

COVID-19 Relief Update

As of May 4, 2020

Bridgepoint Update – Main Street Lending Program

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

Program Deadline: September 30, 2020

	Main Street New Loan Facility	Main Street Priority Loan Facility	Main Street Expanded Loan Facility
Origination	After April 24, 2020	After April 24, 2020	Before April 24, 2020
Maturity	4 Years	4 Years	4 Years
Interest rate	LIBOR + 300 bps	LIBOR + 300 bps	LIBOR + 300 bps
Principal Amortization	Year 1: 0.0% Year 2: 33.3% Year 3: 33.3% Year 4: 33.3%	Year 1: 0.0% Year 2: 15.0% Year 3: 15.0% Year 4: 70.0%	Year 1: 0.0% Year 2: 15.0% Year 3: 15.0% Year 4: 70.0%
Minimum Loan	\$500,000	\$500,000	\$10,000,000
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) \$25mm or (ii) 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	Lesser of (i) \$200mm or (ii) 35% of 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	None
Lender Participation	5.0%	15.0%	5.0%

Key Restrictions, Covenants & Notices

- **Borrower potentially subject to public reporting of company name and loan details. Many firms see the potential negative backlash from public reporting outweighing potential program benefits**
- Borrower must attest that it requires financing due to exigent circumstances from COVID-19 and make commercially reasonable efforts to maintain payroll and retain employees during the term of the loan
- Borrower must have been in sound financial standing prior to COVID-19 pandemic. Any existing loan a borrower had outstanding as of 12/31/19 must have had an internal risk rating equivalent to “pass” in the FFIEC supervisory rating system
- Proceeds cannot be used to repay or refinance pre-existing loans. **However, under the Priority Loan Facility, at the time of close, the borrower may refinance existing debt with a lender who is not making the Main Street Loan**
- Limitations on officer and employee compensation for one year after loan is no longer outstanding
- Borrower prohibited to pay dividends to common stock, or repurchase an equity security while the loan is outstanding and for one year after the loan is paid off⁽¹⁾

(1) Except for dividends required to pay taxes by a S corporation.

Sources: US Federal Reserve Board

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Following the review of over 2,200 comment letters from businesses and industry groups, the Federal Reserve provided additional guidance to address issues and expand the reach of potential businesses who may require access to additional financing during the COVID-19 pandemic

Eligibility Requirements

Borrowers	Lenders
<ul style="list-style-type: none">▪ Must have been established prior to March 13, 2020▪ Must not be an ineligible business according to SBA loan guidance – including non-profits, financial business engaged in lending, life insurance, schools and passive businesses owned by developers and landlords that do not actively use or occupy the assets▪ Must meet one of the following two conditions (but not required to meet both)<ol style="list-style-type: none">1. 15,000 employees or fewer, or2. 2019 annual revenue of \$5 billion or less▪ Must be a U.S. business	<ul style="list-style-type: none">▪ US federally-insured depository institutions (including banks, savings associations, and credit unions) and US bank holding companies▪ US branches or agencies of foreign banks or US intermediate holding companies of foreign banking organizations▪ At this time, nonbank financial institutions are not considered eligible lenders for purposes of the Program. However, the Federal Reserve is considering options to expand the list of eligible lenders in the future▪ Eligible lenders will determine at their own discretion their involvement in the MSLP, if at all

Main Street Lending Program vs. Other COVID-19 Relief Programs

Main Street Lending Program

- The Federal Reserve designed the Main Street Lending program to support small and medium sized businesses that were unable to access the PPP or that require additional financial support after receiving a PPP loan. Main Street loans are not forgivable

Payroll Protection Program (“PPP”)

- The PPP was established by the CARES Act and implemented by the SBA to support payroll and operations of small businesses through government-guaranteed loans that include forgiveness for borrowers that satisfy the requirements of the PPP

Primary Market Corporate Credit Facility (“PMCCF”)

- The Federal Reserve established the PMCCF to support large companies through the purchase of eligible corporate bonds from, and lending through syndicated loans to, large companies. PMCCF loans are not forgivable

Economic Injury Disaster Loan Emergency Advance

- The SBA’s program allows eligible small business owners to apply for an emergency loan and an advance of up to \$10,000. The loan advance is forgivable, but the loan otherwise not

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Underwriting

- The 2019 EBITDA measurement under the New Loan and Priority Loan must use a methodology previously used for adjusting EBITDA when extending credit to similar borrowers. The Expanded Facility 2019 EBITDA measurement must use the previous methodology used to underwrite the existing facility
- MSLP loans may be secured or unsecured. The Expanded Facility must be secured if the underlying loan is secured. Eligible lenders can require eligible borrowers to pledge additional collateral to secure the Expanded Facility as a condition of approval
- Despite meeting eligibility requirements, businesses may not be approved or receive the maximum allowable amount by a lender

Outstanding Issues

- Formal program launch date
- The Federal Reserve is currently working to create the infrastructure necessary to operationalize the MSLP
- Underwriting metric for asset-based borrowers that do not utilize EBITDA. The Federal Reserve and the Treasury Department will be evaluating the feasibility of adjusting the loan eligibility metrics for asset-based borrowers
- Adjusting the borrower eligibility criteria and loan eligibility metrics of the MSLP for non-profit organizations

Considerations for Potential Borrowers

- Contact your existing lender for more information on whether they plan to participate in the MSLP
- A business that receives PPP can access the MSLP financing if the eligible borrower criteria is met
- Weigh potential company reputational risk of publicly reported information at current profitability levels

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- Consider long-term goals and priorities as it relates to the existing capital structure and liquidity requirements for the business to navigate the COVID-19 pandemic
- Imperative to properly sequence capital and understand the long-term implications / restrictions
- Alternative capital providers remain eager to commit capital in tandem with relief programs

Bridgepoint Expertise

Bridgepoint is uniquely focused on assisting first time issuer / non-sponsor middle market counterparties in leveraged finance / debt advisory option analysis and transaction execution

Full-service investment banking capabilities spanning capital raising, sell-side M&A and buy-side M&A

MORE THAN

229

YEARS OF EXPERIENCE

\$108B

IN TRANSACTIONS

163

TOTAL TRANSACTIONS

SENIOR LEADERSHIP



Matt Plooster
Managing Director



Wm. Lee Merritt
Managing Director



Gary Grote
Managing Director



Mike Anderson
Managing Director



Chad Gardiner
Director



Adam Claypool
Managing Director



Joe Liss
Managing Director



Natasha Plooster
COO



Subhash Marineni
Vice President



Alex Spanel
Associate

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