Abraajfluenza? Not in London…

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By Michael Mascia
FFA Board Member

Optimism about future market expansion far exceeded concerns related to the Abraaj facilities at the 4th Annual European Fund Finance Symposium in London on October 24. Attendance corresponded with the tone: 515 delegates attended, up 25% from 2017. As has become customary at FFA events, Chris Elvin, Head of Private Equity at Preqin, opened the day and set the tone with an informative private equity market overview. The room nearly broke out into high fives at Elvin's five-year forecast for private equity fundraising.

Excitement at Preqin's forecast is understandable: They predict total alternative assets under management (AUM) will grow 59% from \$8.8 trillion in 2017 to \$14.0 trillion by 2023. Underpinning this headline growth, the firm forecasts private equity AUM will expand from \$3.1 trillion to \$4.9 trillion. And, perhaps most impactful, Preqin forecasts private debt AUM will double from \$0.7 trillion to \$1.4 trillion. (A copy of Preqin's presentation is available at the FFA website **here**.)

Not surprisingly, the Abraaj insolvency featured prominently in discussions throughout the day, but with limited new information. Those in the know, speakers included, complied with their confidentiality obligations. Most market participants appear to be taking a wait-and-see approach, acknowledging the lack of factual specifics. But it was completely clear that the market sees the Abraaj scenario as an isolated and unusual fact pattern—not as something likely to spread across the market. On the other hand, robust investor demand for alternative assets and an outlook for nearly 60% growth in the asset class over the next five years made the more lasting impressions.

Bloomberg Reports on Blackstone Infrastructure Fund

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Bloomberg reported on Blackstone Group LP's fundraising success for their recent infrastructure fund on Oct. 21, providing extensive details around the reported terms of a $20 billion capital commitment from Saudi Arabia's Public Investment Fund. You have to love Blackstone's responses to questions in the article—these guys just ooze competence. Basically, they said the biggest capital commitment in the history of the world deserves a few term concessions. (Link below).

How Blackstone Landed $20 Billion From Saudis for New Fund

Opportunities with the FFA

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The Fund Finance Association (FFA) announced several new initiatives at the 4th Annual European Fund Finance Symposium last week. The Diversity Initiative, led by Natasha Puri of Lloyds Bank, is hosting its kickoff event at Baruch College in New York City this month. The event includes a “What is Fund Finance?” presentation and networking reception for the students. The Diversity Initiative is looking for leadership in Europe and committee members on both sides of the pond.

Also on tap is a “Next Generation” initiative for young professionals, championed by Billal Malik of Citibank, N.A., in London. The group will focus on networking, education, and mentoring for fund finance professionals and is eager to get an inaugural event planned and scheduled. Committee members and “day of” contributors are needed.

Finally, the FFA requested nominations for the 2019 Julian Black Contribution to the Industry Award and the Dee Dee Sklar Women in Fund Finance Award. Nomination forms will be available from the FFA in the immediate future. David Wasserman of Morgan Stanley has agreed to lead the selection committee.

If you're interested in getting involved with any of the FFA initiatives or committees, e-mail Liz Carroll at **lcarroll@sequence-events.com** and she will get you connected.

On the Move–Fund Finance Tidbits

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On the Move

Société Générale recently brought on Laurie Lawler as a Managing Director to head up non-traditional ABS lending and origination in the private debt financing space. She joins SG from HSBC, where she ran the Structured Finance platform in the Americas, which consisted of a suite of product offerings ranging from securitization to capital call and middle market loan financing. Laurie brings 17 years of experience to SG in the origination, structuring and execution of asset-backed financings ranging from traditional conduit securitizations to more esoteric fund financing transactions. Prior to joining HSBC, Laurie spent five years within Citi's Global Securitized Markets division executing securitization transactions. In her new role, Laurie will support SG's efforts in the financing of non-traditional ABS assets such as capital calls and other asset classes, while supporting increased connectivity with private equity firms and alternative asset managers.

