April 16, 2020

Federal Reserve Board
20th Street and Constitution Avenue, N.W.
Washington, D.C. 20551

Dear Board Members:

I am writing to urge the modification of provisions in the Main Street New and Expanded Loan Facility term sheets. First we are concerned regarding the requirement that a borrower deduct from the maximum loan amount, the amount of its "committed but undrawn debt." Second, we believe the limitation on total debt to 4 or 6 times EBITDA can impose too strict a limitation for a capital intensive low margin industry such as foodservice distribution. We recommend increasing that limitation to 8 times EBITDA.

Foodservice distributors supply food and related products to restaurants, colleges and universities, the U.S. military, and other foodservice operations. It is a $303 billion industry, employing 350,000 Americans in all 50 states. While many foodservice distributor customers such as hospitals and other care facilities are still functioning, the shutdown has resulted in revenue reduction in excess of 70% or more for many companies. Yet distributors must still continue to purchase product, as well as operate their warehouses and transportation networks in order to service their remaining customers.

Access to loans is crucial at this time. The loans must also be sufficient to provide the resources needed to allow these capital intensive businesses to continue to operate. Further, as we look to reopen the economy, they will need to be able to provide additional capital to help their customers reopen. The size of the loans should be increased to allow a debt limit of up to 8 time EBITDA.

Many foodservice distributors use asset-based lending as a form of secured borrowing to fund their inventory needs. In many cases a large portion of the revolving credit – often 20-30 percent – is considered to be cushion by the banks and is only accessible to the company with the addition of fees, penalties, restrictions or limitations on its operations. Dominion control of bank accounts by the lenders is not uncommon when the company draws debt below the bank-mandated cushion.

The amount of "committed but undrawn debt" used to calculate the amount of the requested loan under the MSLP should not include debt that is only available to the borrower with untenable restrictions from lenders. Please modify the language of the term sheets to substitute "available" for "committed" in item 5. Absent that, Loan Facility Term sheets should be modified 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.

Sincerely,

Mark S. Allen
President and CEO