

International Comparative Legal Guides

Lending & Secured Finance 2026

A practical cross-border resource to inform legal minds

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Morgan, Lewis & Bockius LLP



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Analysis and Update on the Continuing Evolution of Terms in Private Credit Transactions



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Introduction

For the past 15 years, The Private Credit Group at Proskauer Rose LLP has tracked deal data for private credit transactions (our “data”). The data referred to in this chapter reflects the current trends and deal terms in private credit transactions closed by The Private Credit Group at Proskauer Rose LLP in 2025 and may not be indicative of broader market trends.

Our data demonstrates that, over the past 15 years, the private credit market has experienced a continued influx of financing terms that were traditionally featured in large cap, broadly syndicated (“BSL”) financings. As was the case in the past several years, 2025 appeared to be no exception; BSL financing terms continued to appear in private credit transactions in a manner generally consistent with prior years. However, significant economic uncertainty arising towards the end of 2022 and continuing into and through 2025 brought about changes in documentation that the market has not seen in recent years. During this limited period of time, certain lenders (e.g., lenders able to fill large capital needs at closing or as part of an ongoing growth strategy, and lenders able to invest at higher closing leverage levels) enjoyed some increased negotiating leverage and in some cases showed a willingness to walk away from, or decrease investments in, transactions with unfavourable terms. Lenders focused on obtaining more meaningful financial covenant protections, tightening debt incurrence, reducing capacity to engage in transactions (including making investments and dividends) that decrease the value of lenders’ collateral, and removing borrowers’ flexibility to restructure debt in a manner that decreases the position of current lenders *vis-à-vis* other classes of creditors.

Given that BSL terms assume a profitable, durable business model and stable economic climate, this lender sentiment was unsurprising even if it represented a significant deviation from trends in preceding years. However, whatever ground gained by the lenders during this period was quickly lost towards the latter half of 2023. Competition among lenders to deploy capital and capture deal flow, both from the BSL market and from the growing pool of funds available to direct lenders, caused a re-loosening of terms, and in 2024 and 2025 that trend continued. As private credit lenders’ unfunded capital continues to grow at noteworthy rates, competition to deploy such amounts has driven the market towards more borrower-favourable terms. We expect that lenders will need to remain competitive on deal terms as the M&A market continues to open in 2026, as it did in 2025, but with some continued insistence for lender protections in deals with large cap terms and/or provisions giving a borrower the flexibility to do a liability management transaction (“LMT”).

Although middle market lenders’ appetite for certain large cap financing terms differs based on institutional biases and the nature of specific investment opportunities, the treatment of large cap financing terms in credit documents can be evaluated in light of the size of the borrower’s consolidated EBITDA. As a general matter, large cap deal terms become less prevalent as the consolidated EBITDA of a borrower decreases. In addition, as the consolidated EBITDA of a borrower decreases, the inclusion of large cap terms with conditionality and/or additional lender protections intended to mitigate the inherent risks in such terms becomes more prevalent. Traditionally, this had allowed us to divide the middle market into “lower middle market”, “traditional middle market” and “upper middle market” bands, but more recently an important line of demarcation that continues to expand into an overlapping grey area has arisen between the BSL market and the private credit market in which traditional direct lenders operate.

This chapter will highlight notable current events in the private credit market as well as examine certain key financing terms and trends across all bands using Proskauer’s proprietary data. The analysis will also discuss the related market drivers and trends influencing the continuing evolution of private credit deal terms.

Background

The private credit market has been making headlines for some time due to its rapid expansion, fuelled by a growing investor base, a surplus of available capital and a compelling yield proposition. However, in 2025, U.S. markets continued to deal with inflation, the lingering impact of the many interest rate hikes from 2023, uncertainty resulting from rapidly evolving trade tariff policies, and the growing impact of artificial intelligence on nearly all market sectors (whether positive or negative). Dealmakers also cited concerns around increased regulatory scrutiny, political uncertainty and a cautious economic outlook. However, headwinds appeared to be weakening and many became optimistic that M&A activity would pick up in 2025 and into 2026 given the elevated levels of private equity’s undeployed capital. In fact, M&A activity and the demand for new financings did increase heavily in 2025. The year 2025 also brought about a continuation of the prior year’s notable increase in transactions related to data centres and other digital infrastructure, which can be attributed in part to the rise of artificial intelligence. Our 2025 data set pulls from 461 deals (including 178 incremental loans and 62 restructurings). We also note that the frequency of repricing transactions (i.e., an amendment to an existing facility to decrease the interest rate of the loans, or a refinancing of an existing credit

with another facility having a lower interest rate) remained consistent with 2024. This was driven by increased new deal activity, an increasingly favourable market environment and a surplus of dry powder in the market.

Events of default in 2025 under active deals were at 2.12% (calculated on an average quarterly basis), with payment defaults accounting for only 0.60% of that total. These results are generally consistent with year-end default rates reported by Fitch (5.7%) (as of 19 December 2025) and S&P Global Ratings (3.7%) (as of 21 January 2026). We believe the levels are an accurate portrayal of the relative health and continued resiliency of the private credit market, though some might point to flexible financial covenants and proactive restructuring activity as contributing factors to the low default rates.

Low rates of default over the past five years may suggest that, despite the state of the economy and associated challenges, borrowers reaped the benefits of flexible loan documentation. Many deals have been structured as covenant-loose or covenant-lite transactions, which is discussed in further detail below. Documentation also contained features such as borrower-favourable addbacks to consolidated EBITDA and fulsome provisions for curing financial covenant breaches in consecutive quarters. These features helped to lessen the impact on financial ratios of quarter-over-quarter decline in performance and helped borrowers avoid defaults altogether, especially in larger deals. Another focus for borrowers was to build cash reserves and maintain strong liquidity positions in anticipation of deteriorating leverage and financial performance. They were able to draw down on previously committed revolving facilities, which customarily have no leverage conditions to borrowing and no anti-cash-hoarding protection. In the cases where borrowers' financial performance faltered in breach of financial maintenance covenants, lenders generally showed a willingness to rely on out-of-court solutions for temporary and structural relief. Many lenders offered covenant holidays, additional addbacks to bolster consolidated EBITDA and leverage levels in the short term, and even deferred or accepted payment-in-kind ("PIK") interest payments on the loans. Lenders also showed a willingness to step in with capital infusions that helped keep defaults and bankruptcy proceedings to a minimum.

As we look to 2026, the market remains hopeful that M&A activity and dealmaking will continue to increase following the uptick in global M&A in 2025. Borrowing costs continue to decline and private equity sponsors are looking to return capital to their investors. The BSL market showed remarkable recovery in 2025, and bank lenders continue to take an interest in private credit through joint venture initiatives, "super-priority" and other "first out" deal structures designed to de-risk investments in private credit. Allocations to the asset class remain strong. Most lenders feel that the private credit market continues to hold significant opportunities, despite fierce competition to place capital.

