

Checklist

Documenting Subscription Secured Credit Facilities With HNW Feeders

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**Bloomberg
Law**

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Documenting Subscription Secured Credit Facilities With HNW Feeders

Editor's Note: This Checklist is not a list of required items for lenders to check. They are items to be discussed, and include several "How" and "What" considerations that go beyond simple "Yes" or "No" answers.

For more information, see [Treatment of HNW Feeders in Subscription Secured Credit Facilities](#).

Contributed by [Todd Cabbage](#), [Emily Fuller](#), and [Kinne Manente](#), Haynes Boone

When documenting a Subscription Secured Credit Facility with an HNW Feeder, there are a number of drafting considerations for the parties to discuss, including but not limited to:

- Will the security package be structured as a cascading pledge?
- What specific concentration limits will apply to HNW Individuals, both on an individual and aggregate basis, and will those same limits similarly apply to an HNW Feeder?
- What advance rate will apply to HNW Individuals and does this differ from the "included investor" and "designated investor" standard rates?
- Will a minimum commitment amount be required for any HNW Individuals to be included in the borrowing base?
- How will the exclusion events be tailored to HNW Individuals?
 - For example, (a) requiring the underlying investors remain in "good standing" as a client of the PWM Sponsor and delivery of notices and escrow certifications within a prescribed period, or (b) setting a threshold for excluding the HNW Feeder—in its entirety—from the borrowing base if a certain percentage—e.g., 15% or more—of its underlying investors fail to fund capital contributions.

Due to confidentiality concerns, will the Facility:

- Permit investor documentation for HNW Individuals to be redacted?
- Utilize an escrow agent to hold the underlying investor documents until certain triggers have been met?
 - If the latter, what certifications need to be provided from time to time to the lenders with respect to the documents held in escrow?
- Will the negative covenant on transfers be modified to accommodate the unique composition of the HNW Feeder and its typical administrative process for transfers?
- Will there be any negative pledge covenants specific to the HNW Feeder and its underlying investors?
- Will the structure utilize a look through approach whereby a partial default by the HNW Feeder only triggers repercussions on the applicable portion of its commitment or will such effects apply to the commitment as a whole?