

An aerial view of a dense city skyline, featuring numerous high-rise buildings and skyscrapers. The image is overlaid with a semi-transparent blue filter. The text 'Main Street Lending Program' is centered in white, with a horizontal line underneath the word 'Lending'.

Main Street Lending Program



FINANCIAL BLIND SPOT

HIDDEN THREATS. CANDID SOLUTIONS.

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How Financial Blind Spot Helps

VALUATION

What is my company worth?

Planning is approximate at best if business value is unknown

VALUE DRIVERS

PROTECTION

How do I protect it?

Transition from “insurance buying” to Risk Management

CASH RESERVES

GROWTH

How do I grow sustainably?

Making yourself operationally irrelevant is the only sustainable way to scale

CASH FLOW

TRANSFER

How do I transfer out of my business?

Liquidation?
Insider sale?
3rd Party sale?

CONTINUITY PLANNING

Our **AGENDA**

RECAP



Previous stimulus efforts, such as the PPP & EIDL

MSLP



Details of the program

FUTURE



What the world will look like post COVID-19

FBS



How Financial Blind Spot can help

Notable Stimulus Efforts

\$70B

Disaster Loans
Disaster Grants

\$659B

Paycheck
Protection
Program

\$17B

Debt Relief
Program

MSLP - Development Stages

The MSLP has already gone through a few iterations:

- It was announced by the Federal Reserve Board back in March
- The initial program details were released on April 9th, 2020
- The Fed amended the program and released an updated version on April 30th
- The program was revised again on May 27th, and most recently on June 8th.
- The program is now live.

MSLP Key Facts



TARGET AUDIENCE

Businesses that don't qualify for the PPP or EIDL

ADMINISTRATOR

Federal Reserve. Loans will come from private banks

KEY DIFFERENCE

These are long-term loans, with no forgiveness provision

BEHIND THE SCENES

The central bank will then buy 95% of every loan, up to \$600 billion

MSLP: Three Programs - In Effect Until 12/31

All 3 programs use the same Eligible Lender and Eligible Borrower criteria and share many features: same maturity, interest rate, deferral of principal (2 years) and interest (1 year), and ability of the borrower to prepay without penalty.

New Loans

Eligible Lenders extend new loans to Eligible Borrowers ranging in size from \$250,000 to \$35 million

Priority Loans

Eligible Lenders extend new loans to Eligible Borrowers ranging in size from \$250,000 to \$50 million

Expanded Loans

Eligible lenders increase an Eligible Borrower's existing credit. The upsized tranche is a term loan ranging in size from \$10 million to \$300 million.

Banks

Credit Unions

Savings Associations

MSLP: Eligibility

Entities that are eligible to borrow under the program:

- Business organization with either a maximum number of 15,000 employees or a maximum amount of \$5 billion in annual revenues (businesses must meet one condition but are not required to meet both)
- **Business must be created or organized in the U.S. or under the laws of the U.S. with significant operations in and a majority of its employees based in the U.S.**
- Business must be established prior to March 13, 2020
- Business was in good financial shape before the crisis
- **PPP and/or EIDL participation is NOT a disqualifier**

MSLP: U.S. Eligibility Test

An eligible borrower has significant operations in the United States if, when consolidated with its subsidiaries, greater than 50% of the eligible borrower's:

- assets are in the United States
- annual net income is generated in the United States
- annual net operating revenues are generated in the United States; or
- annual consolidated operating expenses (excluding interest expense and any other expenses associated with debt service) are generated in the United States

Subsidiaries of Foreign Companies

A U.S. subsidiary of a foreign company may be a borrower under the MSLP if such subsidiary is otherwise eligible, provided that it must commit that it will use the proceeds of the MSLP loan only for the benefit of borrower, its consolidated U.S. subsidiaries, and of its affiliates that are U.S. businesses.

Eligible Business Types

Partnerships

Limited Liability Companies

Corporations

Associations

Trusts

Cooperatives

Joint ventures with no more than 49% participation by foreign business entities

Tribal business concerns

Affiliation Rules

An affiliated group of companies can participate in only one Main Street facility

The affiliated group's loan cannot exceed the maximum loan amount for that facility

An eligible borrower's maximum loan size would be limited by its own leverage level, the leverage level of the affiliated group on a consolidated basis, and the size of any loan extended to other affiliates in the group

MSLP: How much money can you get?

New Facility

Minimum amount:
\$250,000

Maximum amount is the lesser of:

- \$35 million or
- 4X 2019 EBITDA less outstanding and committed but undrawn debt.

Priority Facility

Minimum amount:
\$250,000

Maximum amount is the lesser of:

- \$50 million or
- 6X 2019 EBITDA less outstanding and committed but undrawn debt.

Expanded Facility

Minimum amount:
\$10,000,000

Maximum amount is the lesser of:

- \$300 million or
- 6X 2019 EBITDA less outstanding and committed but undrawn debt.

