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Presale:

Miramax LLC (Series 2014-1)

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Presale:

Miramax LLC (Series 2014-1)

$25 Million Series 2014-1 Variable Funding Senior Secured Notes Class A-1; $250 Million Series 2014-1 Film Library Asset-Backed Notes Class A-2

This presale report is based on information as of Aug. 4, 2014. 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.

Preliminary Ratings As Of Aug. 4, 2014

Class	Preliminary rating(i)	Preliminary amount (mil. $)	Expected final maturity	Legal final maturity
A-1	BBB+ (sf)	25.00	July 2019	July 2026
A-2	BBB+ (sf)	250.00	July 2020	July 2026

(i)The rating on each class of securities is preliminary and subject to change at any time.

Profile

Expected closing date	August 2014.
Collateral	The collateral consists primarily of the rights to the intellectual property (including distribution rights) and film materials relating to a portfolio of approximately 700 films and 12 TV series, mini-series, and shorts (the film portfolio), as well as rights in books and development projects.
Initial purchasers	Barclays Capital Inc.
Servicer/control party	Midland Loan Services, a division of PNC Bank N.A.
Manager	Miramax Film NY LLC.
Back-up manager	FTI Consulting Inc.
Indenture trustee	Deutsche Bank Trust Co. Americas.

Rationale

The preliminary 'BBB+ (sf)' ratings assigned to Miramax LLC's (the issuer's) series 2014-1 class A-1 variable funding senior secured notes and class A-2 film library asset-backed notes reflect our opinion of:

- The transaction's legal and payment structure;
- The expected amount of cash flow to be derived from the exploitation (i.e. the licensing of television rights and digital rights, distribution of DVDs, and marketing, among other things) of the film portfolio (the collateral) in various distribution channels during the transaction's term;
- The credit enhancement available in the form of overcollateralization;
- The transaction's ability to make timely interest and ultimate principal payments on or before the legal final maturity date;
- Miramax Film NY LLC's (Miramax's or the manager's) ability to exploit the film portfolio; and
- Certain contingent debt service and collateral protection advances made by the servicer.

Transaction Strengths

In our opinion, the transaction's strengths include the following:

- The film portfolio's quality, which includes multiple Academy Award winners and other highly acclaimed films;
- The portfolio's size, with approximately 700 titles, is among the largest seen to date in the film securitization sector;
- The interest reserve account, which requires a minimum balance of: (i)six months' interest on the class A-2 notes' outstanding principal balance, and (ii)three months' interest on the class A-1 notes' outstanding principal balance (this required interest reserve account will be adjusted quarterly beginning in October 2014 as the note balance decreases);
- The experience of the manager's team in each of the TV, home entertainment, and digital distribution areas;
- The portfolio's cash flow is predicated on the library's exploitation and is expected to be less volatile than those of previous film securitizations reliant on the success of new productions; and
- A substantial amount of the expected cash flow is generated from contracts executed as of June 30, 2014, with Miramax having already fulfilled the majority of its deliverable obligations (which are conditions precedent to the payment of minimum guarantees) for these contracts.

Transaction Weaknesses

In our opinion, the transaction's weaknesses include the following:

- The library consists of predominantly older films, whose cash flows are expected to decline. In an environment of shrinking home entertainment sales and evolving digital distribution business model, such decline can occur faster than the industry and management forecasts.
- As primarily a film catalog licensor, Miramax expects to invest little in new films. This lack of investment may diminish the Miramax brand, and therefore, the manager's effectiveness as a future licensor.
- Miramax and the issuer (by way of sublicense or assignment) do not own the intellectual property to many of the movies in the portfolio, but do have the acquired rights to exploit the films by license or sublicense from third parties. Some of these licenses will expire before the notes' legal final maturity.
- The manager is permitted to manage and exploit film rights and other assets unrelated to the collateral using the Miramax brand. Such activities may divert the manager's focus from the collateral portfolio.
- The rights related to new development projects may be released from the security interest of the trustee. The manager may form a special purpose subsidiary to produce new television or films. The issuer may, at the discretion of the manager, transfer its rights in the development portfolio to the special purpose subsidiary or an affiliate of the manager. The transferee may assign, sell, and/or develop a sequel/prequel based on such rights.
- Funds in the interest reserve account may be used to pay securitization expenses, which are senior to debt service in the waterfall.
- Nine of the titles in the portfolio contain a restriction on the assignability, or sublicensing, of rights.
- Contracted cash flows are concentrated among a limited number of counterparties.
- International revenues may be paid in foreign currencies, and are not expected to be hedged.
- The issuer may enter into contracts outside the U.S., which provide for distribution proceeds to be paid to an account maintained in the name of an intermediary and not pledged to the trustee.

