

VLP Partner Patrick Lawler Authors Daily Journal Article “Convertible Lenders Need to Stay Up With Debt Market Trends”

VLP Partner Patrick Lawler penned an article for the *Daily Journal* titled “Convertible Lenders Need to Stay up with Debt Market Trends.”

In the article Mr. Lawler wrote about the growing trend of convertible indebtedness. Many early stage companies acquire capital by borrowing money that is convertible into equity of the borrower. This type of loan, Mr. Lawler noted, known as convertible indebtedness, is "maturing," evolving from straightforward typically unnegotiated bridge loans, into full-fledged term loans with many of the bells and whistles of commercial term loan financings typically provided by commercial banks and debt funds.

Mr. Lawler explained that ten years ago convertible loans were short, often with one-year maturities or less, as the next equity raise was imminent. Now, however, the trend is to have fewer and less frequent but larger equity raises, larger in part because the intervening rounds of convertible debt convert (usually automatically) into equity upon the issuance of the next round of equity. He added that, with increasing less frequent equity rounds, convertible indebtedness is beginning to look more like traditional debt.

In the article Mr. Lawler went on to explain how changes in convertible debt now require convertible lenders (and their counsel) to be more conversant in debt terminology and debt market trends. Lending convertible indebtedness is no longer an equity investment by another name. Convertible indebtedness is now, more and more, true commercial subordinated debt, he wrote.

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