

Main Street Lending Program

As a follow-up to our recent discussions, the Federal Reserve announced on April 30, 2020, new details about its Main Street Lending Program ("Program"). The Program will now operate through three facilities: the Main Street New Loan Facility ("MSNLF"); the Main Street Priority Loan Facility ("MSPLF"); and the Main Street Expanded Loan Facility ("MSELF"). No start date has been announced.

In general, businesses with up to 15,000 employees or less than \$5 billion in annual revenue in 2019 are eligible (increased from 10,000 and \$2.5 billion, respectively). Loans have a four-year maturity, principal and interest (now LIBOR, not SOFR) payments are deferred for one year, and minimum loan size for MSNLF and MSPLF loans will be \$500,000. Although borrowers are advised to "make commercially reasonable efforts" to retain employees, there remains no requirement they do so.

The three facilities are different in five (5) significant ways: eligible loans; loan participation; required borrower certifications and covenants; transaction fee; and loan servicing. See below for a chart, and brief discussion, of these different features.

Main Street Lending Program Loan Options	New Loans	Priority Loans	Expanded Loans
Term	4 years	4 years	4 years
Minimum Loan Size	\$500,000	\$500,000	\$10,000,000
Maximum Loan Size	The lesser of \$25M or an amount that, when added to outstanding and undrawn available debt, does not exceed 4.0x adjusted 2019 EBITDA	The lesser of \$25M or an amount that, when added to outstanding and undrawn available debt, does not exceed 6.0x adjusted 2019 EBITDA	The lesser of \$200M, 35% of existing outstanding and undrawn available debt, or an amount that, when added to outstanding and undrawn available debt, does not exceed 6.0x adjusted 2019 EBITDA
Risk Retention	5%	15%	5%
Payment	Years 2-4: 33.33%	Years 2-4: 15%, 15%, 70%	Years 2-4: 15%, 15%, 70%

Main Street Lending Program Loan Options	New Loans	Priority Loans	Expanded Loans
(year one deferred for all)	each year	70%	
Rate	LIBOR + 3%	LIBOR + 3%	LIBOR + 3%

Eligible Loans; Priority

The MSNLF and MSPLF both offer loans in a minimum amount of \$500,000 but principal amortization is different. Under MSNLF, principal amortizes one-third at the end of the second year, one-third at the end of the third year, and one-third at maturity at the end of the fourth year. Under MSPLF, principal amortizes fifteen percent at the end of the second year, fifteen percent at the end of the third year, and a balloon payment of seventy percent at maturity at the end of the fourth year. Priority is also different between facilities. Under MSNLF, the loan must not subordinate to any of the borrower's other loans or debt instruments. Under MSPLF and MSELF, the loan is senior to or *pari passu* with the borrower's other loans or debt instruments, other than mortgage debt.

The MSELF has a number of different features, including a minimum loan size of \$10 million.

Loan Participation

Under MSNLF, the Special Purpose Vehicle ("SPV") will purchase at par value a 95 percent participation in the loan, while the lender will retain its 5 percent participation until the loan matures or the SPV sells all of its participation, whichever comes first. Under MSPLF, the SPV will purchase at par value an 85 percent participation, while the lender will retain its 15 percent participation.

Meanwhile, under MSELF, the SPV purchases at par value a 95 percent participation in the upsized tranche of the loan, while the lender must retain its 5 percent portion of the upsized tranche until the loan matures or the SPV sells all of its 95 percent participation, whichever comes first. MSELF contains other differences outlined in the term sheet.

Required Borrower Certifications and Covenants

Under MSNLF, the borrower must refrain from repaying any principal or interest on a debt until the loan is repaid in full, unless the debt or interest payment is mandatory and due. Under MSPLF, the same is true; however, the borrower may at the time of origination of the loan refinance existing debt owed by the borrower to a lender that is not the eligible lender.

Although there are slight differences, MSELF shares most of its features with MSNLF and MSPLF, including that the borrower must commit to follow compensation, stock repurchase, and

capital distribution restrictions that apply to direct loan programs under Section 4003(c)(3)(A)(ii) of the CARES Act.

Transaction Fee

Under MSNLF and MSPLF, the lender will pay the SPV a transaction fee of 100 basis points of the principal amount of the loan, and the lender may require the borrower to pay this fee.

However, under MSELF, the lender will pay the SPV a transaction fee of 75 basis points on the same terms.

Loan Servicing

Under MSNLF and MSPLF, a borrower will pay a lender an origination fee of up to 100 basis points of the principal, and the SPV will pay a lender 25 basis points of the principal per annum for loan servicing.

However, under MSELF, a borrower will pay a lender an origination fee of up to 75 basis points of the principal amount of the upsized tranche, and the SPV will pay a lender 25 basis points of the principal amount.

See links here for:

[Main Street Lending Program FAQ's](#)

[Term Sheet - Main Street New Loan Facility](#)

[Term Sheet - Main Street Priority Loan Facility](#)

[Term Sheet - Main Street Expanded Loan Facility](#)

Contact Us

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