Overview of Proskauer Rose LLP Private Credit Transactions in 2025

The top five industries represented in new issue transactions, as shown by our data, include: (a) Health Care/Life Sciences; (b) Manufacturing; (c) Software/Technology; (d) Business Services; and (e) Consumer Goods & Services/Retail. These primary industries comprised 62.8% of our deals in 2025. Health Care/Life Sciences was the leading industry for transactions in 2025 (16.5% of deals) followed by Manufacturing (12.8%). Sports & Recreation saw an explosive trajectory

with a 179% increase in transactions; while still representative of only 3.7% of deals in our data set, this growth is indicative of a larger market trend whereby private credit financing sources are able to provide nimble and bespoke solutions for the rapidly evolving asset class, and many expect this rapid growth to continue in the years ahead. First lien, second lien and senior secured transactions remained high for the year, whereas mezzanine loan transactions represented 1.60% of all deals in 2025 (up from 0.67% of all deals in 2024).

With respect to commitment fees and original issue discount ("OID"), fees trended downwards in 2025, with 23% of commitment fees and OID between 2% and 2.49% of the principal amount of the loans and commitments at closing, with only 7% in commitment fees or OID over 2.49% in 2025. Overall, rates of OID were lower in 2025 as compared to the previous year. Additionally, administrative agency fees, or the annual fee paid to agents as compensation for managing, monitoring and processing the loans, interest payments, assignments and records, fell in 2025 to an average annual amount of \$57,000 (down from \$71,000 in 2024 and \$77,000 in 2023), further signalling direct lenders' willingness to compromise around the edges in an ever increasingly competitive landscape in order to deploy their rapidly growing pools of capital.

Closing leverage for middle market transactions in our data continued a three-year pattern of slight increases to 5.1x in 2025 (vs 4.9x in 2024 and 4.6x in 2023). A total of 68% of deals had a closing leverage between 4.00x and 6.99x (generally consistent with 65% in 2024 and 67% in 2023, but higher than 2022 (48.7%)), indicating that closing leverage was more closely concentrated in this range and varied less across the data set than in prior years). Trends in closing leverage should also be considered in light of parameters relating to the calculation of consolidated EBITDA across the middle market, given that more borrower-favourable formulations of EBITDA will make closing leverage appear lower. In transactions with EBITDA greater than \$50 million, 26% of them had a cap on general non-recurring expenses as an addback to EBITDA, which is approaching more borrower-favourable levels not seen since 2020 (25%), and the historical data shows that the more lender-favourable formulations from 2022 (51%), 2023 (61%) and 2024 (34%) are starting to fall away. In transactions with EBITDA that is less than \$50 million, only 49% of them had a cap on general non-recurring expenses in 2025, continuing the trend of 52% of deals in 2024 (which is lower than prior years, 2022 (66%) and 2023 (67%)). Addbacks for run-rate cost savings/synergies and restructuring costs continue to be more or less ubiquitous in the middle market. Similar to the cap on addbacks for general non-recurring expenses, the cap on restructuring costs tends to fall away in larger deals. We continue to see a negotiated cap on the addback for cost savings/synergies across the middle market. This cap typically applies only to cost savings/synergies applicable to acquisitions and restructuring activities following the initial closing date of a financing (but not to cost savings/synergies applicable to closing date transactions). While lenders in certain larger deals may also agree to expand the scope of the addback to allow for the inclusion of "revenue enhancements" (contrasted with cost savings), lenders continue to resist this approach. They may instead provide a business-specific addback in a particular transaction (e.g., run-rate effects of new contracts or new locations).

Private credit lenders test leverage ratios at regularly scheduled intervals to confirm whether borrowers are maintaining healthy leverage levels, hence the term "financial maintenance

covenant”. Often, the level set in the covenant will step down over time, requiring a borrower to de-lever as the business grows. However, leverage ratio financial maintenance covenants are increasingly becoming static (meaning the covenant level does not step down after the closing date to incentivise de-leveraging over the life of the loan). Of the transactions with leverage ratio financial covenants, 11% of them had five or more covenant step-downs (consistent with 2024 values, but down from 23% in 2022 and 24% in 2023). Of transactions with step-downs, 64% of them had EBITDA of less than \$50 million (similar to 67% in 2024). Step-downs tend to fall away in transactions with EBITDA over \$50 million but may still be present. This data shows that protections around financial covenants shifted back to borrower-favourable formulations in 2025.

The general trend of borrowers’ counsel controlling the drafting process at both the commitment papers stage and the definitive deal documentation stage continued in 2025. In most circumstances, the borrower will also select the precedent credit agreement to be used as a starting point for definitive deal documentation in a particular transaction. Frequently, the lender will not have participated in the prior transaction, or the proposed precedent document will reflect a more upper market orientation than the borrower’s existing facilities. As a result, and in light of frequently time-sensitive commitment periods and healthy competition for good investment opportunities in the current market, lenders often agree to work with these proposed precedent credit agreements and accommodate terms that are more typically found in larger transactions.

Unitranche facilities continue to be a focus for private credit lenders in the middle market. These deals made up approximately 78% of our data set in 2025 and the transactions are getting bigger. Our data shows a 45% jump in the average size of U.S. unitranche deals over the past five years, including an increase of 12.7% to an average quantum of \$371.0 million in 2025 from \$329.0 million in 2024. This trend is reflected in the broader market and headline-making “jumbo unis” are becoming more common. Private credit lenders can now provide unitranche financing solutions that would have historically only been available to a borrower through the BSL or high-yield bond market. The overlap has become so significant that larger borrowers often gauge market interest for both a private credit unitranche and BSL alternative before they select a deal structure for a particular transaction. BSL transactions benefit from market liquidity and capacity to fund larger loans, and generally provide more borrower-favourable terms on the whole. However, private credit lenders provide certainty and speed of execution, without getting bogged down by market flex terms or lengthy rating agency processes.

Nonetheless, borrowers have leveraged the BSL market alternative by (i) requesting deal terms and provisions from private credit lenders that have traditionally only been included in the BSL market, or (ii) seeking novel formulations to further differentiate the BSL and private credit environments. While each of these are not necessarily successfully implemented in loan documentation for any given transaction, the increased frequency with which they are being requested at the terms grid or commitment letter stage of the financing process by sponsors is indicative of the strength of both approaches: the shift towards introduction of BSL-style terms in private credit; and the evolution of terms more firmly rooted in private credit to further stand out in an increasingly competitive market. The following is a sampling of the BSL terms creeping into private credit markets, and the private

credit provisions expanding to differentiate themselves from traditional BSL markets, a few of which are more fully discussed below.

