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MAIN STREET LENDING PROGRAM:
***AN OPPORTUNITY FOR FOREIGN-OWNED
BUSINESS***

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AGENDA

- INTRODUCTION AND DIFFERENCES FROM PAYCHECK PROTECTION PROGRAM
- BORROWER ELIGIBILITY
- MAIN CHARACTERISTICS OF THE MAIN STREET LOAN FACILITIES
- BORROWER'S CERTIFICATIONS AND COVENANTS
- FINANCIAL AND EMPLOYEE ASPECTS
- EBITDA ADJUSTMENTS AND CALCULATION
- FINANCIAL REPORTING

INTRODUCTION

- ESTABLISHED BY THE **FEDERAL RESERVE**

- THREE KIND OF FACILITIES AVAILABLE:
 1. **MAIN STREET NEW LOAN FACILITY**
 2. **MAIN STREET PRIORITY LOAN FACILITY**
 3. **MAIN STREET EXPANDED LOAN FACILITY**

- THE MSLP **SUPPORTS** LENDING TO **SMALL AND MEDIUM-SIZED BUSINESSES** IN SOUND FINANCIAL CONDITION BEFORE COVID-19 TO MAINTAIN **OPERATIONS**

- DIFFERENCES FROM PPP: **NOT FORGIVABLE, MAX LOAN SIZE 10ML/300ML**



ELIGIBILITY

- **ELIGIBILITY:** 
 - MAXIMUM SIZE ELIGIBILITY**
 - US-BUSINESS REQUIREMENTS**
- **CREATED OR ORGANIZED** IN THE UNITED STATES
- **SIGNIFICANT OPERATIONS** IN THE UNITED STATES
- **MAJORITY OF EMPLOYEES** IN THE UNITED STATES
- 13 CFR 120.110 – **INELIGIBLE BUSINESS**

MS NEW LF vs MS PRIORITY LF LOAN TERMS

	MS New LF	MS Priority LF
Maturity	5 years	5 years
Interest Deferral	1 year	1 year
Principal Deferral	2 years	2 years
Principal Repayment	0%/0%/15%/15%/70%	0%/0%/15%/15%/70%
Min & Max Loan	\$250,000-\$35,000,000	\$250,000-\$50,000,000
Borrower Loan Limit	(EBITDA*4) – (debt + unused lines)	(EBITDA*6) – (debt + unused lines)
Interest Rate Adjustable	1/3 mo LIBOR + 300 bps	1/3 mo LIBOR + 300 bps
Security/Guaranty	Lender Discretion	Lender Discretion

ADDITIONAL LOAN TERMS

- **PREPAYMENT WITHOUT PENALTY**
- **LOAN PRIORITY RESTRICTIONS**
- **CAN'T CANCEL OR REDUCE **EXISTING CREDIT LINES OR REPAY OTHER DEBT** EXCEPT**
 - THE DEBT PAYMENT IS MANDATORY & DUE
 - CAN REPAY A LINE OF CREDIT IN NORMAL COURSE
 - CAN REFINANCE CERTAIN DEBT MATURING WITHIN 90 DAYS OF REFINANCING
 - PRIORITY LOAN ONLY-- CAN USE PROCEEDS TO PREPAY/REFINANCE EXISTING LOANS OWED TO OTHER LENDERS AT CLOSING OF PRIORITY LOAN
 - CAN TAKE ON & PAY ADDITIONAL DEBT IN NORMAL COURSE (WITH LIMITS)

OTHER LOAN CHARACTERISTICS

- EXISTING OR NEW CUSTOMER
- LENDER UNDERWRITING
- LOAN DOCUMENTS
- RETAIN EMPLOYEES
- FEES

CERTIFICATIONS & COVENANTS – PART 1

- BORROWER **ELIGIBILITY**
- LIMITS ON **COMPENSATION**
- LIMITS ON **REPURCHASES** OF PUBLICLY TRADED SECURITIES
- LIMITS ON **DIVIDENDS** AND CAPITAL DISTRIBUTIONS
- UNABLE TO SECURE **ADEQUATE CREDIT ACCOMMODATIONS**
- RESTRICTIONS ON **DEBT REPAYMENT** AND CANCELLING OR REDUCING EXISTING **LINES OF CREDIT**

CERTIFICATION & COVENANTS – PART 2

- LIEN COVENANT
- FINANCIAL REPORTING
- SOLVENCY
- USE OF PROCEEDS
- GOVERNMENT CAN MAKE DISCLOSURES
- RECORD-KEEPING



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G.C. CONSULTANTS INC.

