

ATTORNEYS

Michael Friedman

Larry G. Halperin

Jon Kibbe

"The 'Second Risk' that Keeps Loan Participants Up at Night" by Jon Kibbe, Larry Halperin and Michael Friedman

March 19, 2008

Owners of bank loan participations take on two kinds of credit risk: (i) the borrower's failure to pay the underlying bank loan, and (ii) the loan participation grantor's bankruptcy. The first risk is well understood and carefully analyzed in each transaction. The memorandum below written by our partners Jon Kibbe, Larry Halperin and Michael Friedman focuses on the second kind of credit risk assumed by a participant -- grantor insolvency. The risk of grantor insolvency is especially significant in today's tumultuous market, where counterparty risk is heightened and assumptions about counterparty solvency are questioned as never before.

[Download memorandum](#)