JANOVER LLC
Certified Public Accountants • Advisors

JANOVER UPDATE ON THE
MAIN STREET LENDING PROGRAM

On May 27, 2020 the Federal Reserve Board released documents and expanded explanatory materials, including updated Frequently Asked Questions (FAQ) related to the Main Street Lending Program (MSLP).

Our team at Janover has reviewed these FAQ's and has summarized, what we believe to be, the key items to bring to your attention.

This document will only cover the new FAQ's. For a detailed overview of the MSLP as a whole, see Janover's "Cares Act: Main Street Lending Program" document released on May 2nd.

The MSLP has three different loan types and is different from the Payroll Protection Program ("PPP") loans under the Cares Act. Unlike the PPP, loans under the MSLP are not forgivable. The MSLP loans are not part of the SBA.

- If you have a PPP Loan, you are still eligible for a loan under the MSLP.

MSLP eligible lenders will apply their own underwriting standards in evaluating the financial condition and creditworthiness of a potential borrower.

- Eligible lenders may require additional information and documentation that are not required by the Federal Reserve and the special purpose vehicle created to purchase participation in the eligible loan for the MSLP eligible lenders.

All three types of the MSLP require the lender to be in the first priority in Bankruptcy. The loan issues under the MSLP must be senior or pari passu to any other debt, including secured debt or mortgage debt secured by real estate assets.

- This may require debt incurred prior to April 24, 2020 to be amended with the existing lender.

There are significant limitations to distributions when taking a loan under the MSLP. One such exemption is to allow S-corporations and partnerships to distribute cash to its owners in order to pay their personal income taxes.

Guidance on how to calculate 2019 earnings before interest, taxes, depreciation and amortization ("EBITDA"):

- Must be methodology the lender previously required to be used for adjusting EBITDA when extending credit to similarly situated borrows before April 24, 2020.
- When adjusting EBITDA, the lender should choose the most conservative method it has employed in the past.
- The lender may not "cherry pick" or apply different adjustments for the EBITA calculation to suit the needs of the borrower.
- The MSLP requires that the pre-existing loans have an internal risk rating of a "pass" as of December 31, 2019 (i.e., the business would have had to be in good financial standing prior to Covid-19).

The following businesses have been deemed ineligible for the MSLP:

- Non-profit businesses
- Financial businesses primarily engaged in lending
- Passive businesses owned by developers and landlords
- Life insurance companies
- Businesses located in a foreign country
- Pyramid sale distribution plans
- Legal gambling activities
- Illegal activity
- Private clubs and businesses
- Government-owned entities
- Businesses principally engaged in teaching, instructing, counseling
- Businesses engaged in indoctrinating religion or religious beliefs
- Loan packagers
- Businesses with an associate who is incarcerated, on probation, on parole, indicted for a crime
- Businesses in which the lender or CDC, or any of its associates, owns an equity interest
- Businesses which present live performances or sale of products of a sexual nature
- Businesses primarily engaged in political or lobbying activities

About Janover

Janover has made its reputation by being more than just Certified Public Accountants; we are your Trusted Advisors. When it comes to your money and your assets, the foundation elements that preserve your family's way of life, we want to be the people you can depend on. The people you come to first for advice and to provide the solutions that you need. That's why since 1938, thousands of clients have come to depend on the Janover family of companies to give them a safe haven through the rapidly changing business and taxation landscape.

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