Webinar: Main Street Lending Program

Webinar: Main Street Lending Program

1) Borrower Eligibility – Not Eligible (SBA title 13 Section 120-110)

2) Calculation of Revenue and Employees: (SBA title 13; Section 121-103, Section 121-104 Section 121-106, Counting employees, Definitions of F/S Audited or Annual receipts, Definitions of Affiliates)

3) Financial reporting requirements

-ADJUSTED EBITDA

-Calculation of the existing outstanding and undrawn available debt

4) Main Street Lending Program Loan Options

main subjects

1) Borrower Eligibility - Not Eligible

A

(SBA title 13 Section 120-110)

- (a) Non-profit businesses (for-profit subsidiaries are eligible);
- (b) Financial businesses primarily engaged in the business of lending, such as banks, finance companies, and factors (pawn shops, although engaged in lending, may qualify in some circumstances);
- (c) Passive businesses owned by developers and landlords that do not actively use or occupy the assets acquired or improved with the loan proceeds (except Eligible Passive Companies under (120.111));
- (d) Life insurance companies;
- (e) Businesses located in a foreign country (businesses in the U.S. owned by aliens may qualify);
- (f) Pyramid sale distribution plans;
- (g) Businesses deriving more than one-third of gross annual revenue from legal gambling activities;
- (h) Businesses engaged in any illegal activity;
- (i) Private clubs and businesses which limit the number of memberships for reasons other than capacity;
- (j) Government-owned entities (except for businesses owned or controlled by a Native American tribe);

1) Borrower Eligibility - Not Eligible

B

(SBA title 13 Section 120-110)

- (k) Businesses principally engaged in teaching, instructing, counseling or indoctrinating religion or religious beliefs, whether in a religious or secular setting;
- (l) Loan packagers earning more than one third of their gross annual revenue from packaging SBA loans;
- (m) Businesses with an Associate who is incarcerated, on probation, on parole, or has been indicted for a felony or a crime of moral turpitude;
- (n) Businesses in which the Lender or CDC, or any of its Associates owns an equity interest;
- (o) Businesses which:
 - (1) Present live performances of a prurient sexual nature; or
 - (2) Derive directly or indirectly more than de minimis gross revenue through the sale of products or services, or the presentation of any depictions or displays, of a prurient sexual nature;

1) Borrower Eligibility - Not Eligible

C

(SBA title 13 Section 120-110)

- (q) Unless waived by SBA for good cause, businesses that have previously defaulted on a Federal loan or Federally assisted financing, resulting in the Federal government or any of its agencies or Departments sustaining a loss in any of its programs, and businesses owned or controlled by an applicant or any of its Associates which previously owned, operated, or controlled a business which defaulted on a Federal loan (or guaranteed a loan which was defaulted) and caused the Federal government or any of its agencies or Departments to sustain a loss in any of its programs. For purposes of this section, a compromise agreement shall also be considered a loss;
- (r) Businesses primarily engaged in political or lobbying activities; and
- (s) Speculative businesses (such as oil wildcatting).

2) How does SBA calculate number of Employees? /A

(SBA title 13 Section 121-103, section 121-104, 121-106 , - Counting employees)

(a) In determining a concern's number of employees, SBA counts all individuals employed on a full-time, part-time, or other basis. This includes employees obtained from a temporary employee agency, professional employee organization or leasing concern. SBA will consider the totality of the circumstances, including criteria used by the IRS for Federal income tax purposes, in determining whether individuals are employees of a concern. Volunteers (i.e., individuals who receive no compensation, including no in-kind compensation, for work performed) are not considered employees.

(b) Where the size standard is number of employees, the method for determining a concern's size includes the following principles:

1. The average number of employees of the concern is used (including the employees of its domestic and foreign affiliates) based upon numbers of employees for each of the pay periods for the preceding completed 12 calendar months.
2. Part-time and temporary employees are counted the same as full-time employees.
3. If a concern has not been in business for 12 months, the average number of employees is used for each of the pay periods during which it has been in business.

