

Main Street Lending Program

Program Overview and Key Legal Issues



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Speakers



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Product of the CARES Act

- Passed into legislation on March 27, 2020
- Special purpose vehicle (“SPV”) will purchase up to \$600B in loan participations
 - SPV funded with \$75B equity from CARES Act and up to a \$525B loan from Federal Reserve
- Launched in mid June 2020
- Will cease purchasing participations 9/30/2020

Evolution of Federal Loan Programs

- PPP went through numerous changes
- Main Street already went through a couple iterations
- Non-profit facility currently in the works
- Fed mentioned its considering an asset based program
- Tepid response so far from borrowers and lenders
- Program enhancements could be made

Main Street vs. Paychecks Protection

PPP

- Forgivable
- Small business
- 100% guaranteed by federal gov.
- Streamlined underwriting
- 1.00% interest rate, no fee
- Administered by the Small Business Administration

Main Street

- Not Forgivable 😞
- Small to medium business
- 95% of loan purchased by federal gov.
- Traditional underwriting
- LIBOR+3.00% rate, fees
- Administered by the Federal Reserve Bank

Affiliate Rule

- **Affiliates must be consolidated for the following purposes:**
 - Assessing borrower eligibility (e.g. size limits)
 - Calculating loan amounts
- **Affiliates can each take out their own Main Street loan, but the loans must be under the same Main Street program**
- **Affiliation exists when one company controls the other or a third party controls both.**

Borrower Eligibility

Formation Date

Must be prior to March 13, 2020

Size Limit

Less than 15,000 employees or less than \$5B in revenue

Industry

Can't be in an ineligible industry, which includes non-profits, religious organizations, lobbying, financial speculation, "sin" businesses, lending businesses, private clubs, government organizations, and others.

Creditworthiness

Creditworthy before COVID-19 pandemic. "Pass" risk rating on 12/31/19.

U.S. business

Organized in the U.S. with significant domestic operations and majority of employees in the U.S.

Government Officials

Members of Congress or senior leaders of the U.S. government's executive branch (and their families) cannot hold 20% or greater ownership interests in the Borrower.

Key Loan Program Differences

	New Loan	Priority Loan	Expanded Loan
Loan Amount	\$250k - \$35M	\$250k - \$50M	\$10M- \$300M
Loan Sizing	4X Adj. EBITDA	6X Adj. EBITDA	
Loan Priority	May be junior, but not contractually subordinated	Senior to or pari passu with all other debt <i>(except mortgages and limited recourse equipment loans)</i>	Pari passu with underlying loan
Collateral	Up to lender discretion	Must be secured (w/ 200% collateral coverage) if other secured loans already exist	Collateral requirements must match underlying loan
Loan Fee	1.00% to Fed, up to 1.00% to lender (i.e. 1.00% to 2.00% total fees)		0.75% to Fed, Up to 0.75% to lender
Refinance Debt?	No	Yes (but not Bank's own loans)	No