Mitigants To Transaction Weaknesses

In our opinion, the following factors help mitigate the transaction's weaknesses:

- The transaction has a relatively short expected life, set by targeted amortization over approximately six years. The short expected life reduces uncertainty associated with revenue projections.
- Our stress assumptions apply a steep haircut to titles classified as 'B' and 'C' in the television space (see Manager section for more details on ranking system). In addition, we apply a 60% haircut to projected cash flows related to digital distribution rights and zero credit to overages related to certain home entertainment contracts.
- To date, Miramax has successfully renewed approximately 90% of license agreements that were available for renewal and for which Miramax sought renewal since it acquired the portfolio in 2010. In addition, in our sensitivity analysis, we assume the issuer is not able to renew a percentage of the license agreements up for renewal each year.
- In the event that the manager is unable to perform its duties, we believe the management fee is sufficient to attract another distribution company from the industry to assume the manager's responsibilities.
- The issuer is entitled to 50% of the distribution fees (less any expenses) generated from the exploitation of other assets not included as collateral backing the notes, though we gave no credit to these amounts in our cash flow analysis.
- Transaction is not dependent on cash flows from new development to repay the notes. Further, the issuer may benefit from the collection of additional distribution fees.
- Amounts from the interest reserve account may be used to pay expenses senior in the waterfall, provided that after the application of such funds, there is a sufficient amount to cover six months of interest on the class A-2 notes' outstanding balance.
- There are no pending material claims relating to Miramax's rights to the film content.
- The transaction has several structural protections including debt service coverage and contract coverage ratio tests. The tests, if breached, divert all cash flows to pay senior expenses, interest, and principal on the notes until such tests are cured.
- The servicer is required to make advances to cover interest shortfalls and to prevent a loss to the interest of the noteholders in the collateral if it determines such amounts are recoverable.
- We applied a currency stress to contracted and projected cash flows, which may be paid in foreign currencies.
- All funds in the intermediary account are required to be transferred to the issuer's concentration account at least weekly and whenever funds on deposit exceed $25,000.

Industry Overview

Films may be exploited in a number of different distribution channels including, among others, home video, TV, and digital. Copyright law entitles the rightsholder to license a motion picture in various distribution channels.

The typical distribution cycle for a motion picture consists of the following five periods:

- Release in movie theaters in the U.S., which is generally followed by or is concurrent with the release in international markets;
- Release to wholesalers and retailers for sale or rental to consumers for private viewing through various home entertainment media, including DVD and Blu-ray; generally, this release timing depends on how long the motion picture runs in the theaters;

- Release to pay-per-view and digital rental and sales outlets, including digital media platforms such as OnDemand and Netflix. Generally, this occurs three-to-four months after a film's initial theatrical release;
- Release in premium or "pay" cable channels (e.g., HBO, Showtime, and Encore); generally, this occurs nine-to-12 months after theatrical release; and then
- Release to broadcast networks or basic cable channels, approximately two years after theatrical release.

Industry Outlook

Film distribution is a $48 billion global industry ($22 billion U.S., $26 billion international), with international markets accounting for approximately 55% of the total market. The key drivers include new markets, digital, TV growth, and Blu-ray.

Global digital revenues across electronic sell-through (EST) and over-the-top/streaming platforms have been robust, and growth is projected to continue. For consumers, the ability to view content whenever they want, including via mobile devices, is very appealing. As a result, standard DVD sales continue to steadily decline, while EST experiences robust growth. Within EST, Ultraviolet (UV) is one potential area of growth for the industry; it has approximately 16 million registered users, about double since June 2012. For Miramax specifically, UV growth lags industry adoption as they exploit a library, while consumers are more likely to make a UV purchase on newer films.

Globally, subscription video on demand (SVOD) and EST/transactional video on demand (TVOD) revenues grew significantly from 2009–2013, with rapid growth projected to continue through 2018. International SVOD and EST/TVOD growth is expected to be faster that domestic growth as established platforms expand into new territories. Digital platforms are expected to continue expanding their footprints into new territories at a rapid pace. While the U.S. was an early adopter of digital media, it is still in its infancy, with Netflix the clear domestic streaming leader. Google, Apple, and Amazon continue to develop devices that increase the available opportunities for consumers to view digital content. Cloud-based platforms that allow users ready access to their media will further enhance demand for digital media.

Film libraries have traditionally provided steady cash flow streams to film studios. However, recently, library valuations have fallen as the likelihood of continued strong cash flow has declined due to a decrease in theater sales; a decrease in home entertainment sales, particularly for film catalogs; and less certainty regarding TV license revenue.

Transaction Structure

The issuer, Miramax LLC, is a bankruptcy-remote, limited-purpose company organized under the laws of Delaware. The issuer is a wholly-owned subsidiary of Miramax Guaranty Services LLC (Miramax Guaranty), a limited purpose company organized under the laws of Delaware. Miramax Development LLC (Miramax Development), a Delaware limited liability company, is a wholly-owned subsidiary of the issuer. Miramax Guaranty and Miramax Development will jointly and severally guarantee all of the issuer's obligations under the indenture and the other transaction documents, including the issuer's obligations under the notes, and will pledge among other things, the equity interests in the issuer and Miramax Development. Hardware Distribution NY LLC (HDNY), a wholly-owned subsidiary of

