

COVID-19 Relief Update

As of April 15, 2020

Preliminary Main Street Lending Program Overview

On April 9, 2020, the Federal Reserve Board provided up to \$2.3 trillion in loans to support the economy. Included in this package is funding for the Main Street Lending Program (“MSLP”) which targets middle market businesses affected by COVID-19. This Program has two subprograms, one for new loans originated and the second for the expansion of existing loans

Program deadline: September 30, 2020

	Main Street New Loan Facility	Main Street Expanded Loan Facility
Origination	On or After April 8, 2020	Before April 8, 2020
Maturity	4 Years	4 Years
Interest rate	SOFR + 250-400 bps	SOFR + 250-400 bps
Amortization	One-year deferral of principal and interest	One-year deferral of principal and interest
Minimum Loan	\$1 million	\$1 million
Maximum Loan	Lesser of (i) \$25mm or (ii) an amount that, when added to the borrower’s existing outstanding and committed, but undrawn debt, does not exceed 4x the borrower’s 2019 EBITDA	Lesser of (i) \$150mm or (ii) 30% of eligible borrower’s existing outstanding and committed, but undrawn bank debt, or (iii) an amount that, when added to the borrower’s existing outstanding and committed, but undrawn debt, does not exceed 6x the borrower’s 2019 EBITDA
Prepayment Penalty	None	None

MSLP Rules Subject to Change



Current proposed MSLP rules and terms are out for comment until April 16, 2020. Like PPP proposals, MSLP is subject to change significantly post-comment

Pricing Utilizes SOFR vs. LIBOR



Pricing determined by Secured Overnight Financing Rate (“SOFR”) plus an interest margin instead of LIBOR. This could increase complexity with the expansion of existing loans utilizing LIBOR

Security Status



MSLP New Loan Facility will be unsecured while the MSLP Expanded Loan Facility will inherit a pari passu secured status if the expanded facility is secured

Combining COVID-19 Relief Programs



Able to utilize Paycheck Protection Program in conjunction with Main Street Lending Program

Current Key Restrictions



Borrower must attest that it requires financing due to exigent circumstances from COVID-19



Proceeds cannot be used to repay or refinance pre-existing loans



Limitations on officer and employee compensation for one year after loan is no longer outstanding



Borrower will use MSLP proceeds to “make reasonable efforts” to maintain payroll and retain employees



Borrower prohibited to pay dividends to common stock, or repurchase an equity security while the loan is outstanding

Preliminary Main Street Lending Program – Illustrative Example

Example Company Profile Used in Our Analysis

2019 EBITDA	\$6.0
Outstanding Bank Debt	\$12.0
<i>x of EBITDA</i>	2.0x
Committed Bank Debt	\$15.0

Illustrative MSLP New Debt Characteristics

SOFR Rate (4/14/20)	0.02%
Interest Spread	4.00%
Total Interest Rate	4.02%
Maturity	4 Years
Principal & Interest Deferred	1 Year

Illustrative Example Overview

Company has \$6mm 2019 EBITDA pre-COVID-19 and adversely affected in Year 1 by the pandemic. Company recovers by utilizing the MSLP New Debt Loan Facility as they could obtain more relief than the MSLP Expanded program

Main Street Lending Program Availability Tests

Limitations (\$mm)	MSLP New Debt		MSLP Expanded Debt	
	Lesser of:	\$25.0		\$150.0
or up to Max Leverage	4.0x	\$9.0	6.0x	\$21.0
or 30% of Available Bank Debt				\$4.5
Additional MSLP Bank Debt Allowed	\$9.0		\$4.5	
Total Debt	\$21.0		\$16.5	
<i>x of 2019 EBITDA</i>	3.5x		2.8x	

Illustrative Main Street Lending New Debt Schedule

	2019	Year 1	Year 2	Year 3	Year 4
EBITDA	\$6.0	\$2.0	\$5.0	\$7.0	\$8.0
Beginning Balance	\$9.0	\$9.0	\$6.9	\$4.7	
Accrued Interest	\$0.4	\$0.0	\$0.0	\$0.0	\$0.0
Cash Interest Payment	\$0.0	\$0.7	\$0.3	\$0.2	
Principal Payment	\$0.0	\$2.1	\$2.2	\$2.3	
Bullet Payment at Maturity	\$0.0	\$0.0	\$0.0	\$2.4	
Total Debt Payment	\$0.0	\$2.8	\$2.5	\$4.9	
Ending Balance	\$9.0	\$6.9	\$4.7	\$0.0	
<i>Debt Service Coverage Ratio</i>	0.0x	0.6x	0.4x	0.6x	
<i>Debt to EBITDA</i>	4.5x	1.4x	0.7x	0.0x	

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MORE THAN
229
YEARS OF EXPERIENCE

MORE THAN
\$108B
IN TRANSACTIONS

MORE THAN
163
TOTAL TRANSACTIONS

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Managing
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Wm. Lee Merritt
Managing
Director



Gary Grote
Managing
Director



Mike Anderson
Managing
Director



Chad Gardiner
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Adam Claypool
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