BSL terms increasingly introduced in private credit transactions

Such terms are as follows:

- covenant-lite financial covenant packages (further discussed below); and
- reallocation of general debt basket capacity to the incremental starter basket, which has historically only been found in BSL transactions.

Covenant-lite

Covenant-lite (or “cov-lite”) and springing covenant packages have continued to migrate into the private credit market. Traditionally instituted only for the benefit of revolving lenders on a springing basis, with no direct benefit to the term lenders, cov-lite covenant packages are a highly visible BSL concept that has gained momentum in direct lending scenarios in recent years. In BSL transactions, term loans are syndicated to a vast array of institutional lenders who often do not foster a close business relationship with the borrower of the loan, whereas revolving commitments are typically provided by larger financial institutions that more closely monitor and interact with the borrower on a regular basis. Given that dynamic, the revolving lenders in BSL transactions have been the only group to benefit from the springing covenant (i.e., amend or waive the covenant, declare a default under the covenant and ultimately accelerate the loans due to a breach thereof), under the theory that the revolving facility and its usage is more closely tied to the working capital of the borrower, and thereby able to provide a clearer indicator of stress on a borrower’s overall condition. However, this logic is less applicable in the arena of private credit given that direct lenders (i) are generally seen as close partners with the borrower who help institute and navigate healthy growth models, and (ii) often serve as both the revolving and term loan lenders. The “springing” nature of these cov-lite transactions stems from the fact that they are only tested when a certain percentage of the revolving facility is borrowed (most commonly triggered upon 40% of the revolving facility being drawn), rather than being routinely tested every quarter like a typical maintenance covenant. Additionally, borrowers request various carveouts and exceptions to the calculation of revolving facility “usage” so that the trigger level is more difficult to achieve, such as excluding (i) letters of credit that are reimbursed, cash collateralised or backstopped, (ii) a dollar-capped amount of undrawn letters of credit, (iii) revolving loans borrowed on the closing date for a specified period of time (typically two to four quarters), and (iv) swing-line loans. There are examples of gamesmanship a borrower may employ to further declaw a cov-lite covenant package. A borrower may include the ability to repay the revolver after the end of the applicable fiscal quarter, but prior to delivery of the compliance certificate, and re-test the trigger event after giving effect to such repayment; in this scenario, the borrower pre-emptively reduces the revolver “usage” below the trigger threshold, which acts as an alternative cure mechanic for the borrower. Another borrower-favourable strategy is permitting the borrower to net unrestricted cash against amounts otherwise considered utilised for purposes of the trigger calculation. Cov-lite deals (for purposes of this metric, meaning deals that do not contain a typical financial maintenance covenant

that is generally tested at the end of each quarter) continued to sharply increase in 2025 to 48% of deals with EBITDA greater than \$50 million (vs 38% in 2024 and only 10% in 2023). Lastly, “covenant-loose” packages, which are financial covenants set at levels so wide of the closing date level that a highly material level of financial underperformance would have to occur to cause a breach, have been present in larger private credit transactions in recent years. In this greater than \$50 million EBITDA band, our data shows that covenant-loose transactions comprise 42% (which is consistent with 2024 (43%), but down sharply from 2023 and 2022 (54% and 71%, respectively)), indicating a shift in this band of larger EBITDA borrowers towards springing cov-lite transactions.

Private credit terms evolving to compete with the BSL market

Such terms are as follows:

- PIK interest and “toggle” optionality (further discussed below);
- portability or “travelling change of control” provisions (further discussed below);
- deferral, customisation or removal of regularly scheduled amortisation payments; and
- Holdco loans or notes accompanying a traditional Opco financing structure.

PIK interest

Interest rate margins (the percentage points added to a benchmark rate for purposes of calculating a floating or variable rate) across all deal types in our data have generally trended lower since 2015 (with a slight increase in interest rate margins in years prior to 2024). In 2015, only 16.7% of deals had margins less than 7%. In 2025, the percentage of deals having margins less than 7% was 86% (consistent with 84% in 2024, but in contrast to 68% in 2022 and 60% in 2023). In addition to declining interest rate margins, the format in which interest is paid has shifted in recent years with an evolution of PIK interest formulations, which provides much greater flexibility to borrowers seeking financing from direct lenders. Rather than being paid in cash to lenders, PIK interest (occasionally the entire interest payment, but more commonly limited to only the applicable margin or a portion thereof) is capitalised, and added to the outstanding principal amount of the loan, which is then paid at maturity. As compensation for deferring payment of such interest, lenders find comfort in accruing “interest on interest” (i.e., additional interest accruing on the PIK interest amount that has been capitalised to increase the term loan owed). In certain scenarios, lenders may also require minimum cash interest, or a cap on the amount of interest margin that may be paid in kind; with this mechanic in place, there will always be a regularly scheduled cash interest payment that, if missed, provides lenders with the opportunity to declare an interest payment default. Additionally, lenders may negotiate for the payment of a fee, or PIK premium, which is a specified fee added to any interest that the borrower elects to pay in kind, rather than in cash. Further expanding borrowers’ flexibility, PIK interest may be made available upon a borrower’s request or election, known as a “PIK toggle”, subject to notice requirements and conditions, such as no defaults at the time of such election. This default blocker signals to the borrower that the PIK toggle is intended to be used in the ordinary course, rather than in case of an emergency. These PIK interest features that bolster a borrower’s liquidity have generally gained traction,

and PIK toggles are now found in approximately 10% of transactions in each of the last two years. Additionally, certain lenders have restrictions (whether regulatory, institutional or otherwise) as to the amount of non-cash interest they may accept, which has led to the development of “synthetic” PIK. “Synthetic” PIK is the use of a relatively small delayed draw term loan tranche (“DDTL”) whose use of proceeds is specifically devoted to funding cash interest payments. Borrowers draw on the specified DDTL in order to fund their interest payments, rather than impacting the liquidity of their balance sheet. The outcome of that process is functionally equivalent to paying PIK interest; the lenders receive cash payments on the accrued interest from the proceeds of the DDTL, and the funded DDTL is capitalised and added to the principal amount of the loans. In 2025, 6% of deals with DDTL facilities included a “synthetic” PIK feature, where the DDTL was permitted to be drawn to pay interest. If federal interest rate cuts continue in 2026, PIK optionality may be relied upon less frequently than initially envisioned when implemented in transactions in the previous few years.