Main Street New Loan Facility

Terms & Conditions
Certifications
Covenants

New Loan Facility - Terms & Conditions

5 year maturity - Can be secured or unsecured

Principal payments deferred for 2 years

Principal amortization is:
15% at the end of the 3rd year

Minimum loan size:
\$250,000

Interest payments deferred for 1 year (unpaid interest will be capitalized)

15% at the end of the 4th year

Maximum loan size:
Lesser of: \$35,000,000
OR

Adjustable rate of LIBOR (1 or 3 month) plus 3%

70% at maturity at the end of the 5th year

4X EBITDA minus outstanding and undrawn available debt

Prepayment is permitted without penalty

Bankruptcy: new lender has same rights as other lenders except your mortgage lender

Outside of bankruptcy, new lender's rights can be subordinate

New Loans: Secured vs. Unsecured

MSNLF funding can be a secured loan (including in a second lien or other capacity) whether or not there is an outstanding secured loan of any lien position or maturity

Can be an unsecured loan, regardless of the term or secured or unsecured status of the Eligible Borrower's existing indebtedness

The Borrower can take new secured or unsecured debt after receiving MSNLF funding, provided the new debt would not have higher contractual priority in bankruptcy than the MSNLF loan

... and here are some **examples**

EBITDA	4X EBITDA	DEBT	NEW LOAN
\$50,000	\$200,000	\$0	Not Eligible
\$62,500	\$250,000	\$0	\$250,000
\$100,000	\$400,000	\$0	\$400,000
\$62,500	\$250,000	\$50,000	Not Eligible
\$100,000	\$400,000	\$50,000	\$350,000
\$150,000	\$600,000	\$50,000	\$550,000

... more examples

EBITDA	4X EBITDA	DEBT	NEW LOAN
\$500,000	\$2,000,000	\$0	\$2,000,000
\$1,000,000	\$4,000,000	\$0	\$4,000,000
\$2,500,000	\$10,000,000	\$0	\$10,000,000
\$500,000	\$2,000,000	\$1,800,000	Not Eligible
\$1,000,000	\$4,000,000	\$1,600,000	\$2,400,000
\$2,500,000	\$10,000,000	\$1,600,000	\$8,400,000

Main Street Priority Loan Facility

Terms & Conditions
Certifications
Covenants

Priority Loan Facility - Terms & Conditions

5 year maturity - Can be secured or unsecured

Principal payments deferred for 2 years

Interest payments deferred for 1 year (unpaid interest will be capitalized)

Adjustable rate of LIBOR (1 or 3 month) plus 3%

Prepayment is permitted without penalty

Principal amortization is: 15% at the end of the 3rd year

15% at the end of the 4th year

balloon payment of 70% at maturity (end of the 5th year)

Loan is senior to, or on par with, other loans or debt instruments, other than mortgage debt

Minimum loan size: \$250,000

Maximum loan size: Lesser of: \$50,000,000 OR

6X EBITDA minus outstanding and undrawn available debt

Eligible borrowers may, at origination, refinance existing debt from other lenders

Priority Loans: Secured vs. Unsecured

Secured loans: The MSPLF must be secured if, at the time of origination, the Eligible Borrower has any other secured loans or debt instruments, other than mortgage debt

Unsecured loans: the MSPLF can be unsecured only if the Eligible Borrower does not have, as of origination date, any secured loans or debt instruments other than mortgage debt.

Unsecured MSPLF loans must not be contractually subordinated in terms of priority to any of the Eligible Borrower's other unsecured loans or debt instruments

... and here are some **examples**

EBITDA	6X EBITDA	DEBT	PRIORITY LOAN
\$45,000	\$270,000	\$0	\$270,000
\$100,000	\$600,000	\$0	\$600,000
\$150,000	\$900,000	\$0	\$900,000
\$45,000	\$270,000	\$50,000	Not Eligible
\$100,000	\$600,000	\$50,000	\$550,000
\$150,000	\$900,000	\$50,000	\$850,000

... more examples

EBITDA	6X EBITDA	DEBT	PRIORITY LOAN
\$500,000	\$3,000,000	\$0	\$3,000,000
\$1,000,000	\$6,000,000	\$0	\$6,000,000
\$2,500,000	\$15,000,000	\$0	\$15,000,000
\$500,000	\$3,000,000	\$2,800,000	Not Eligible
\$1,000,000	\$6,000,000	\$2,600,000	\$3,400,000
\$2,500,000	\$15,000,000	\$2,600,000	\$12,400,000



Lender Certifications

- Will not request that the borrower use proceeds to repay existing debt
- Will not use proceeds to reduce or cancel existing committed lines of credit
- Will use the same leverage calculation methodology it has used in the past for the Eligible Borrower or similar borrowers on or before April 20, 2020
- Certifies that it is eligible to participate in the program



