

Fund Finance Insights: Borrowing Base Constructs - Part 2

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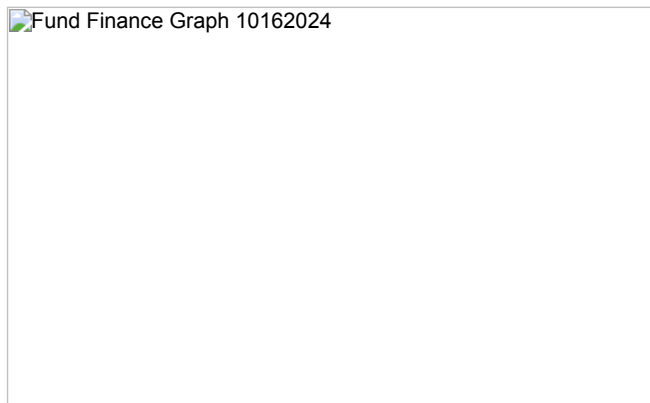
PRACTICES Fund Finance

Earlier this year, we published a Fund Finance Insight showing the [frequency of different borrowing base constructs](#) in subscription secured credit facilities ("**Subscription Facilities**") during the first half of 2024.

At the request of several market participants who reviewed [our initial Fund Finance Insight](#), we analyzed the data collected on borrowing bases for commingled funds from the beginning of 2023 through September 2024 to determine the frequency of approaches based on initial facility size. Our key findings and observations are below.

Key Findings:

- Large, often syndicated, Subscription Facilities (\$1bn+ at closing) uniformly utilized the Included and Designated Investor approach, with advance rates generally at 90% for Included Investors and 65-70% for Designated Investors.
- Mid-sized Subscription Facilities (\$200mm to under \$1bn at closing) predominantly utilized the Included and Designated Investor approach (~70%), with very few utilizing a coverage ratio approach (~2%).
- Smaller Subscription Facilities (under \$200mm at closing) displayed the greatest creativity, both in the number of approaches used, but also in the variance of advance rates and concentration limits applied. These Subscription Facilities typically applied 75-95% advance rates for Included Investors, 50-75% for Designated Investors or a flat advance rate of 30-75%.



Examples of the different borrowing base approaches are illustrated below, and the [previous insight](#) has a description of each. The borrowing base utilized is not the end of the structural decision. Even within the same type of approach, lenders vary on the advance rates applied to various investor categories, the concentration limits, the investor designations and the exclusion event triggers, all leading to a diverse and creative set of solutions to meet the liquidity needs of fund borrowers, while still protecting the key interests of the lenders. We have been privy to many in-depth conversations around treatment of certain individual investors, often looking at nuanced issues, such as sovereign immunity and excuse rights. Lenders across the market are careful to make sure their borrowing base addresses lender risk while providing maximum flexibility and capacity to their borrowers.

Fund Finance Borrowing Base Examples

These insights are based on data from Subscription Facilities documented by Haynes Boone during the referenced period for the largest domestic and international lenders, as well as for regional and super-regional banks.

For more information on Fund Finance market trends, please reach out to any member of the Haynes Boone [Fund Finance Practice Group](#).

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