Responses included in Red for Ares Management.

Question 1. *If the ARRC were to adopt one or more sets of business loan fallback language, which one or both of the recommended provisions (i.e., amendment approach and/or hardwired approach), in your view, is an appropriate policy? If you believe the amendment approach is more appropriate at present, what specific information (for instance, existence of term SOFR) would you need in order to get comfortable eventually adopting a hard-wired approach? Why?*

In our view, the Hardwired approach would be the recommended provision.

Question 2.

(a) Should fallback language for business loans include any of the precessation triggers (triggers 3, 4 or 5)? If so, which ones?

(b) Please indicate whether any concerns you have about these precessation triggers relate to differences between these triggers and those for standard derivatives or relate specifically to the pre-cessation triggers themselves.

(c) If pre-cessation triggers are not included, what options would be available to market participants to manage the potential risks involved in continuing to reference a Benchmark whose regulator has publicly determined that it is not representative of the underlying market or a Benchmark permanently or indefinitely based on a number of submissions that the Benchmark's administrator acknowledges to be insufficient to allow for production in a standard manner?

Question 3.

(a) Is an "opt-in" trigger appropriate to include? Why or why not?

(b) If you do believe an "opt-in" trigger should be included, do you prefer the approach in the hardwired proposal or the amendment proposal? Please explain.

Generally, our views are that new loans that come to market should include the strengthened fallback language sooner.

Question 4. *Are there any other trigger events that you believe should be included for consideration? If yes, please explain.*

Question 5. *If the ARRC has recommended a forward-looking term rate, should that rate be the primary fallback for syndicated loans referencing LIBOR even though derivatives are expected to reference overnight versions of SOFR? Please explain.*

Yes, the forward-looking term rate should be the primary fallback rate for syndicated loans.

Question 6. *Should the administrative agent (by itself or with some other party) be able to eliminate certain interest period options if there are no equivalent SOFR terms available? If so, consider the following options: (i) the administrative agent (and/or some other party) may remove all interest periods for which there is not a published term rate or (ii) the administrative agent (and/or some other party) may remove only the interest periods for which there is not a published term rate and a term rate cannot be interpolated. Which of the options do you support? Why?*

Yes, the administrative agent (by itself or with some other party) should be able to eliminate certain interest period options if there are no equivalent SOFR terms available.

Question 7. *Should "Compounded SOFR" be included as the second step in the waterfall? Why or why not? Would this preference be influenced by whether ISDA implements fallbacks referencing compounded SOFR or overnight SOFR?*

Yes, Compounded SOFR should be included as the second step in the waterfall. We're not overly focused on whether this would synchronize with ISDA fallback language.

Question 8. *If you believe that Compounded SOFR should be included, would a Compounded SOFR in advance* or *Compounded SOFR in arrears be preferable for syndicated loans? Please explain.*

Computing Compounded SOFR in advance would be our recommendation, as long as this methodology is applied consistently.

Question 9. *Is Overnight SOFR an appropriate fallback reference rate for syndicated loans or should the final step in the replacement rate waterfall be Compounded SOFR (after which the hardwired approach defaults to a streamlined amendment process)? Would this preference be influenced by whether ISDA implements fallbacks referencing compounded SOFR or overnight SOFR? Please explain.*

We don't think that Overnight SOFR is an appropriate fallback reference rate for syndicated loans and have concerns around how the spread adjustment would work on the overnight rate.

Question 10. *Is it acceptable to fix one observation of Overnight SOFR as the reference rate for a loan lasting three months (or longer)? Would lenders refuse to offer longer-duration loans if they were priced over one Overnight SOFR observation? Please explain.*

We don't think Overnight SOFR is an appropriate fallback rate for syndicated loans.

Question 11. *Is there any another replacement rate that should be added to the hardwired approach waterfall before parties move to the streamlined amendment process? If so, what is the appropriate rate or rates and at which stage in the waterfall should they be applied?*

Question 12. *Do you believe that the ARRC should consider recommending a spread adjustment that could apply to cash products, including syndicated business loans?*

Yes, we believe there has to be a spread adjustment applied to cash products, including syndicated business loans.

