Metals Service Center Institute
100 YEARS STRONG

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To Whom It May Concern,

On behalf of the Metals Service Center Institute's (MSCI) more than 250 member companies, which have more than 2,300 locations across North America, I am grateful for the opportunity to respond to your request for information on the Main Street Lending Program.

The leverage restrictions included in Section 5(ii) of the Main Street New Loan Facility term sheet and 5(iii) of the Main Street Expanded Loan Facility term sheet, both published on April 9, 2020, appear to unfairly exclude several MSCI member companies that rely solely, or predominantly on asset-based revolving credit facilities. According to the term sheets, the calculation of Maximum Loan Size for both New Loan facilities and Expanded Loan Facilities, borrowers must include "committed but undrawn debt" as a component of leverage.

As you know, undrawn commitments are generally not accessible. They represent surplus collateral, or cushion, and banks impose significant penalties if this surplus is drawn down. Therefore, these commitments should not count as debt. While companies with conservative capital structures may qualify under the higher leverage limit on the Expanded Loan Program, this puts them in a position of having to modify already complex, secured loan agreements with terms significantly different from those described in the term sheets.

MSCI member companies represent irreplaceable parts of the industrial metals supply chain. They need working capital facilities to fund the restart of the U.S. economy. Left as is, the term sheets would preclude many metals service centers from participating in the Main Street Lending Program. That obviously was not the intent of Congress.

The industrial metals industry may be uniquely impacted by the "committed but undrawn debt" restriction because use of that credit method is widely used to finance inventory, and we would therefore ask that you consider removing that condition in its entirety from the term sheets. Absent that, we urge the Federal Reserve to consider modifying the Loan Facility Term sheets to allow borrowers to calculate their loan amounts using only the amount of "committed but undrawn debt" that is available to them without punitive bank responses.

To address this, we recommend two options:

Option 1:

- Substitute "available" for "committed" in item 5. (Both terms are universally understood terms in asset-based lending, but they mean two very different things.)
- Add the following clarifying language: "For purposes of determining the eligible loan amount (or, for purposes of this provision), an eligible borrower's existing outstanding and available but undrawn bank debt does not include any amount that, if drawn, would cause the Borrower to suffer fees, penalties, restrictions, or limitations on its operations. Lease financing obligations are also excluded."

Option 2:

- No change to the term committed in item 5.
- Add the following clarifying language: “For purposes of determining the eligible loan amount (or, for purposes of this provision), an eligible borrower’s existing outstanding and committed but undrawn bank debt does not include any amount that is not currently available under the terms of the facility, nor does it include any amount that, if drawn, would cause the Borrower to suffer fees, penalties, restrictions, or limitations on its operations. Lease financing obligations are also excluded.”

This matter is not a small one. Companies in the metals supply chain would be adversely impacted by these provisions. These businesses operate in every state and collectively employ millions of workers. If the loans offered under the Main Street Loan Facilities are not able to provide them with a lifeline, these companies are in danger of closing for good.

Thank you for your consideration of this matter.

Sincerely,

Bob

M. Robert Weidner, III
President & CEO, Metals Service Center Institute