National Australia Bank appointed John Allan-Smith as its new Head of Coverage (US) based in New York. John was previously the Head of Funds & Asset Managers at Barclays based in New York and prior to this, had numerous roles at RBS across London and New York. In this new role, John will lead the team responsible for managing NAB's relationships with funds and financial sponsors but also clients across sectors more broadly. John will begin with NAB in early December and will be joined by another recent appointment, Sarah Elliott. Sarah is in the process of moving from NAB's Sydney office, where she currently manages relationships in the funds sector – she will be transferring to New York to perform a similar role as key relationship contact for U.S.-based funds clients. John and Sarah will report to Patrick (Paddy) Ryan, the General Manager/Global Head of Financial Institution relationships for NAB, and they will be supported by a growing structuring and execution team for funds in New York led by Alex Bolton. This team also recently added Jorge Grafal from SMBC New York.

Validus has expanded its global financial services with the addition of Sarah Lobbardi as a Partner and Head of Fund Finance Advisory in London. Sarah joined Validus from Lloyd's and will play a key role in the further growth of Validus's offering to the alternative investment industry. With the launch of this new service, Validus now provides an independent debt advisory service to support and assist sponsors seeking to establish and refinance fund finance facilities. Financing solutions will be tailormade to suit the specific needs of funds through all their different life cycles. This includes advising general partners and fund managers on capital calls, asset-backed lending and hybrid facilities, liquidity needs, GP leverage and structuring issues. Validus will source optimal solutions available in the market, reducing refinancing risk and allowing clients to focus on their business.

If you would like to include a personal update in the next edition of FFF, email us at **fund-finance-friday@cwt.com**.

The Involuntary Bankruptcy Exclusion Event

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By Michael Mascia
FFA Board Member

The standard U.S. subscription credit facility exclusion event related to an investor's involuntary bankruptcy has for ages included a 60-day cure period. This is consistent with the typical event of default cure period; that is, a borrower typically has 60 days to have an involuntary insolvency proceeding stayed or dismissed before it matures into a capital "E" event of default.

But the two circumstances differ materially. In the vast majority of credit agreements, a condition precedent to a new borrowing is that the borrower is not subject to a potential default related to an involuntary bankruptcy. Thus, while the borrower has 60 days before an event of default occurs allowing the lender to accelerate the obligations, the lender has no obligation to advance new loans during the 60-day period. However, the historical subscription credit facility exclusion event has no such "potential exclusion event" concept that protects the lender from having to make new loans based on the applicable investor's uncalled capital during the 60-day period. Thus, lenders could be asked to lend new money against a potentially insolvent investor.

Perhaps that was one thing in the market's infancy where all funds were comingled, only rated investors were included in borrowing bases and the fund's partnership agreements rarely included overcall limitations. But in these days of separately managed accounts, tighter overcall limitations, more aggressive borrowing bases, etc., query if this is a risk that should appropriately be allocated to the lender. Perhaps a more equitable structure would involve the investor remaining in the borrowing base for the 60-day period with respect to existing loans, but being excluded with respect to new borrowings until the involuntary bankruptcy is dismissed.

Fund Finance Hiring

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Sequence Events, the crackerjack event planning company that manages all of the Fund Finance Association’s events, is hiring a **Conference Coordinator** to manage and assist on the FFA relationship.

Cadwalader is hiring fund finance **Associates** and **Staff Attorneys** in New York and Charlotte.

Also in This Issue

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- Square 1 Bank, a subsidiary of Pacific Western Bank, recently announced the closing of a $45 million credit facility to New State Capital Partners. **More here**.
- Global law firm Debevoise & Plimpton published a nice summary of the FFA's Fourth Annual European Fund Finance Symposium. Available **here**.
- Prominent hedge funds are responding to a sectorwide trend in capital outflows by extending the commitment period applied to reinvested distributions and by tweaking their fee structures. **More here**.
- On October 1, 2018, the Delaware Court of Chancery determined for the first time that a seller had suffered a "Material Adverse Effect" ("MAE") following the execution of a merger agreement. **More available from the Cadwalader Cabinet here**.
- The U.S. Treasury Department Office of Foreign Assets Control sanctioned two Singapore-based entities and one individual for having engaged in a variety of illicit economic activities in support of the Democratic People's Republic of Korea and evading U.S. sanctions. **More available from the Cadwalader Cabinet here**.