



Morgan Lewis

ADVANCED TOPICS IN  
**PRIVATE FUND PRACTICES**  
**CONFERENCE**

Manager and Investor Perspectives

**BOSTON**

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# Structuring Deals: Energy, Healthcare, and Real Estate

## Speakers



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# Private Funds in Energy and Infrastructure

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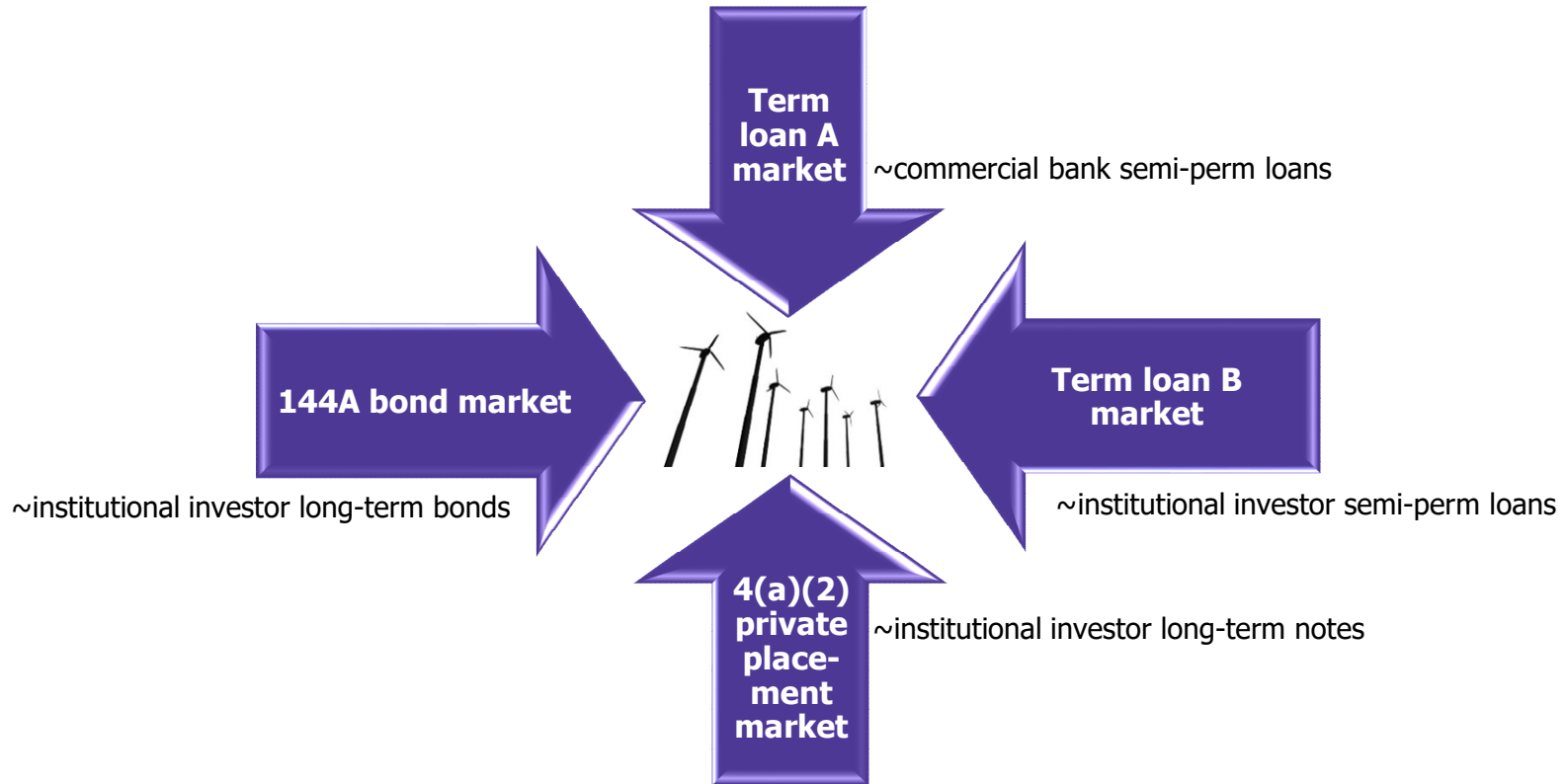
## FUNDS AS BORROWERS

- Proliferation of energy-, infrastructure-, and sustainability-focused funds
- Acquisition/privatization of developers and management of portfolio companies
- Utilization of nonrecourse structures to ring-fence assets, diminish sponsor support, maximize leverage and lower pricing

## FUNDS AS LENDERS

- Offering of alternative debt solutions by credit funds
- Financing of emerging technologies supporting energy transition
- Plugging gaps in complex capital structures (back-leverage, mezzanine, subordinated)