Borrower Certifications

- Is eligible to participate in the program
- Will refrain from using loan proceeds to repay existing debt
- Will not seek to reduce or cancel existing lines of credit
- 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 period
- Will follow compensation, stock repurchase, and capital distribution restrictions under the CARES Act

Big Picture

EBITDA	DEBT	NEW LOAN	PRIORITY LOAN
\$41,667	\$0	Not Eligible	\$250,000
\$62,500	\$0	\$250,000	\$375,000
\$250,000	\$250,000	\$750,000	\$1,250,000
\$250,000	\$800,000	Not Eligible	\$700,000
\$500,000	\$0	\$2,000,000	\$3,000,000
\$1,000,000	\$2,500,000	\$1,500,000	\$3,500,000

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 publicly issued bonds or private placement facilities
- should be calculated as of the date of the loan application
- includes 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

Compensation Limits

Up to 12 months after the loan is paid in full, you agree:

- not to repurchase an equity security that is listed on a national securities exchange of the eligible business or any parent company of the eligible business while the direct loan is outstanding, unless required by a prior obligation
- not to pay dividends or make other capital distributions with respect to the common stock of your business

Compensation Limits (continued)

For individuals who earned between \$425K and \$3M in 2019

- You cannot earn more than 2019 compensation in any year you have the loan plus one year after
- If there's severance, you cannot earn more than twice your 2019 compensation

For individuals who earned more than \$3M in 2019

- In any year you have the loan plus one year after, you cannot earn more than \$3M plus 50% of 2019 compensation over \$3M
 - Someone earning \$4M is capped at \$3.5M
 - Someone earning \$8M is capped at \$5.5M

Employee Retention

- Eligible Borrowers should make commercially reasonable efforts to retain employees during the term of their MSLP loan
- 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 company's 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 MSLP loans.

MSLP Permitted Uses

You are allowed to:

- repay a line of credit (including a credit card) in accordance with your normal course of business usage for such line of credit
- take on and pay 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 only by the newly acquired property (e.g. inventory or equipment), and, apart from such security, is equal to or lower priority than the MSLP loan
- refinance maturing debt

The Post COVID-19 New Normal

- **COVID-19 could be a recurring thing, where we have waves of this for the foreseeable future.**
- **Will consumers hungry for contact with the outside world rush back to public spaces the minute they open, or will they be a bit wary?**
- **Will workers begin going back to work soon, or will employers be extremely conservative about opening their office spaces?**
- **Some industries will have a tough road back to “normal”:**
 - **Travel agencies are down 98 percent, photography studios 88 percent, day-care centers 75 percent, and advertising agencies 60 percent.**
 - **Some changes in consumer habits and expectations will be long-lasting or permanent**

The PPP is nothing but a stopgap

Short term

- Designed to provide 8 weeks of payroll relief. Then what?

Design flaws

- Not a true working capital option
- Undermined by enhanced unemployment insurance
- Unclear, constantly evolving guidance on how it interacts with other relief programs

The EIDL Program is very restrictive

- For loans over \$25,000, the SBA takes a security interest on all tangible and intangible, current and future business assets.
- Loan proceeds cannot be used for expansion projects, acquisition of fixed assets, or to refinance long-term debt
- Misuse of loan proceeds triggers a civil liability of 1.5X the original principal loan amount
- Your EIDL goes into automatic default if you (among other things)
 - die
 - fail to pay your taxes when due
 - default on any loan with another creditor
- Calling the SBA for guidance does not protect you
 - “Borrower may not use an oral statement of SBA to contradict or alter the written terms of this Note.”
Section 8, Part E

MSLP - Current State

- As of July 31st, the MSLP had covered \$92 million in loans to 13 companies.
- Of the 13 companies, 8 are in Florida and received loans issued by the City National Bank of Florida
- The largest loan was for \$50 million and was secured by a Pennsylvania casino operator; the smallest loan, for \$1.5 million, went to a Florida real estate company
- According to Mr. Rosengren, the president of the Federal Reserve Bank of Boston, more than \$600 million worth of loans are in some stage of approval

MSLP - 4 Types of Companies that NEED It

Your company may need the MSLP for one of the following reasons

ELIGIBILITY

You fall outside of the PPP and/or EIDL definition of small business

RUNWAY

You are going to need more than 2 months' worth of help before recovering

DISRUPTION

Your industry is being disrupted by COVID-19 and you're going to need money to fund your pivot

GROWTH

You have identified opportunities for growth either by expansion or acquisition

Financial Blind Spot - Our Process

Frequency	Length	Task	Meetings	Total
Weekly	20 min	A/P & A/R Management Cash Flow Monitoring	52	15.6 hours
Monthly	1 Hour	Risk Management Process Improvement Growth Tracking	12	12 Hours
Quarterly	3 Hours	Sales Modeling Scenario Testing Continuity Planning	4	12 Hours
Annual	3 Hours	Budget Review Planning & Long-Term Goals Succession Planning	1	3 Hours
As Required	7 Hours	Calls, tech, prep	1	7 Hours

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