

Best Practice Guide to Syndication Process

Introduction

In light of volatile market conditions, condensed timelines and the macroeconomic outlook, ELFA's Engagement Committee has prepared the below bullet points to highlight best practice on bank-led syndication processes from the perspective of ELFA members. This Guide should be tailored depending on whether it is a high-yield bond or leveraged loan wall crossing.

The aim of this Best Practice Guide is to provide support to borrowers in the leveraged finance asset class. Our view is that with these points addressed, the quality and speed of our feedback will remain consistent.

Wall Crossing Guidelines

- Wall crosses should be designed to minimise the time that investors must be restricted on a name ahead of formal announcements, deal launches and/or meetings with management.
- Management should be available to engage with prospective investors.
- A fulsome company and transaction summary should be shared promptly upon the wall cross proposal being accepted by the investor.
- The Lender Presentation should be made available no less than 24 hours before the management meetings.
- A Syndication Term Sheet covering all referenced points below should be provided during pre-marketing.
- Meetings should be reasonable in size and should be moderated by an experienced banker.
- Clear disclosure around material events should be provided during trading restriction including, but not limited to, reporting, ratings action, M&A (per specific company guidance). Banks should confirm explicitly with the issuer not just list their expectations.
- A prompt cleansing email should be sent post-launch.
- Indicative ratings should be shared (corporate and ESG if applicable).
- KYC packs (sponsor + borrower) should be shared as soon as available.
- A minimum of 5 days should be provided to review the long form SFA and a redline of the updated Syndication Term Sheet should be provided.

Term Sheets to clearly detail the following terms (beyond usual economic terms)

- Ticking fees and call protection
- EBITDA Adjustment synergies/caps and realisation Period (vs reported or PF)
- Calculation: ratio testing, netting of cash, limited condition testing, exclusion of fixed baskets
- Incurrence Capacity: Ratios, freebie, inside maturity, total day one capacity, "pick your poison" or equivalent flex; non-guarantor sub-caps
- RP Capacity: Unlimited ratio, freebie, junior prepayment ratio/basket, total day one capacity (including all baskets (JV / unrestricted subs etc.) and any other terms uncapped provisions
- Liens capacity: fixed baskets and confirmation of total amounts secured on collateral and non-collateral
- MFN: applicable carve-outs (instrument/currency), yield or margin / OI, maintain delta or match increase
- Excess Cash/Asset Sales: specified asset sales, prepayment waterfall, de-minimis amount, any assets carved out
- Contribution Debt Basket
- RCF/Financial covenant: levels/testing/cures
- J Crew / other asset leakage restrictions
- Calculation: include high-water marking
- Provide answers to ESG ELFA questionnaire / ESG DD if available
- Collateral: list of day-1 guarantors/security; calculation of guarantor coverage and % EBITDA of any excluded jurisdictions or assets
- Reporting: Timing of first reporting post-deal, conference call, level or reporting detail
- Rating: undertaking and timing
- CoC: portability/ include round-tripping protection
- Transfer provisions: deemed consent, white/black list, minimum transfer amounts, transfer fee, EoD, caps on sponsor / sponsor affiliates holdings + disenfranchisement
- Voting provisions: voting thresholds including majority, supermajority and affected/all lender consent items; hold limits, net short lender
- Buybacks/exchanges: solicitation process
- Creepers: any changes vs. existing documentation
- Delayed comps: confirmation that primary delayed comp applies
- ICA: summary of key terms, including voting thresholds
- Standards: does the term sheet conform with ELFA / LMA guidelines, including identification of any deviations or omissions?
- RP: Default Blockers (what constitutes an event of default, e.g. some only have default as blocker so they can do RP in the grace period)
- Display what is the covenant leverage, not only the marketed leverage