# Private Funds in Energy Debt Markets



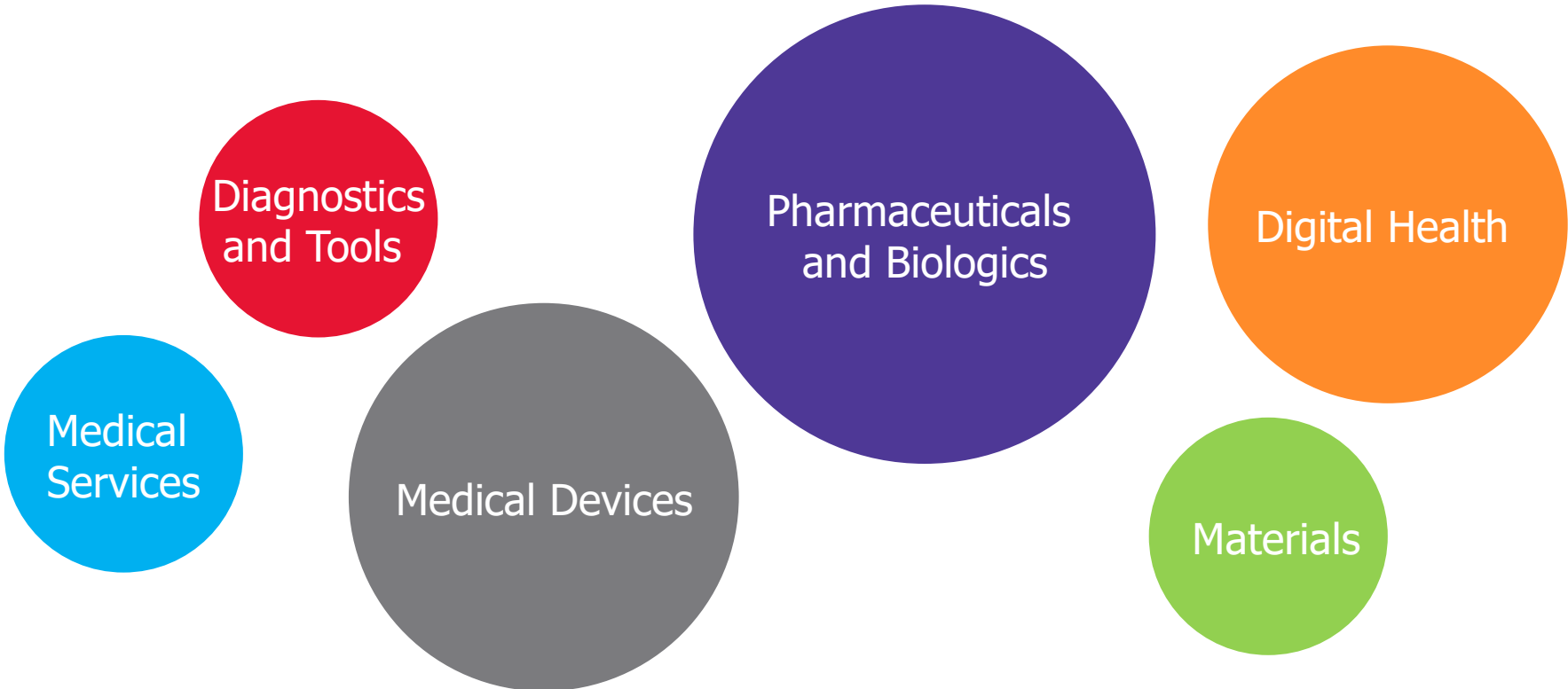
# Hot Topics in Energy Transition and Sustainability

- ❖ Hyperfocus on environment, social and governance (ESG) initiatives and investments
- ❖ IRA incentivizing emerging clean technologies (e.g., carbon capture, green hydrogen, EV stations) to facilitate energy transition
- ❖ IRA enabling tax credit transferability – new/evolving tax equity/credit transfer hybrid structures and many new entrants into production and investment tax credit markets
- ❖ Green credit ratings and green “key performance indicators” driving reductions in cost of capital to finance renewable assets

# Healthcare

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# Sectors/Classes in Healthcare and Life Sciences





# Healthcare and Life Sciences Companies as Investment Targets

## Challenges

- High level of risk (long product lifecycle, highly regulated)
- Often no revenue
- Typically cash-flow negative
- Limited sources of capital – traditional debt capital from banks likely not available

## Opportunities

- ✓ High potential for reward if successful
- ✓ Intellectual property (IP) critical to value proposition and business plans
- ✓ Investors increasingly global
- ✓ Many markets for key product candidates

# Common Characteristics of Investments in Industry

- ❖ Investments typically structured to meet specific proof of concept/milestone
- ❖ Main rights for investments fall within one of the following three buckets:



# Key Trends in Healthcare and Life Sciences

- ❖ Use of various methods to address drug pricing, such as:
  - Inflation Reduction Act
  - Discussions around potential use of march-in rights
  - Scrutiny of pharmacy benefit managers
- ❖ Enhanced scrutiny of M&A and licensing transactions by the FTC
- ❖ Seek greater coordination between key regulators (USPTO and FDA) on disclosure matters
- ❖ US-China tensions and potential controls, such as the Biosecure Act



# Real Estate: Overview and Trends

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# Sectors/Asset Classes



## Multifamily

Housing  
Apartments  
Condominiums  
Student Housing  
Single-Family Rentals



## Office

Downtown/City Center  
Suburban



## Retail

Shopping Malls  
Power Center/Big Box  
Clubs



## Industrial

Warehouse  
Flex/Bays



## Hotels/Hospitality

Resorts  
Gaming



## Energy



## Agricultural

# Typical Investment Structure

**Sponsor/Developer  
5-10% Interest**

**Equity Investors seeking  
IRR and no or limited  
development/guaranty  
exposure**

Splits and Hurdles

**Sponsor/Developer seeking  
“home run” promoted  
interest** (i.e., anything in excess of  
its proportionate interest and takes  
the development/guaranty exposure)

**Private  
Equity/Offshore/  
Institutional  
Investors  
90-95% Interest**

# Trends

1

**Distress-Foreclosure/Deeds in lieu/Interest and Carry Guaranties**

2

**Change in Use**

- Office → Multifamily
- Shopping Malls → Office/Back Office/Multifamily/Gym/Recreational

3

**Fractured Condominiums/Florida Assessments**

# Other Investments in Real Estate



**Preferred Equity**



**Mezzanine Debt**



**Mortgage Loans**