Portability

Portability, or the ability for a sponsor-owned portfolio company’s debt to “travel” with such company through a change of control (i.e., a “travelling change of control” or “permitted change of control”), subject to predetermined conditions, is not a new concept in private credit transactions, but has re-emerged as a feature by which direct lenders in larger transactions are able to differentiate their capabilities from BSL counterparts. Where BSL lenders may prioritise replacing a portfolio company’s facilities by syndicating new debt, and earning the associated fees paid alongside such a transaction, direct lenders have been warming up to the concept that portability allows them to remain connected to attractive borrowers for longer, while still retaining flexibility for the sponsor to exit their position and/or a borrower to remain in an otherwise favourable loan. Typical portability conditions include (i) a limit of one permitted change of control during the life of the loan (which often must occur within the first two years after closing), (ii) no event of default at the time of such sale, (iii) requirements regarding size and creditworthiness of the acquiring sponsor (such as minimum assets under management (“AUM”)), (iv) a requirement that the acquiring sponsor’s equity investment is equal to or larger than that of the original sponsor’s investment, (v) certain leverage-based requirements tied to the original closing’s leverage levels, and (vi) typical know-your-customer (“KYC”) requirements required by the existing lenders with respect to the acquiring sponsor. On a case-by-case basis, after a permitted change of control, certain deal terms are also often reset or replenished, such as the call protection schedule, dividend capacity and available amount builder basket capacity, and pricing and leverage-based incurrence levels may be modified.

Evolution of Liability Management in 2025

Liability management transactions

LMTs that allow an issuer to refinance or restructure its outstanding obligations, often without the consent of lenders but certainly without the consent of all lenders, continued to be a significant focus for lenders in 2025. LMTs are most often consummated when a borrower’s financial performance and/or liquidity position has deteriorated and are applied as a creative way to restructure debt, increase liquidity and avoid

insolvency or other defaults under existing loan documentation. This section covers a handful of recent transactions and resulting changes to loan documentation.

Anti-cooperation provisions

Sponsor focus seemed to shift in 2025 from reactive to proactive, thereby creating a new field of emphasis on opposing cooperation among lenders, or more specifically, prohibiting lenders from entering into contractual agreements agreeing to vote in a certain way if a specified percentage of such lenders agree. Unlike a majority of the LMT protections discussed below and most of those commonly discussed among industry professionals, the sudden influx of “anti-cooperation” provisions did not result from the highly publicised outcome of one single headline transaction involving an eponymous borrower. Rather, increasingly aggressive attempts have been made to restrict and control any cooperation among lenders across the industry, such that achieving the requisite consent for potential future LMT and restructuring transactions may be easier to accomplish. So-called “anti-cooperation” provisions were widely rebuked by lenders in 2025, but the prevalence with which they were attempted indicates borrowers’ growing desire to control lenders’ ability to act collectively at the outset of a transaction. Despite heightened vigilance and continued resistance by lenders, anti-cooperation provisions have been attempted in numerous ways: (i) perhaps the most direct form of anti-cooperation provision is an express prohibition of entering into cooperation or voting agreements among lenders; (ii) enhanced borrower consent rights to assignments; (iii) caps on certain voting provisions or on the percentage of outstanding loans any given lender may hold; (iv) “entire agreement” provisions voiding any additional agreement that purports to modify the provisions of the credit agreement or other loan documents; and (v) enhanced disqualified lender provisions aimed at disqualifying existing lenders from certain voting requirements to the extent they have entered into cooperation agreements. Most recently, a notable provision was reported to require notice to the borrower in the event a lender joins a cooperation agreement, and was coupled with a cap on voting percentage regardless of the size of term loan the given lender may hold.

In 2025, Optimum Communications, Inc. filed a federal anti-trust complaint against its lender group for entering into a cooperation agreement, which required a two-thirds majority vote of such lenders party to the agreement (including their affiliates and assignees) to approve of any restructuring transaction Optimum might seek. Optimum argued that the lenders’ cooperation agreement created a “classic illegal cartel” that locked Optimum out of the credit market unless it offered terms acceptable to the entire “Cooperative”. As of the date of this publication, Optimum’s anti-trust case is still ongoing, but the complaint itself is emblematic of the priority borrowers place on invalidating any form of cooperation among their lenders.

“Pluralsight” protections

In 2024, Pluralsight (an education tech company owned by Vista Equity Partners) demonstrated the inherent flexibility in loan documentation to consummate “dropdown” transactions (i.e., transferring collateral to a non-guarantor subsidiary). The company utilised existing investment capacity to move its intellectual property into a new subsidiary to then raise financing from Vista Equity Partners in order to pay existing

loan obligations during a liquidity crunch. This and similar transactions are problematic because they remove assets from the collateral pool of existing lenders (often to obtain new first lien financing on such assets) and weaken recovery prospects for existing lenders. While modern credit agreements typically contain J.Crew protections (described below) to protect lenders from transfers of material intellectual property to unrestricted subsidiaries, those provisions do not stop a borrower from transferring material intellectual property to non-guarantor “restricted subsidiaries”. In response to this, lenders started to push for an overriding prohibition on moving material intellectual property to any subsidiary of the borrower that was not a guarantor. The market adopted this approach and Pluralsight protections are making their way into private credit deals of all sizes. While J.Crew and Pluralsight provisions offer significant protection in transactions with intellectual property-rich borrowers, many companies have other material assets (franchise agreements, operating contracts, manufacturing facilities, etc.) that could be transferred away from lenders in a similar fashion. Despite this, the market has not generally accepted formulations of J.Crew or Pluralsight provisions that are tailored to address material assets other than intellectual property.

“Serta” protections; continued

In 2020, borrowers in Serta Simmons, Boardriders and TriMark consummated controversial transactions that subordinated lenders’ loans with only the consent of the majority holders (or “Required Lenders”) rather than all lenders. Since then, minority lenders have successfully pushed for protective provisions in loan documentation across the middle market (commonly referred to as “Serta” protections) to avoid a similar result. In the most lender-favourable formulation, “Serta” protections require that any amendments or other modifications to the loan documentation that subordinate the lenders’ liens or payments on the lenders’ obligations to other debt be approved by all lenders. Borrower-favourable formulations of the “Serta” protections (which have been generally accepted by the market) will only require lender consent from those lenders who were not given a *bona fide* opportunity to participate in the priming debt on a *pro rata* basis. With the *bona fide* opportunity carveout, if a lender is given the opportunity to participate in the new transaction but refuses, such lender is not needed to approve the amendment or modification. This formulation of “Serta” protections generally does not apply to debtor-in-possession facilities and certain other types of priming debt like capital leases or purchase money debt. Additionally, backstop, arrangement, structuring and/or similar fees do not need to be offered *pro rata* so a lender may not get the chance to participate in all of the economics on a *pro rata* basis. These fees are generally required to be “customary” or “*bona fide*”, but the market has seen a number of transactions whereby controlling lenders receive material backstop and other fees not offered to all participating lenders. Minority lenders have taken note and seek to tighten the fee carveout.