Proposed Non-Profit Facility

Loan Terms

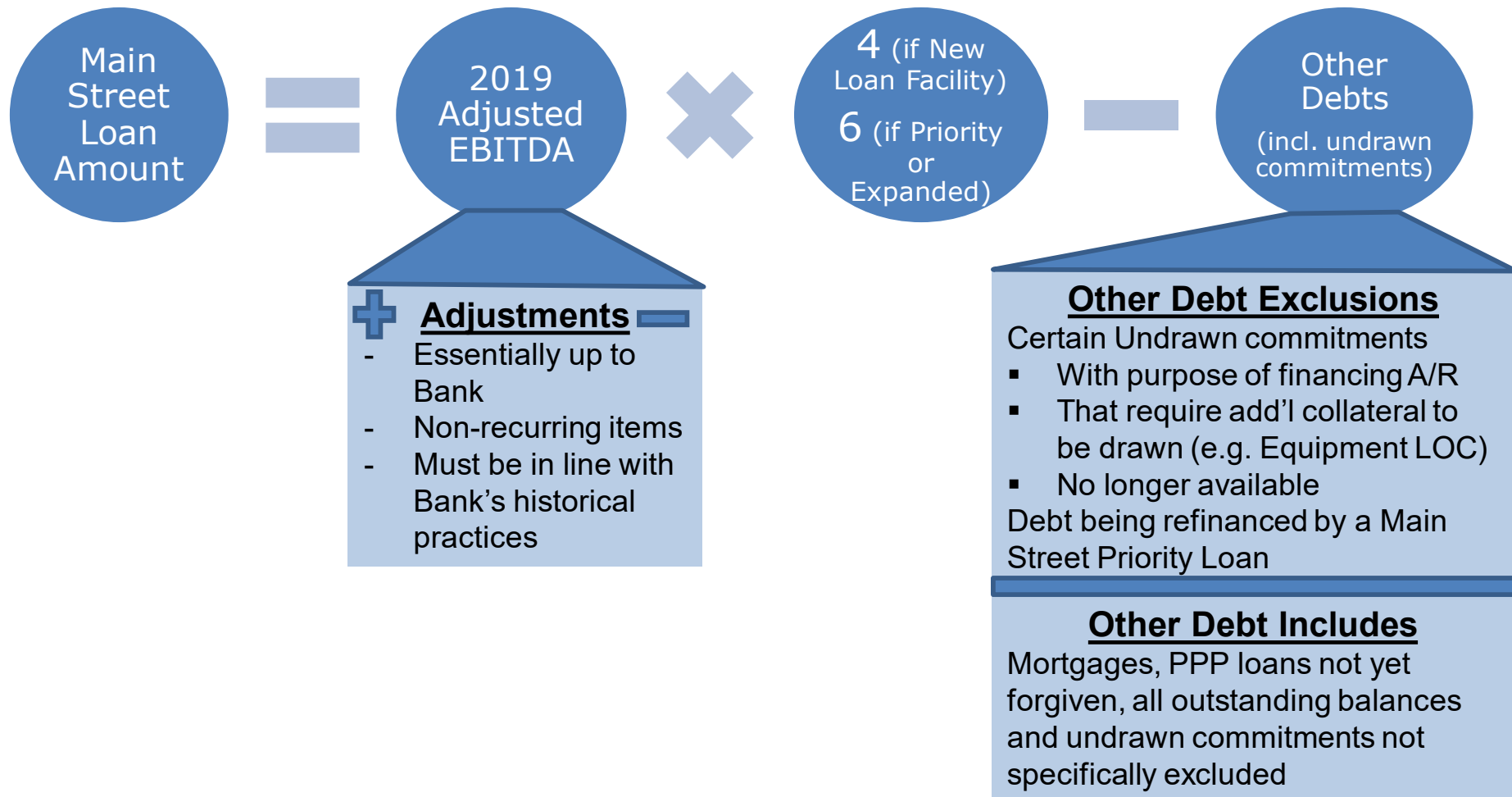
Loan Amount: \$250k to \$35M (\$10M – \$300M for Expanded Loan)
– Capped at 2019 average quarterly revenue

Loan pricing and repayment same as for-profit facilities

Borrower Eligibility

- Established prior to 1/1/2015
- Min. 50 employees
- Less than 15,000 employees or < \$5B annual revenue
- Endowment < \$3B in assets
- Donations < 30% of total revenue
- (EBIDA / unrestricted op. revenue) > 5%

Loan Amount Calculation



Loan Repayment

Year	1	2	3	4	5
Principal	None	None	15%, end of year	15%, end of year	70%, end of year
Interest	None <i>(capitalized)</i>	Monthly	Monthly	Monthly	Monthly

Example: \$5 million loan

Principal	\$0	\$0	\$776,250	\$776,250	\$3,622,500
Interest	\$0	\$181,125	\$181,125	\$153,956	\$126,788
Ending Bal.	\$5,175,000	\$5,175,000	\$4,398,750	\$3,622,500	\$0

* Assumes LIBOR = 0.50%. The Fed permits use of either 1-mo or 3-mo LIBOR.

