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Main Street Lending Program.

- On April 9, 2020, the Board of Governors of the Federal Reserve System released term sheets ooutlining two new lending programs under the CARES Act:
    (1) the Main Street New Loan Facility ("MSNLF")
    (2) Main Street Expanded Loan Facility ("MSELF")
    (3) Main Street Priority Loan Facility ("MSPLF")

- These programs are aimed at paving the way for increased lending to small and medium-sized businesses impacted by COVID-19. Under these facilities, a Federal Reserve Bank will commit to lend to SPVs, who in turn will purchase 95% participations in certain eligible loans made by U.S. banks and savings and loan institutions.

- Depending on the facility, lenders will retain 5% or 15% of the loan..

- Through this program, the Federal Reserve will purchase up to $600 billion of eligible loans.

- The Federal Reserve will announce when the program is officially launched, and when it will begin purchasing participation interests. Further guidance on many details of the program are expected as the program is launched.

MSNLF:
- The available new loan amount will be from $500,000 up to the lesser of (i) $25 million or (ii) an amount that, when added to the Eligible Borrower's existing outstanding and committed but undrawn debt, does not exceed four times the Eligible Borrower's 2019 earnings before interest, taxes, depreciation, and amortization (EBITDA).

MSPLF:
- The available loan amount will be from $500,000 to $25 million.
- The maximum size of a loan made in connection with the MSPLF cannot, when added to the Eligible Borrower's existing outstanding and undrawn available debt, exceed six times the Eligible Borrower's adjusted 2019 EBITDA.
- Eligible Borrowers may, at the time of origination of the loan, refinance existing debt owed by the Eligible Borrower to a lender that is not the Eligible Lender.

MSELF:
- The available loan amount for the upsized tranche of an existing term loan or credit facility will be from $10 million up to the least of (i) $200 million, (ii) 35 % of the Eligible Borrower's existing and committed but undrawn bank debt that is pari passu in priority with the MSELF loan and equivalent in secured status, or (iii) an amount that, when added to the Eligible Borrower's existing outstanding and committed but undrawn debt, does not exceed six times the Eligible Borrower's 2019 EBITDA.
- If the existing loan being upsized is secured, the new loan must be secured by the same collateral with the same priority.

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Program	Brief Description
Main Street New Loan Facility	New unsecured term loans originated on or after April 8, 2020 with a maximum loan size equal to the lesser of: • $25 million; or • 4x 2019 EBITDA minus the sum of (i) existing outstanding debt plus (ii) committed but undrawn debt.
Main Street Expanded Loan Facility	Upsizing of an existing term loan that was originated before April 8, 2020 with a maximum upsize tranche equal to the lesser of: • $150 million; • 30% of the sum of (i) existing outstanding bank debt plus (ii) committed but undrawn bank debt; or • 6x 2019 EBITDA minus the sum of (i) existing outstanding debt plus (ii) committed but undrawn debt.