2) How does SBA calculate number of Employees? /B

(SBA title 13 Section 121-103, section 121-104, 121-106 , - Counting employees)

4. (i) The average number of employees of a business concern with affiliates is calculated by adding the average number of employees of the business concern with the average number of employees of each affiliate. If a concern has acquired an affiliate or been acquired as an affiliate during the applicable period of measurement or before the date on which it self-certified as small, the employees counted in determining size status include the employees of the acquired or acquiring concern. Furthermore, this aggregation applies for the entire period of measurement, not just the period after the affiliation arose.

(ii) The employees of a former affiliate are not counted if affiliation ceased before the date used for determining size. This exclusion of employees of a former affiliate applies during the entire period of measurement, rather than only for the period after which affiliation ceased. However, if a concern has sold a segregable division to another business concern during the applicable period of measurement or before the date on which it self-certified as small, the employees used in determining size status will continue to include the employees of the division that was sold.

3) Required Financial Reporting

(Effective June 26, 2020)

Each Main Street Loan should contain a financial reporting covenant requiring the regular delivery of certain financial information and calculation.

The items listed in **table 1** must be provided by each Main Street borrower to their Eligible Lender at least annually.

The items listed in **table 2** must be provided by each Main Street borrower to their Eligible Lender at least quarterly. Quarterly requirements vary based on the Main Street facility in which the borrower is participating. Eligible Lenders will specify the required reporting standards and forms for each Eligible Borrower.

Data Required Annually from All Main Street Borrowers (table 1/a)

Required Data	Definition
Total Assets	The sum of current assets, fixed assets, and other non-current assets (including, but not limited to, intangible assets, deferred items, investments, and advances).
Current Assets	Cash, accounts receivable, inventory, and other short-term assets that are likely to be converted into cash, used, sold, exchanged, or otherwise expensed in the normal course of business within one year.
Cash & Marketable Securities	Cash, depository accounts, and marketable securities that can be easily sold and readily converted into cash.
Tangible Assets	Assets having a physical existence, measured as total assets less intangible assets. Tangible assets are distinguished from intangible assets, such as trademarks, copyrights, and goodwill.
Total Liabilities	The total amount of all outstanding obligations, both current and noncurrent.
Current liabilities	Short term debt, accounts payable, and other current liabilities that are due within one year.
Total Debt (Incl. Undrawn Available lines of Credit)	Existing outstanding and committed debt (including any undrawn available amounts).

Data Required Annually from All Main Street Borrowers (table 1/b)

Required Data	Definition
Total Equity	Measured as total assets minus total liabilities.
Total Revenue	Total income generated by the sale of goods or services from ongoing operations. Total Revenue excludes any non-recurring sales or gains.
Net Income	The income (or loss) after expenses and losses have been subtracted from all revenues and gains for the fiscal period, including discontinued operations.
Unadjusted EBITDA	Earnings before interest expense, income tax expense, depreciation expense, and amortization expense. The starting point is net income.
Adjusted EBITDA	Unadjusted EBITDA adjusted for any non-recurring, one-time, or irregular items. The Adjusted EBITDA measurement should align with the relevant facility's term sheet.
Depreciation Expense	Non-cash expense measured based on the use of fixed assets, recognized over the useful life of the fixed assets.
Amortization Expense	Non-cash expense measured based on the use of intangible assets, recognized over the life of the intangible asset.

Data Required Annually from All Main Street Borrowers (table 1/c)

Required Data	Definition
Interest Expense	The periodic finance expense of short term and long term debt.
Tax Expense	Federal, state and local income tax expenses.
Rent Expense	The contractual costs of occupying leased real estate.

Data Required Annually from All Main Street Borrowers (table 2/a)

Required Data	Definition
Dividend / Equity Distributions	Distributions to equity owners
Accounts Receivable (net of allowance)	Amounts owed to the borrower resulting from providing goods and/or services. Accounts receivable will be net of any allowances for uncollectible amounts.
Inventory (net of reserves)	Value of the raw materials, work in process, supplies used in operations, finished goods, and merchandise bought which are intended to be sold in the ordinary course of business. Inventory should be net of reserves.
Fixed Assets, Gross	Tangible property used in the business and not for resale, including buildings, furniture, fixtures, equipment, and land. Report fixed assets gross of depreciation.
Accumulated Depreciation	Cumulative depreciation of all fixed assets up to the Date of Financial Information.
Accounts Payable (A/P)	The obligations owed to the borrower's creditors arising from the entity's ongoing operations, including the purchase of goods, materials, supplies, and services. Accounts payable excludes short term and long-term debt.
Short Term Debt	Debt obligations of the borrower due with a term of less than one year, including the current portion of any Long Term Debt.

