Azure Kingfisher

INTERNATIONAL FINANCE TRANSACTIONS · TEACHING CASE

Meridian's Five Asks

Negotiating subordinated notes into the Astra Private Credit Fund

A 90-minute decision case | Sample teaching material

This case is fictional. Names, parties, figures and locations are invented; any resemblance to a real transaction or institution is coincidental. It is written for teaching only. The legal frameworks referred to are real and current.

The Friday problem

At 6:40 on a Friday evening, Maya Okonkwo re-read the fund's mark-up for the third time. A senior associate in the finance team at Harbenard & Cole, she had five days until signing and a client that wanted the deal done — but done safely.

Her client, Meridian Impact Capital, had agreed in principle to subscribe EUR 25 million of subordinated notes issued by the Astra Private Credit Fund, a Luxembourg-domiciled debt fund lending to mid-market renewable-energy and financial-inclusion borrowers across three continents. Meridian's notes would be junior: subordinated to Astra's senior lenders and ranking alongside a class of other junior noteholders the fund was still assembling. The money would be drawn in tranches against utilisation requests over eighteen months.

Meridian's investment committee had approved the commitment on the strength of a term sheet and a list of protections Maya had been instructed to secure. Over three rounds of mark-up, Astra — advised by capable Luxembourg counsel — had conceded some and pushed back hard on others, each time invoking the same refrain: it needed fundraising flexibility, and Meridian was only the first of several junior investors.

What Meridian wants — and what Astra will give

Five asks remained open. Maya's problem was not whether each was individually desirable — they all were — but which were genuinely must-haves, which could be traded to bank goodwill for the ones that mattered, and how to sequence the final exchange so that Meridian did not end up protected on paper and unwelcome in the fund. The fund's managing partner had already remarked, pointedly, that the other junior investors were "not asking for any of this".

The five asks, and Astra's current position on each, are set out in Exhibit 3. In outline they were: (1) express *pari passu* ranking with all other junior noteholders plus a most-favoured-nation undertaking; (2) a right to stop funding further tranches on defined triggers; (3) representations on E&S and compliance policies, repeating on each interest-payment date; (4) a suspension trigger if the fund exceeded a concentration limit on any single portfolio segment; and (5) consent over the fund incurring further subordinated debt ranking ahead of Meridian.

The decision

Astra's counsel had asked for Meridian's "final list" by Monday. Maya had the weekend to decide what that list should say — which asks to hold firm on, which to release, how to reshape the contested ones into language the fund could accept, and in what order to play them. Get it right and Meridian is protected and the deal closes on time. Get it wrong and she either over-reaches and delays a deal her client wants, or concedes a protection Meridian will wish it had kept the first time a borrower in Astra's book goes wrong.

Assignment questions

1. Review the five open asks in Exhibit 3. Which are must-haves and which are tradeable for Meridian, a junior investor drawn in tranches? Rank them and justify your ranking.
2. For each contested protection, decide whether it belongs as an Event of Suspension, an Event of Default, or both — and explain the consequences of that placement (see Exhibit 2).
3. Draft, in outline, the most-favoured-nation and stop-funding asks in a form Astra could realistically accept. What qualifications would you expect the fund to require?
4. Set out Maya's negotiation sequence and fallback position for the final five days. What does she lead with, what does she hold back, and where is her walk-away?

EXHIBIT 1 — TERM-SHEET EXTRACT (SELECTED TERMS)

Term	Position
Instrument	Subordinated fixed-rate notes issued by Astra Private Credit Fund (the Fund)
Investor	Meridian Impact Capital (junior noteholder)
Commitment	EUR 25,000,000, drawn in tranches against utilisation requests over 18 months
Ranking	Subordinated to senior lenders; pari passu with other junior noteholders (contested — see Exhibit 3)
Tenor	7 years; prepayment at par plus accrued (no make-whole)
Commitment fee	On the undrawn committed amount
Governing law	Luxembourg

EXHIBIT 2 — DRAFT CLAUSE LANGUAGE (ABSTRACTED)

Ranking and MFN (Meridian draft): “The Notes shall rank pari passu without preference among themselves and with all other junior notes issued by the Fund. If the Fund grants to any other junior noteholder economic or protective terms more favourable than those granted to the Investor, the Investor shall be entitled to the benefit of such terms.”

Two-tier remedy (framework): an Event of Suspension entitles the Investor to withhold further funding and suspend certain rights; an Event of Default entitles the Investor to accelerate and enforce. A given breach may be drafted as one, the other, or an escalation from the first to the second on non-cure.

EXHIBIT 3 — OUTSTANDING ISSUES LIST

#	Meridian's ask	Astra's current response
1	Express pari passu with all junior noteholders + MFN	Accepts pari passu; resists MFN as "unworkable" with a growing investor base
2	Stop-funding right on defined triggers	Resists; says a committed facility must be certain; offers narrow MAC only
3	E&S / compliance reps repeating on each payment date	Accepts reps at signing; resists repetition; offers annual reporting instead
4	Suspension if concentration limit on a segment is exceeded	Accepts a limit in the issue document; resists a contractual suspension hook
5	Consent to further senior-ranking subordinated debt	Resists; wants freedom to raise more junior capital on then-market terms

EXHIBIT 4 — DEAL TIMELINE

When	Event
Day −90	Term sheet agreed; IC approval secured on the protection list
Day −45	First mark-up; Astra concedes pari passu, resists MFN and stop-funding
Day −12	Second mark-up; reps/reporting and concentration debated
Day −5	Astra requests Meridian's "final list" by Monday (Day −3)
Day 0	Target signing; first utilisation to follow subject to CPs

EXHIBIT 5 — INDICATIVE CAPITAL STACK & CONCENTRATION SNAPSHOT

Layer	Share of Fund capital	Notes
Senior lenders	~60%	Rank ahead of all notes
Junior notes (incl. Meridian)	~30%	Pari passu class; Meridian ≈ EUR 25m of a growing pool
First-loss / sponsor	~10%	Absorbs first losses
Largest segment exposure	~55%	Approaching the indicative single-segment limit