Prepayments: Allowed any time without penalty

Other Key Terms

Interest Rate

1-mo or 3-mo LIBOR + 3.00%

Term

5 years

Collateral

May or may not be required by Fed, but lender will likely want whatever is available

Personal Guaranty

Not required by Fed, may be required by lender

Banking Relationship

Likely will be required by lender

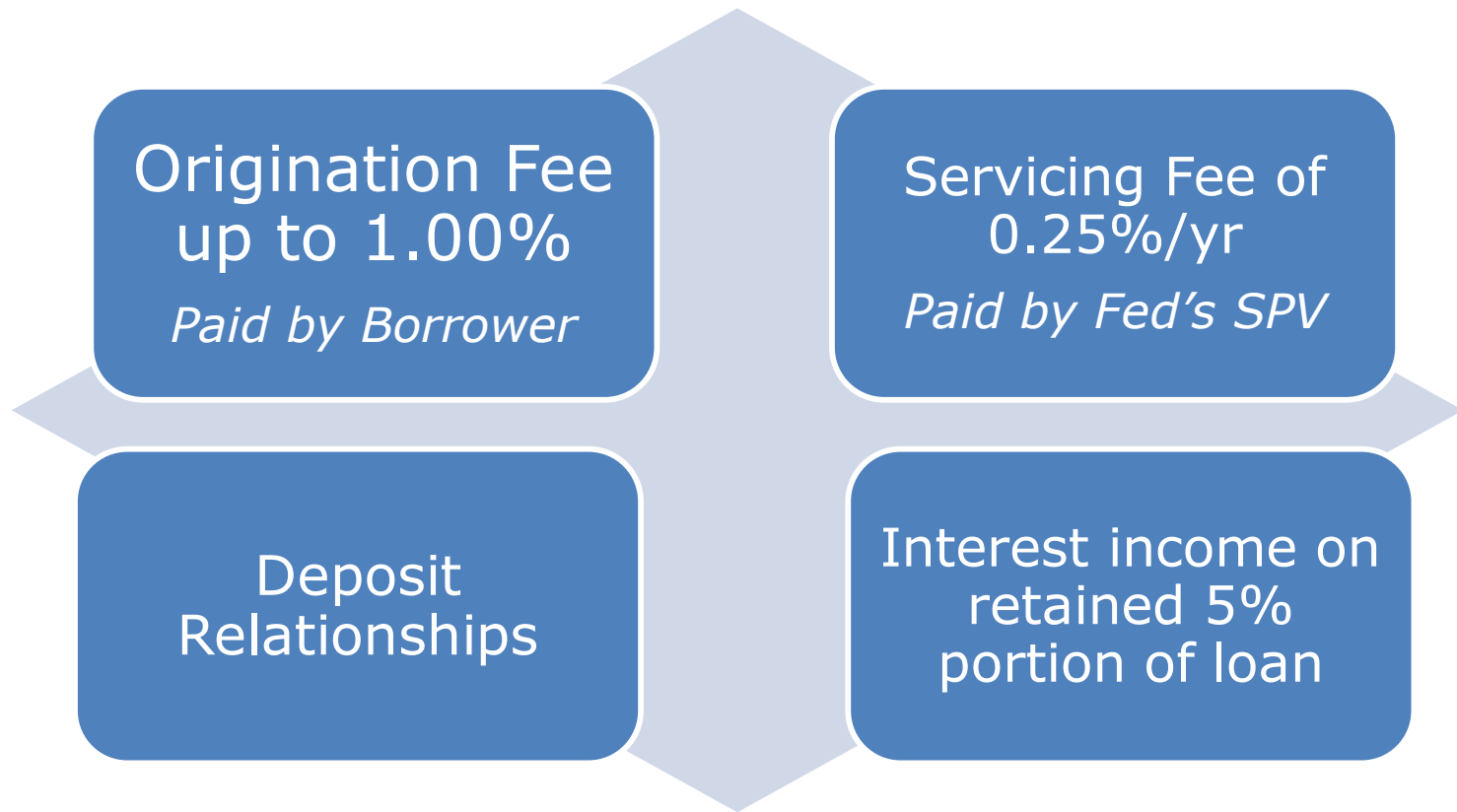
Covenants

Fed requires a few related to maintaining lien priority, cross-acceleration of debts in the event of default, and Borrower certifications remaining true. Lender may also add financial covenants.

