Main Street Lending Program

SKYWAY CAPITAL MARKETS

Investment Banking | Mergers & Acquisitions | Capital Raising

OVERVIEW

On April 9, the Federal Reserve announced actions to provide up to $2.3 trillion in loans to support the US Economy. These actions included the creation of three facilities that comprise the Main Street Lending Program under the CARES Act. The purpose of the Main Street Lending Program is to facilitate lending to small and medium-sized businesses through the Federal Reserve's purchase of up to $600 billion in loans to companies from banks.

The Main Street Lending Program consists of three facilities: the Main Street New Loan Facility (MSNLF), the Main Street Priority Loan Facility (MSPLF), and the Main Street Expanded Loan Facility (MSELF, and collectively, the Main Street Facilities). The MSNLF and MSPLF seek to make available new loans to companies and the MSELF seeks to facilitate increases to the banks' existing credit facilities through additional upsized tranches. The Main Street Facilities provide $500k - $200 million in funding for small and medium-sized business and is backed by a government guarantee by the Federal Reserve.

KEY HIGHLIGHTS

What Businesses are Eligible?

Companies must have been organized under U.S. law prior to March 13, 2020 and satisfy at least one of the following two conditions:

- Employ less than 15,000 employees
- 2019 annual revenues of less than $5 billion

Note that companies may only participate in one of the Main Street Facilities, but they are able to also participate in the Paycheck Protection Program

How Much Can Be Borrowed?

The maximum new loan size under the MSNLF and MSPLF is equal to the lesser of:

- $25 million
- 4x (MSNLF) or 6x (MSPLF) the company's 2019 EBITDA minus all outstanding debt

The maximum upsized tranche under the MSELF is equal to the lessor of:

- $200 million
- 35% of the company's existing outstanding and undrawn available bank debt (UABD)
- 6x the Borrower's 2019 EBITDA minus all outstanding debt

The minimum loan size is $500k for MSNLF and MSPLF, and $10 million for MSELF

What are the Loan Terms?

The Main Street Facilities must contain the following features:

- Four-year maturity
- Deferral of amortization of principal and interest for one year
- Payment: MSNLF years 2-4 33.33% each year, MSPLF & MSELF years 2-4 15%, 15%, 70%
- Adjustable interest rate of LIBOR plus 300 basis points
- An origination fee equal to 100 basis points of the loan
- Prepayment is permitted without penalty

Restrictions and Conditions

Companies are required to:

- Not repay other debts other than mandatory principal and interest payments
- Not cancel or reduce any outstanding lines of credit
- Certify that it has the ability to meet its financial obligations for at least the next 90 days
- Follow the compensation, stock repurchase, and capital distribution restrictions that are set forth under the CARES Act. S-Corporations and other tax pass-through entities may make distributions to the extent reasonably required to cover its owner's tax obligations
- Certify that it is eligible for a loan in light of the conflicts of interest prohibition in the CARES Act (see attached for further information)

Contact Skyway Capital Markets today to see if we can help you with the Main Street Loan Program or other available sources of capital.

All communications, inquiries and requests for information should be addressed to the Skyway Capital Markets persons listed below:

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Addendum A

Restrictions on Employee Compensation

Section 4003(c)(3)(A)(III) of the CARES Act provides that all Federal Reserve Programs providing direct loans and receiving Department of Treasury support under Section 4003(b)(4) of the CARES Act, including the Main Street Facilities, require restrictions on employee compensation for borrowers. These restrictions last for the term of any Eligible Loan (or upsized tranche thereof with respect to the Expanded Facility) plus one year and are as follows:

- No officer or employee whose total compensation was greater than $425,000 in 2019 can receive pay increases or be offered severance or other benefits that exceed more than two times their maximum compensation received in 2019; and
- No officer or employee whose total compensation was greater than $3,000,000 in 2019 can receive compensation in excess of (i) $3,000,000, plus (ii) 50 percent of the amount by which such person's 2019 compensation exceeded $3,000,000.

"Total compensation" includes salary, bonuses, awards of stock and other financial benefits provided by an Eligible Borrower to an officer or employee. The CARES Act does not specify when or how "awards of stock" are to be valued for purposes of determining total compensation.

Conflicts of Interest

Eligible Borrowers under the Main Street Facilities will have to certify that they are eligible to receive an Eligible Loan in light of the conflicts of interest prohibition set forth in Section 4019(b) of the CARES Act. That section provides that no "covered entity" is eligible to participate in programs established pursuant to Section 4003 of the CARES Act. A "covered entity" is an entity in which a "covered individual" holds a 20 percent or greater equity interest. A "covered individual" is defined as the President, the Vice President, the head of a cabinet department or a member of Congress along with any of these individuals' spouses, children or sons-in-law or daughters-in-law. "Equity interest" is defined broadly to mean (a) a share or stock interest, (b) capital or profits interest in a limited liability company or partnership or (c) a warrant or right (other than a right to convert) to either of the interests in (a) or (b).