

## RATING ACTION:

### ARC RATINGS ASSIGNS PUBLIC, FINAL LONG-TERM A+ RATINGS TO THE NOTES ISSUED BY LAKE OLIVE COMPANY, WITH STABLE OUTLOOK

London, 15 June 2022 - ARC Ratings (UK) Limited (ARC) has assigned public, final long-term ratings of 'A+' to the Euro Notes and 'A+' to the Dollar Notes (collectively, the 'Notes') issued by Lake Olive Company ('Lake Olive'), with stable outlook.

ISSUER	CLASS/TRANCHE	AMOUNT	RATING CLASS	RATING	OUTLOOK	NEXT REVIEW DATE
Lake Olive Company	Euro Notes	EUR 60m	CLN	A+	Stable	15 June 2023
Lake Olive Company	Dollar Notes	USD 60m	CLN	A+	Stable	15 June 2023

The credit ratings assigned to the Euro Notes and Dollar Notes relate to the timely payment of interest and the ultimate repayment of principal.

#### TRANSACTION OVERVIEW

The transaction is set up as a dual-SPV structure, with insured downstream facilities between a downstream SPV ('Grove Olive Company') and an upstream SPV ('Lake Olive Company'). Upstream financing, in the form of Notes issued by the upstream SPV, provides funding for the downstream SPV's investments in a basket of CLO Funds, in accordance with the terms of four insured downstream facilities (one for each Fund). The repayment of the four insured downstream facilities is primarily driven by the distributions from the Funds. Repayment of the Notes (in accordance with the terms of the single upstream facility) is therefore primarily driven by the distributions from the Funds, but is not dependent thereon. Rather, should there be insufficient distributions from the Funds, each insurance policy ensures full repayment by the downstream SPV to the upstream SPV, thereby ensuring full repayment of the Notes by the upstream SPV. A highly rated reinsurer assumes 100% of the insured risk.

#### ANALYTICAL CONTACT DETAILS

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Each insured downstream facility has a maturity date of 5 August 2029, which coincides with the end of the policy periods (also 5 August 2029). Each insurance policy includes a 30-day waiting period following the provision of a Proof of Loss in connection with non-payment under the respective insured downstream facility. The Notes issued by Lake Olive Company have a maturity date of 15 September 2031, thus allowing for sufficient time for the reinsurer to pay out in the event of a claim in connection with the insured downstream facility. The transaction is structured to ensure that if an Event of Default occurs under one of the insured downstream facilities, and is uncured, the respective insurance policy will pay out. The coverage of each of the downstream facilities thereby allows for full and timely repayment of the Notes issued. An Event of Default occurring for any of the four downstream facilities will also cause a Prepayment Trigger Event for all, accelerating the repayment of principal and interest under each downstream facility.

The insurance and reinsurance policies have limited conditionality (e.g. payment of initial premium which has already been satisfied), and limited exclusions (e.g. a fraudulent act or fraudulent omission) to which ARC's rating would not apply.

The transaction is structured to ensure that should the insurance company become insolvent the transaction will continue with their rights and responsibilities assigned to other transaction parties (primarily the insured and the reinsurer). Therefore, there is no ongoing dependency or credit risk on the insurer.

## COUNTERPARTIES

**Lake Olive Company ('Issuer', 'Upstream SPV')** - validly incorporated under the laws of the Cayman Islands with registered address at c/o Appleby Global Services (Cayman) Limited, 71 Fort Street, P.O. Box 500, Grand Cayman, KY1-1106, Cayman Islands.

**Grove Olive Company ('Downstream SPV')** - validly incorporated under the laws of the Cayman Islands with registered address at c/o Appleby Global Services (Cayman) Limited, 71 Fort Street, P.O. Box 500, Grand Cayman, KY1-1106, Cayman Islands.

**Insurer** - a company validly incorporated under the laws of Bermuda.

**Reinsurer** - a company validly incorporated under the laws of the United Kingdom, rated 'A+' by S&P and 'AA-' by Fitch, both with stable outlook.

**NatWest Markets PLC ('Administrative Agent')** - a public limited company incorporated under the laws of Scotland with company number SC090312, with registered address at 36 St Andrew Square, Edinburgh, EH2 2YB.

**Deutsche Bank Trust Company Americas ('Custodian', 'Note Agent', 'Note Registrar', 'Paying Agent', 'Transfer Agent')** - a private limited company validly incorporated under the laws of the United States with company number 187205, with registered address at 1 Columbus Circle, 17th Floor, New York, NY 10019.

## KEY RATING DRIVERS

**Reinsurer:** The reinsurer has an Insurer Financial Strength rating of 'A+' from S&P and 'AA' from Fitch, both with stable outlook. ARC has public access to these ratings and will monitor on an ongoing basis. Should there be any rating action on the reinsurer, ARC will review this rating. In addition, the linkage to the reinsurer is limited due to the existence of downgrade triggers, which include an Event of Default trigger if the reinsurer's rating degrades.

**Legal Structure:** The structure of this transaction is such that ARC is able to 'look-through' to the ratings of the reinsurer given the limited conditionality and exclusions, considering the lower of the two ratings by S&P and Fitch.

**Account Bank Rating:** Deutsche Bank Trust Company Americas (DBTCA) has short-term ratings of 'P-1' from Moody's and 'F2' from Fitch, both with positive outlook. Given the positive outlook on the F2 rating, ARC has determined on this occasion to not apply a rating cap to this rating.

## SENSITIVITY ANALYSIS AND TURNING POINTS

Given the linkage to the reinsurer's ratings, any change (positive or negative) will result in a review of this rating.

## RELATED CRITERIA

ARC Ratings' Global Structured Finance Rating Criteria (Sep 2021).

ARC Ratings' Global Credit Linked Note and Repackaging Vehicle Rating Criteria (Feb 2022).

The rating(s) was assigned by ARC Ratings (UK) Limited and endorsed by ARC Ratings, S.A. in accordance with Regulation (EC) N° 1060/2009 of the European Parliament and of the Council.

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The rating(s) assigned by ARC Ratings in this report was/were sought by the entity whose financial commitments are being rated.

ARC Ratings provides to the entity whose financial commitments are being rated the documents that substantiate the rating to be attributed. This entity is thus given the opportunity to clarify or correct factual details. ARC Ratings also grants the issuer the possibility of appealing a rating accorded by ARC as long as this appeal is supported on additional information that hasn’t been taken into account in the original rating accordance.

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In the rating process, ARC Ratings adopts procedures and methodologies aimed at ensuring transparency, credibility and independence, and also that rating classifications are not influenced by conflicts of interest.

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