



Main Street Lending Program

Financial Blind Spot

Wilfrid Baptiste

Principal

will@blindspotfinancial.com

866.667.2737





**An investment in
knowledge pays the
best interest**

— Benjamin Franklin

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 took comments from lender, borrowers, and other stakeholders until April 16th
- After receiving over 2,200 letters, the Fed amended the program and released an updated version on April 30th
- Additional tweaks are expected.

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 either 95% or 85% of every loan, up to \$600 billion

MSLP: Three Programs

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

New Loans

Eligible Lenders extend new loans to Eligible Borrowers ranging in size from \$500,000 to \$25 million

Priority Loans

Eligible Lenders extend new loans to Eligible Borrowers ranging in size from \$500,000 to \$25 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 \$200 million.

MSLP: Eligibility

Entities that are eligible to borrow under the program:

- Any 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 was in good financial shape before the crisis (positive EBITDA)
- **Participation in the PPP is NOT a disqualifier**

MSLP: How much money can you get?

New Loan Facility

- Minimum amount: \$500,000
- Maximum amount is the lesser of:
 - \$25 million or
 - 4X 2019 EBITDA less outstanding and committed but undrawn debt.

Priority Loan Facility

- Minimum amount: \$500,000
- Maximum amount is the lesser of:
 - \$25 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

4 year maturity

Principal & interest 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:
 $\frac{1}{3}$ at the end of the 2nd year

$\frac{1}{3}$ at the end of the 3rd year

$\frac{1}{3}$ at maturity at the end of the 4th year

Not subordinated to any other loans or debt instruments

Minimum loan size: \$500,000

Maximum loan size:
Lesser of:
\$25,000,000

OR

4X EBITDA minus outstanding and undrawn available debt

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

EBITDA	DEBT	NEW LOAN
\$85,000	\$0	Not Eligible
\$125,000	\$0	\$500,000
\$150,000	\$0	\$600,000
\$85,000	\$50,000	Not Eligible
\$125,000	\$50,000	Not Eligible
\$150,000	\$50,000	\$550,000



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
- Certifies that it is eligible to participate in the program



Borrower Certifications

- 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
- Is eligible to participate in the program

Main Street Priority Loan Facility



Terms & Conditions
Certifications
Covenants

Priority Loan Facility - Terms & Conditions

4 year maturity

Principal & interest 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 2nd year

15% at the end of the 3rd year

balloon payment of 70% at maturity (end of the 4th year)

Loan is senior to, or pari passu with, other loans or debt instruments, other than mortgage debt

Minimum loan size: \$500,000

Maximum loan size:
Lesser of:
\$25,000,000

OR

6X EBITDA minus outstanding and undrawn available debt

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

EBITDA	DEBT	PRIORITY LOAN
\$85,000	\$0	\$510,000
\$100,000	\$0	\$6000,000
\$150,000	\$0	\$900,000
\$85,000	\$50,000	Not Eligible
\$100,000	\$50,000	\$550,000
\$150,000	\$50,000	\$850,000



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
- Certifies that it is eligible to participate in the program



Borrower Certifications

- 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
- Is eligible to participate in the program

The Post COVID-19 New Normal

- Will COVID-19 be over in six to eight weeks, or will there be waves of this for the next year while a vaccine is being developed?
- Will consumers hungry for contact with the outside world rush back to restaurant dining rooms the minute they open, or will they be a bit wary of being in closed crowded spaces from now on?
- Will workers begin going back to work soon, or will employers be extremely conservative about opening their office spaces?
- Will people rush back to sports arenas, movie theaters, and gyms, or will they stick to options where they can stay home?
- Is your industry directly or indirectly affected?
- What is the future of travel?

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
- Sometimes undermined by enhanced unemployment insurance
- Unclear, constantly evolving guidance on how it interacts with other relief programs

MSLP - 3 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

How Financial Blind Spot Helps

VALUATION

What is my company worth?

PROTECTION

How do I adequately protect it?

GROWTH

How do I grow sustainably?

TRANSFER

How do I transfer out of my business?