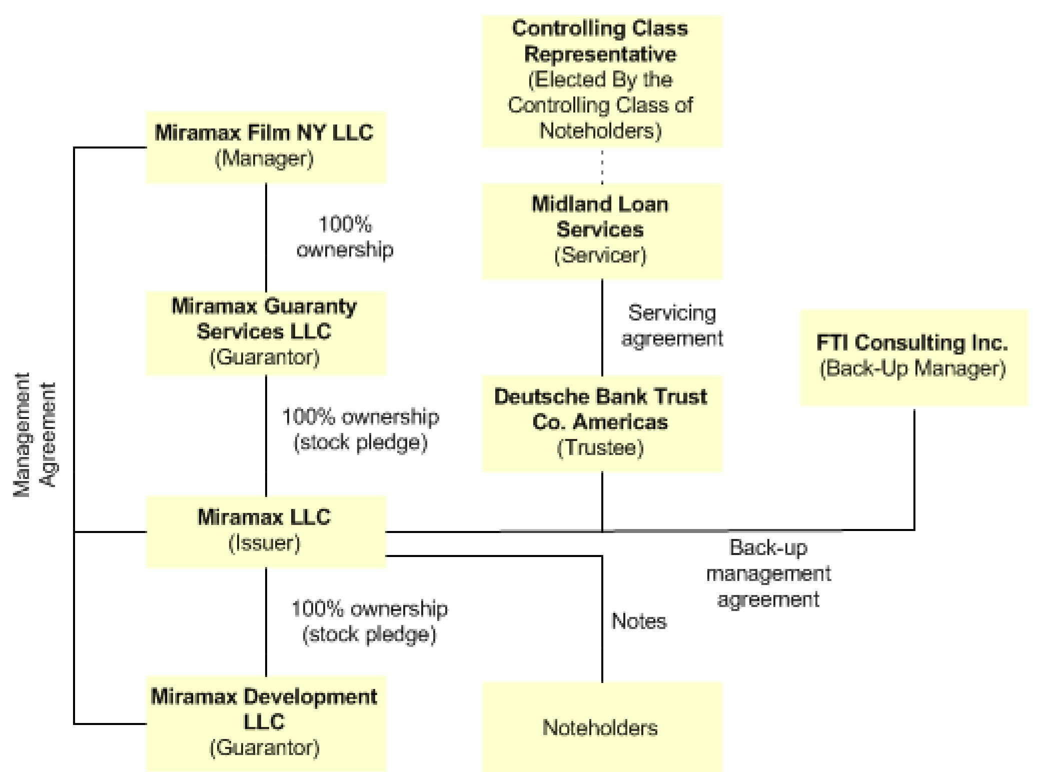
Miramax, assigned certain assets to the issuer on Dec. 7, 2011.

Through assignments and licenses to the various entities from the manager and HDNY, the issuer should have an exclusive license to exploit the portfolio assets and will be party to or have rights in and to the related distribution and exploitation agreements or proceeds. Miramax Development will own or have an exclusive license to exploit the development projects. New distribution arrangements will be negotiated by Miramax, acting as manager on behalf of the issuer pursuant to the management agreement.

The following diagram provides a depiction of the transaction structure described above.

Chart 1

Transaction Structure



Transaction Overview

Miramax transferred to the issuer, by way of a license, sublicense or assignment, its rights (i.e. either ownership or licenses from a third party) to all intellectual property relating to the portfolio assets. In addition, Miramax transferred to the issuer its rights under the various distribution agreements in place at closing and all physical film material, among other things. The class A-1 and A-2 notes are secured by a first priority perfected security interest in the collateral subject to permitted liens.

The class A-1 variable funding notes will enable the issuer to borrow amounts on a revolving basis. Principal on the class A-1 notes is due on the expected final payment date in July 2019, one year earlier than the class A-2 expected final payment date. In the event that the class A-1 notes are not paid in full by July 2019, a class A-1 amortization event will occur and all funds after the payment of items 1-10 in the payment priority (which includes principal on the class A-2 notes), will be used to pay the class A-1 notes until paid in full. In addition, the issuer will be prohibited from borrowing additional amounts.

The class A-2 notes will amortize according to a six-year predetermined schedule. To this end, on each payment date, the transaction documents require principal payments to be made in an amount equal to the scheduled target amortization amount. A failure to pay such scheduled amounts will not, in itself, result in an event of default, a rapid amortization event, or cash sweep event.

The Manager

In December 2010, various entities, which were eventually merged into the manager, acquired Miramax Films and certain other assets, including contracted TV revenue from Disney Enterprises Inc. (Disney). The manager is now focused on licensing exploitation rights to the approximately 700 films and 12 TV series, mini-series, and shorts (the film portfolio) to third parties on behalf of the issuer. The manager believes new opportunities to exploit the film portfolio exist, as evidenced by the high amount of rights available for licensing (the avails), because Disney exited the Miramax business in or around 2008.

The Miramax sales team's focus is on licensing the avails for the film portfolio. Miramax pitches to all licensees in each market, not just to one or two strategic partners. In closing a licensing deal for digital distribution or television distribution, the sales team has represented that they go through a detailed rights clearance process that first requires internal clearance with Miramax's rights clearance database; then, in certain situations, requires a clearance of rights with Disney; and then sign off by a member of Miramax's senior executive team. Miramax uses an "A"/"B"/"C" ranking system for domestic rights for each film that indicates its estimates of each film's pricing power and sales potential. At the time Miramax acquired the film portfolio, it roughly grouped the assets based on box office gross receipts and major awards as follows:

- "A" titles: U.S. box office gross receipts of greater than $50 million, significant Academy Award win, and/or a cult following.
- "B" titles: U.S. box office gross receipts between $10 and $50 million.
- "C" titles: U.S. box office gross receipts less than $10 million and direct-to-video titles.

Rather than invest in building significant infrastructure to support the home entertainment business, Miramax licenses its home video rights to third parties, such as Lions Gate Films Inc. (LGF), in exchange for fixed minimum guarantee payments and additional overages. Miramax's home video exploitation business rights include its rights to reproduce, distribute, and market a film in all home video media. Miramax is making more titles available for digital exploitation on a global basis. Miramax will also seek to increase collections by licensing sequel and/or remake rights to certain titles in the film portfolio and rights to the development portfolio to third parties and/or to Miramax and its affiliates in exchange for a rights fee.

