

MEDIA MENTIONS

Schulte partner Martin Sharkey on how European CLO managers can deal with stressed assets

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Schulte Roth & Zabel partner Martin Sharkey was featured in a PitchBook article that discussed the wide array of tools European Collateralized Loan Obligation (CLO) managers have to handle stressed and distressed assets. According to the article, the expected restructuring of Altice France's debt could compel CLO managers to reclassify some obligations, potentially using less common tools like uptier priming debt, loss mitigation obligation or bankruptcy exchange buckets. Despite their underuse, these tools are crucial in a challenging market with sophisticated sponsors.

Martin highlighted the balance CLO managers must strike between flexibility and investor safeguards. "Managers like the flexibility to be able to add loss mitigation obligations and uptier priming debt to the portfolios, but it is quite common to receive pushback from debt investors on this flexibility," he said. Martin further explained that these tools are seen differently by various investor groups, with some viewing them as essential defense mechanisms, while others prefer to limit their use due to concerns over manager expertise.

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