

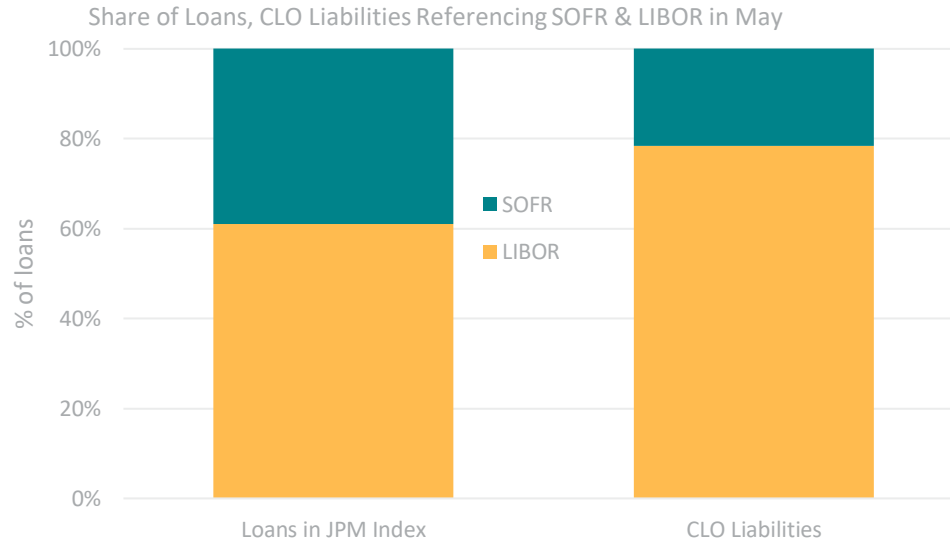


LIBOR Transition: June 5, 2023

Key Issues

- Transition Statistics
- Amendment Fallback Activity
- Credit Spread Adjustments
- Fallback Language in Remaining LIBOR Loans
- Intersection of ARRC Best Practice Recommendations and Kirschner Case

Leveraged Loan/CLO LIBOR Remediation: Where We Stood at the End of May

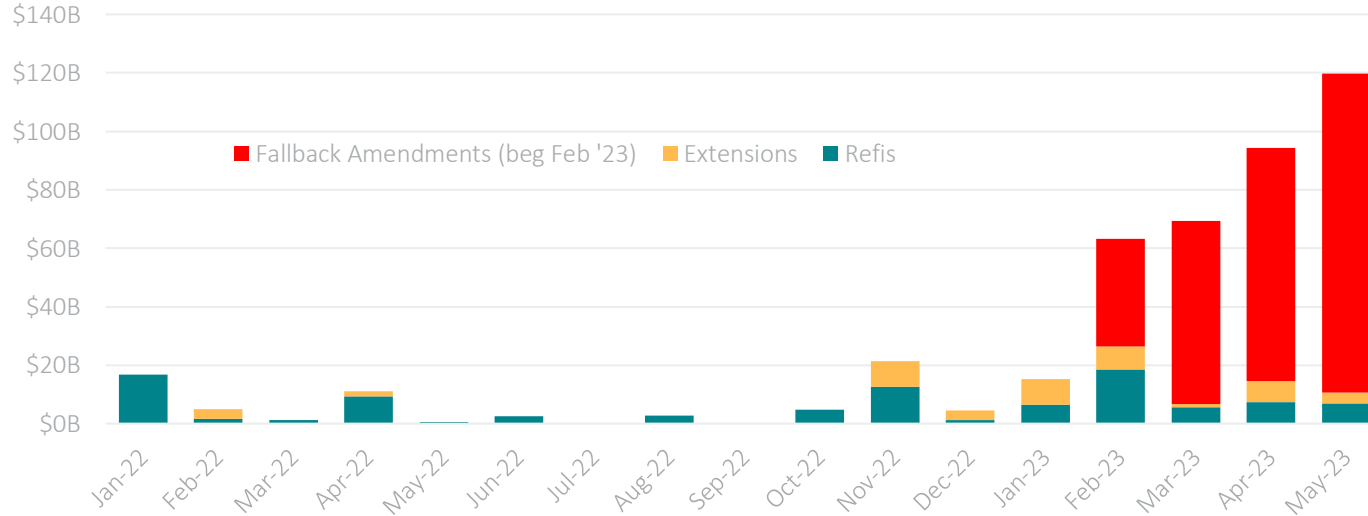


- Outstanding loans and CLOs are transitioning from LIBOR to SOFR
- We are further along than the data indicate: Many loan amendments occurring, CLO note data is lagged and, according to a major trustee, while the large majority of LIBOR CLOs are not yet eligible to transition, most have prepared their CLO notes to transition on or around June 30th

**Note: Data may be somewhat lagged*

LIBOR Remediation: Bank Crisis Slowed Organic SOFR Refinancings, but Fallback Amendments Accelerating