The manager will also be permitted to manage and exploit film rights and other assets unrelated to the portfolio assets on behalf of itself and third parties (the "other assets") using the Miramax trademarks, domain names, and software, including the "Miramax" brand and/or systems, which the issuer will own and the manager will license. The manager will be permitted to exploit rights to the other assets, provided among other things, it does not favor these assets over the series 2014-1 transaction's collateral. The issuer is entitled to 50% of any management or distribution fees generated by the manager from the other assets.

In our view, the Miramax catalog is a good-quality midsized film library. Miramax's business operations are small compared to the major film studios that are a part of diversified media companies and slightly smaller than other independent film studios. In comparison to Dreamworks and Lions Gate, Miramax's film library is larger but Miramax does not have the benefit of new film production which typically provides added value when negotiating the sale of a bundles of titles. Therefore, although the majority of Miramax's business operations are limited to library exploitation which typically generates a more stable revenue source, the lack of significant amounts of new content may limit their upside. Market participants such as such as Netflix, Amazon, and HBO are looking for new fresh original content.

Miramax plans to continue to improve exploitation of the library through active marketing of TV licenses worldwide, releasing more titles in Blu-ray format or as special-edition DVDs, exploring digital licensing opportunities, and partnering with third parties to develop sequels and television series based on Miramax intellectual property.

Although cash flows from the Miramax catalog have been strong historically, we expect them to diminish over time as the films age, unless content is refreshed with newer high-quality films. In addition, we regard the industry-wide decline in DVD sales since 2008 as a secular trend, as studios have saturated retail channels with catalog DVDs. We also expect consumption of home entertainment to continue shifting to digital formats, the profitability of which has not yet been fully established. A further move to discount video rentals and away from video purchases could undermine the company's business plan, in our view.

Governance

Similar to some recent whole business securitizations, such as Sonic Capital LLC and Cajun Global LLC, the servicer, Midland Loan Services, is independent from the manager. The servicer will be the control party and has the responsibility of instructing the trustee to act (at various times at the controlling class representative's direction), or acting on behalf of the trustee, in connection with proposed waivers, amendments, consents, and other actions with respect to the indenture and other transaction documents. The servicer is required to make advances to cover interest shortfalls and to prevent a loss to the interest of the noteholders in the collateral if it determines such amounts are recoverable. Upon the occurrence of certain trigger events, the servicer will assist the back-up manager with the development and possible implementation of a transition plan.

The back-up manager for this transaction is FTI Consulting Inc. (FTI). The primary role of the back-up manager is to provide consulting and other back-up management services to the servicer, issuer, and trustee. In the event of a manager transition, the back-up manager is required to develop and implement the transition plan and serve as the successor manager until one is appointed.

The transaction documents provide that the noteholders will have the right to elect a controlling class representative. The servicer and/or the trustee will require the representative's approval to take certain actions, including: certain waivers, amendments, consents, and other modifications to the transaction documents.

Collateral

The notes will be secured by a first priority perfected security interest in the following:

- The film portfolio;
- All Miramax trademarks and domain names;
- Rights in books and development projects (the development portfolio);
- All screenplays and licenses to use other literary materials in connection with each of the above;
- All copyrights and other intellectual property relating to each of the above, including any sequel/spin-off rights, commercial tie-in and promotional rights, merchandising rights, interactive rights, literary publishing rights, music publishing rights, soundtrack recording rights, legitimate stage rights, theme park rights, radio rights, and other electronic format rights (e.g., video games and websites);
- All tangible and electronic film and literary materials relating to each of the foregoing (or, in lieu of a transfer, unencumbered access to such materials);
- The software;
- All passive participations, including those in the Lord of the Rings franchise and The Hobbit;
- All portfolio rights agreements; and
- All other products and proceeds of whatever nature relating to the above.

In our stress scenarios, we gave no credit to cash flows relating to the development portfolio or sequels.

The film portfolio largely comprises motion pictures that have completed their full theatrical exploitation run and are in later stages of exploitation, including home video, TV, and various forms of digital exploitation. The portfolio includes:

- 282 Academy Award nominations across 79 films, with 68 Academy Awards in various categories, including four for Best Picture;
- 100 top grossing films that have generated a cumulative worldwide box office receipt of $9.9 billion; and
- 11 films that have grossed over $100 million each in U.S. box office receipts.

A breakdown of the series 2014-1 film portfolio by genre and title ranking appears in table 1.

Table 1

Series 2014-1 Film Portfolio By Genre

	Title classification							
Genre	**'A'**	**% of 'A'**	**'B'**	**% of 'B'**	**'C'**	**% of 'C'**	**Total**	**% of total**
Drama	29	35.4	13	29.5	160	27.8	202	28.8
Comedy	22	26.8	13	29.5	142	24.7	177	25.2

Table 1

Series 2014-1 Film Portfolio By Genre (cont.)								
Action	12	14.6	3	6.8	82	14.2	97	13.8
Horror	5	6.1	6	13.6	42	7.3	53	7.5
Crime	2	2.4	2	4.5	20	3.5	24	3.4
Adventure	-	0.0	1	2.3	22	3.8	23	3.3
Biography	4	4.9	-	0.0	13	2.3	17	2.4
Romance	5	6.1	2	4.5	12	2.1	19	2.7
Other	3	3.7	4	9.1	83	14.4	90	12.8
Total no. of titles	82	100.0	44	100.0	576	100.0	702	100.0

Cash Flow Analysis

We sourced the transaction's cash flows from the contractual agreements in place as of June 30, 2014, and projected amounts, which are based on historical data and/or information provided by Miramax.

