

April 16, 2020

Board of Governors
Federal Reserve System
Washington, DC 20551

Re: Main Street Lending

To Whom It May Concern:

LNG Allies (The USLNG Association) represents numerous U.S. firms that are developing facilities for the liquefaction and export of natural gas from the United States. Several of these firms urgently require financing due to the exigent circumstances presented by the coronavirus disease 2019 (“COVID-19”) pandemic and desire to receive loans from eligible lenders under the new “Main Street Lending” program to maintain payroll and retain employees during this difficult time. These are also businesses that are created or organized in, or under the laws of, the United States, with significant operations in and with a majority of employees based in the United States.

Unfortunately, one of the requirements in the Main Street Lending program could be problematic for certain U.S. LNG export project developers. As stated in the term sheet, the maximum loan size is based on a formula that factors in a company’s earnings before interest, taxes, depreciation, and amortization (EBITDA) for 2019. As currently stated, this formula does not allow for additional adjustments to EBITDA, including the exclusion of various non-cash or non-recurring charges (such as stock-based compensation) which startup companies often do when reporting their metrics. Moreover, the formula factors in a company’s existing outstanding but undrawn debt. Because most U.S. LNG development companies are not EBITDA positive (and many also have outstanding indebtedness), this formula is particularly problematic and could cause them not to qualify for a Main Street loan.

The U.S. LNG export industry is still in a start-up stage. While six projects are operating and another two are under construction, a dozen more projects (and three existing project expansions) have received their requisite federal authorizations but have not yet taken a final investment decision. These 15 new and expanded projects could expand the existing U.S. LNG industry by as much as 165% and would create hundreds of thousands of jobs and trillions of economic activity. It would be truly tragic if some of the pre-revenue or early revenue U.S. LNG project developers were not able to survive the COVID-19 pandemic because of an inability to tap into the Main Street Lending program. For this reason, we urge you to modify the program accordingly.

Specific recommendation: Provide flexibility in EBITDA limitations for small companies, where EBITDA could be replaced with “tangible net worth” metrics, allowing growth businesses to qualify for relief yet also protect the fiscal basis for the loan. Other metrics are also available to give these businesses the flexibility needed.

Thank you for the opportunity to present these comments.

Sincerely,



Fred H. Hutchison
President & CEO