

FUND FINANCE FRIDAY

Sponsors Seek Unique Revolver Control

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Cadwalader partner [Angie Batterson](#) and associate [Ryan Leverone](#) were extensively quoted for a story, “Sponsors Seek Unique Revolver Control,” which appeared in the March 28 edition of *LSEG LPC*, the publication of the London Stock Exchange.

The article discussed how private equity sponsors are seeking greater control over who participates in revolving lines of credit extended to their portfolio companies, which may alter how banks compete for business. While borrower consent, which allows a company to approve who buys its loan, is standard in a typical loan trade, it is not common in a participation agreement – and banks are adjusting their approach to address this development.

“This gives [the buyer] more wiggle room to negotiate the terms, and it’s an interesting reason why people do it,” Angie said. “Sometimes the buying bank doesn’t want to be that involved; they don’t want to be the lender of record; they just want to get the economics. And sometimes the selling lender has a relationship with the borrower, and they don’t want the borrower to think they are offloading a bunch of these loans.”

Ryan added, “The seller [of a participation], while they retain the bare title, sold a beneficial interest to a third party and, provided they’ve structured the transaction to be a ‘true participation’ under New York law, can move that participated amount off of their balance sheet under GAAP for regulatory capital purposes. And that is a hot topic right now.”

Read it [here](#).

Angie and Ryan have previously written on this same topic for Cadwalader’s *Fund Finance Friday*; read their earlier insights [here](#).