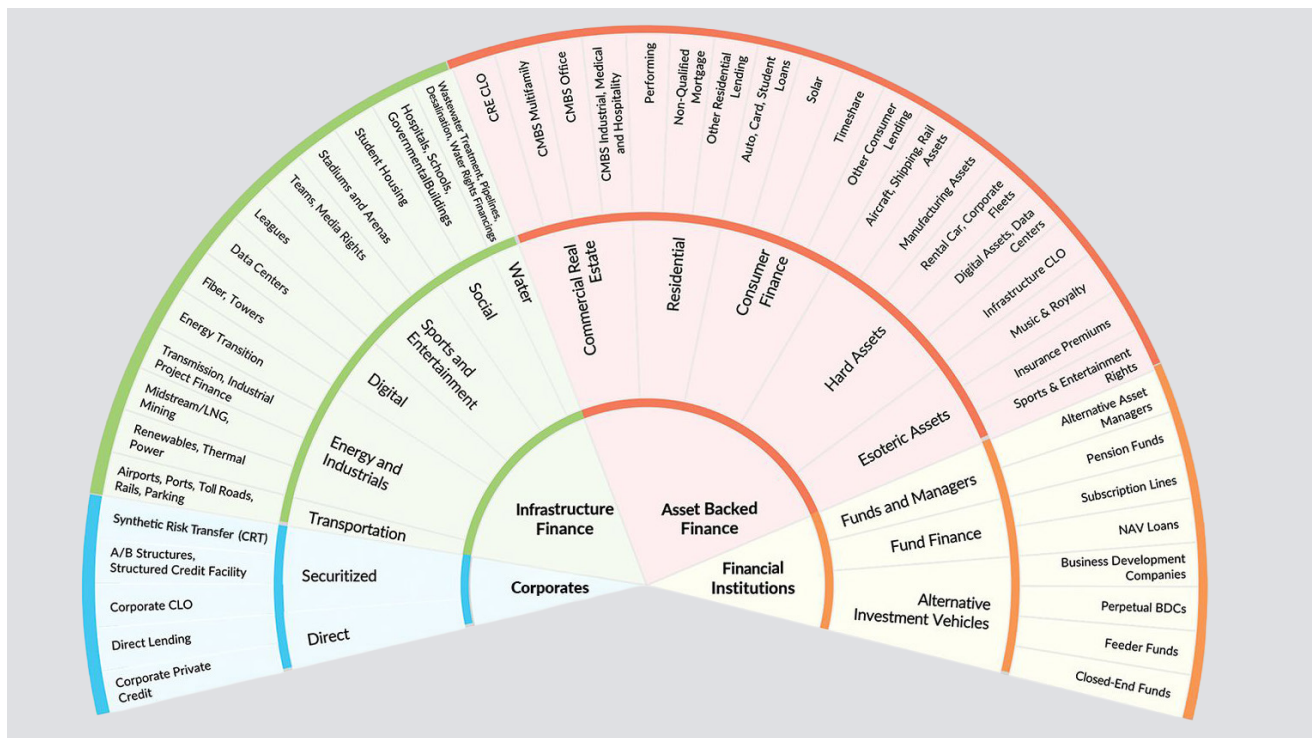
* In the United States, credit opinions are typically completed for a pool of loans to be used for CLO or Loan Fund ratings. In Europe, credit opinions are offered for individual credits or as part of a program.

