

KBRA Downgrades the Class A-2 and Class B Notes for Harley Marine Financing LLC, Series 2018-1

NEW YORK, NY (November 21, 2018) – Kroll Bond Rating Agency (KBRA) downgrades the Class A-2 notes to BB (sf) from BBB (sf) and the Class B notes to B (sf) from BB (sf) on Harley Marine Financing LLC, Series 2018-1. Both classes of notes will remain on Watch Downgrade.

KBRA has downgraded both classes of notes due to the following:

- 1) The ongoing and contentious litigation between the owners of Harley Marine Services, Inc. (HMS), the manager of Harley Marine Finance LLC, continues to raise concerns about the future of the company;
- 2) The underperformance of Articulated Tug Barges (ATBs) which contributed to higher operating expenses, lower margins and significant liquidity issues, causing concern that the company may be unable to meet its obligations in the near term; and
- 3) HMS has hired a third-party consultant to focus on cost reduction initiatives and is in the process of arranging \$10 million financing to cover its liquidity requirements. The financing requires the consent of both owners (Macquarie Marine Services, LLC and Harley Franco) and includes an agreement to dismiss the ongoing litigation between the owners.

KBRA will continue to monitor the court proceedings, the liquidity and financial condition of the manager and the performance of the securitization to determine whether further rating action is required on the notes.

Class	Rating	Original Balance	Current Balance	Rating Action
A-2	BB (sf)	405,000,000	398,925,000	Downgrade*
B	B (sf)	50,000,000	50,000,000	Downgrade*

* Both classes will remain on Watch Downgrade

To access ratings, reports and disclosures, click [here](#)

Related Publications: (available at www.kbra.com)

- [KBRA Places the Class A-2 and B Notes on Watch Downgrade for Harley Marine Financing LLC, Series 2018-1](#)
- [Harley Marine Financing LLC, Series 2018-1 New Issue Report](#)
- [Global General Rating Methodology for Asset-Backed Securities](#)

Analytical Contacts:

John Lampasona, Director
 (646) 731-2318
jlampasona@kbra.com

Andrew Lin, Director
 (646) 731-2483
alin@kbra.com

Anthony Nocera, Senior Managing Director
 (646) 731-2350
anocera@kbra.com



CONNECT
WITH KBRA



About KBRA and KBRA Europe

KBRA is a full service credit rating agency registered with the U.S. Securities and Exchange Commission as an NRSRO. In addition, KBRA is designated as a designated rating organization by the Ontario Securities Commission for issuers of asset-backed securities to file a short form prospectus or shelf prospectus, is recognized by the National Association of Insurance Commissioners as a Credit Rating Provider, and is a certified Credit Rating Agency (CRA) by the European Securities and Markets Authority (ESMA). Kroll Bond Rating Agency Europe Limited is registered with ESMA as a CRA.