Question 13. *Is a spread adjustment applicable to fallbacks for derivatives under the ISDA definitions appropriate as the second priority in the spread waterfall even if syndicated business loans may fall back at a different time or to a different rate from derivatives? Please explain.*

Question 14. *Is there any another spread adjustment that should be added to the hardwired approach spread waterfall before parties move to the streamlined amendment process? If so, what is the appropriate spread and at which stage in the waterfall should it be applied?*

Question 15.

(a) Under the amendment approach proposal, if parties are selecting a replacement rate through the amendment process, should the objection of the Required Lenders be by class (if applicable) (see clause (b) of the section titled "Effect of Benchmark Discontinuance Event" in Appendix I)? Why or why not?

Yes, this should be by class, since it will affect each class separately.

(b) Under the amendment approach proposal, if parties choose to select a replacement rate through the "opt-in" amendment process, should the affirmative consent of the Required Lenders be by class (if applicable) (see clause (b) of the section titled "Effect of Benchmark Discontinuance Event" in Appendix I)? Is affirmative consent appropriate or should negative consent be considered instead? Please explain.

Yes, we think affirmative consent is most appropriate.

Question 16.

(a) Under the hardwired approach proposal, if parties must fallback to selecting a replacement rate through the amendment process because none of the options in the replacement rate waterfall are available, is the objection of the Required Lenders by a class appropriate (if applicable) (see clause (d) of the section titled "Effect of Benchmark Discontinuance Event" in Appendix II)? Why or why not?

Yes, this should be by class, since it will affect each class separately.

(b) The hardwired approach proposal provides two bracketed options for a successful declaration of the "opt-in" amendment process - Required Lenders (typically a majority) vs. supermajority (2/3) of lenders (see clause (B) of the definition of "Benchmark Transition Determination" in Appendix II). What should be the standard affirmative lender voting threshold for consenting to the "opt-in"? Please explain.

We believe the Required Lenders (typically a majority) seems more reasonable, it would be difficult to come to consensus on a supermajority.

Question 17. *For respondents that act as administrative agents in the syndicated business loan market, would your institution be willing to (i) work with the borrower to identify a new reference rate or spread adjustment, (ii) determine whether triggers have occurred, (iii) select screen rates where reference rates are to be found, (iv) interpolate term SOFR if there is a missing middle maturity and, (v) execute one-time or periodic technical or operational amendments to allow the administrative agent to appropriately administer the replacement benchmark? Please respond to each and explain.*

Yes, but operationally we would need guidance on how to perform setups ii, iii & iv.

Question 18. *Is it necessary that any replacement rate and/or applicable spread adjustment be published on a screen by a third party? Why or why not?*

Yes, we would need an independent source to use in order to obtain the appropriate rate to use for agent notices. We can use this source as appropriate back-up for all parties. We want to avoid any situation where we would need to use any type of discretion to determine appropriate spread.

Question 19. *Given that market practices and conventions may change over time, should the administrative agent's limited ability to make conforming changes be available only at the point of transition or on a periodic, ongoing basis? Why or why not?*

Just given the number of facilities we have, it seems like making conforming changes on an ongoing basis would give us more flexibility.

Question 20. *How important is it for the fallback rate to be available prior to making a borrowing/advancing funds? For instance, if the rate was a compounded three-month rate calculated at the* ***end*** *of the interest period, would that be problematic? Please explain.*

Yes, it will be problematic if the fallback rate is not available prior to making a borrowing/advancing funds. We can't properly accrue if the rates are not available either in advance or real-time. This would change the way our loan agency systems and operational processes work today. Therefore, it would be a pretty significant change to the overall agency process.

Question 21. *Are there operational concerns about having the ability to convert many loans over a very short period of time? Please explain.*

Assuming agents update timely and that it is processed as a new contract in Markit so we can accelerate into our systems, we don't see this as a major issue, as long as we can get a vendor feed of the new SOFR/fallback rate in advance. However, this may be problematic if these changes occur in the middle of contract periods and interest contracts need to be broken and recreated for a specific period.

Question 22. *Do you see other operational challenges that fallback language should acknowledge or of which the ARRC should be aware? Please explain.*

The actual cutover should be less work operationally as compared to other considerations involved. Having the new rates published on a screen by a third party in the early part of the day will remain an important consideration operationally.