JANOVER LLC
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CARES ACT – Additional Funding:
MAIN STREET LENDING PROGRAM

On April 30, 2020, the Federal Reserve issued updated guidance related to the Main Street Lending Program, which was originally announced on April 9th, and offers $600 billion of new financing for small and medium sized businesses*. While this guidance did begin to answer many questions related to this program, we still await detail from the Federal Reserve regarding eligibility, particularly to the borrower's financial condition prior to the program. Additionally, it is unclear as to when exactly this program will become operational.

The good news is, if you received a PPP Loan you are still eligible for this program!

There are three distinct programs:

MSNLF Main Street New Loan Facility	**MSPLF** Main Street Priority Loan Facility	**MSELF** Main Street Expanded Loan Facility
New Loans to small and medium sized businesses	**New Loans to small and medium sized businesses**	**Expanded loans to small and medium sized businesses that have existing loans.**

• Minimum size of loan –
  • **$500,000**
• Maximum size of loan is lesser of:
  • **$25 million** OR
  • An amount, that when added to the Eligible Borrowers existing outstanding and committed, but undrawn debt, does not exceed **four times** the Eligible Borrowers adjusted 2019 earnings before interest, taxes, depreciation and amortization ("EBITDA")
• US Treasury Special Purpose Vehicle ("SPV") will purchase 95% of the loan
• Principal amortization is 33.33% at the each of years 2-4
	• Minimum size of loan –
	  • **$500,0000**
	• Maximum size of loan is lesser of:
	  • **$25 million** OR
	  • an amount that, when added to the Eligible Borrower's existing outstanding and undrawn available debt, does not exceed **six times** the Eligible Borrower's adjusted 2019 EBITDA
	• SPV will purchase 85% of the loan
	• Principal amortization is 15% end of year 2 & 3, with balance due at end of year 4
		• Minimum size of loan –
		  • **$10 Million**
		• Maximum size of loan is lesser of:
		  • **$200 million** OR
		  • 35% of the Eligible Borrower's existing outstanding and committed bank debt OR
		  • An amount, that when added to the Eligible Borrowers existing outstanding and committed, but undrawn debt, does not exceed **six times** adjusted 2019 EBITDA
		• SPV will purchase 95% of the loan
		• Principal amortization is 15% end of year 2 & 3, with balance due at end of year 4

- Interest Rate is 300 bps above the 1 or 3 month LIBOR (for the week of 4/28/20, 1 Month LIBOR is 0.40% and 3 Month is 0.76%)
- Maturity – **Four years**
- Principal and interest deferred for one year
- Prepayment permitted without penalty
- Contractually must not be subordinate to any other loan

** Under the Main Street Lending Program, small and medium sized businesses include those businesses up to 15,000 Employees and up to $5 Billion in revenue for 2019*

Requirements for the loan

Eligible Borrower Requirements

The Eligible Borrower must commit to refrain from repaying the principal balance of, or paying any interest on, any debt until the Eligible Loan is repaid in full, unless the debt or interest payment is mandatory and due.

The Eligible Borrower must commit that it will not seek to cancel or reduce any of its committed lines of credit with the Eligible Lender or any other lender.

The Eligible Borrower must certify that it has a reasonable basis to believe that, as of the date of origination of the Eligible Loan and after giving effect to such loan, it 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 time period.

The Eligible Borrower must commit that it will follow compensation, stock repurchase, and capital distribution restrictions that apply to direct loan programs under section 4003(c)(3)(A)(ii) of the CARES Act, except that an S corporation or other tax pass-through entity that is an Eligible Borrower may make distributions to the extent reasonably required to cover its owners' tax obligations in respect of the entity's earnings.

The Eligible Borrower must certify that it is eligible to participate in the Facility, including in light of the conflicts of interest prohibition in section 4019(b) of the CARES Act.

The methodology used by the Eligible Lender to calculate adjusted 2019 EBITDA for an Eligible Borrower must be a methodology it previously used on or before April 24, 2020.

Eligible Lender Requirements

The Eligible Lender must commit that it will not request that the Eligible Borrower repay debt extended by the Eligible Lender to the Eligible Borrower, or pay interest on such outstanding obligations, until the Eligible Loan is repaid in full, unless the debt or interest payment is mandatory and due, or in the case of default and acceleration.

The Eligible Lender must attest that it will not cancel or reduce any existing lines of credit outstanding to the Eligible Borrower, except in an event of default

The Eligible Lender must certify that the methodology used for calculating the Eligible Borrower's adjusted 2019 EBITDA for the leverage requirement in section 6(ii) of the Eligible Loan paragraph above is the methodology it has previously used for adjusting EBITDA when extending credit to the Eligible Borrower or similarly situated borrowers on or before April 24, 2020.

The Eligible Lender must certify that it is eligible to participate in the Facility, including in light of the conflicts of interest prohibition in section 4019(b) of the CARES Act.

Other Information

The borrower must not also participate in the Primary Market Corporate Credit Facility (PMCCF). The PMCCF was established on 3/23/2020 and is open to investment grade companies and will provide bridge financing for four years.

The origination fee that the lender can charge is 100 basis points plus the possibility of an additional 100 basis points on the 95% of the portion of the loan that is sold to the Treasury.

Use of loan proceeds – Reasonable effort to maintain payroll with restrictions on compensation of owners, stock repurchases and capital distributions.

For the duration of the loan, plus one year, the borrower must agree to the following:

- for any non-union employee or officer whose 2019 total compensation exceeded $425,000, total compensation for any 12-month period may not exceed 2019 total compensation levels;
- for any employee or officer whose 2019 total compensation exceeded $3.0 million, total compensation for any 12-month period may not exceed the sum of (i) $3.0 million plus (ii) 50 percent of the excess over $3.0 million
- for any person in either of the above categories, severance upon termination may not exceed two times 2019 maximum total compensation

US Lenders (U.S. Insured Depository Institutions, U.S. Bank Holding Companies and U.S. S&L Holding Companies) will originate and administer these loans. Eligible lenders will retain 5-15% of each loan and sell the remaining portion to a US Treasury SPV in which the U.S. Department of Treasury will make a $75 Billion investment.

REMEMBER - THESE LOANS ARE NOT FORGIVABLE

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About Janover LLC

Janover LLC is a full service accounting firm with offices in New York City and Long Island. Janover is a Top 200 firm and is ranked as one of the top Mid-Atlantic accounting firms by Accounting Today. Janover LLC has industry and specialty practice teams who deliver specialized services, including data analytic services, to clients in Real Estate, Construction, Manufacturing, Wholesale & Distribution, Retail, Professional Services, Entertainment and Financial Services.

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