



Lending to Private Equity Firms

Chapman and Cutler has worked hard over the years to build a solid reputation in the area of lending to private equity firms. Working in the often frenetic world of private equity is a challenging business. We help our clients meet that challenge by structuring the right deal in a timely manner while minimizing their credit and legal risk.

Financial sponsors have become an important part of the world of corporate finance. As the amount of capital in private equity funds has mushroomed over time, banks have devoted significant attention to meeting the debt-financing needs of their equity sponsor customers. At Chapman, we work closely with our banking clients to structure and document the debt side of private equity transactions. We also spend significant time advising clients on the legal and financial risks posed by these transactions.

Our private equity lending practice has two basic facets. The first includes loans to portfolio companies (generally secured by all assets), which provide the necessary senior bank leverage to boost equity rates of return to acceptable levels. In these transactions, we structure, draft and negotiate secured acquisition and refinancing loans for our banking clients. We also negotiate with the holders of subordinated debt to arrive at acceptable, market-driven subordination and business terms.

The other side of our private equity lending practice involves loans made to the equity funds themselves, as well as loans made to portfolio companies and guaranteed by equity funds. These loans often provide bridges to capital calls or meet other short-term needs of the funds. To facilitate these transactions, we help our clients review and understand the equity funds' partnership structure, as well as draft and negotiate the loan documentation.

Representative Transactions

- Our practice group acted as counsel to an agent bank in a \$50 million, five-year secured revolving credit, term loan A, and term loan B facility

Attorneys

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Related Practices

Agribusiness Lending
Asset-Based Lending
Banking and Financial Services
Commercial Lending
Commercial Lending and Real Estate
Derivatives Transactions
Ex-Im Bank Financing
Letters of Credit/Bankers Acceptances
Loan Syndications and Trading/Syndicated Credits
Public and Institutional Banking & Finance
Real Estate Investment Trusts (REITs)
Regulatory Capital Notes
Senior Lending

to finance the acquisition of a manufacturer of refrigeration equipment by an equity fund. Capital structure included junior and senior subordinated debt as well as equity.

- We represented an agent bank in a \$77.5 million, four-year secured revolving credit and term loan facility to refinance the indebtedness of an equity fund's portfolio company, a Michigan-based auto supplier. Capital structure included subordinated debt and equity.
- Chapman and Cutler attorneys advised an agent bank-client in a \$30.5 million, five-year secured revolving credit, term loan A, term loan B and capital expenditure facility to finance the acquisition (in a 363 sale out of bankruptcy) of an Iowa-based window manufacturer by an equity fund. Capital structure included subordinated debt and equity.
- As counsel to an agent bank in a \$200 million, five/six-year deal, we negotiated a revolving credit/term loan facility on behalf of a manufacturer of generators and other equipment. This facility financed, in part, a significant dividend to equity-fund owners of the company.
- Our attorneys helped a banking client structure and negotiate a \$40 million, unsecured demand facility for a leading private investment firm.
- We also represented a client providing a \$41 million unsecured revolving credit facility on behalf of a manufacturer of portable and home generators, air compressors, and pressure washers. A leading private investment firm guaranteed this facility.
- We represented the administrative and syndication agents in a \$65 million secured revolving credit, term loan A, and term loan B facility to finance the acquisition and on-going working capital needs of a global logistics company and its subsidiaries. The transaction also involved mezzanine financing consisting of privately placed subordinated notes and preferred equity securities.
- Chapman attorneys represented the agents in structuring, documenting, and syndicating a \$72 million 4- and 5-year revolving credit, term loan A, and term loan B credit facility secured by all assets of a manufacturer of cheese and other specialty food items and its subsidiaries. The facility financed the latest in a series of acquisitions by the borrower.
- Chapman and Cutler attorneys have represented a leading Midwest-based bank client in the drafting and negotiation of scores of fund-family specific unsecured credit facilities, providing for direct loans to specific funds or guarantees by funds of debt of portfolio companies. The sizes of these transactions have ranged from \$1 million to more than \$100 million.