Restriction on Debt Pmts

Borrower can't prepay other debt; regularly scheduled principal and interest payments are OK

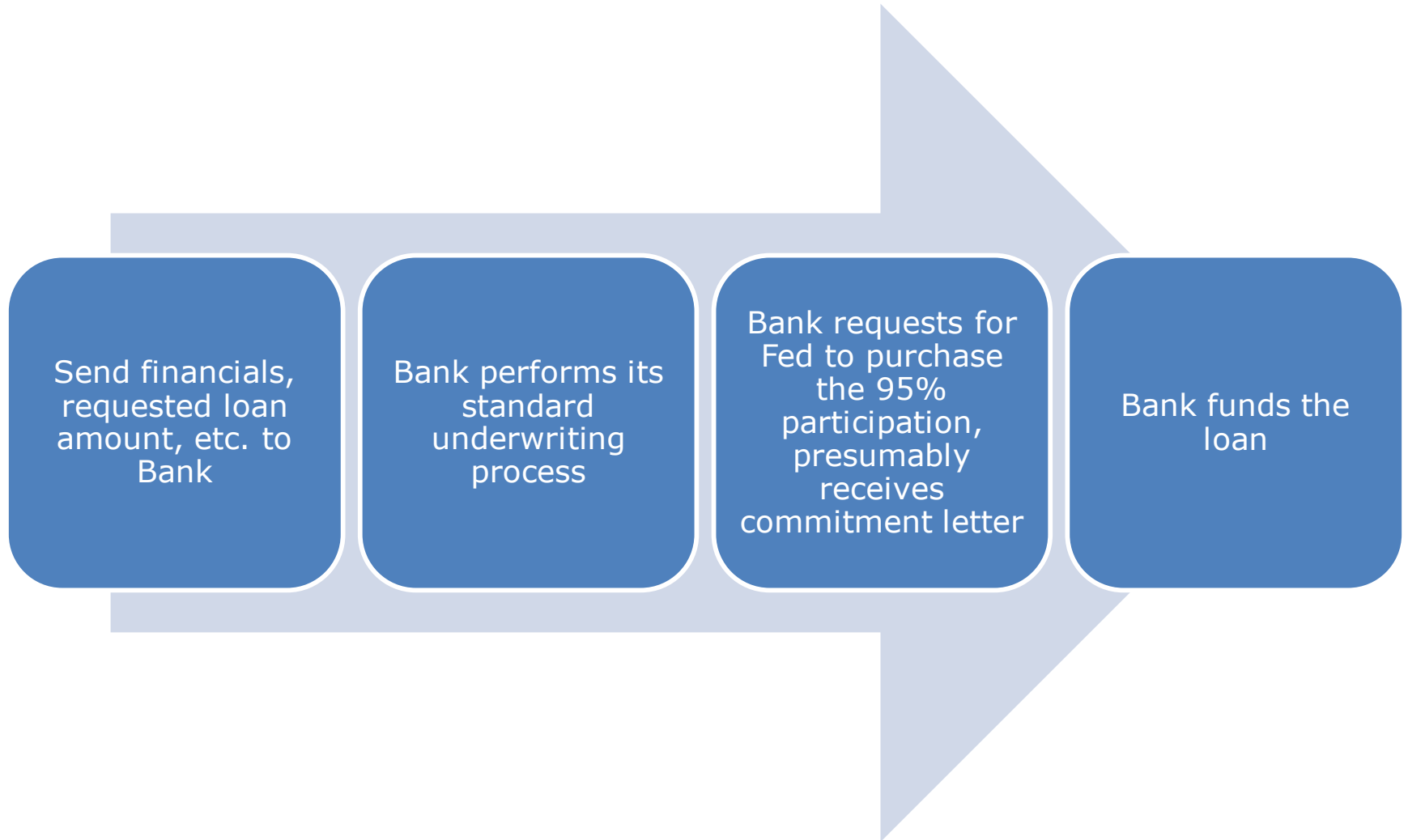
How Does the Bank Make Money?



