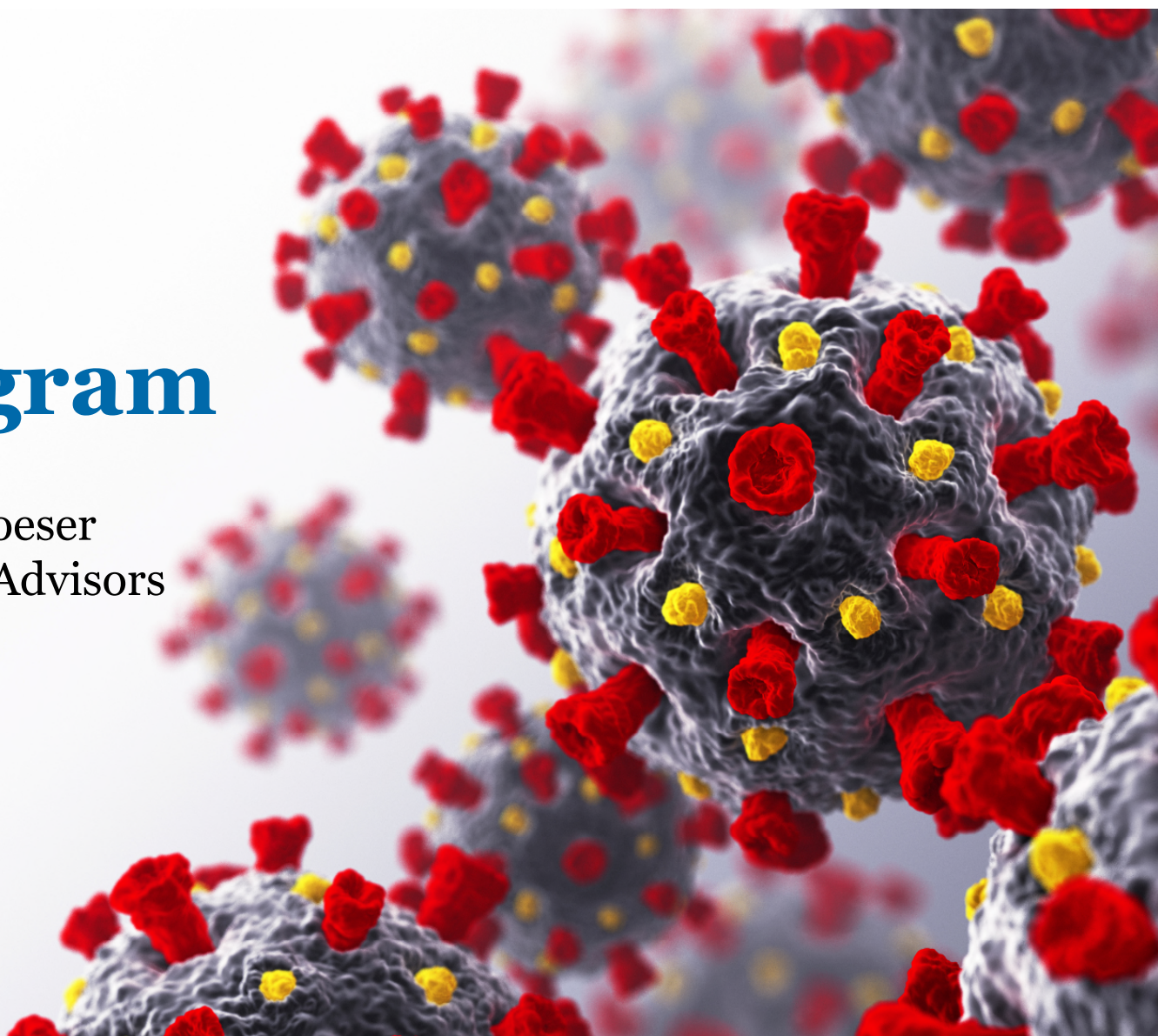


Main Street Lending Program

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Purpose and Scope of the Main Street Lending Program



Purpose and Scope of the Main Street Lending Program



- The Main Street Lending Program (“**Main Street**”) is intended to provide loans to small- and medium-sized businesses during the current period of financial strain caused by COVID-19.
- The loans will range in size from \$500,000 to \$200 million.
- The Treasury Department will make a \$75 billion investment in a special purpose vehicle (“**Main Street SPV**”) in connection with the program.
- The Main Street SPV will purchase up to \$600 billion of participations in eligible loans.
- The funds invested by the Treasury were appropriated by Sec. 4027 of the Coronavirus Aid, Relief, and Economic Security Act (“**CARES Act**”).



