COVID-19: Responding to College and University Concerns

Telephone Town Hall
Tuesday, April 14, 2020
Getting the Word Out

- Advocacy
  - proactively addressing critical policy issues
- News, Publications
  - *Current*, advocacy alerts
- Website Content
  - www.nacubo.org
- Distance Learning
  - webcasts, telephone town halls
Please keep your microphone muted unless you are speaking.

- **Special Guest:** *Les Jacobowitz*, Partner, Arent Fox
- **Moderator:** *Liz Clark*, Vice President, Policy & Research
- *Mary Bachinger*, Director, Tax Policy
- *Steffon Gray*, Assistant Director, Research and Policy Analysis
- *Ken Redd*, Senior Director, Research and Policy Analysis
- *Megan Schneider*, Senior Director, Government Affairs
NACUBO Flash Poll

➤ Please respond to the 3 questions at the survey link.
Main Street Loan Facilities

Presented to the National Association of College and University Business Officers (NACUBO)
General

- **Two (2) New Programs**
  - Main Street New Loan Facility
  - Main Street Expanded Loan Facility

- **$600 Billion**

- **Impacted by COVID-19 crisis**

- **Reasonable efforts to**
  - Maintain payroll
  - Retain employees
Implementation

- **Federal Reserve Administration**
- **Treasury**
  - Guidance
  - Back-Stop
- **Banks**
  - Federal Reserve regulated
  - Implementation
  - Limited Credit Risk
Implementation (cont’d)

- Other Program Participation
  - Paycheck Protection Program
  - Limit to one of:
    - Main Street New Loan Facility
    - Main Street Expanded Loan Facility
    - Primary Market Corporate Credit Facility
Eligible Borrowers

- **Up to:**
  - 10,000 employees or
  - $2.5 billion in 2019 annual revenues

- **U.S. Eligible Requirements**
  - Created / organized in the U.S.
  - Location of majority of employees in the U.S.
  - Significant operations in the U.S.
General Loan Terms

- Variable Secured Overnight Financing Rate (SOFR) + 2.50-4.00%
- Interest rate swap caution
- Four (4) year term
- No principal and interest due for twelve (12) months
- Prepayable at any time
- Permitted Uses
  - Any use with reasonable efforts to:
    - maintain payroll
    - retain employees
- But cannot be used to refinance with exception of use for mandatory principal payments
- Lender not permitted to cancel/reduce existing lines of credit
Loan Terms – Main Street New Loan Facility

- **New Loan**
- **Unsecured** *(i.e. no collateral requirement)*
- **Amount**
  - $1 million minimum
  - maximum of
    - $25 million
    - all drawn indebtedness, including this program, limited to 4X’s EBITDA
- **Fees**
  - Facility Fee – 95 bps (to Federal Reserve)
  - Origination Fee – 100 bps (to Lender)
  - Servicing Fee – 25 bps/year (to Lender)
Loan Terms – Main Street Expanded Loan Facility

- **Upsizing of Existing Loan**
- **Secured/Unsecured**
- **Lender Impact on Shared Collateral**
- **Amount**
  - $1 million minimum
  - maximum of
    - $150 million
    - 30% of all drawn indebtedness, including this program
    - 6X’s EBITDA
- **Fees**
  - Origination Fee – 100 bps
  - Servicing Fee – 25 bps/year
Compensation Restrictions

Loan Restrictions
- For loan term + 1 year: No dividends, no stock buy-backs
- For loan term + 2 years: No outsourcing of jobs, no offshoring of jobs, no abrogation of collective bargaining agreements
- For loan term: neutral on union organizing activities

Executive / Senior Officer Compensation Restrictions
- For loan term + 1 year:
  - Officers / Employees greater or equal to $425K total compensation in 2019 are frozen
  - If total compensation exceeds $3M for 2019, then limited to $3M + 50% of excess over $3M
  - Total compensation = salary, bonuses, stock awards and other financial benefits
  - Severance less than or equal to 2X of 2019 total compensation
  - Waivers subject to Congressional oversight
Questions?

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Flash Poll Results
Additional questions?

Please email—
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