How to Access the Program

- FDIC Insured Banks
- Lender registration commenced on 6/15/20
- Out of 4,437 banks in the U.S., only 200-something registered in the first week, but more are anticipated
- River City Bank is registered

Application Process



Loan Documents and Terms

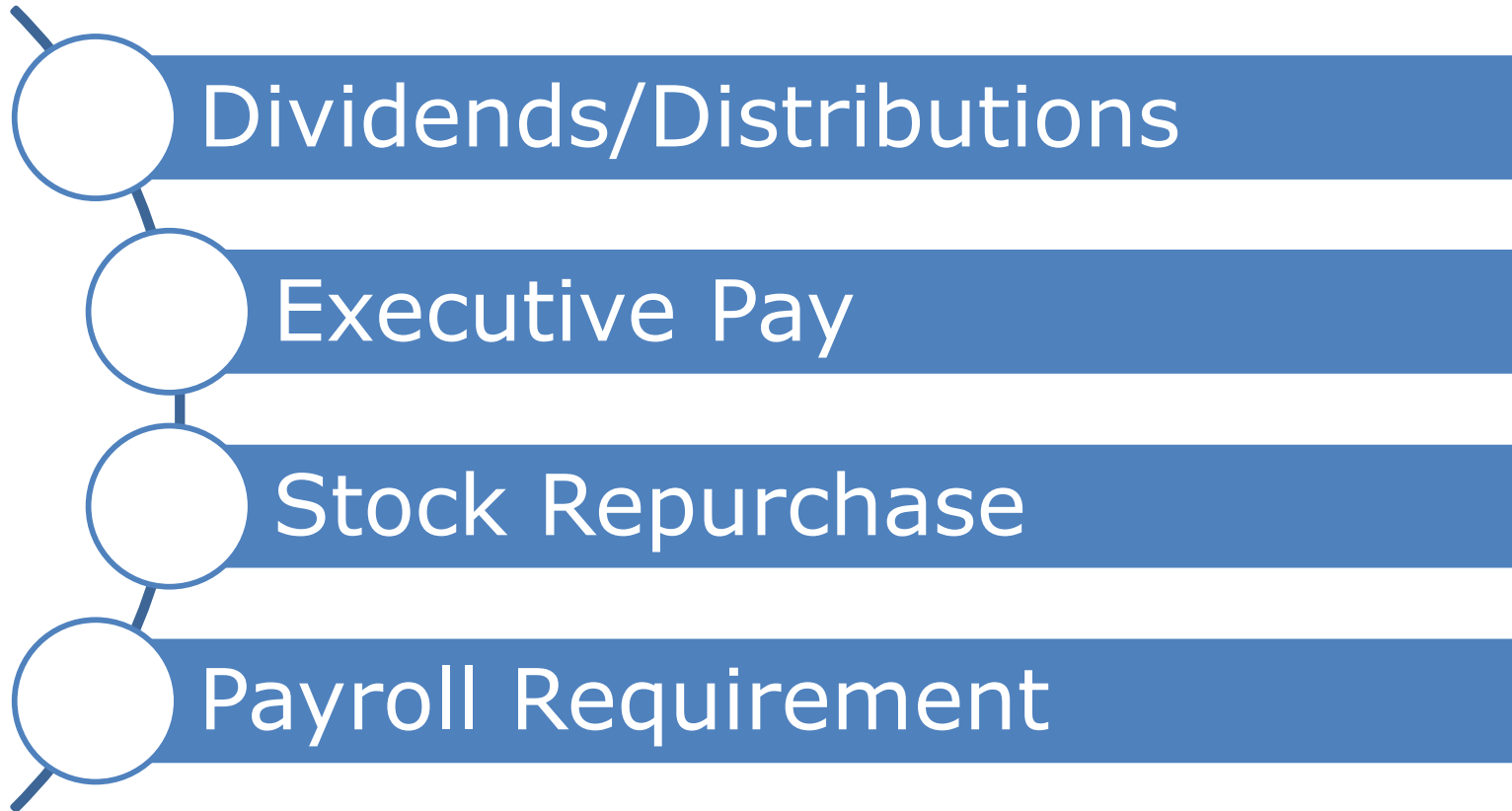
No forms provided by Fed

Checklists provided for necessary terms (Certain required certifications and covenants of Borrow):

- Borrower qualifies under US business, size, revenue, etc. requirements
- Date of establishment
- That it is not “ineligible”
- Compensation limits
- Unavailability of credit
- Financial certifications
- Use of proceeds



Loan Restrictions



Miscellaneous



Fed firewall

LIBOR vs. SOFR

Public Reporting

Q&A



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