<u>Responses included in Red for Ares Management.</u>

Question 1: *Which securitization asset classes are you referring to in your response to this consultation if limited to only certain asset classes? If there are particular features of these asset classes that shape your responses to the questions in this survey, please describe them to the extent possible.*

Our responses are referring to CLO's. As the underlying assets trade freely outside of the securitization, this feature helps shape some of our responses.

Question 2: *The ISDA triggers contemplate a permanent cessation of LIBOR as of a date certain which may be announced in advance (the "Cessation Date"), at which point the transition from LIBOR to SOFR would occur. As there may be operational challenges for securitizations as both assets and liabilities will have to be transitioned, some have asked for the ability to transition in advance of the Cessation Date in order to address any operational issues that may arise. Specifically, the Designated Transaction Representative (as defined in Appendix I) will have the ability to pick one date within a 30-day period prior to the Cessation Date to facilitate an orderly transition. Do you feel the inclusion of this ability to transfer prior to the Cessation Date is needed? If so, please explain the specific, critical and tangible needs that support its inclusion?*

Yes, we think the inclusion of this ability to transfer prior to the Cessation Date is needed and would recommend extending the range to 90 days to coincide with the fact that CLO's pay quarterly. It seems overly complex to reset during the quarter between payments if the cessation date may be announced in advance.

Question 3(a): *Should fallback language for Securitizations include any of the precessation triggers (clauses (3), (4), (5) and (6) of the Benchmark Discontinuance Event definition)? If so, which ones? Also, please identify any pre-cessation triggers that you do not believe should be utilized for a particular securitization product and explain why.*
We are fine including each of the precessation triggers, clauses 3-6.

Question 3(b): *Please indicate whether any concerns you have about these pre-cessation triggers relate to the differences between these securitization triggers and those for standard derivatives or whether your concerns relate specifically to the pre-cessation triggers themselves.*

Question 3(c)*: If you believe that the pre-cessation trigger in clause (6) (Asset Replacement Percentage) should not be retained, please note any specific concerns leading to this conclusion. If you believe that it should be retained, are there any changes you believe should be made to this trigger? Please explain.*
We believe clause 6 should be retained in an effort to limit basis risk. 50% of the underlying assets seems reasonable to us.
Question 3(d)*: If you believe the pre-cessation trigger in clause (6) (Asset Replacement Percentage) should be retained, how would you address concerns that it could result in a transfer of value in a transaction where the Designated Transaction Representative has the ability to change the benchmark used on the underlying assets and, as a result, determine the timing of this pre-cessation trigger? Are there other changes that should be made to the Asset Replacement Percentage trigger? Note that this trigger relates to a mismatch between the securities and the Securitization assets that results from changes in the assets. A mismatch may also arise from a change in the securities due to a trigger event under these fallback provisions. Any concerns with the latter scenario can be addressed in responses to Question 16.*
We believe that a Designated Transaction Representative, like a Trustee or whichever party is designated as such, should be un-biased in this role and would be appropriate.

Question 3(e): *If pre-cessation triggers are not included, are there options available to market participants to manage the potential risks involved in continuing to reference a Benchmark in the circumstances contemplated by each of these pre-cessation triggers?*

Specific to CLO's, this risk is already somewhat addressed with Prime rate mechanisms.

Question 4: *Should the proposed securitization fallback language permit the Designated Transaction Representative to transition the securities after a trigger has occurred but before the Benchmark Replacement Date? Should any limitations be placed on its use? Should there be a limited date range (e.g., 60 days) prior to the Benchmark Replacement Date in which this could be used? Should the Designated Transaction Representative be limited in the circumstances under which it could elect to utilize the additional time? If so, what standard should be utilized to assess whether the additional time is necessary? In each case, please explain why.*

We believe the Designated Transaction Representative should have discretion and be permitted to transition the securities within the designated timeframe, but with guidance from the collateral manager.

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

Question 5(b): *Is there a specific reason that the securitization market should first fall back to forward-looking term SOFR instead of another rate? Please explain why.*
Consistent with our recommendation for the majority of the underlying assets.

Question 5(c): *Is the use of an Interpolated Period appropriate in the securitization markets? Please explain any limitations that should be applied to the use of an Interpolated Period.*
Yes, this is appropriate but should be at the discretion of the collateral manager.

Question 5(d): *In the event a Replacement Benchmark is determined other than under Step 1 of the waterfall, should the waterfall provide that the Replacement Benchmark be changed in the future as soon as a rate can be established under Step 1 of the waterfall?*

Yes, this should be an option to re-evaluate once an earlier waterfall step is available.

Question 6(a): *Should Compounded SOFR be the second step in the waterfall? Would this preference be influenced by whether ISDA implements fallbacks referencing Compounded SOFR or overnight SOFR?*
Yes, we believe this has to be the second step in the waterfall. Depending on the curve, we do have concerns with this calculation from a relative value perspective.

Question 6(b): *If you believe that Compounded SOFR should be included, which compounding period is preferable ("in arrears" or "in advance")? Please explain why. Would this preference be influenced by whether ISDA implements fallbacks referencing Compounded SOFR "in arrears" or "in advance?" Please explain whether your preference is based on operational concerns in implementing a particular approach or on economic concerns.*
Our preference would be the compounding period is in advance, not influenced by whether ISDA implements differently.