In Serta, the borrower used the “open market repurchase” provisions to exchange existing loans for new priming loans. The lenders that were left behind challenged this interpretation and the issue remained in litigation through the end of 2024 following a ruling by the Bankruptcy Court that the uptier exchange was an “open market purchase”. On December 31, 2024, the Fifth Circuit ruled that an open market purchase is a purchase of corporate debt that occurs on the secondary

market for syndicated loans and not a privately negotiated buyback or exchange even if such a transaction was part of a competitive process. This ruling is not binding on bankruptcy courts outside of the Fifth Circuit or New York state or federal courts, but is expected to be influential and most likely limit the use of “open market purchase” for non-*pro rata* exchanges going forward. Following the Fifth Circuit ruling on the eve of 2025, the year that followed saw borrowers seek to clarify what they had viewed as a previously agreed interpretation by adding that “open market purchases” include “privately negotiated purchases” or that such purchases comprise “exchanges”. Even though minority lenders strongly opposed such expansions, standing firmly behind the Fifth Circuit’s ruling, which they viewed as a vindication of their longstanding position, such borrower-friendly formulations are still commonly found in larger and more competitive transactions. In any event, “Serta” protections continue to be negotiated as bespoke provisions, and attention to detail is paramount as the protections they provide lenders are easily eroded with even very minor changes to drafting in the loan documentation.

In any case, the “Serta” protections only address the risk of contractual subordination of the lenders’ loans to other debt. “Serta” protections must be accompanied by minority lender protections against the Required Lenders amending or eliminating provisions in loan documentation that provide for *pro rata* sharing of loan payments and *pro rata* application of collateral proceeds and set out the payment waterfall following an event of default. In 2017, Not Your Daughters Jeans (“NYDJ”) highlighted the need for these additional provisions to protect a minority lender against retransching loans within the existing credit agreement to create a senior/junior structure. This priming transaction is different than what occurred in Serta because the subordination is done within the confines of the existing loan documentation, rather than pursuant to a separate credit facility. Since the NYDJ case, which was ultimately settled without a ruling, it has become more common in all parts of the middle market for modifications to *pro rata* sharing and payment provisions and waterfalls to be sacred rights requiring the vote of all lenders or all adversely effected lenders. We also contrast Serta with structural subordination of loans (i.e., non-guarantor entities in a borrower’s organisational structure incur debt directly following a permitted investment by the borrower or a guarantor to such non-guarantor entity in the form of assets that were previously collateral for existing loans), which is an equally problematic result for existing lenders and is discussed below.

“Envision” protections

In 2022, the borrower in Envision Healthcare highlighted the flexibility for structural subordination of loans by a series of transactions that permitted it to obtain new financing not otherwise permitted under the loan documentation. In order to achieve this result, Envision Healthcare designated a large portion of its profitable ambulatory surgery (“AmSurg”) business as an unrestricted subsidiary under the credit agreement (the result being that the assets were no longer collateral and the entity was no longer bound by the terms of the loan documentation, including the limitations on debt and lien incurrence). The unrestricted subsidiary then incurred a total of \$2.6 billion in first and second lien senior secured financings using the AmSurg business as collateral. This was done alongside an uptier exchange transaction approved by the existing Required Lenders, resulting in three priming tranches of debt and leaving the existing minority lenders with fourth priority debt secured by a stripped-down collateral package.

This transaction hinged on Envision Healthcare’s material capacity to make investments in and to designate unrestricted subsidiaries. In response to this, lenders continue to negotiate for limitations around the total capacity for unrestricted subsidiaries in a borrower’s organisational structure. This is often accomplished by limiting designations of investments in unrestricted subsidiaries to a specific negotiated investment basket for that purpose (or a small handful of baskets that total an acceptable level of capacity), rather than allowing a borrower to stack available investment baskets and permitting reclassifications of prior uses of investment baskets to free up maximum capacity at any given time. In the alternative, lenders may seek to cap the total size of unrestricted subsidiaries (typically expressed as a percentage of the total consolidated EBITDA and assets of the restricted group). This cap may be tested at the time any entity is designated as an unrestricted subsidiary or, in tighter deals, the cap will apply at all times. “Envision” protections will be in addition to the typical “J.Crew” protections preventing the transfer of material intellectual property to unrestricted subsidiaries. Additionally, lenders continue to push for favourable “Chewy” protections, which, in part, restrict unrestricted subsidiaries from owning equity of, or holding debt of or liens on the assets of, entities that constitute the restricted subsidiaries (including the borrower and the guarantors of the existing credit facility). While these lender protections are common features of the unrestricted subsidiary concept in traditional private credit financings, they have started to creep into the larger deals in some cases.

Restructurings

Our data shows 62 restructuring transactions in 2025 (up from 52 in 2024), which comprise capital infusions, debt to equity exchanges, refinancings of existing loans, “amend and extend” transactions and other material amendments to loan documentation in connection with a default or potential default under existing loan documentation. In 46% of restructuring transactions, lenders extended the maturity date of their loans, which represents a steady increase from 38% in 2024 and 30% in 2023. Of the maturity extension transactions, most of the extensions were for at least one year. In 31% of these cases, maturity was extended by at least one year but not more than two years. A total of 62% of the extensions were for two or more years.

In restructuring transactions that included capital infusions, lenders overwhelmingly stepped up and provided additional capital in 94% of cases, which is consistent with transactions from 2023. In 67% of these cases, the additional debt was *pari passu* (or treated on an equal and *pro rata* basis in terms of lien and payment priority) with the existing loans (a substantial drop from 88% in 2024). Lenders provided additional capital in the form of a super senior tranche of debt to mitigate their risk of recovery from a declining business 17% of the time, a rebound from 8% in 2024, and trending back towards 2023 levels of 26%, signalling a higher level of lender confidence for recovery. In the large majority of cases, specifically in instances where the borrower’s issues were viewed to be temporary, the lenders did not require borrowers or their private equity sponsor to provide additional collateral or guarantees. In 2025, closing fees on new capital infusions trended lower than the previous year. In 58% of the lender-provided capital infusions, closing fees were less than 1.0% (vs 44% in 2024). About 8% of these transactions came with closing fees in the 1%–2% range and 21% came with fees closing in the 2%–3% range. In contrast to 2024, when none of the deals in

our data set included fees in excess of 4%, 2025 yielded 13% of deals with fees above 4%, likely more attributable to outlier transactions with severe need for rescue restructurings than a shift to higher fees for this type of transaction. In 38% of these transactions (and typically where liquidity was at issue), closing fees for lenders would be paid in kind and added to the principal of the outstanding loans or structured as an “exit fee”, which defers cash payment until the repayment of the loans, double the 19% level seen in 2024.