We formed our base-case cash flow scenario using contracted amounts due, and information and assumptions provided by Miramax. The present value (PV) of the aggregate base-case cash flow is $1.04 billion.

The three main sources of cash flow are generated in the following areas: TV exploitation, home entertainment or home video exploitation, and digital subscription.

We incorporate a variety of stresses in the form of haircuts to periodic cash flow based on the cash flow source (i.e. digital, home entertainment, and television). These haircuts consider our opinion of the certainty of the cash flows (i.e. contractual or projected), how developed the distribution medium is, the competition within the market, the contractual counterparty's quality, consumer demand, and the films' general depreciation.

As described above, TV-related contracts represent the right to show specified films on various forms of TV. In our opinion, the television distribution channel is well developed and generates relatively stable cash flows. Therefore, our haircuts to contracted cash flows address the counterparty risk, which we perceive to be minimal. Historically, few television networks have filed bankruptcy. In addition, most of the pay television networks in the U.S. are owned by diversified media companies, such as Time Warner and CBS, who carry investment-grade corporate ratings.

Agreements categorized as home entertainment represent the right to exploit specified films in various forms of home entertainment (e.g. sales from electronic sell-thru, video-on-demand/interactive video-on-demand [iVOD], DVD, and Blue-ray disc). As consumer preferences move towards digital platforms, it is likely that the sale of physical DVDs and Blu-rays will steadily decline. We gave no credit to cash flows related to projected overages in our rating run stress scenarios because, in our view, they are uncertain and dependent on sales volume.

Digital subscription rights represent the right to distribute films via the internet on an on-demand "streaming" basis. In our view, digital subscription rights are likely to continue to grow as broadband penetration increases, new devices are created (making consumption easier for consumers), and content providers expand into international territories.

Under our stress assumptions for the ratings assigned, we expect that the series 2014-1 transaction will pay timely interest and full principal by the final maturity date.

Television exploitation

Miramax has numerous agreements currently in place under which the contracted party has the right to distribute certain film titles through TV over a prescribed license period. The PV of the cash flows from existing television distribution agreements is approximately $83 million. Given the contractual nature of these cash flows, we applied a 10% haircut in our rating run stress scenarios to contracted cash flows in the domestic and international markets (see table 2).

On behalf of the issuer, Miramax plans to further exploit the distribution rights via TV in both the domestic and international markets. Cash flow projections for TV exploitation are based on historical data provided by Miramax. The projections assume a significant decay in price per title based on title classification (i.e. 'A', 'B', and 'C'), which accounts for the film library's age. We applied haircuts (see table 3) to the cash flow projections based on title ranking. The aggregate haircut based on the price decay assumed by Miramax and our 'BBB+' haircuts nearly doubles our 'BBB' assumptions applied in the 2011-1 transaction for the 'B' and 'C' titles. The varying degree of haircuts across movie title rankings reflects our view of the cash flows' strength based on the film's performance to date.

Table 2

TV Cash Flows

	Haircut (%)
Title	**'BBB+' rating stress**
Potential domestic television	
A	10
B	40
C	52
Potential international television(i)	46

(i)For international television, revenues are not broken down by title. Therefore, we applied a weighted average based on title composition.

The effect of these haircuts on the PV of cash flow from new domestic and international television revenue is summarized in table 3.

Table 3

TV Cash Flows After Haircuts

	PV of projected cash flows	
	S&P base case	**'BBB+' rating stress**
Potential domestic television (000s $)	95,247.70	74,554.24
Potential international television (000s $)	203,219.06	109,738.29

PV--Present value.

Home entertainment/home video exploitation

Miramax has a contract currently in place that falls into the home entertainment category. Under the existing contract, the contract counterparty pays the issuer a minimum guaranteed amount in exchange for the right to distribute specified films through the home entertainment platform. The PV of the cash flows from existing home entertainment contracts is approximately $24 million. We apply a 10% haircut in our rating run stress scenarios.

In addition to a minimum guaranteed amount, the issuer is entitled to a portion of any excess revenue (or "overages") earned by the contract counterparty from the exploitation of film rights under the existing home entertainment agreement. We derived our projected cash flows from overages using information provided by Miramax, which is based on its expectation of sales volume over the contract term. The PV of projected cash flows from overages is approximately $94 million. We gave no credit to cash flows related to projected overages in our rating run stress scenarios because, in our view, they are uncertain and dependent on sales volume.

Digital subscription

Miramax has a number of digital subscription contracts currently in place. Under the existing contracts, the contract counterparty pays the issuer a minimum guaranteed amount in exchange for the right to distribute specified films through the internet on an on-demand "streaming" basis. The PV of the cash flows from existing contracts is approximately $98 million. A 10% haircut was applied to these contractual cash flow sources in our rating run stress scenarios.