Purpose and Scope of the Main Street Lending Program



- Main Street loans are full-recourse loans
- Unlike the Paycheck Protection Program (“**PPP**”), Main Street loans are **not** forgivable
- Main Street encompasses three separate loan programs:
 - Main Street New Loan Facility (“**MSNLF**”)
 - Main Street Priority Loan Facility (“**MSPLF**”)
 - Main Street Expanded Loan Facility (“**MSELF**”)
- The terms of each Main Street program are similar but distinct.
- Eligible borrower and eligible lender criteria are identical across all three Main Street programs



Purpose and Scope of the Main Street Lending Program



- None of the Main Street programs has begun making loans yet, but the programs are expected to launch shortly
- Once the program is operating, eligible borrowers will apply for loans through an eligible lender
- The Main Street SPV is authorized to purchase participations in Main Street loans until September 30, 2020, unless extended by the Board of the Federal Reserve and the Treasury
- Depending on the program, the lender will retain a 5% or 15% interest in each Main Street loan, and the Main Street SPV will purchase the balance
- The Federal Reserve Bank of Boston will continue to operate the Main Street SPV after that date until its assets mature or are sold



Purpose and Scope of the Main Street Lending Program



- Program updates will be published on the Federal Reserve's Main Street page:
<https://www.federalreserve.gov/monetarypolicy/mainstreetlending.htm>
- The Federal Reserve has published Frequently Asked Questions:
<https://www.federalreserve.gov/monetarypolicy/files/main-street-lending-faqs.pdf>
- A summary of each Main Street program, the Federal Reserve's announcement, and additional information also is available on the Main Street Lending Program page

Who is an Eligible Borrower?

Who Is An Eligible Borrower?

An eligible borrower is a business that:

1. Was established before March 13, 2020, under the laws of the United States, a state, the District of Columbia, a territory or possession of the United States, or an Indian Tribal government
2. Is not an ineligible business, as defined in 13 CFR 120.110(b)-(j) and (m)-(s), as modified by the SBA regulations with respect to the Paycheck Protection Program on or before April 24, 2020.
Ineligible businesses include, among others:
 - Financial businesses primarily engaged in lending;
 - Passive businesses;
 - Life insurance companies;

Who Is An Eligible Borrower?

3. Meets at least one of the following two conditions (but is not required to meet both):
 - The business has 15,000 or fewer employees, or
 - The business had 2019 annual revenues of \$5 billion or less
4. Must be a U.S. business created or organized in the United States or under the laws of the United States with significant operations in, and a majority of its employees based in, the United States
5. May only participate in one of the Main Street facilities (MSNLF, MSPLF, or MSELF) and must not also participate in the Fed's Primary Market Corporate Credit Facility

Who Is An Eligible Borrower?

6. Has not received specific support pursuant to Sec. 4003(b)(1)-(3) of the CARES Act, i.e.
 - passenger air carriers,
 - cargo air carriers, and
 - businesses necessary to maintaining national security
7. Can make all of the certifications and covenants necessary under the particular program

In addition, borrowers must have been in sound financial condition prior to the onset of the COVID-19 pandemic

Loans are intended to help businesses that were in good shape prior to COVID-19 maintain operations and payroll until conditions normalize

Borrowers that have received Paycheck Protection Program loans are eligible to borrow under the MSNLF, MSPLF or MSELF

Who Is An Eligible Borrower?

- A “business” must be organized for-profit as a
 - corporation,
 - association,
 - partnership,
 - limited liability company,
 - trust,
 - cooperative,
 - joint venture with no more than 49% participation by foreign business entities, or
 - tribal business concern
- Nonprofits are not currently eligible but may be considered in the future
- The Treasury and the Federal Reserve also are considering adjustments to the eligible borrower criteria that would allow asset-based lending

Who Is An Eligible Borrower?