	Main Street New Loan Facility ("NLF")	Main Street Expanded Loan Facility ("ELF")
Availability Period:	Until September 30, 2020 (unless extended).	
Eligible Borrowers:	(i) Businesses up to 10,000 employees or up to $2.5 billion in 2019 annual revenues; (ii) Created or organized in the U.S. with significant operations in and a majority of employees based in the U.S.; and (iii) Cannot participate in both the NLF and ELF programs (also, cannot participate in the Primary Market Corporate Credit Facility). ***VEDDER OBSERVATION:*** *Recipients of SBA Paycheck Protection Loans under the CARES Act are eligible to participate in this program.*	
Eligible Lenders:	(i) U.S. insured depository institutions; (ii) U.S. bank holding companies; and (iii) U.S. savings and loan holdings companies. ***VEDDER OBSERVATION:*** *Alternative lenders are not eligible at this time.*	
Conditions:	• Proceeds cannot be used to repay or refinance pre-existing loans or lines of credit made by the Eligible Lender to the Eligible Borrower. • Proceeds cannot be used to repay other loan balances. • Cannot repay other debt of equal or lower priority, with the exception of mandatory principal payments, unless the Eligible Borrower has first repaid the Eligible Loan in full. • Cannot cancel or reduce any outstanding lines of credit with the Eligible Lender or any other lender. • Financing is required due to the exigent circumstances presented by COVID-19. • Using the proceeds of the Eligible Loan (or proceeds of the upsized tranche thereof), Eligible Borrower will make reasonable efforts to maintain its payroll and retain its employees during the term of the Eligible Loan (or the upsized tranche thereof). • Eligible Borrower cannot be owned, controlled or held by certain governmental officials or certain of their relatives. ***VEDDER OBSERVATION:*** *The payroll maintenance and employee retention requirement under the Main Street Lending Facilities is less restrictive than the similar requirements under the Mid-Sized Business Lending Program previously specified under the CARES Act, where a borrower is subject to obligations to retain and restore at least 90% of the workforce and related compensation. In addition, the outsourcing/offshoring and union-related restrictions under the Mid-Sized Business Lending Program do not appear to apply to the Main Street Lending Facilities.*	

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Borrower Eligibility details:

- Businesses with up to 10,000 employees (including affiliates) or up to $2.5 billion in 2019 annual revenues (including affiliates) which require financing due to the exigent circumstance presented by the COVID-19 pandemic. 2019 annual revenues may be measured by either annual revenue per the business's 2019 GAAP-based audited financial statements, or 2019 annual receipts as reported to the IRS.

- Must be a business formed before March 13, 2020, and be created or organized under the laws of the United States, or one of the States, the District of Columbia, any territory or possession of the United states, or an Indian Tribal government.

- Must have significant operations in the United States, with a majority of its employees based in the United States.

- Must have been in sound financial condition prior to the onset of the COVID-19pandemic.

- Must not be an ineligible borrower listed in 13 CFR 120.110(b)-(j) and (m)-(s) and modified by SBA PPP regulations.

- For MSELF loans, any existing loan it had with the lender as of December 31, 2019 must have had an internal risk rating with the lender equivalent to a "pass" in Federal Financial Institutions Examinations Counsel's supervisory rating as of that date.

- May participate in the Payroll Protection Program, but may not participate in the Primary Market Corporate Credit Facility or any of the other MSLP facilities.

- Firms seeking Main Street loans must commit to make reasonable efforts to maintain payroll and retain workers.

- Must be able to make all certifications and requirements required under MSLP, as set forth in the Term Sheets.

- Non-profits are not currently eligible. The government is considering the feasibility of adjusting this criterion.

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	Main Street New Loan Facility ("NLF")	Main Street Expanded Loan Facility ("ELF")
Eligible Loans:	An unsecured term loan made by an Eligible Lender to an Eligible Borrower that was originated on or after April 8, 2020, provided that the loan has the features described below.	A term loan made by an Eligible Lender to an Eligible Borrower that was originated before April 8, 2020, provided that the upsized tranche of the loan has the features described below.
New/Upsized Loan Features:		
Loan Size:	**Minimum:** $1 million.	
	Maximum: Lesser of: • $25 million; or • 4x 2019 EBITDA minus the sum of (i) existing outstanding debt plus (ii) committed but undrawn debt.	**Maximum:** Lesser of: • $150 million; • 30% of the sum of (i) existing outstanding bank debt plus (ii) committed but undrawn bank debt; or • 6x 2019 EBITDA minus the sum of (i) existing outstanding debt plus (ii) committed but undrawn debt.
	***VEDDER OBSERVATION:** EBITDA appears to be calculated on an un-adjusted basis. Also, the 30% test above is based on "bank debt" rather than "debt". Neither term is defined but the difference between bank debt and debt, if any, is likely to be clarified.*	
Interest Rate:	Adjustable rate of SOFR + 2.5% to 4%. ***VEDDER OBSERVATION:** The interest rate is based on SOFR rather than LIBOR or prime rate.*	
Maturity:	4 years.	
Payment Deferrals:	1 year deferral for principal amortization and interest payments.	
Prepayment:	Yes, with no prepayment premium.	
Collateral:	Unsecured.	Any collateral securing an Eligible Loan, whether such collateral was pledged under the initial loan or at the time of upsizing, will secure the loan participation on a pro rata basis.
Loan Participation:	SPV will purchase a 95% pari passu participation in the Eligible Loan, at par value.	SPV will purchase a 95% pari passu participation in the upsized tranche of the Eligible Loan upsized on or after April 8, 2020, at par value.
Fees:		
(i) Facility Fee:	Eligible Lender will pay SPV a 1% facility fee of the principal amount of the loan participation. Eligible Lender may require Eligible Borrower to pay this fee.	N/A.