On behalf of the issuer, Miramax is likely to renew existing digital subscription agreements with certain counterparties as the current contracts expire due to the digital platform continuing to expand into new territories and increased users. It also expects to enter into new digital subscription agreements in both the domestic and international markets. The PV of projected cash flow from potential digital subscription deals is approximately $350 million. A number of entities are competing to build comprehensive content offerings and brand franchises, aiming to prevail in what may be a longer-term shake-out or consolidation into a dominant go-to digital content source for the consumer. A winnowing process may take several years, ultimately leading to a smaller number of platforms licensing films. Uncertainty as to how this process will unfold, the long-term market value for digital license fees, and which entities will survive has led Hollywood studios to license content for shorter durations.

At the 'BBB+' rating level, we apply a 60% haircut to projected cash flows from potential new digital subscription contracts (see table 4).

Table 4

Digital Cash Flows After Haircuts

	PV of projected cash flows	
	S&P base case	'BBB+' rating stress
Potential domestic digital (000s $)	141,757.63	56,703.05
Potential international digital (000s $)	208,588.26	83,435.30
PV--Present value.		

Passive participations, recent releases, and sequels

Miramax has a passive participation interest in The Lord of the Rings trilogy. Under its existing agreement, Miramax is entitled to a share of the gross receipts earned. Cash flow projections for The Lord of the Rings franchise are based on historical revenue data.

Miramax has contractual rights to a share of the revenue generated from the exploitation of a number of recently released films. Cash flow projections related to recently released films are based on the ultimate revenue expectations provided by Miramax. These films are in relatively early stages of the distribution cycle, and there is ample opportunity for continued exploitation.

We applied a 33% haircut at the 'BBB+' rating level on the projected cash flows from the rights associated with both The Lord of the Rings franchise, Gnomeo & Juliet. We applied a 17% haircut to projected cash flows from the rights associated with the Hobbit (see table 5 for the effects of the haircuts on the PV of cash flow).

Table 5

The Effects of Haircuts To Lord Of The Rings, Gnomeo & Juliet, And The Hobbit

	PV of projected cash flows	
	S&P base case	**'BBB+' rating stress**
Total (000s $)	15,459.81	11,389.10

PV--Present value.

Miramax or its affiliates (other than the securitization entities) have the right to produce or distribute (or to be involved in the production or distribution of) remakes, prequels, and/or sequels based on a number of the motion pictures in the series 2014-1 film portfolio. In addition, Miramax has the right to develop and exploit merchandise based on its film and television properties and license the merchandising rights to third parties. The PV of projected cash flows from sequels and merchandising is approximately $20 million. We gave no credit to cash flows related to sequels or merchandising in our rating run stress scenarios.

Library representation deals

Miramax has entered into library representation contracts for the rights to represent Goldwyn titles for television and digital platforms worldwide and for the rights to distribution the Revolution library in the U.S. and Canada in the television and digital platforms. The distribution fees related to these representation contracts are split evenly between the issuer and Miramax. We gave no credit to cash flows related to library distribution contracts in our rating run stress scenarios.

From Dusk Till Dawn

Miramax licensed the rights to a third party to produce a television series based on its 1996 motion picture, From Dusk Till Dawn. The first season premiered in February 2014 and a second season has been ordered. Miramax receives a rights fee for each season of the series and a royalty fee for each episode of the series that is produced. Miramax also has the right to distribute the television series in certain territories. It is entitled to a distribution fee which is split evenly between the issuer and Miramax.

Foreign currency assumptions

The PV of current contracted cash flows that are denominated in a currency other than U.S. dollars is approximately $11 million. In addition to this, Miramax plans to enter into new TV and digital subscription contracts in the international market. The PV of projected cash flows in these areas totals approximately $412 million, all, or a portion, of which could potentially be exposed to foreign currency risk. As such, foreign exchange rates could potentially play a meaningful role in the transaction's cash flows. The cash flow analysis included depreciating forward foreign exchange curves for key foreign currency exposures. The depreciation curves are derived by using extreme value analysis as described in "Modeling Unhedged Foreign Exchange Risk in Structured Ratings," published Nov. 20, 2000.

A summary of the information detailed in this section is shown in table 6.

Table 6

Series 2014-1 Cash Flow Summary

	PV of cash flows	
	S&P base case	**'BBB+' rating stress**
Contracted cash flow (000s $)		
Existing domestic television	15,551.93	13,996.74
Existing international television	15,300.42	13,770.38
Television - Disney	51,939.05	46,745.15
Existing digital subscription	98,897.25	88,987.20
Home entertainment	23,916.55	21,524.90
Library representation	1,052.49	-
Total contracted cash flow	206,657.69	185,024.36
Projected cash flow (000s $)		
Potential domestic TV	95,247.70	74,554.24
Potential international TV	203,219.06	109,738.29
Potential digital subscription	350,345.89	140,138.36
Potential home entertainment	94,343.54	-
Passive Participation	38,134.90	21,604.65
Other	51,122.15	3,474.74
Total projected cash flow	832,413.25	349,510.28
Total	1,039,070.94	534,534.64

PV--Present value.

After applying the cash flow stresses outlined above, the series 2014-1 notes were paid in full at the 'BBB+' rating levels.

We also ran additional sensitivities focused on specific contractual counterparty default, the sensitivity of the transaction to the timing of cash flow receipts, and the impact of the failure to renew intellectual property rights upon the expiration of the rights. Various combinations of haircuts were applied to the cash flow sources in the sensitivity analysis. We found the reductions to the PV of cash flows in these sensitivity runs to be consistent with those outlined in table 6 above.

Credit Enhancement

Credit support for the series 2014-1 notes is provided by the following:

- An interest reserve account that requires a minimum balance of six months' interest on the class A-2 outstanding principal balance and three months' interest on the class A-1 outstanding principal balance; and
- Rapid amortization triggers that redirect cash flows to turbo payment of the notes.