- How should a business count employees?
 - SBA regulations at 13 CFR 121.106 apply
 - Under these regulations, all full-time, part-time, seasonal and other employees are counted; volunteers and independent contractors are excluded
 - Generally, businesses use the average number of employees for the preceding completed 12 calendar months
 - Part-time and temporary employees are counted the same as full-time employees
 - SBA affiliation rules at 13 CFR 121.301(f) also apply

Who Is An Eligible Borrower?

- How should a business measure 2019 revenue?
 - A business may use its (and its affiliates')
 - 2019 annual revenues per its 2019 audited financial statements prepared in accordance with Generally Accepted Accounting Principles, or
 - Fiscal year 2019 annual receipts, as reported to the Internal Revenue Service
 - “Receipts” has the same meaning as in 13 CFR 121.104
 - If a borrower does not have 2019 audited financial statements, it should use 2018 (or its most recent year)

What Are the Terms of Each Main Street Loan Program?



What are the terms of each Main Street program?



- Each of the three Main Street programs use the same Eligible Lender and Eligible Borrower criteria and have many of the same features, including the same:
 - Maturity (4 years),
 - Interest rate (LIBOR + 300 basis points),
 - Deferral of interest and principal payments (1 year), and
 - Lack of prepayment penalty
- The loans differ in other ways, however, including with respect to how they interact with a borrower's existing outstanding debt.

What are the terms of each Main Street program?

Main Street New Loan Facility

- 4-year maturity
- Minimum loan size = \$500,000
- Maximum loan size = lesser of \$25 million or an amount that, when added to borrower's existing outstanding and undrawn available debt, does not exceed 4.0x adjusted 2019 EBITDA
- Interest rate of LIBOR + 3%
- 33.3% of loan principal must be repaid at the end of the second, third, and fourth year of the loan
- Loan must not be contractually subordinated to any other unsecured loan or debt instruments of the borrower

What are the terms of each Main Street program?

Main Street Priority Loan Facility

- 4-year maturity
- Minimum loan size = \$500,000
- Maximum loan size = lesser of \$25 million or an amount that, when added to outstanding and undrawn available debt, does not exceed 6x adjusted 2019 EBITDA
- Interest rate of LIBOR +3%
- 15% of loan principal must be repaid at the end of the second and third years of the loan; the balance, or 70%, must be repaid at the end of the fourth year
- Borrower may, at the time of origination, refinance existing debt owed by the borrower to a lender that is not the Eligible Lender
- MSPL must be senior to or *pari passu* with, in priority and security, the borrower's other loans and debt instruments, other than mortgage debt

What are the terms of each Main Street program?

Main Street Expanded Loan Facility

- Available to eligible borrowers that already have an existing term loan or revolving credit facility with an eligible lender that was (i) originated before April 24, 2020, and (ii) has at least 18 months remaining before maturity
- 4-year maturity
- Minimum loan size = \$10 million
- Maximum loan size = lesser of \$200 million, 35% of existing outstanding and undrawn available debt, or an amount that, when added to outstanding and undrawn available debt, does not exceed 6x adjusted 2019 EBITDA
- Interest rate of LIBOR +3%
- 15% of loan principal must be repaid at the end of the second and third years; the balance, or 70%, must be repaid at the end of the fourth year
- MSEL must be senior to or *pari passu* with, in priority and security, the borrower's other loans and debt instruments, other than mortgage debt



What are the terms of each Main Street program?



- Existing outstanding and undrawn available debt” includes all amounts borrowed under any loan facility, including unsecured or secured loans from any bank, non-bank financial institution, or private lender, as well as any publicly issued bonds or private placement facilities.
- The term also includes all unused commitments under any loan facility, excluding
 - any undrawn commitment that serves as a backup line for commercial paper issuance,
 - any undrawn commitment that is used to finance receivables (including seasonal financing of inventory),
 - any undrawn commitment that cannot be drawn without additional collateral,
 - any undrawn commitment that is no longer available due to change in circumstance.
- Existing outstanding and undrawn available debt should be calculated as of the date of the loan application.