As is expected, lenders generally looked for enhanced economics to compensate them for the higher risk of continuing to lend (and for making more loans) to a faltering borrower. In 54% of the restructuring transactions, lenders increased the interest margins on their loans. A breakdown of the amount of such increase across our data set is as follows: (i) 0.5% or less in 45% of cases; (ii) more than 0.5% but not more than 1% in 14% of cases; (iii) more than 1% but not more than 3% in 24% of cases; and (iv) more than 3% in 17% of cases. Rate increases in 2025 were lower than in 2024, with 50% in the “more than 1% but not more than 3%” range in 2024. Our data demonstrates that lenders continued to show flexibility in their approach to enhanced pricing and gave support to borrowers with liquidity concerns. In restructuring transactions with an increased interest rate margin, 76% contained a PIK feature (vs 66% in 2024 and 59% in 2023), which allowed at least some portion of interest on the loans to be paid in kind (and 37% of these deals with PIK features permitted the borrower to pay the entire interest payment in kind, which is generally consistent with 32% in 2024).

Financial covenants continue to be a focal point in restructuring transactions. In 81% of cases, the financial covenants were modified (i.e., reset or enhanced with additional tests). When looking at restructurings involving financial covenant modification for loans with a leverage-based financial covenant, lenders gave the borrower temporary relief from the leverage covenant 71% of the time (down from 80% in 2024). A breakdown of the length of time that relief was given in these transactions is as follows: (i) less than six months in 5% of cases; (ii) six months or more, but not more than one year, in 16% of cases; (iii) one year or more, but not more than two years, in 14% of cases; and (iv) two years or more in 65% of cases. While it is interesting to note that the relief period skewed longer in 2025 than in 2024, this data point is typically evaluated on a deal-by-deal basis and driven by projections for a specific borrower’s performance. In restructuring transactions with leverage covenant relief, a full covenant holiday (i.e., no leverage covenant tested for the relief period) was given 47% of the time. In the other cases, the leverage covenant was readjusted based on the borrower’s leverage level and current and projected financial performance. Where financial covenants were modified, the definition of consolidated EBITDA was made less borrower favourable in 20% of cases. Limiting or removing addbacks in the definition of consolidated EBITDA would lead to an increased leverage ratio, so this change to the loan documentation would generally be made in conjunction with resetting the leverage covenant in order to prevent an overall tightening of the leverage covenant at a time where the borrower needs relief. Additionally, where financial covenants were modified, our data showed 56% added or tightened the terms of an existing liquidity covenant (representing a slight uptick from 53% in 2024 and 46% in 2023). These liquidity covenants were either tested weekly, bi-weekly or monthly or were structured as an “all times” requirement. Lenders showed a slight preference for a bi-weekly liquidity test (39% of cases) and an all times liquidity test (29% of cases), but chose the other testing frequencies in roughly equal proportion.

Lenders also included reporting covenants into loan documentation in order to keep a pulse on the borrowers’ financial performance. A total of 49% of the restructuring transactions (up from 42% in 2024) included a 13-week cash flow deliverable (i.e., a cash flow model that provides visibility on a weekly basis into the projected liquidity of a borrower) and 18% (down from 20% in 2024) required borrowers to provide periodic budget variance reporting. In 18% of cases (down from 23% in 2024), lenders received a right to monthly calls with management, and in 25% of cases (up from 21% in 2024), lenders received board materials.

Finally, our data showed that the loan documentation for the restructuring transactions generally included less flexibility than the pre-restructuring loan documentation. Lenders may remove or limit a borrower’s access to discretionary baskets for dividends and junior debt payments. They may also increase restrictions on additional debt incurrence and a borrower’s ability to make investments. Lenders also typically revisit the existing loan documentation in the restructuring process to ensure that the typical loopholes for LMTs are closed. A discussion on selected LMTs is included above.

Proskauer Deal Data – Debt Incurrence

Flexibility for a borrower to incur additional debt (both as an upsize of debt within an existing credit agreement and debt incurred pursuant a new credit agreement) remains a focus. Consistent with prior years, incremental facilities, incremental equivalent facilities, ratio debt and acquisition debt continue to be customary features of most traditional private credit financings. However, direct lenders have had some success in excluding incremental equivalent facilities and other forms of ratio-based indebtedness from new financings.

Incremental facilities and incremental equivalent facilities

An incremental facility (also referred to as an “accordion”) allows a borrower to incur additional term loans or revolving loan commitments under an existing credit agreement subject to certain limitations and conditions without the consent of the existing lenders. Incremental equivalent debt typically has the same features as an incremental facility except that the debt is incurred outside the existing credit documentation, either pursuant to a separate credit agreement or through the issuance of notes outside of the credit agreement (either issued in a public offering, Rule 144A or other private placement).

Our data shows that 77% of traditional “middle market” deals include incremental facilities, representing a slight decrease from 2024 (83%), but still an increase from 2023 (70%) and 2022 (76%). Additionally, an increasing percentage of 60% of such deals included both incremental facilities and incremental equivalent facilities in 2025 (vs 55% in 2024 and 43% in 2023).

Incremental amount

In a majority of private credit transactions, credit documents will permit the incurrence of an incremental facility up to (1) a fixed incurrence amount (known as a “starter basket” or “free and clear basket”), plus (2) an unlimited incurrence amount, subject to compliance with one or more leverage ratios, as further discussed below. The fixed amount will generally equal the greater of (i) a fixed dollar amount (representing consolidated EBITDA on the closing date), and (ii) 100% of current consolidated EBITDA. Fixed incremental capacity is

also increased by: (a) in the case of an incremental facility that effectively replaces any existing revolving commitment terminated or term loan retired under the “yank-a-bank” provisions, an amount equal to the portion of such terminated commitments or retired loans; (b) in the case of an incremental facility that effectively replaces any term loans that were repurchased by the borrower and immediately cancelled, an amount equal to the portion of such repurchased and cancelled term loans; (c) in the case of an incremental facility that serves to effectively extend the maturity of an existing facility, an amount equal to the amount of loans and/or commitments, as applicable, under that existing facility to be replaced with such incremental facility; and (d) an amount equal to all voluntary prepayments of the existing term loans, previously incurred incremental term loans and incremental equivalent loans and voluntary permanent commitment reductions of the revolving facilities (except to the extent funded with the proceeds from an incurrence of long-term indebtedness (other than revolving indebtedness)) (and sometimes limited to such loans and commitments that are *pari passu* to the loans/commitments being prepaid or terminated).

