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Mezzanine Lending

Pryor Cashman has substantial experience in mezzanine lending, both from the borrowers' and lenders' sides of the table. Mezzanine lending is a finance option frequently pursued by our clients involved in acquiring companies. Many of our private equity clients include, as a matter of course, a layer of mezzanine financing as part of the capitalization of the companies they acquire. We regularly advise and represent corporate borrowers in their negotiations with mezzanine investors. We have also represented banks and other investors lending at the mezzanine level of multitier debt and equity financings.

The mezzanine financings in which our clients have participated have been both secured and unsecured, some having an equity component and others not. Our attorneys are experienced in dealing with the many issues that can arise in connection with a mezzanine financing, including those dealing with subordination. In the case of secured financings, careful consideration must be given to issues relating to collateral, perfection and the exercise of remedies against the collateral subject to a senior lien.

The nature of mezzanine financing often requires the involvement and experience of other practice groups within the firm. For example, bankruptcy issues are of particular concern to our mezzanine lender clients, and the Banking and Finance Group works closely with our Bankruptcy Group in structuring mezzanine loans. Similarly, the mezzanine loans made by our clients are frequently convertible into equity; in such cases, the Banking and Finance Group works with the firm's Corporate Group to fashion convertible notes, warrants and other equity instruments to arrive at combination of debt and equity financing best tailored to our clients' needs.