EATON SQUARE

Net Asset Value Loans Primer

We are currently receiving many inquiries from Sponsors seeking debt to support their portfolio companies or take advantage of opportunities in the market driven by COVID-19.

One potential solution is net asset value ("NAV") from US debt providers.

NAV loans provide capital to portfolio companies by relying on the value of the Sponsor's performing portfolio collateral.

NAV loans differ from traditional subscription facilities (capital call lines) in that they do not rely on uncalled capital; alternatively, NAV loans look to the value of the fund's portfolio and provide companies that have equity-like needs with access to non-dilutive capital at a debt-like cost.

NAV structures are particularly useful for funds that are near, or past, the end of their investment period.

NAV loans can accommodate a diverse variety of circumstances, and accordingly, are highly-negotiated. Typically, however they are structured in the following manner:

- The borrower is either the Opco, Holdco, or Fund and the NAV loan is guaranteed by the Fund.
- NAV loans can be 10% - 30% of the value of the fund's eligible assets, which are generally limited by concentration limits and diversity requirements. Valuations are conducted by the Sponsor on a quarterly basis.
- Coupons of ~ 8-12%, payable in a combination of cash and PIK interest (can be all PIK).
- No stated amortization. Maturities up to 5 years.
- Prepayment penalties in the first 12-18 months.
- No financial covenants at the portfolio company level, but negative covenants that can include limits on additional fund-level guarantees, debt, and the sale of assets outside the ordinary course of business.

All US Securities offered through SPP Capital Partners, LLC

Founded in 1989

Over $25 billion Capital Raised

Over 550 Transactions Completed

Relationships with more than 700 Leading Debt and Equity Providers

Raised Capital for Over 75 Private Equity Groups

Annual Transaction Volume Exceeding $1 billion

Senior Management Over 100 years Experience

If you have a current or prospective liquidity need and would like to discuss the concept of NAV loans further, please reach out at any time.

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