



The Federal Government's Response to the COVID-19 Pandemic: Implications for Equipment Finance Companies

April 22, 2020



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Coronavirus Aid, Relief, and Economic Security Act (The "CARES Act")

Title IV: Loan Programs for Larger Businesses

\$500 billion available to support eligible businesses



Industry Specific Program

- Passenger carriers and businesses that are certified to perform inspection, repair, replace or overhaul services, and ticket agents
- Cargo air carriers
- Businesses critical to maintaining national security

Mid-Sized Business Program

- Eligible businesses and non-profits with between 500-10,000 employees

Main Street Lending Program

- Small and mid-sized U.S. businesses with up to 10,000 employees or \$2.5 billion in 2019 annual revenue



Up to \$46 billion in funding available to:

- Passenger air carriers (\$25 billion)
- Cargo carriers (\$4 billion)
- Businesses critical to maintaining national security (\$17 billion)

Additional eligible borrowers:

- Eligible businesses certified by the Department of Transportation and approved to perform inspections, repair, replace, or overhaul services
- Ticket agents
- Included in the \$25 billion otherwise available to passenger air carriers

- **Federal Reserve** may establish certain programs and facilities to provide liquidity to eligible businesses, States, or municipalities by (i) purchasing obligations directly from issuers; (ii) purchasing obligations in the secondary market; and (iii) making loans
- **\$454 billion in funding**, plus any amounts not used in the Industry Specific Program
- **Eligible businesses** must (i) be created or organized under U.S. laws; (ii) have significant operations in the U.S.; and (iii) have a majority of employees based in the U.S.

- **Borrower may not pay dividends or make other capital distributions** until one year after the loan has been repaid
- **Borrower may not buy back equity securities listed on a national securities exchange of the borrower or any parent company of the borrower** until one year after the loan has been repaid (except as required by contractual obligation effective on March 27, 2020)
- **Borrower must comply with employee compensation requirements** limiting total compensation of certain officers and employees

- **Treasury** will implement a program providing financing to banks/other lenders that make direct loans to eligible businesses and non-profits with between 500-10,000 employees
- **\$454 billion in funding**, plus any amounts not used in the Industry Specific Program
- **Maximum interest rate** of 2% per annum and **automatic payment deferment**: no principal or interest due for the first six months (or longer at Secretary's discretion)
- While the loan is outstanding, borrower may not (i) **pay dividends** or (ii) **buy back equity securities** listed on a national security exchange of the borrower or a parent company (except as required by contractual obligation effective on March 27, 2020)

Borrower must make certifications, including, but not limited to:

- Uncertain economic conditions created by the coronavirus makes the loan necessary to support ongoing operations;
- It was created or organized under U.S. laws and has significant operations in the U.S. and a majority of employees based in the U.S. and is domiciled in the U.S.;
- It is not a debtor in a bankruptcy proceeding;
- It will use the loan to retain not less than 90% of its workforce (at full compensation and benefits) until September 30, 2020; and
- It will not outsource or offshore jobs until at least two years after the loan is repaid

- **Federal Reserve** established a program to support lending to Eligible Borrowers: small and mid-sized U.S. businesses (created or organized in the U.S. with significant operations and a majority of employees in the U.S.) with up to 10,000 employees or \$2.5 billion in 2019 annual revenue. No minimum employee requirement.
- A federal reserve bank will lend to a single common special purpose vehicle ("SPV") on a recourse basis under a **Main Street New Loan Facility** (the "MSNLF") and a **Main Street Expanded Loan Facility** (the "MSELF")
- SPV will (i) purchase 95% participations in Eligible Loans from U.S. insured depository institutions, U.S. bank holding companies, and U.S. savings and loan holding companies ("Eligible Lenders") under the MSNLF; and (ii) purchase 95% participations in the updated tranche of Eligible Loans from Eligible Lenders

New loan originating on or after April 8, 2020

Four year term | Amortization of principal and interest deferred for one year | Adjustable interest rate of SOFR + 250-400 basis points | No prepayment penalty