LIBOR Fallback Amendments Continue to Accelerate

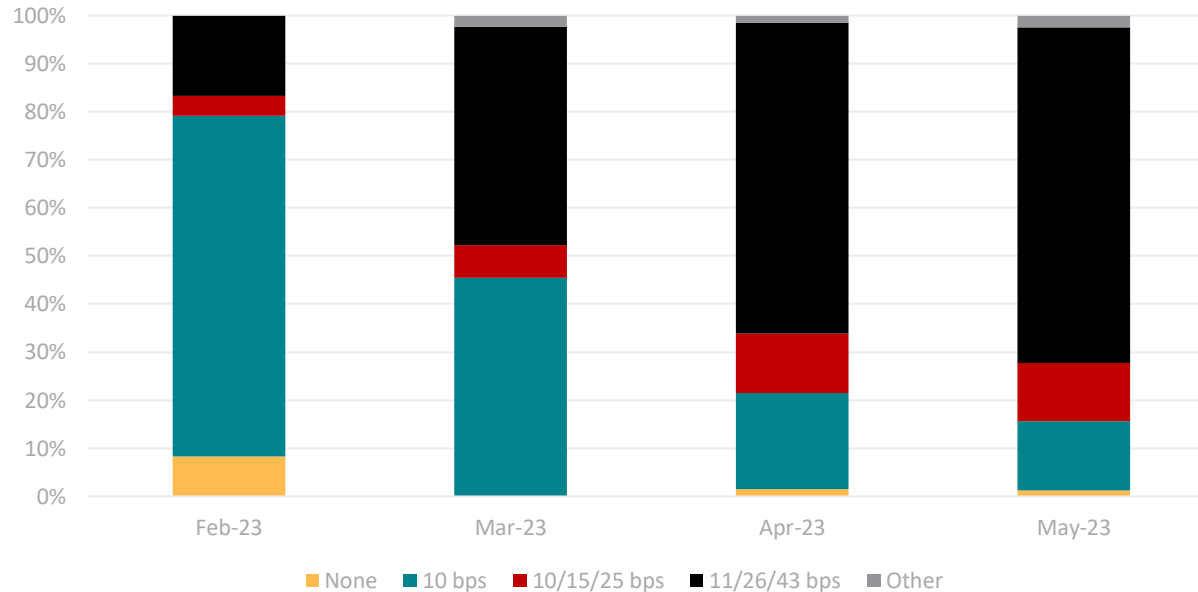


Source: LevFin Insights

- Amendment fallback activity continues to accelerate, dramatically outpacing refinancing activity (which is economically unattractive today)

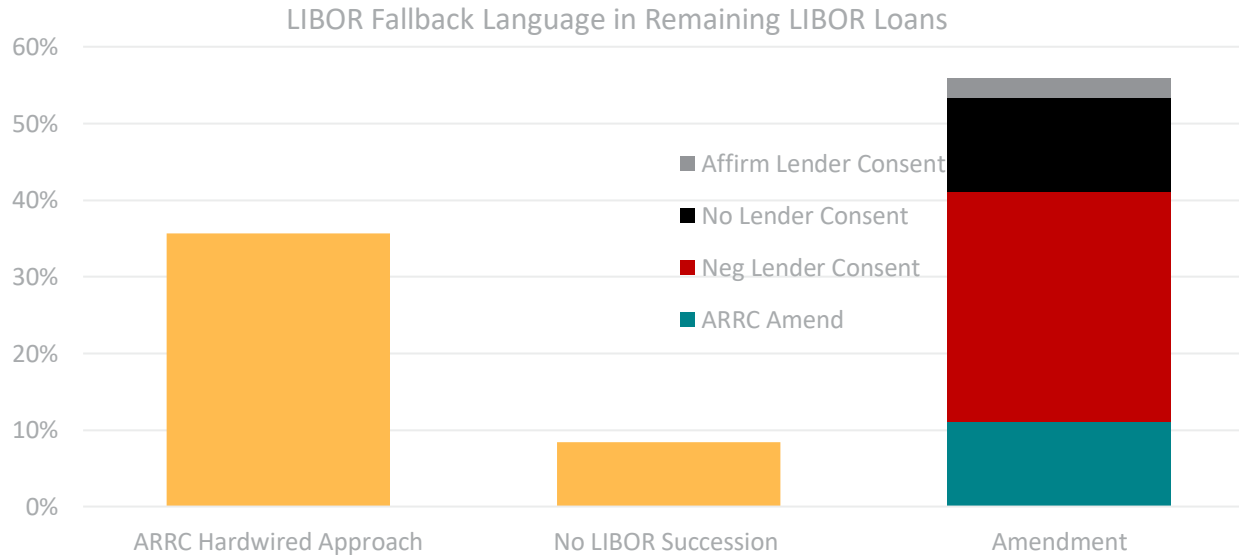
Fallback Economics are.... Evolving

Fallback "CSAs" Have Varied Across 2023



- Credit Spread Adjustments ("CSAs") of 11/26/43 picked up in April and May

Fallback Language in Remaining LIBOR Loans in CS Index (May 2023)



- More than 1/3 of outstanding LIBOR Loans have hardwired fallbacks
- Most loans have amendment fallback
- Less than 10% do not have succession language (and would go to ABR or potentially synthetic LIBOR)

An Unexpected Intersection Between ARRC Best Practice Recommendations and Kirschner Case

- The ARRC recently released Term SOFR Best Practice Recommendations
- Business Loans and CLOs are in the Term SOFR Use Case
- However, if loans are deemed to be securities due to the Kirschner litigation henceforth *and* are issued as 144a notes, *they would be specifically excluded from Term SOFR Use Case Recommendation (and thus, so would future CLOs of 144a-style loans). (See p. 5 of recommendations.)*
- This could prove problematic for loans and CLOs
- <https://www.newyorkfed.org/medialibrary/Microsites/arrc/files/2023/ARRC-Term-SOFR-Scope-of-Use-Best-Practice-Recommendations.pdf>