Data Required Annually from All Main Street Borrowers (table 2/b)

Required Data	Definition
Long Term Debt	Debt obligations of the borrower that are due in one year or more, excluding the current portion that is otherwise captured in Short Term Debt.
Description of EBITDA Adjustments	Description of items that are added to Unadjusted EBITDA to determine Adjusted EBITDA.
Total Expenses	All money spent and costs incurred, both recurring and non-recurring, to generate revenue. Expenses exclude items capital in nature (i.e., expenses that are allowed to be capitalized and included in the cost basis of a fixed asset).
Operating Expenses	Money spent and costs incurred related to normal business operations including selling, general & administrative expenses, depreciation, and amortization (i.e., total expenses less non-recurring expenses.) Exclude capital expenditures.
Operating Income	Profit (or loss) realized from continuing operations (i.e., revenue less operating expenses).
Fixed Charges	Expenses that recur on a regular basis, regardless of the volume of business (i.e., lease payments, rental payments, loan interest payments, or insurance payments).
Capitalized Expenditures	Non-operating expenditures capitalized to fixed assets.

Data Required Annually from All Main Street Borrowers (table 2/c)

Required Data	Definition
Guarantor Net Assets	Total assets less total liabilities of the guarantor (also referred to as net worth).
Sr. Debt Balance	Debt amount ranking senior to the Main Street loan.
Additional Pari Passu Debt Balance	Debt amount ranking pari passu to the Main Street loan.
Collateral Type (Non-Real Estate)	If the loan is secured by collateral that is not predominantly real estate, including if the collateral provided is different types, report the predominant type of collateral (e.g., inventory, receivable, securities, etc.) by aggregate value.
Collateral Type (Real Estate)	If the loan is secured by real estate collateral, indicate the property type (e.g., hotel, multifamily, residential, industrial, etc.). If the loan is secured by multiple real estate property types, report the predominant property type by aggregate value.
Collateral Value Reporting	For loans that require ongoing or periodic valuation of the collateral, report the market value of the collateral as of the reporting date.
Collateral Value Date	Define the as-of date that corresponds with the Collateral Value Reporting field.
Covenant Status (Pass/Fail)	Yes/no, indicating if the facility has satisfied covenant tests.

4) Main Street Lending Program Loan Options

How Much Can I Borrow Under This Program?

The Main Street Lending Program offers three different secured or unsecured 5-years term loan options set at an adjustable rate of LIBOR (1 or 3 month) plus 300 basis points with principal deferred for two years and interest payments deferred for one year for eligible borrowers.

All loans under the Main Street Lending Program must permit prepayment without penalty.

All Loans are made by private financial institution but backed by the Federal Reserve.

4) Main Street Lending Program Loan Options

	Main Street New Loans	Main Street Priority Loans	Main Street Expanded Loans
Terms	5 years	5 years	5 years
Minimum Loan Size	\$250,000	\$250,000	\$10,000,000
Maximum Loan Size	Lesser of \$35M or 4x2019 adjusted EBITDA	Lesser of \$35M or 6x2019 adjusted EBITDA	Lesser of 300M, 35% of outstanding and undrawn available debt, or 6x2019 adjusted EBITDA
Risk Retention by Lender	5%	5%	5%
Payment (year one deferred for all)	Years 3-5: 15%, 15%, 70%	Years 3-5: 15%, 15%, 70%	Years 3-5: 15%, 15%, 70%
Rate	LIBOR + 3%	LIBOR + 3%	LIBOR + 3%
Lender Transaction Fee (May be paid by Borrower)	100 basis points of principal loan amount	100 basis points of principal loan amount	75 basis points of principal loan amount
Borrower Origination Fee	100 basis points of principal loan amount	100 basis points of principal loan amount	75 basis points of principal loan amount

EBITDA: Earnings before interest, tax, depreciation and amortization;

LIBOR: London Interbank Offer Rate, a common benchmark interest rate index;

Small example from the US Chamber of Commerce