

**Love is in the air!** While romantic matches are materializing amidst candlelit dinners, lenders are forming new partnerships to better serve business owners. Pairing multiple lenders in a single transaction is no easy feat, and understanding the nuances is critical for a healthy, long-term relationship. We're here to help.

- **Couples come in all shapes and forms.** We've outlined a few options below, but this list is not exhaustive. Generally, there is a solution for each specific circumstance.
- **Go on multiple dates.** Broad lender outreach processes create much needed optionality, and capital providers' investment parameters and allocation goals change frequently.
- **Ask challenging questions.** You don't want to be surprised by a lender's behavior in turbulent times – especially when there is more than one in your capital stack.

### Frequently Utilized Multi-Lender Solutions in the Lower Middle Market

#### Split Lien

- Separate asset-backed facilities with first-priority liens on different asset classes
- Individually documented, with an intercreditor agreement governing each lender's rights and remedies

#### 1<sup>st</sup> / 2<sup>nd</sup> Lien

- Similar to a split lien, but one lender has a first-priority lien on all assets
- The other lender (typically providing a term loan) is fully subordinated through a separate credit document and an intercreditor agreement

#### ABL + FILO

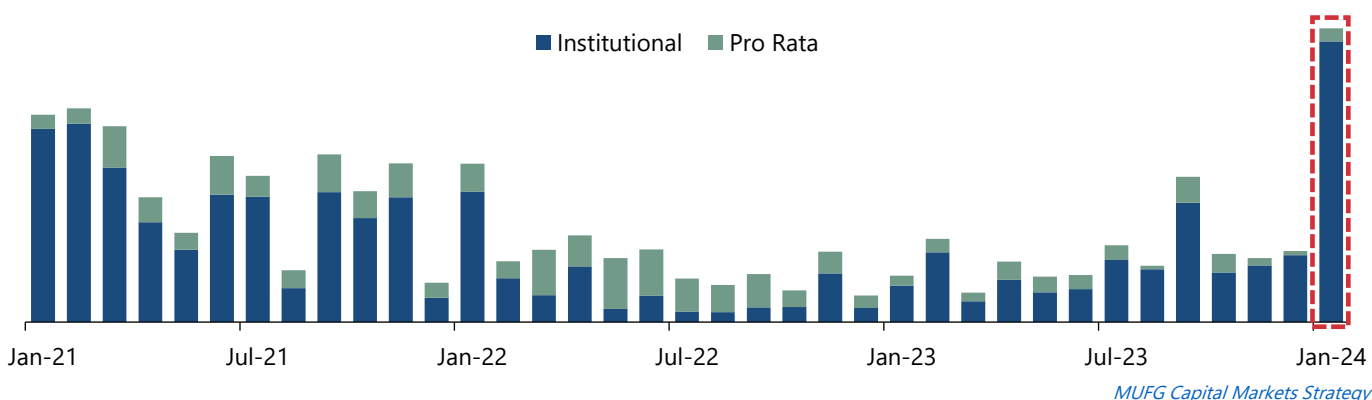
- A single asset-backed facility, with an agreement among lenders ("AAL") on the back-end
- First in, last out ("FILO" or "stretch") lender provides incremental availability to a traditional ABL, at higher risk and cost of capital

#### FOLO

- Bifurcated, first-out, last out ("FOLO") term loan split between lenders based on risk appetite (resulting in an attractive blended rate)
- Similar to a FILO, the structure is typically governed by an AAL

### Proprietary Insights from Our Colleagues at MUFG

*"Total leverage loan volumes reached \$179 bn in January, over 4x December's volume. The vast majority of deals were in the form of TLBs (95%), versus just 5% in the pro rata market. While total volumes were elevated, new money issuance remains low as the majority of volume is coming from re-pricings (highest monthly repricing volume since January 2020)."*



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