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Main Street Lending Program 6/19/2020

The Federal Reserve has announced that it is establishing a Main Street Lending Program (Program) to support lending to small and medium-sized businesses that were in sound financial condition before the onset of the COVID-19 pandemic. The Program will 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). U.S. businesses may be eligible for loans if they meet either of the following conditions: (1) the business has 15,000 employees or fewer; or (2) the business had 2019 revenues of $5 billion or less. Loans issued under the Program would have a four year maturity, and principal and interest payments on the loans will be deferred for one year.

To implement the Program, the Federal Reserve Bank of Boston will set up a special purpose vehicle (SPV) to purchase participations in loans originated by eligible lenders. The SPV will purchase 85-95% participations in Eligible Loans from Eligible Lenders. Eligible Lenders will retain 5-15% of each Eligible Loan. The Department of Treasury, using funds appropriated to the Exchange Stabilization Fund under section 4027 of the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"), will make a $75 billion equity investment in the single common SPV in connection with the MSNLF, the MSPLF, and the MSELF. The combined size of the Facilities will be up to $600 billion.

The Federal Reserve is currently working to create the infrastructure necessary to operationalize the Program. Once the Program is operational, small and medium-sized businesses interested in the Program should seek to apply for Program loans from an eligible lender.

Main Street New Loan Facility (MSNLF)

The MSNLF is intended to facilitate lending to small and medium-sized Businesses by Eligible Lenders who do not currently have a loan eligible for expansion in place. Under the MSNLF, borrowers can borrow up to $25 million or an amount equal to four times the company's 2019 adjusted EBITDA.

An Eligible Lender is a U.S. federally insured depository institution (including a bank, savings association, or credit union), a U.S. branch or agency of a foreign bank, a U.S. bank holding company, a U.S. savings and loan holding company, a U.S. intermediate holding company of a foreign banking organization, or a U.S. subsidiary of any of the foregoing.

An Eligible Borrower is a Business that:

1. was established prior to March 13, 2020;
2. is not an Ineligible Business;
3. meets at least one of the following two conditions: (i) has 15,000 employees or fewer, or (ii) had 2019 annual revenues of $5 billion or less;
4. 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;
5. does not also participate in the MSPLF, the MSELF, or the Primary Market Corporate Credit Facility; AND
6. has not received specific support pursuant to the Coronavirus Economic Stabilization Act of 2020 (Subtitle A of Title IV of the CARES Act).

For purposes of the MSNLF, a Business is an entity that is organized for profit as a partnership; a limited liability company; a corporation; an association; a trust; a cooperative; a joint venture with no more than 49 percent participation by foreign business entities; or a tribal business. Other forms of organization may be considered for inclusion as a Business under the Facility at the discretion of the Federal Reserve.

Businesses that have received PPP loans are permitted to borrow under the MSNLF, provided that they are Eligible Borrowers.

An Eligible Loan is a secured or unsecured term loan made by an Eligible Lender(s) to an Eligible Borrower that was originated after April 24, 2020, provided that the loan has all of the following features:

1. 5 year maturity;

2. principal payments deferred for two years and interest payments deferred for one year (unpaid interest will be capitalized);

3. adjustable rate of LIBOR (1 or 3 month) + 300 basis points;

4. principal amortization of 15% at the end of the third year, 15% at the end of the fourth year, and 70% at maturity at the end of the fifth year;

5. minimum loan size of $250,000;

6. maximum loan size that is the lesser of (i) $35 million or (ii) an amount that, when added to the Eligible Borrower's existing outstanding and undrawn available debt, does not exceed four times the Eligible Borrower's adjusted 2019 earnings before interest, taxes, depreciation, and amortization ("EBITDA");

7. is not, at the time of origination or at any time during the term of the Eligible Loan, contractually subordinated in terms of priority to any of the Eligible Borrower's other loans or debt instruments; AND

8. prepayment permitted without penalty.

If the Eligible Borrower had other loans outstanding with the Eligible Lender as of December 31, 2019, such loans must have had an internal risk rating equivalent to a "pass" in the Federal Financial Institutions Examination Council's supervisory rating system on that date.

