

Albert Tan Co-Authors Subscription Financing Update

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Haynes Boone Partner Albert Tan co-authored this article with Jeff Johnston, the managing director – head of asset management at Wells Fargo Corporate & Investment Banking, and Jon Peiper, the managing director – head of subscription finance at Mizuho Americas.

As the calendar turned to 2020, the global fund finance market — largely made up of subscription financing — was estimated to be approximately \$600 billion, with more than 70 active lenders, and was increasingly used by all private capital funds on an annualized basis. The COVID-19 pandemic, however, has affected the fund finance market. This article summarizes the level of impact felt by the fund finance market and how it responded over the course of 2020.

Subscription financing is used to address the interim financing needs of private capital funds. Limited partnerships, limited liability companies and other entities can utilize this financing, in which credit availability is typically determined by an advance rate against the uncalled capital commitments of creditworthy investors. The primary source of repayment is the funding by the investors of their capital contributions to the private capital funds. Collateral for such financing is typically a pledge of the right to call, to receive and to enforce on the funding capital commitments of all investors; a pledge of the account information into which capital contributions must be deposited; and certain agreements of the investors, which may be documented in the partnership agreement of the fund, or in separate investor letters delivered by the investors to the lenders.

The article was published in the December issue of [Institutional Real Estate](#) and [Institutional Investing in Infrastructure](#). To read the full article, click on the PDF linked below:

[Tan-Subscription-Financing-Update-2020.PDF](#)