Question 6(c): *If it was necessary to calculate Compounded SOFR and a third party was not available to perform those calculations, are there parties to the Securitization transactions with sufficient resources to perform those calculations accurately and efficiently? Are there other considerations relating to the calculation of Compound SOFR that would make it an undesirable Replacement Benchmark without the availability of a third party provider?*

We would think a Trustee could perform such calculations as needed.

Question 7: *As noted, this consultation does not include Spot SOFR as a third step in the waterfall. Do you believe that Spot SOFR is an appropriate fallback reference rate for Securitization contracts or should the second step in the replacement rate waterfall be Compounded SOFR , after which the replacement rate would be, first, recommended by the Relevant Governmental Body, second, default to then-current ISDA Definitions, and third, proposed by the Designated Transaction Representative?*

We are okay with the current waterfall steps presented.

Question 8: *In the future circumstance where there is no SOFR-based fallback rate, is the replacement rate determined by the Relevant Governmental Body the best alternative at this level of the waterfall? Please explain why.*

Question 9: *In the future circumstance where there is no SOFR-based fallback rate and the Relevant Governmental Body has not recommended a replacement rate for Securitizations, is the fallback for SOFR-linked derivatives set forth in the ISDA definitions at the time of cessation the best alternative at this level of the waterfall? Is this fallback appropriate if ISDA Definitions only include overnight fallback rates? Please explain why.*

We would have concerns around only having an overnight fallback rate, including the need for a spread adjustment.

Question 10(a)*: Since it is unlikely that there will be no ISDA fallback (clause (a) above), this provision is more likely to occur (if at all) when the ISDA fallback is deemed not appropriate for securitization securities (clause (b) above). In that scenario, is this provision appropriate as the final step in the Replacement Benchmark waterfall? Please explain why.*

Question 10(b)*: Should the provision allow for "re-testing" the waterfall to determine whether another Replacement Benchmark has become available in the scenario where investors have rejected the Proposed Replacement Benchmark? Should the waterfall be re-tested in any other circumstances (e.g., any time the Replacement Benchmark has been determined under a "less-desirable" clause)? How often? Please explain why.*

Yes, there should be a mechanism for re-testing for the Replacement Benchmark- maybe on a quarterly basis or other reporting frequency.

Question 11*: Are there any concerns if a spread adjustment was utilized with cash products that was calculated by a spot rate comparison of the difference between LIBOR and the Replacement Base Rate at the time of conversion? Should this option be included in the spread waterfall? If so, where?*

This option seems logistically cumbersome to compute on an ongoing basis. There are also some concerns depending on this approach in elevated volatility market conditions

Question 12: *Do you believe that the ARRC should consider recommending a spread adjustment that could apply to cash products, including Securitizations?*

Yes, we believe there would have to be a spread adjustment applied to cash products, including Securitizations. The ARRC seems to be best situated currently to make such a recommendation.

Question 13(a): *Is a spread adjustment applicable to fallbacks for derivatives under the ISDA definitions appropriate as the second priority in the spread waterfall? Please explain why.*
Not necessarily. We would need more specifics on the spread adjustment approach and length of the historical lookback period if the historical mean/median approach is adopted by ISDA.

Question 13(b): *If the ARRC has recommended a forward-looking term SOFR but has not recommended a corresponding spread adjustment under Step 1 above, do you believe that the ISDA spread adjustment described in Step 2 (which may be intended to apply to a different Replacement Base Rate) should apply to Securitizations? Please explain why.*
The ISDA recommended spread adjustment should not necessarily apply to Securitizations, especially since we would recommend a forward-looking term rate SOFR as the primary fallback rate. Based on the initial results of the recent ISDA Consultation, if the historical mean/median approach is used for the spread adjustment, we would want more specifics around the length of the historical lookback period.

Question 13(c): *Given that ISDA has not yet decided upon the spread calculation methodology[16], should Step 2 be excluded from the waterfall? Please explain why.*

Question 14(a): *What type of institution can and should take on the responsibility to (i) determine whether the proposed triggers have occurred, (ii) select screens where reference rates or spreads are to be found, (iii) make calculations of a rate or spread in the absence of published screen rates, (iv) interpolate term SOFR if there is a missing middle maturity and/or (v) elect to cause an early transition under the proviso to the definition of Benchmark Replacement Date?*
Our recommendation would be the Trustee or Agent Bank

Question 14(b): *Whether as issuer, sponsor, servicer or calculation agent, would your institution be willing to (i) determine whether the proposed triggers have occurred, (ii) select screens where reference rates or spreads are to be found, (iii) make calculations of a rate or spread in the absence of published screen rates, (iv) interpolate term SOFR if there is a missing middle maturity and/or (v) elect to cause an early transition under the proviso to the definition of Benchmark Replacement Date?*

No, our institution would not be willing to assume these responsibilities

Question 15: *Is there any provision in the proposal that would significantly impede Securitization issuances? If so, please provide a specific and detailed explanation.*
Based on the proposals, no we don't think so.

Question 16: *Given the fallback language for the Securitization and the underlying assets may operate independently, please identify any sources of misalignment between those components that are not addressed in the consultation.*

Question 17*: Are there specific operational challenges that implementing the proposed fallback language might create for securitizations? If so, what are those challenges and under what circumstances might they occur? How might they be mitigated?*
In general, our operational concerns are more around communication on implementing new rates and ensuring that these rates and applicable spread adjustments are published on a screen by a third party in a timely manner.

Question 18: *Please provide any additional feedback on any aspect of the proposal.*

In terms of make-whole provisions, because there are still so many unknowns with the proposed fallback rates and mechanisms, we want to ensure there are enough options described and any language isn't too restrictive.