In select larger transactions, a borrower may be permitted to reallocate “general debt basket” capacity (which can range from 35%–50% of EBITDA) to the fixed amount. This effectively converts the general debt basket from junior secured capacity to *pari passu* debt capacity. While this may be palatable to lenders for an incremental facility (since the current lenders are likely to also provide the upsize), in deals where a borrower can share the fixed amount with incremental equivalent facilities, ratio debt and acquisition debt (all likely to be provided by third parties), it becomes a concern around dilution of their collateral position. This reallocation mechanism has not been widely accepted by direct lenders, although it has been gaining traction in recent years, and is more frequently requested by sponsors in the early terms grid and commitment letter stage of the financing process, if eventually still rejected in concept by the lenders at some point in the documentation process prior to closing. The incremental amount caps described above also govern incremental equivalent facilities, and incurrence of either facility type will reduce this capacity.

Borrowers are generally permitted to (a) elect to use the ratio-based unlimited incremental amount prior to the fixed amount (which makes the fixed amount available in excess of the ratio-based amount), and (b) reclassify (at their discretion or, most often, automatically) incremental debt that was originally incurred under the fixed amount as incurred under the ratio-based unlimited amount (thereby reloading the fixed amount capacity). These features are referred to as reclassification and stacking provisions.

Rate protection

Of the other protections afforded to existing lenders under the incremental loan provisions in a loan document (e.g., limitations on inside maturity date and higher weighted average life to maturity, limitations on more favourable covenants and events of default, limitations on additional guarantors and collateral for new debt, intercreditor provisions and protections around payment priority and more favourable mandatory prepayments being provided to new debt), pricing protection continues to be a focus of negotiation for lenders. These provisions are generally referred to as the most-favoured nation or “MFN” provisions and typically require that the all-in yield of the credit facility extended on the original closing date is increased to match (less 50 basis points) any new incremental facility that is *pari passu* in claim and lien

priority to the existing credit facility to the extent that such incremental facility has an all-in yield greater than 50 basis points above the existing credit facility. This differential can be 75 basis points in transactions inching towards adoption of BSL-style provisions. In large cap transactions, borrowers will water down the MFN with a “sunset” and various “carveouts”.

The “sunset” provides that the pricing protection is not applicable to any incremental facilities that are incurred following a period of time after closing. Direct lenders have historically had significant success maintaining the MFN provisions without a sunset and have recently been even more sensitive to any erosion of their pricing protections. In 2025, our data showed only rare occurrences of the MFN sunset in middle market transactions (8% of transactions), which is consistent with 2024 and 2023. When we did see a sunset in 2025, the period skewed towards 24 months and extended to as long as 36 months, which is longer than the 12-to-18 month period that was common in prior years. We contrast this to 2022 when approximately 60% of deals with MFN provisions included a sunset period.

Common “carveouts” include: (i) additional carveouts to the calculation of all-in yield for amounts that do not clearly constitute “one-time” fees or fees payable to lenders generally (for example, OID and upfront fees), thereby making it easier to remain below the MFN trigger threshold; and (ii) excluding from the MFN provisions incrementals (or incremental equivalent debt) that: (a) are incurred in reliance on the starter basket amount; (b) are utilised for specific purposes (e.g., for permitted acquisitions); (c) are structured as an issuance of notes (whether issued in a public offering, Rule 144A or other private placement) as opposed to loans; (d) mature later than the latest maturity date of any other term loans under the credit facility or which are bridge financings; and (e) are within a certain capped amount. Of particular concern for lenders is the exclusion in (ii)(a) above in light of reclassification provisions (discussed above) that are becoming commonplace in the middle market and allow borrowers to effectively reload the starter basket over and over. Lenders are also sensitive to the exclusion in (c) and will negotiate for the MFN to apply to notes (other than customary, syndicated high-yield 144A notes) to avoid gaming of the carveout.

The private credit market takes a consistent approach with respect to treatment of the MFN provision. For the most part, *pari passu* debt issued in reliance upon the incremental provisions (or the incremental equivalent provisions) is subject to the MFN provisions (unless, in the case of an incremental equivalent facility, issued in the form of customary, syndicated high-yield 144A notes). However, direct lenders typically push back on the multitude of carveouts and exceptions discussed in the paragraph above. In addition, transactions in the lower end of the market may also require that the impact of the MFN provisions apply to all debt outstanding under the credit facility, including incremental loans previously funded (*vs* only the closing date borrowing).

Use of proceeds

In most private credit transactions, proceeds from incremental and incremental equivalent debt can be used for any purpose not prohibited by the existing credit agreement. However, smaller deals may limit incremental/incremental equivalent use of proceeds (e.g., permitted acquisitions and similar investments and permitted capital expenditures), or alternatively permit all uses of proceeds, but restrict certain uses like dividends and payments of junior debt by including stricter leverage tests.

Ratio debt

In addition to the incremental and incremental equivalent facilities described above, many private credit transactions include “ratio debt” provisions. These provisions, which can be traced back to the high-yield bond market, allow a borrower or any of its subsidiaries to incur additional indebtedness so long as the borrower meets the applicable incurrence test (and subject to a cap on ratio debt incurred by subsidiaries that are not guarantors of the existing credit facilities in almost all cases). The incurrence test is typically set at the same level required for incurrence of incremental and incremental equivalent debt. It is becoming more common to permit the borrower to apply the fixed amount (discussed above) for ratio debt incurrence. Lenders continue to be focused on the capacity of a borrower’s subsidiaries that are not guarantors to incur ratio debt, with this cap being an area of significant negotiation in middle market loan documentation. The conditions on ratio debt (other than the incurrence test) may be looser than the conditions on incremental and incremental equivalent debt. For instance, there may be no requirement that covenants and events of default be substantially similar, or no more favourable, to the lenders providing such ratio debt than those applicable to the existing loans. However, certain lenders have had some success in standardising the conditions across the different types of permitted debt incurrence in some segments of the market. Additionally, direct lenders will almost always require that any pricing MFN provisions applicable to incremental and incremental equivalent debt also apply to ratio debt that is *pari passu* to the credit facility obligations. As noted above, lenders have recently shown an increased sensitivity to erosion of pricing protections and this term is notably migrating up market and appearing with increasing frequency in larger financings. Our data shows that 60% of traditional middle market deals now permit ratio debt. This statistic dipped to 46.9% in 2023 but has otherwise been above 50% in recent years (e.g., 65% in 2021, 58.73% in 2022 and 55% in 2024). In 2025, approximately 15% of lower middle market transactions permitted ratio debt (a substantial decrease from 33% in 2024).

