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MAIN STREET LENDING PROGRAM

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The Federal Reserve established the Main Street Lending Program in order to support those small to mid-sized businesses and nonprofit organizations that are experiencing economic hardship due to COVID-19 and were unable to access the Paycheck Protection Program ("PPP") or require additional financial support after receiving a PPP loan. However, unlike the PPP loans, Main Street loans are full-recourse and are not forgivable.

The program will operate through five facilities: the Main Street New Loan Facility ("MSNLF"), the Main Street Priority Loan Facility ("MSPLF"), the Main Street Expanded Loan Facility ("MSELF"), the Nonprofit New Loan Facility ("NONLF"), and the Nonprofit Expanded Loan Facility ("NOELF").

The Federal Reserve established a special purpose vehicle ("SPV") to purchase 95% participations in loans originated by eligible lenders, with the lenders retaining 5% of each loan. The funds for this investment were appropriated under the CARES Act.

The SPV will purchase loan participations until December 31, 2020, unless extended by the Treasury's Board. The Federal Reserve Bank will continue to operate the SPV until all assets mature or are sold. The SPV will purchase up to $600 billion of participations in eligible loans in the aggregate across all facilities.

The three for-profit business facilities (MSNLF, MSPLF, and MSELF) follow the same eligibly criteria, including that the business must have been established prior to March 13, 2020, under the laws of the United States or its territories, have significant operations including a majority of their employees based in the U.S. and must meet at least one of the following two conditions: (a) 15,000 employees or fewer, or (b) $5 billion or less in 2019 revenue.

Borrowers can only participate in one of the three facilities. However, they may receive more than one loan under a single Main Street facility, provided that the sum of the loans does not exceed that facility's' maximum guidelines.

In order for nonprofits to be considered eligible for the NONLF or the NOELF, the organization must have been in continuous operation since January 1, 2015, must have been organized and operating in the United States, and must meet at least one of the following two conditions: (a) 15,000 employees or fewer, or (b) $5 billion or less in 2019 revenue. Furthermore, the nonprofit must have at least 10 employees and an endowment of less than $3 Billion. Also, total non-donation revenue must be equal to or greater than 60% of expenses from 2017 through 2019 and nonprofits must meet certain ratios based on liquidity.

Term sheets have been established for each of the facilities. Common features among all the facilities include:

- All loans mature in five years with a two-year deferral of principal and a one-year deferral of interest.
- Interest for all loans is based on the adjustable one or three-month LIBOR rate plus 3%
- Principal (which includes capitalized interest) will be amortized with 15% due at the end of the third year, 15% due at the end of the fourth year, and a balloon payment of 70% due at maturity at the end of the fifth year
- There are no prepayment penalties for any of the loan facilities
- Terms may not include any provisions that would cause the Main Street Loan to be contractually subordinated to other debt in or outside of bankruptcy

Main Street New Loan Facility

- Eligible borrowers can apply for new term loans ranging from $250,000 up to $35 million
- The maximum size of the loan cannot exceed four times their 2019 adjusted EBITDA when added to existing outstanding, but undrawn, debt
- To be considered eligible loans under this facility, the loan origination date must be after April 24,2020

Main Street Priority Loan Facility

- Eligible borrowers can apply for new term loans ranging from $250,000 up to $50 million
- The maximum size of these loan cannot exceed six times 2019 adjusted EBITDA
- To be considered eligible loans under this facility, the loan origination date must also be after April 24, 2020
- At the time of origination of a priority loan, borrowers can use the loan proceeds to refinance existing loans owed to other lenders

Main Street Expanded Loan Facility

- Eligible borrowers can apply for an increase to an existing term loan or a revolving credit facility, with the upsized tranche ranging in size from $10 million to $300 million
- The maximum size of these loan cannot exceed six times 2019 adjusted EBITDA
- To be considered eligible loans under this facility, the existing loan must have been originated before April 24, 2020 and must have a remaining maturity of at least 18 months

Nonprofit New Loan Facility

- Eligible borrowers can apply for new term loans ranging from $250,000 up to $35 million
- The maximum size of the loan cannot exceed the nonprofit's average 2019 quarterly revenue

Nonprofit Expanded Loan Facility

- Eligible borrowers can apply for an increase to an existing term loan or a revolving credit facility, with the upsized tranche ranging in size from $10 million to $300 million.

- The maximum size of the loan cannot exceed the nonprofit's average 2019 quarterly revenue
- To be considered eligible loans under this facility, the existing loan must have been originated before June 15, 2020 and must have a remaining maturity of at least 18 months

Under all of the facilities, among other certifications, borrowers must certify that they will use the proceeds to make reasonable efforts to maintain payroll and retain employees during the loan term. The full-term sheets and FAQs can be found here.

FOR MORE INFORMATION CONTACT:

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