Key Loan Terms:

- Interest rate of one to three months LIBOR plus 3%;
- Full recourse loans, not forgiven;
- Four-year maturity;
- May be a secured or unsecured loan (if the underlying loan on an MSELF is secured, the upsize tranche must be secured);
- Cannot be subordinated to other loans or debt instruments (for MSPLF and MSELF, any existing debt other than mortgage debt must be at most pari passu in priority with the MSPLF or MSELF loan an equivalent in secured status);
- Origination fees of up to 100 basis points for MSNLF and MSPLF, and up to 75 basis points for MSELF
- Amortization of principal and interest deferred for one year, unpaid interest will be capitalized. For MSNLF, 1/3 of the loan will be due at the end of years 2, 3 and 4. For MSPLF and MSELF, 15% will be due at the end of years 2 and 3, and 70% will be due at the end of year 4.
- Must meet the lender's additional underwriting criteria;
- Prepayment permitted without penalty;

- If the loan underlying a MSELF upsize tranche is part of a multi-lender facility, the MSELF lender must be one of the lenders that holds an interest in the underlying loan at the date of upsizing;
- For MSELF, the existing loan must have been originated on or before April 24, 2020, and must have a remaining maturity of at least 18 months. The maturity date of an existing loan or credit facility may be extend to satisfy the 18 month maturity requirement.

Key Restrictions on Borrowers

- Compensation, stock repurchase on and capital distributions restrictions apply;
- The Borrower may not repay principal balance or interest on any debt until the MSLP loan is repaid in full, unless the principal or interest is mandatory and due. The Borrower may not cancel or reduce any committed lines of credit with any lender, incl. the MSLP lender. However, the Borrower may:
  - repay a line of credit (including a credit card) in accordance with the Borrower's normal course of business usage for the line of credit;
  - take on and pay additional debt obligations required in the normal course of business on standard terms, including equipment and inventory financing, provided that such debt is secured by newly acquired property and, apart from such new security, is of equal or lower priority than the MSLP loan; refinance existing debt; and
  - for MSPLF, the Borrower may, at the time of the MSPLF loan, refinance existing debt with another lender.

Lender Eligibility, Review of Applications and Fees

- The following are eligible lenders:
  - U.S. federally insured depository institutions
  - U.S. bank holding companies
  - U.S. savings and loan holding companies
  - a U.S. branch or agency of a foreign bank
  - a U.S. intermediate holding company of a foreign banking organization
  - or a U.S. subsidiary of any of the foregoing, are eligible to participate as lenders
- Lenders are expected to conduct an assessment of each applicant's financial condition and creditworthiness, and to apply their own underwriting standards. To conduct such evaluations, lenders may require additional documents and information from applicants.
- At the time of origination, lenders will pay the SPV a transaction fee of 100 basis points for MSNLF and MSPLF loans, and 75 basis points for MSELF loans.
- As a servicing fee, the SPV will pay lenders 25 basis points of its participation in the loan per annum.

For additional information:
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Neither Venturezen, Inc, nor any of its employees provide tax or legal advice. You should consult with your personal tax or legal advisor.