Davis Polk

Rethinking bridge loan facilities

March 3, 2023 | Articles & Books

International Financial Law Review
Davis Polk partner and Finance practice co-head Jason Kyrwood authored a two-part series on “Rethinking bridge loan facilities” for *International Financial Law Review.* The series explores how modern bridge financings have been predicated on two underlying assumptions: arrangers always prefer to hold securities at closing and arrangers can force (or effectively incentivize) borrowers to issue securities at closing through securities demand rights. However, new participants and challenging markets are testing this existing model.

In part one of the series, Jason defines a bridge loan facility and the purpose it serves. Jason also discusses securities demands – the right of one or more bridge loan arrangers to “demand” that the borrower issue debt securities in place of or to refinance the bridge facility – including the functions they serve, how terms have changed over the years, common misconceptions, and limitations on the exercise of such demands.

In part two of the series, Jason discusses the arrangers’ perspective and the factors that are weighed when choosing between demand securities and bridge loans.