Security: Unsecured term loan made by an Eligible Lender to an Eligible Borrower

Amount: minimum \$1 million to maximum the lesser of (i) \$25 million or (ii) an amount that when added to Eligible Borrower's existing outstanding and committed but undrawn debt, does not exceed four times Eligible Borrower's EBITDA

Upsize to an existing loan originated before April 8, 2020

Four year term | Amortization of principal and interest deferred for one year | Adjustable interest rate of SOFR + 250-400 basis points | No prepayment penalty

Security: Secured term loan made by an Eligible Lender to an Eligible Borrower; collateral securing an Eligible Loan (whether pledged under original terms or time of upsizing) will secure the loan participation on a pro rata basis

Amount: minimum \$1 million to maximum the lesser of (i) \$150 million, (ii) 30% of Eligible Borrower's existing outstanding and committed but undrawn bank debt, or (iii) an amount that when added to Eligible Borrower's existing outstanding and committed but undrawn debt, does not exceed four times Eligible Borrower's EBITDA

Main Street Lending Program provides that Eligible Loans under both programs must meet additional criteria regarding:

- Fees, servicing and termination
- Participation
- Additional certifications for Eligible Lenders and Eligible Borrowers

Note: Borrowers may participate in either the MSNLF or the MSELF, not both



Loans issued under Title IV programs are not eligible for forgiveness.



Andy Fishburn
VP, Federal Government Relations
ELFA

ELFA in Action



March 28, 2020

The Honorable Jovita Carranza
Administrator
U.S. Small Business Administration
409 3rd St. SW
Washington DC 20416 (Transmitted Electronically)

Administrator Carranza:

On behalf of the nearly \$1 trillion equipment leasing and finance industry, I am writing to submit comments regarding the recently announced CAR needs during these unprecedented times. A short background about the Equipment Leasing and Finance Association follows this page.

Small equipment finance companies are today lease modifications to allow their small business customers back on its feet. Many of these companies have payrolls to manage. These companies are a critical part of the economy functioning again and need to be lifted. Many of them are small businesses themselves and capital assets to keep businesses operating. As you know, under the SBA's traditional 7(a) loan

EQUIPMENT LEASING AND FINANCE ASSOCIATION
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April 3, 2020

The Honorable Steven T. Mnuchin
Secretary
U.S. Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington D.C., 20220

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Ad
U.S
409
W.

(Docket Number: SBA-2020-0015, Comments Submitted Transmitted Electronically Through Regulations.gov)

Secretary Mnuchin and Administrator Carranza:

On behalf of the nearly \$1 trillion equipment leasing and finance industry, I am writing to submit comments regarding the recently issued interim final rule regarding the Paycheck Protection Program (Docket Number: SBA-2020-0015). The first is to ask you to reconsider your decision to exclude small financial services businesses from the Paycheck Protection Program. The second is to confirm that under the PPP "start" and "phase payments" include



April 16, 2020

The Honorable Jerome H. Powell
Chair
Board of Governors of the Federal Reserve
Washington, DC 20551
Transmitted Electronically

Dear Chairman Powell:

On behalf of the nearly \$1 trillion equipment leasing and finance industry, I am writing to submit comments regarding the recently announced Main Street Lending program. A short background about the Equipment Leasing and Finance Association (ELFA) follows the signature block.

Small equipment finance companies provide a critical service to the U.S. economy. Whether it is a grocery store financing freezers, a restaurant financing ovens, a small business financing a copier, a fitness center financing treadmills, or a golf course financing golf carts, many times these leases or financings are carried out by small (well under 500 employees) equipment finance companies. These deals are made by small finance companies because

Tax Provisions in the CARES Act

- NOL Carryback Provisions
- Business Interest Deductions (30% of Tax EBITDA → 50% of Tax EBITDA)
- Payroll Tax Provisions & Filing Extensions
- Direct Deposits and Checks

What's Next – The Starting Point



What's Next – The Near Term

PEW

TOPICS PROJECTS FEATURES ABOUT GET INVOLVED SEARCH

Why State Budget Officials Worry About COVID-19's Impact on Sales Taxes

These revenues helped weather earlier recessions but they're likely to drop significantly