Payment Priority

We expect the transaction to include two classes of series 2014-1 notes that will pay interest and principal in a specific priority (see table 7).

Table 7

Series 2014-1 Payment Waterfall

Priority	Payment
1	Reimburse the trustee and then the servicer for unreimbursed servicer advances and accrued interest thereon; reimburse the manager for unreimbursed manager advances and accrued interest thereon; to the trustee, trustee fee and unpaid costs and expenses plus unpaid amounts (subject to a cap); and indemnity amounts plus unpaid amounts (subject to a cap before an event of default); to the servicer, servicing fee, liquidation fees, workout fees, and unpaid expenses plus previously unpaid amounts (subject to a cap) and indemnity amounts plus unpaid amounts (subject to a cap before an event of default); to the back-up manager, back-up management fee, unpaid costs and expenses plus previously unpaid amounts, and indemnity amounts together with previously unpaid amounts (subject to a cap before an event of default); to the controlling class representative, unpaid costs and expenses plus unpaid amounts (subject to a cap); and to the class A-1 administrative agent, administrative expenses plus unpaid amounts (subject to a cap before an event of default).
2	Successor manager transition expenses (subject to a cap).
3	To the manager, (a)participations and residuals due or projected to be due before the next date; and (b)amounts payable by Miramax Development to reimburse Miramax for payments made pursuant to any Miramax guaranty of Miramax Development's obligations to any guild in respect of participations and residuals, plus previously accrued and unpaid amounts described in this item; and participations and residuals and guaranty reimbursement payments capped at 12% of collections for the immediately preceding 12-month period.
4	To the collateral maintenance account, expenses related to maintaining and preserving the collateral (excluding participations and residuals) together with any previously unpaid amounts or amounts projected to be due before the next date (subject to a cap).
5	Management fee, together with any previously accrued and unpaid management fees for prior dates (subject to cap).
6	To the debt service account, accrued and unpaid interest on classes A-1 and A-2 and commitment fees and letter of credit fees (if any).
7	To the interest reserve account, deposit funds so the amount in the account equals six months' interest on the class A-2 notes' outstanding balance and three months' interest on the class A-1 notes' outstanding balance(i).
8	To the debt service account, accrued and unpaid principal on the class A-1 notes, if any (other than principal due and payable due to a class A-1 amortization event).
9	If any rapid amortization event has occurred and is continuing, to the debt service account, all remaining amounts in the collection account until amounts owed to the noteholders have been repaid.
10	To the debt service account, principal due.
11	If a class A-1 amortization event is continuing, to the debt service account, all remaining amounts until the class A-1 notes have been repaid.
12	If a cash sweep event has occurred and is continuing, to the debt service account, all remaining amounts until the notes are paid in full.
13	If it is a payment date, to the trustee, any amounts payable to the trustee in excess of the cap set forth in item 1 above; then to the servicer, any amounts payable to the servicer in excess of the cap set forth in item 1 above (together with interest); then to the back-up manager, any amounts payable to the back-up manager in excess of the cap set forth in item 1 above; then to the controlling class representative, any amounts payable in excess of the cap set forth in item 1; then to the class A-1 administrative agent, any amounts payable in excess of the cap set forth in item 1; then to the manager, any participations and residuals and guild guaranty reimbursement payments in excess of the cap set forth in item 3 for such allocation date and any prior allocation dates; and then to the collateral maintenance account, any collateral maintenance expenses in excess of the cap set forth under item 4.
14	If it is a payment date, to the class A-1 administrative agent for any unpaid class A-1 other amounts due under the note purchase agreements.
15	If it is a payment date, to the debt service account accrued and unpaid additional interest, if any.
16	If it is a payment date, to the subordinated notes, if any, of accrued and unpaid interest and additional interest, and principal due.
17	If it is a payment date, remaining amounts to the issuer.

Table 7

Series 2014-1 Payment Waterfall (cont.)
Note: Items 1-12 are payable on the 20th day of each month. Items 13-17 above are payable only on quarterly payment dates. (i)The interest reserve account may be funded with a LOC. If the rating on the LOC provider is downgraded below 'BBB+' the LOC will be drawn and amounts will be deposited into the interest reserve account. LOC--Letter of credit.

On each payment date, amounts in the debt service account will be applied in a specified order (see table 8).

Table 8

Debt Service Account Payment Waterfall

Priority	Payment
1	First, class A-1 accrued and unpaid interest, commitment fees and LOC fees, if any (other than additional interest); and then class A-2 accrued and unpaid interest (other than additional interest).
2	Class A-1 principal due other than principal due as a result of a class A-1 amortization event (or if a cash sweep or rapid amortization event is continuing, to the class A-1 notes until paid in full); then class A-2 principal (or if a cash sweep or rapid amortization event is continuing, to the class A-2 notes until paid in full); and then class A-1 principal due as a result of a class A-1 amortization event.
3	Class A-1 accrued and unpaid additional interest, and then class A-2 accrued and unpaid additional interest.
4	Remaining amounts to the collection account.

Rapid Amortization Events

Upon the occurrence of a rapid amortization event, all funds available after the payments of items 1-8 in the payment waterfall are deposited into the debt service account for payment in accordance with table 8 above, until all amounts are paid in full.