FITCH'S MIDDLE MARKET LOAN COVERAGE

Continued steady growth in PMRs for US market



PRIVATE CREDIT COVERAGE



NOTABLE RELATIONSHIPS

Fitch-Rated US Business Development Corporations

Apollo Debt Solutions BDC	Blue Owl Technology Finance Corp.	Morgan Stanley Direct Lending Fund
Ares Capital Corp.	Capital Southwest Corp.	MSD Investment Corp
Ares Strategic Income Fund	Carlyle Secured Lending	New Mountain Finance
Bain Capital Specialty Finance	Fidus Investment Corp.	North Haven Private Income Fund
Barings BDC Inc.	Franklin BSP Capital Corp.	Nuveen Churchill Direct Lending Corp.
Barings Private Credit Corp	FS KKR Capital Corp.	Oaktree Strategic Credit Fund
BlackRock TCP Capital	Goldman Sachs BDC	Oaktree Specialty Lending Corp.
Blackstone Secured Lending Fund	Goldman Sachs Private Credit Corp.	Sixth Street Lending Partners
Blue Owl Capital Corp.	Golub Capital BDC, Inc.	Sixth Street Specialty Lending, Inc.
Blue Owl Capital Corp. II	Hercules Capital Inc.	SLR Investment Corp.
Blue Owl Credit Income Corp.	Main Street Capital Corp.	

Fitch-Rated US Middle Market Loan CLOs

Adams Street Partners	Blue Owl Capital	MidCap Financial
AllianceBernstein Private Credit	Churchill Asset Management	Monroe Capital
Antares Capital	First Eagle Investment Management	Panagram Structured Asset Management
Ares Direct Lending	Golub Capital	Varagon Capital Corporation
Bain Capital Credit	Guggenheim Investment Management	

In the United States, Fitch has engagements with numerous asset managers and investors to provide private ratings for middle market loans.

PRIVATE MONITORED RATING INFORMATION REQUEST LIST

Information request for a new Private Monitored Rating (PMR) if available:

Deal Information	- Detailed capital structure including preferred equity, mezzanine and sub-debt - Lender Presentation/Bank Book/Info Memo with clearly stated Sources & Uses table. If unavailable, other investment/sponsor presentations should be provided
Financial	- Audited financials (3 years or more) - Current & prior interim financials (monthly, quarterly or semi-annual) - Projections - Quality of earnings report (if available) - Management Discussion and Analysis
Legal Documents	- Credit agreement, inter-credit agreement and other related debt documents - Other related debt documents including stock/preferred equity agreements, mezzanine or other sub-debt documentation - Amendment documents - Last two covenant compliance certificates
Documentation for Healthcare PPME Structures	- Management service agreement - Deficit funding agreement - Stock transfer restriction agreement - Any additional documents related to PPME structure as defined in the "PC Documents"

On a periodic and ongoing basis, the following items (if available) should be supplied to update an existing PMR:

Quarterly Updates	- Quarterly compliance - Quarterly financials - Updated lender presentation
Annual Updates or Credit Events	- Audited & interim financial statements since initial submission (if any) - Amendment documents since initial submission (if any) - Covenant compliance since initial submission (if any) - Notification of change to capital structure & legal documents - Supporting documents (including stock/preferred equity agreements, mezzanine or other sub-debt documentation) - Updated lender presentation - Projections - Management Discussion and Analysis

Note: Annual financial statements should be audited by an accounting firm that is registered with the Public Company Accounting Oversight Board (PCAOB) and be in good standing with the PCAOB. In the event that audited financial statements are not available for the initial rating (for example a spinout from a larger conglomerate), it is expected that the future audited statements would be audited by a PCAOB registered accounting firm and a quality of earnings should be provided in place of the audit. Confirmation required from requestor that financials will be audited over the next 12 months before analytical work commences.

Note: Please note that this is not a comprehensive list and it is in the analysts' discretion to request additional information / documentation to complete a Private Monitored Rating.



CONTACTS

NORTH AMERICA



Winnie Fong
Managing Director
Head of NA Structured Credit and
Co-head of Global Private Credit
+1 212 908 9139
winnie.fong@fitchratings.com



Saavan Gatfield
Managing Director
Global Head of Infrastructure
& Project Finance
+1 212 908 0542
saavan.gatfield@fitchratings.com



Brad Hamner
Managing Director
Co-head of Global Private Credit
+1 312 606 2371
brad.hamner@fitchratings.com



Sidd Ghosh
Senior Director
Head of US Direct Lending
+1 646 582 4547
sidd.ghosh@fitchratings.com



Chris Becker
Managing Director
Global Head of Non-Bank
Financial Institutions
+1 646 582 4643
chris.becker@fitchratings.com

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