Acquisition indebtedness

Credit agreements generally allow the borrower to incur certain indebtedness solely to fund permitted acquisitions and permitted investments, referred to as “acquisition debt”. The terms and conditions discussed above (i.e., conditions for incurrence, etc.) with respect to ratio debt in a particular credit agreement will also typically apply to acquisition debt. Larger transactions will allow a borrower to incur acquisition indebtedness in an unlimited amount subject to *pro forma* compliance with an incurrence test (typically the same tests applicable to ratio debt). Whether or not acquisition debt is permitted in a particular credit agreement will typically be consistent with what is permitted in respect of ratio debt. Similar to ratio debt, it is not common for this type of indebtedness to be permitted in the lower middle market. In lower middle market deals, there is still a preference for only allowing indebtedness that is assumed in connection with permitted acquisition or similar investment (rather than incurred to finance it) and only up to a fixed dollar cap. Similar to the approach for ratio debt, where the traditional middle market allows for acquisition indebtedness, it requires that any applicable MFN provisions apply to any acquisition

indebtedness that is *pari passu* to the existing credit facilities on the same basis as they would apply to ratio debt. Larger deals have also increasingly adopted this protection with respect to acquisition debt.

Proskauer Deal Data – Available Amount Basket

The concept of the “available amount basket” originated in the high-yield bond market. After financial markets recovered following the 2008–2009 downturn, this concept started to migrate down to all segments of the private credit markets. An available amount basket (also referred to as the “cumulative amount”) automatically increases a borrower’s ability to take actions under negative covenants that generally restrict cash outflow (i.e., investments, dividends and payment of junior indebtedness) to the extent a borrower has built up capacity of the available amount by increasing in profitability and taking other actions that are considered accretive to the business. In some large cap deals, the available amount also creates capacity for debt and lien incurrence. Our data shows that 73% of traditional middle market deals include the available amount basket concept, which is generally consistent with recent years. Lenders continue to permit this with careful limitations, despite headline-making cases highlighting the inherent risks of the available amount. Most famously, in the *PetSmart/Chewy* case, PetSmart accessed the available amount basket to: (i) distribute 20% of the common stock of its new subsidiary, Chewy.com, to a parent entity outside of the borrower/guarantor group; and (ii) invest 16.5% of the common stock of Chewy.com to a newly formed unrestricted subsidiary. Lenders were then required to release their liens on Chewy.com, as it was no longer a wholly owned subsidiary of the borrower, and the borrower used the asset to secure new priority debt incurred in exchange for existing debt that was previously subordinated to such lenders.

The available amount basket will be generally constructed to be the sum of a starter basket, plus additional “builder” amounts. Although not always based on a percentage of the borrower’s EBITDA, the starter basket amount is often 25%–40% of the borrower’s EBITDA. The available amount basket in upper and traditional middle market transactions (but less frequently lower in the market) will include this starter basket amount. Our data shows that 96% of traditional middle market deals with the available amount basket include a starter basket amount, thus realigning with levels of 100% in 2023 and 2022 after dipping to 90% in 2024.

Looking Ahead

The Private Credit Group data continues to show that, with each passing year, terms relating to debt incurrence, limited condition transactions and available amount baskets become more prevalent in the private credit market as lenders adapt to the inclusion of what were once considered large cap, BSL terms. In 2025, our data generally demonstrated a continued adoption of large cap terms consistent with prior years but with some restraint and guardrails as compared to the large cap formulations, particularly where LMT provisions are involved. Despite an uncertain economy, lenders contend with a continued increase in competition to place capital in the private credit market and this manifests in documentation. Lenders are likely to remain cautious and continue to advocate for lender protections in legal documentation but will continue to balance these considerations in the year ahead

against remaining competitive on deal terms, both against other direct lenders and the BSL market as a whole. This influx of looser terms is expected to continue to occur to varying degrees based on transaction size within the private credit market. We expect new deal volume to continue to increase in 2026 based on a strengthening M&A market, and we expect fierce competition among well-capitalised lenders to win new investment opportunities, which will likely be concentrated in industry sectors that are less impacted by unstable tariff

policies and other factors in the rapidly evolving geopolitical landscape. It will be interesting to see the software/technology sector grapple with the continued expansion of artificial intelligence in 2026, as troubling signs began to appear towards the end of 2025 in the sector that once formed the central investment thesis for many direct lenders. Lenders will also continue to be active in refinancing transactions, restructurings of older credits and making add-on incremental financing to support existing portfolio investments.



Sandra Lee Montgomery is co-chair of the Corporate Department and a nationally recognised leader in banking and finance. She works with institutional investors, direct lenders, private debt funds and investment banks on complex, high-value transactions nationwide. Clients rely on Sandra for clear judgment, commercial focus and a strong command of sophisticated capital structures when financing matters are business-critical.

Sandra is consistently recognised by leading publications and organisations. Most recently, the *Los Angeles Business Journal* named her to its 2026 "Women of Influence: Finance" list, and the *Los Angeles Times* recognised her as a 2025 Banking & Finance Visionary. Sandra was also featured by the *Daily Journal* as one of its Top Women Lawyers. She is recognised in *Chambers USA*, *The Legal 500*, *The Best Lawyers in America*, *Latinvex* and *Super Lawyers*.

In addition to her practice leadership, Sandra has played an active role in firm governance. Prior to being appointed co-chair of Proskauer's Corporate Department, she served on the firm's Executive Committee and the Women Partners Advisory Committee, and she is a former co-chair of the New Business Committee. Sandra also mentors through the firm's Diverse Lawyer Mentoring Circle Program.

Sandra focuses on acquisitions, recapitalisations and other leveraged financings, including cash flow and asset-based facilities, debtor-in-possession and exit financings, cross-border financings, unitranche and mezzanine transactions and complex restructurings. She advises clients across a broad range of industries, including retail, technology, transportation, manufacturing, distribution, general industrial, import/export, agriculture and services.

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The Private Credit Group at Proskauer is a unique finance practice with a breadth and diversity that is unmatched in the industry. We consistently close more than 400 deals a year, which provides us with a keen insight into market trends regarding deals of all sizes, structures and sectors. Over the past five years, Proskauer has been involved in over 1,900 deals for more than 100 private credit clients across the U.S. and Europe with an aggregate transaction value exceeding \$487 billion. We are exclusively dedicated to private credit investors, representing credit funds, business development companies and other direct lending funds in connection with "clubbed" and syndicated credits, preferred equity, recurring revenue, special situations and alternative investments. Our technical strength, combined with our expansive experience, makes us the firm of choice for first-in-kind transactions. We have developed innovative structures such

as upside-down unitranches and synthetic mezzanine and have migrated the bifurcated unitranche into the European market. For more than 20 years, we have been active in the market and participated in the evolution of a number of credit products, including senior-stretch loans, unitranche loans, second lien loans and secured mezzanine.

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