Main Street Lending Program

Program Overview | June 2020

ThinkForward

Main Street Lending Program: Overview

PROGRAM OVERVIEW

- On June 8, the Federal Reserve announced revised guidance for the $600B Main Street Lending Program (MSLP)
- MSLP continues to include three separate facilities:
  - Main Street New Loan Facility ("MSNLF") *This facility enables a borrower to obtain a new term loan*
  - Main Street Priority Loan Facility ("MSPLF" or "Priority Facility") *Similar to MSNLF, this facility enables a borrower to obtain a new term loan, but the borrower can be more leveraged than under the MSNLF and can use the loan proceeds at time of origination to repay other non-Key debt*
  - Main Street Expanded Loan Facility ("MSELF" or "Expanded Facility") *This facility enables a borrower to increase an existing term loan or revolving credit facility through an "upsized tranche."*
- Under the three facilities, the Fed will commit to lend to a Special Purpose Vehicle (SPV), and the Treasury Department will make a $75B equity investment in the SPV. The SPV will purchase a 95% participation in eligible loans, with the lender retaining the remainder of the eligible loans

BORROWER ELIGIBILITY

- Up to 15,000 employees, a majority of which must be in the U.S., or annual revenues of $5B or less
- Business must have been established prior to March 13, 2020
- Borrowers may participate in only one of the three MSLP facilities, can have participated in the PPP
- Borrowers are ineligible if they have received a loan, loan guarantee or other investment from the Treasury under the CARES Act (*e.g., airlines and businesses critical to national security*)

FACILITY RESTRICTIONS

- Unlike the PPP, Main Street loans are NOT forgivable
- Borrowers must follow applicable CARES Act restrictions on compensation, stock repurchases, dividends and other capital distributions
- Borrowers generally are prohibited from using loan proceeds to repay or refinance other indebtedness unless "mandatory and due" or the repayment is in accordance with the borrower's "normal course of business," with the exception of the MSPLF where debt owed by the borrower to a lender that is not key can be repaid

Main Street Lending Program: Updated Term Sheets

The following provides a **high level** summary of the terms for three MSLP credit facilities as released by the Federal Reserve on June 8, 2020.

	New Loans (MSNLF)	Priority Loans (MSPLF)	Expanded Loans (MSELF)
Term	5 years	5 years	5 years
Minimum Loan Size	$250K	$250K	$10MM
Maximum Loan Size	Lesser of $35MM or 4x 2019 adjusted EBITDA	Lesser of $50MM or 6x 2019 adjusted EBITDA	Lesser of $300MM or 6x 2019 adjusted EBITDA
Bank Risk Retention	5%	5%	5%
Amortization *(Facilities are pre-payable)*	Year 1: 0% Year 2: interest only Years 3-5: 15%, 15%, 70%	Year 1: 0% Year 2: interest only Years 3-5: 15%, 15%, 70%	Year 1: 0% Year 2: interest only Years 3-5: 15%, 15%, 70%
Rate	LIBOR + 3%	LIBOR + 3%	LIBOR + 3%
Fees	Origination – Up to 100 bps Transaction – 100 bps (TBD)	Origination – Up to 100 bps Transaction – 100 bps (TBD)	Origination – Up to 75 bps Transaction – 75 bps (TBD)

Each facility can be structured as a secured or unsecured loan.

Main Street Lending Program: Considerations

Borrower Eligibility Framework/Considerations

Business Eligibility

- "For Profit" Business
- Was in sound financial condition prior to the COVID-19 pandemic
- Employs less than 15,000 employees or generated less than $5.0B in FY 2019 revenues
- Was created or organized in the U.S., has a majority of employees based there, was in business prior to 3/13/20

Need for Funds/Use of Funds

Can benefit from additional liquidity to persevere through the COVID-19 crisis and would use MSLP funding for general business purposes, including using "commercially reasonable" efforts to maintain its payroll and retain employees;

MSLP loans are NOT forgivable.

Leverage Criteria

6.0x of Adjusted EBITDA in 2019 for the Priority or Expanded facilities and 4.0x for access to the New facility minus available debt.

Modifications Needed

Particularly for secured loans, modifications to existing credit agreements and / or other loan related documents may be required to implement a MSLP loan, including cooperation from other lenders.

Restrictions/Disclosures

- Prepared to commit to compensation, stock repurchase, capital distribution and dividend restrictions under the CARES Act, with certain exceptions for S-Corps or tax pass-through entities – these last until one year after the loan is repaid
- Understand that the Fed will disclose information on program recipients, including names of lenders and borrowers, amounts borrowed and interest rates charged and overall costs, revenues and other fees.

About ThinkForward Financial

ThinkForward Financial is a SEC registered, independent municipal financial advisory dedicated to helping small and mid-sized enterprises navigate the funding challenges inherent to mission oriented organizations. To-date, our practice has structured and placed $2.5B in bonds, loans, and tax credits, specifically for this unique segment of companies in the greater New York area. We believe financial solutions should be about positively impacting local residents and business owners in measurable ways. Considering the human side of a financial transaction aligns us with the priorities of our clients and ultimately ensures that the right kind of financing happens at the right time for an organization.

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