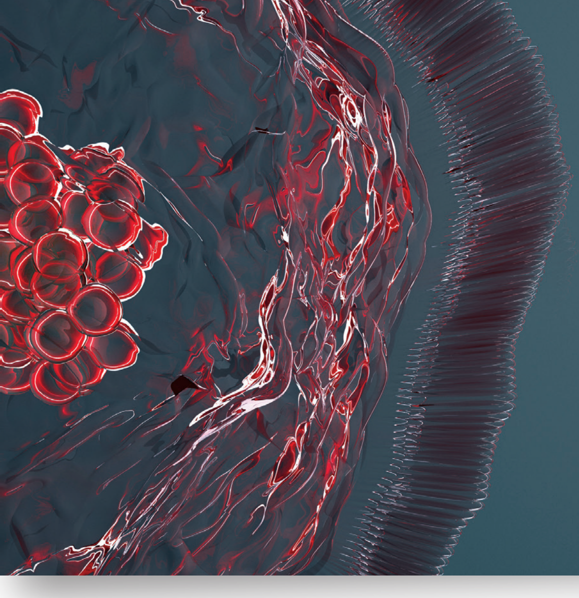

CONNER STRONG & BUCKELEW

IMPORTANT COVID-19 UPDATE

Our membership with the Council of Insurance Agents and Brokers continues to be invaluable. We are sharing the below update from them on a dramatic step taken today by the Federal Reserve Board to interject $2.3 billion in loans into the economy. This is a significant announcement and one we believe may benefit many of our clients.

FED INTERJECTS ADDITIONAL $2.3 TRILLION IN LIQUIDITY

This morning, the Federal Reserve Board took a dramatic step of interjecting an additional $2.3 trillion of loans into the cratering American economy. We view this development to be critical to all Council member firms and their clients, the majority (if almost all) of whom could be beneficiaries of this action.

As *The Wall Street Journal* reports, the actions "take the Fed well beyond the lender-of-last-resort functions it played in 2008 to prevent a financial panic from deepening the economic downturn and rely on hundreds of billions of dollars in Treasury money that Congress made available in the recent $2.2 trillion economic-relief legislation."

"Our country's highest priority must be to address this public health crisis, providing care for the ill and limiting the further spread of the virus," Federal Reserve Chairman Jerome Powell said in a statement. "The Fed's role is to provide as much relief and stability as we can during this period of constrained economic activity, and our actions today will help ensure that the eventual recovery is as vigorous as possible."

Among the actions were the release of terms for new loans and the expansion of existing loans under the Main Street Lending Program. Encouraged in the $2 trillion relief package passed by Congress last month, the Program **is designed to support small and mid-sized businesses that were in good financial standing before the crisis by offering 4-year loans to companies (i) employing up to 10,000 workers or (ii) with revenues of less than $2.5 billion. Principal and interest payments will be deferred for one year.**

Eligible banks will be able to originate new Main Street loans or use Main Street loans to increase the size of existing loans to businesses. The Main Street facilities will purchase up to $600 billion of loans.

Those looking to access these facilities should be aware of a number of important borrower eligibility criteria, features of the loans, and commitments and attestations borrowers will need to make.

The two term sheets related to these programs can be found here:

- Main Street Expanded Loan Facility
- Main Street New Loan Facility

Borrower Eligibility

- Borrowers must be businesses with up to 10,000 employees **or** up to $2.5 billion in 2019 annual revenues.
- Each borrower must be a business that is created or organized in the United States or under the laws of the United States with significant operations in and a majority of its employees based in the United States.
- Borrowers that have taken advantage of the Payroll Protection Program (PPP) **may** also take out Main Street loans.
- Borrowers that receive *new* loans through the Program may **not** also receive *increases* in existing loans under the Program (and vice versa).
- Borrowers under this Program also may **not** participate in the Primary Market Corporate Credit Facility.

Loan Features

Loans issued under this Program will have the following features:

- A maturity of 4 years.
- Prepayment without penalty.
- Adjustable rate of SOFR + 250-400 basis points.
- Amortization of principal and interest deferred for one year.
- Minimum loan size of $1 million.
- Maximum loan size of –
  - For new loans: The lessor of (i) $25 million or (ii) an amount that, when added to the borrower's existing outstanding and committed undrawn debt, does not exceed four times the borrower's 2019 EBITDA.
  - For expanded loans: The lessor of (i) $150 million, (ii) 30% of the borrower's existing outstanding and committed but undrawn bank debt, or (iii) an amount that, when added to the borrower's existing outstanding and committed undrawn debt, does not exceed six times the borrower's 2019 EBITDA.

Commitments and Attestations

Borrowers will need commit to refrain from using the proceeds of the loan to repay other loan balances, and from repaying other debt of equal or lower priority, with the exception of mandatory principal payments, unless the borrower has first repaid the loan in full.

A borrower also will need to attest that it:

- Will not seek to cancel or reduce any of its outstanding lines of credit with any lender.
- Requires financing due to the exigent circumstances presented by the COVID-19 pandemic, and that, using the proceeds of the loan, it will make reasonable efforts to maintain its payroll and retain its employees during the term of the loan.
- Meets the EBITDA leverage condition above.
- Will follow certain restrictions on compensation, stock repurchase, and capital distribution:
  - Borrowers are subject to two tiers of executive compensation (including salary, stock, and bonuses) restrictions for a period of time that extends one year beyond the term of the loan. Officers or employees who received more than $425,000 in total compensation in 2019 cannot receive a pay raise in 2020, and cannot receive severance pay or other benefits that are more than twice the 2019 compensation amount. Officers or employees who received more than $3 million in total compensation in 2019 cannot receive total compensation in 2020 in excess of (i) $3 million plus (ii) 50% of the excess over $3 million.

- Borrowers must agree to not buy back stock or pay dividends for a period of time that extends one year beyond the term of the loan.

- Is not an entity in which the President, Vice President, the head of an Executive department, or a Member of Congress (or a family member of any of them) directly or indirectly holds a controlling interest.

The Program will continue through September 30, 2020, unless the Federal Reserve and the Treasury Department decide to extend it. The terms of these loans are subject to change, particularly as the Federal Reserve and the Treasury seek feedback until April 16 on this and other programs.

It is unclear what impact this action will have on joint insurance/policyholder efforts to establish a Business Continuation and Recovery Fund in a potential "Phase 4" of congressional action. However, we strongly welcome this development and hope that lending institutions will be able to work seamlessly with the Fed in providing desperately needed liquidity relief to the broadest possible swath of American business.

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