The following certifications and covenants will be required from Eligible Lenders:

- The Eligible Lender must commit that it will not request that the Eligible Borrower repay debt extended by the Eligible Lender to the Eligible Borrower, or pay interest on such outstanding obligations, until the Eligible Loan is repaid in full, unless the debt or interest payment is mandatory and due, or in the case of default and acceleration.

- The Eligible Lender must commit that it will not cancel or reduce any existing committed lines of credit to the Eligible Borrower, except in an event of default.

- The Eligible Lender must certify that the methodology used for calculating the Eligible Borrower's adjusted 2019 EBITDA for the leverage requirement in section 6(ii) of the Eligible Loan paragraph above is the methodology it has previously used for adjusting EBITDA when extending credit to the Eligible Borrower or similarly situated borrowers on or before April 24, 2020.

- The Eligible Lender must certify that it is eligible to participate in the Facility, including in light of the conflicts of interest prohibition in section 4019(b) of the CARES Act.

In addition to other certifications required by applicable statutes and regulations, the following certifications and covenants will be required from Eligible Borrowers:

- The Eligible Borrower must commit to refrain from repaying the principal balance of, or paying any interest on, any debt until the Eligible Loan is repaid in full, unless the debt or interest payment is mandatory and due.

- The Eligible Borrower must commit that it will not seek to cancel or reduce any of its committed lines of credit with the Eligible Lender or any other lender.

- The Eligible Borrower must certify that it has a reasonable basis to believe that, as of the date of origination of the Eligible Loan and after giving effect to such loan, it has the ability to meet its financial obligations for at least the next 90 days and does not expect to file for bankruptcy during that time period.

- The Eligible Borrower must commit that it will 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, except that an S corporation or other tax pass-through entity that is an Eligible Borrower may make distributions to the extent reasonably required to cover its owners' tax obligations in respect of the entity's earnings.

- The Eligible Borrower must certify that it is eligible to participate in the Facility, including in light of the conflicts of interest prohibition in section 4019(b) of the CARES Act.

Each Eligible Borrower that participates in the Facility should make commercially reasonable efforts to maintain its payroll and retain its employees during the time the Eligible Loan is outstanding.

An Eligible Lender will pay the SPV a transaction fee of 100 basis points of the principal amount of the Eligible Loan at the time of origination. The Eligible Lender may require the Eligible Borrower to pay this fee. An Eligible Borrower will pay an Eligible Lender an origination fee of up to 100 basis points of the principal amount of the Eligible Loan at the time of origination.

The SPV will cease purchasing participations in Eligible Loans on September 30, 2020, unless the Board and the Department of the Treasury extend the Facility, effectively ending the opportunity for a business to borrow from these facilities as of that date.

Main Street Priority Loan Facility (MSPLF)

The MSPLF is intended to facilitate lending to small and medium-sized Businesses by Eligible Lenders who do not currently have a loan eligible for expansion in place. The MSPLF may allow the borrower to borrow a larger amount that they can through the MSNLF. The borrower can borrow up to $25 million or six times the company's 2019 adjusted EBITDA.

The Eligible Lender will take on more risk in the MSPLF program so the lenders will likely have stricter underwriting requirements and be more selective as to who receives these loans.

An Eligible Lender is a U.S. federally insured depository institution (including a bank, savings association, or credit union), a U.S. branch or agency of a foreign bank, a U.S. bank holding company, a U.S. savings and loan holding company, a U.S. intermediate holding company of a foreign banking organization, or a U.S. subsidiary of any of the foregoing.

An Eligible Borrower is a Business that:

1. was established prior to March 13, 2020;

2. is not an Ineligible Business;

3. meets at least one of the following two conditions: (i) has 15,000 employees or fewer, or (ii) had 2019 annual revenues of $5 billion or less;

4. 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;

5. does not also participate in the MSNLF, the MSELF, or the Primary Market Corporate Credit Facility; AND

6. has not received specific support pursuant to the Coronavirus Economic Stabilization Act of 2020 (Subtitle A of Title IV of the CARES Act).

For purposes of the MSNLF, a Business is an entity that is organized for profit as a partnership; a limited liability company; a corporation; an association; a trust; a cooperative; a joint venture with no more than 49 percent participation by foreign business entities; or a tribal business. Other forms of organization may be considered for inclusion as a Business under the Facility at the discretion of the Federal Reserve.