ARTICLE April 16, 2020 By Jeff Chu Read time: 7

THE CORONAVIRUS CRISIS

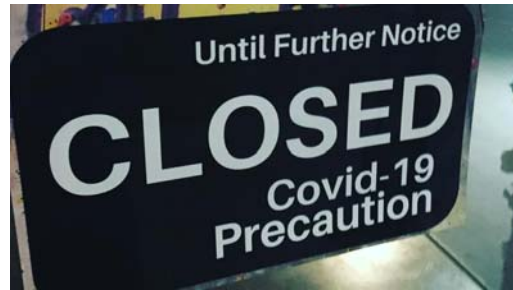
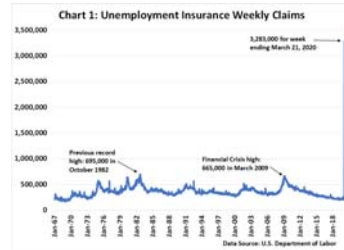
Growing Costs And Shrinking Revenues Squeeze Hospitals As They Brace For Coronavirus

April 6, 2020 · 3:31 PM ET

PATTI NEIGHMOND

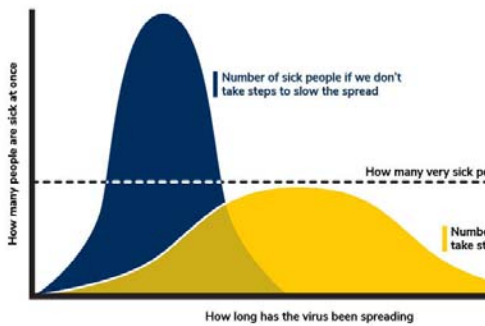


Business nationwide have temporary. The Café Reggio restaurant in New York.



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What's Next – The Near Term



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What's Next – The Longer Term

A WEEK TO CHAMPION AMERICA'S INFRASTRUCTURE

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Infrastructure 20

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What's Next – The Longer Term

Infrastructure Week 2019



SAVE THE DATE! | May 13-20, 2019

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What's Next – The Longer Term

Infrastructure Week 2018



May 14-21 | infrastructureweek.org | @InfraWeek

What's Next – The Longer Term

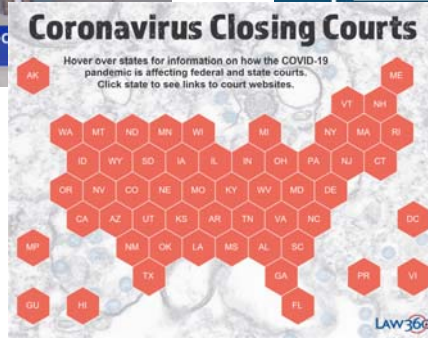
LIVE EVERY WEEK LIKE IT'S



INFRASTRUCTURE WEEK!

memegenerator.net

What's Next – The Longer Term



What's Next – The Longer Term

GLOBAL HEALTH RISK FRAMEWORK

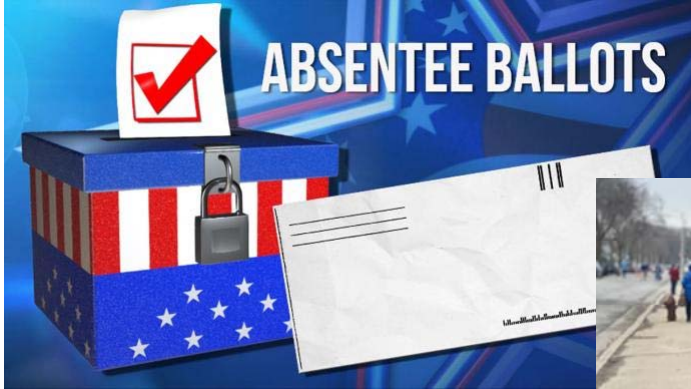
Pandemic Financing

WORKSHOP SUMMARY

4

Adapting Insurance Products for Pandemic Risk

What's Next – The Longer Term



What's Next – The Longer Term



Wrap-Up

- This web seminar has been recorded and will be available, along with the slides, on the ELFA website.
- Please complete the post-event survey – it will be sent to you shortly after today's web seminar.
- ELFA's Federal Government COVID-19 Response Resource page:
www.elfaonline.org/COVID-19