What are the terms of each Main Street program?



| | MSNLF | MSPLF | MSELF |
|--------------------------------|--|--|---|
| Term | 4 years | 4 years | 4 years |
| Minimum Loan | \$500,000 | \$500,000 | \$10 million |
| Maximum Loan | Lesser of \$25 million and an amount that, when added to outstanding and undrawn available debt, does not exceed 4.0x adjusted 2019 EBITDA | Lesser of \$25 million and an amount that, when added to outstanding and undrawn available debt, does not exceed 6.0x adjusted 2019 EBITDA | Lesser of \$200 million, 35% of existing outstanding and undrawn available debt, or and an amount that, when added to outstanding and undrawn available debt, does not exceed 6.0x adjusted 2019 EBITDA |
| Repayment Terms | 33.3% at the end of years 2, 3, and 4 | 15% at the end of years 2 and 3; 70% at the end of year 4 | 15% at the end of years 2 and 3; 70% at the end of year 4 |
| Interest Rate | LIBOR +3% | LIBOR +3% | LIBOR +3% |
| Eligible Lender Risk Retention | 5% | 15% | 5% |

How Can Eligible Borrowers Apply for a Main Street Loan?



How Can Eligible Borrowers Apply?



- Similar to PPP, eligible borrowers must apply for a Main Street loan through an Eligible Lender.
- Eligible Lenders include:
 - U.S. federally insured depository institutions,
 - U.S. branches or agencies of foreign banks,
 - U.S. bank holding companies,
 - U.S. savings and loan holding companies, and
 - U.S. intermediate bank holding companies
- Nonbank financial institutions currently are not Eligible Lenders



How Can Eligible Borrowers Apply?



- Eligible lenders may apply their own underwriting standards to evaluate a potential borrower's financial condition and creditworthiness.
- Eligible lenders may require additional information and documentation to make the determination and will ultimately determine whether an eligible borrower is approved for a loan and in what amount.
- Businesses that qualify as eligible borrowers will not necessarily be approved for a loan or receive the maximum allowable amount.
- Businesses that have received Paycheck Protection Program loans are eligible borrowers and may also receive Main Street loans

Required Borrower Certifications



Required Borrower Certifications



- Required borrower certifications across all three Main Street programs are the same, with two exceptions.
- Each eligible borrower must commit or certify to the following:
 - The borrower will refrain from repaying the principal balance of, or paying any interest on, any debt until the Eligible Loan is repaid in full, unless the debt or interest payment is mandatory and due.
 - The borrower will not seek to cancel or reduce any of its committed lines of credit with the Eligible Lender or any other lender.
 - The borrower must certify that it has a reasonable basis to believe that, as of the date of origination of the Eligible Loan and after giving effect to such loan, it has the ability to meet its financial obligations for at least the next 90 days and does not expect to file for bankruptcy during that time period.
 - The borrower must commit that it will follow compensation, stock repurchase, and capital distribution restrictions that apply to direct loan programs under section 4003(c)(3)(A)(ii) of the CARES Act, except that an S corporation or other passthrough entity that is an Eligible Borrower may make distributions to the extent reasonably required to cover its owners' tax obligations in respect of the entity's earnings.
 - The borrower must certify that it is eligible to participate in the Facility, including in light of the conflicts of interest prohibition in section 4019(b) of the CARES Act.



Required Borrower Certifications



- Exceptions:
 - The MSPLF covenants includes a modification that allows an eligible borrower to refinance existing debt owed by the eligible borrower to a lender other than the eligible lender.
 - The MSELF certification requires the eligible borrower to certify that it will not pay the principal balance of, or interest on, any debt until the upsized tranche of the MSELF is repaid in full, unless the principal or interest payment is mandatory and due.
- ***In addition, each eligible borrower must make commercially reasonable efforts to maintain its payroll and retain its employees during the time the Eligible Loan is outstanding.***
 - Specifically, an Eligible Borrower should undertake good-faith efforts to maintain payroll and retain employees, in light of its capacities, the economic environment, its available resources, and the business need for labor.
 - Borrowers that have already laid-off or furloughed workers as a result of the disruptions from COVID-19 are eligible to apply for Main Street loans.



Required Borrower Certifications



- The required covenants and certifications do not prohibit an eligible borrower from doing any of the following:
 - repaying a line of credit (including a credit card) in accordance with the Eligible Borrower's normal course of business usage for such line of credit;
 - taking on and paying additional debt obligations required in the normal course of business and on standard terms, including inventory and equipment financing, provided that such debt is secured by newly acquired property (e.g., inventory or equipment), and, apart from such security, is of equal or lower priority than the MSNLF Loan, the MSPLF Loan, or the MSELF Upsized Tranche; or
 - refinancing maturing debt.



Questions?

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