A rapid amortization event will continue until it is waived or until all the notes are paid in full. Rapid amortization events for the series 2014-1 notes include:

- An event of default (see the Event Of Default section below);
- Failure to repay the outstanding principal balance of any class A notes (other than the class A-1 notes) by its expected repayment date;
- The debt service coverage ratio on any payment date is less than 1.40x; and
- Failure to pay required amortization on the notes on any payment date.

Cash Sweep Event

Upon the occurrence of a cash sweep event, 100% of the amount in the collection account available after the payment of items 1-9 of the payment waterfall are deposited into a reserve account. A cash sweep event occurs when either:

- The debt service coverage ratio is below 1.70x.
- The contract coverage ratio is below 1.05x.
- The appraised value is less than 1.50x of the outstanding principal amount of the class A notes.
- A specified cash sweep event has occurred and is continuing.

A cash sweep event will continue until the next payment date when the above tests are satisfied for two consecutive payment dates.

Events Of Default

Events of default for the series 2014-1 transaction include:

- Failure to pay interest (excluding additional interest) when due and payable or failure to remit collections received into any account when required and either failure continues for two business days.
- Default in the payment of any principal or interest (excluding additional interest) on the legal final maturity date.
- The interest-only debt service coverage ratio is less than 1.2x on two or more consecutive payment dates.
- Any securitization entity fails to comply with any agreement or covenant after the grace period expires, or any securitization entity fails to comply with any other agreement relating to additional guarantors or intellectual property for 30 days.
- Any representation by any securitization entity is false in any material respect, or any representation made by any Miramax entity is false.
- A bankruptcy of a securitization entity.
- Any securitization entity is required to register as an "investment company" under the Investment Company Act.
- Any specified transaction document ceases to be in full force and effect.
- Miramax or any securitization entity fails to comply with the charter provisions.
- Any securitization entity fails to have good title or a valid and enforceable license to any of its portfolio assets, free and clear of all liens other than permitted liens except for failures that would not reasonably be expected to result in a material adverse effect.
- The issuer or manager fails to timely elect under section 365(n) of the bankruptcy code to retain its rights with respect to one or more licenses from a licensor or the trustee does not have a valid and perfected first priority security interest in any part of the collateral which accounted for at least 5% of all collections during the prior period.
- A final judgment or order for payment of money is rendered against any securitization entity, and such judgment when aggregated with other unsatisfied final judgments exceeds $15 million, unless covered by insurance or an indemnity.
- The IRS files notice of lien under 6233 of the code with regard to assets of any securitization entity.
- Certain Employee Retirement Income Security Act events.
- A change of control has occurred.

Prepayment

The series 2014-1 class A-2 notes may be prepaid before maturity provided that, if there are no amount outstanding under the class A-1 notes, up to 10% of the initial principal balance of the class A-2 notes may be redeemed at any time beginning one year after the closing date. In certain circumstances a make-whole amount will be required.

Mandatory prepayment of the notes' outstanding principal balance is required on the payment date following the issuer's receipt of:

- Proceeds received from any sale, transfer, lease, license, liquidation, or other disposition of all or substantially all of the economic value of any asset.
- An extraordinary contract receipt: for any contract with guaranteed payments greater than $10 million and for each quarterly collection period, the excess, if any, of (a)proceeds actually received by the issuer from such contracts

during such quarterly collection period less the projected participations and residuals payable in respect of such significant contract in the next quarterly collection period and reserved by the issuer for such purpose; and (b)115% of the guaranteed payments under such significant contract with respect to such quarterly collection period less the projected participations and residuals payable in respect of such significant contract in the next quarterly collection period and reserved by the issuer for such purpose. These are determined as if all expected cash flows to be received under such contract were received pro rata by quarterly collection period during such significant contract's term or applicable fraction thereof or with respect to contracts for TV exploitation at the times and in the amounts customarily provided in such contracts.
- Any proceeds from any sale process.

In the event of a mandatory prepayment, the target amortization balances are reduced pro rata.

Legal Matters

In rating this transaction, we will review the legal matters that it believes are relevant to its analysis, as outlined in our criteria.

Surveillance

We will use surveillance data provided by the manager to perform periodic reviews. Our ratings reflect our opinion of the transaction's ongoing risk profile. Our surveillance group undertakes a number of steps to determine whether the ratings assigned to a transaction continue to reflect our view of that transaction's performance. These steps include:

- Analyzing the reports that detail the underlying collateral's performance as compared to projections and our assumptions;
- Making periodic telephone calls and holding meetings with the issuer's key management personnel to identify any emerging trends or changes; and
- Keeping informed of related industry developments and events that may affect a rated transaction's overall performance.

Related Criteria And Research

Related criteria

- Counterparty Risk Framework Methodology And Assumptions, June 25, 2013
- Legal: Guarantee Criteria--Structured Finance, May 7, 2013
- Global Investment Criteria For Temporary Investments In Transaction Accounts, May 31, 2012
- Principles Of Credit Ratings, Feb. 16, 2011
- ABS: U.S. Corporate Securitization Transactions, Oct. 24, 2006
- Legal Criteria For U.S. Structured Finance Transactions: Special-Purpose Entities, Oct. 1, 2006
- Modeling Unhedged Foreign Exchange Risk in Structured Ratings, Nov. 20, 2000

Related research

- Global Structured Finance Scenario And Sensitivity Analysis: Understanding The Effects Of Macroeconomic Factors On Credit Quality, July 2, 2014