Businesses that have received PPP loans are permitted to borrow under the MSNLF, provided that they are Eligible Borrowers.

An Eligible Loan is a secured or unsecured term loan made by an Eligible Lender(s) to an Eligible Borrower that was originated after April 24, 2020, provided that the loan has all of the following features:

1. 5 year maturity;

2. principal payments deferred for 2 years and interest payments deferred for one year (unpaid interest will be capitalized);

3. adjustable rate of LIBOR (1 or 3 month) + 300 basis points;

4. principal amortization of 15% at the end of the third year, 15% at the end of the fourth year, and a balloon payment of 70% at maturity at the end of the fifth year;

5. minimum loan size of $250,000;

6. maximum loan size that is the lesser of (i) $35 million or (ii) an amount that, when added to the Eligible Borrower's existing outstanding and undrawn available debt, does not exceed six times the Eligible Borrower's adjusted 2019 earnings before interest, taxes, depreciation, and amortization ("EBITDA");

7. at the time of origination and at all times the Eligible Loan is outstanding, the Eligible Loan is senior to or pari passu with, in terms of priority and security, the Eligible Borrower's other loans or debt instruments, other than mortgage debt; AND

8. prepayment permitted without penalty.

If the Eligible Borrower had other loans outstanding with the Eligible Lender as of December 31, 2019, such loans must have had an internal risk rating equivalent to a "pass" in the Federal Financial Institutions Examination Council's supervisory rating system on that date.

The following certifications and covenants will be required from Eligible Lenders:

- The Eligible Lender must commit that it will not request that the Eligible Borrower repay debt extended by the Eligible Lender to the Eligible Borrower, or pay interest on such outstanding obligations, until the Eligible Loan is repaid in full, unless the debt or interest payment is mandatory and due, or in the case of default and acceleration.

- The Eligible Lender must commit that it will not cancel or reduce any existing committed lines of credit to the Eligible Borrower, except in an event of default.
- The Eligible Lender must certify that the methodology used for calculating the Eligible Borrower's adjusted 2019 EBITDA for the leverage requirement in section 6(ii) of the Eligible Loan paragraph above is the methodology it has previously used for adjusting EBITDA when extending credit to the Eligible Borrower or similarly situated borrowers on or before April 24, 2020.
- The Eligible Lender must certify that it is eligible to participate in the Facility, including in light of the conflicts of interest prohibition in section 4019(b) of the CARES Act.

In addition to other certifications required by applicable statutes and regulations, the following certifications and covenants will be required from Eligible Borrowers:

- The Eligible Borrower must commit to refrain from repaying the principal balance of, or paying any interest on, any debt until the Eligible Loan is repaid in full, unless the debt or interest payment is mandatory and due. However, the Eligible Borrower may, at the time of origination of the Eligible Loan, refinance existing debt owed by the Eligible Borrower to a lender that is not the Eligible Lender.
- The Eligible Borrower must commit that it will not seek to cancel or reduce any of its committed lines of credit with the Eligible Lender or any other lender.
- The Eligible Borrower must certify that it has a reasonable basis to believe that, as of the date of origination of the Eligible Loan and after giving effect to such loan, it has the ability to meet its financial obligations for at least the next 90 days and does not expect to file for bankruptcy during that time period.
- The Eligible Borrower must commit that it will 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, except that an S corporation or other tax pass-through entity that is an Eligible Borrower may make distributions to the extent reasonably required to cover its owners' tax obligations in respect of the entity's earnings.
- The Eligible Borrower must certify that it is eligible to participate in the Facility, including in light of the conflicts of interest prohibition in section 4019(b) of the CARES Act.

Each Eligible Borrower that participates in the Facility should make commercially reasonable efforts to maintain its payroll and retain its employees during the time the Eligible Loan is outstanding.

An Eligible Lender will pay the SPV a transaction fee of 100 basis points of the principal amount of the Eligible Loan at the time of origination. The Eligible Lender may require the Eligible Borrower to pay this fee. An Eligible Borrower will pay an Eligible Lender an origination fee of up to 100 basis points of the principal amount of the Eligible Loan at the time of origination.

The SPV will cease purchasing participations in Eligible Loans on September 30, 2020, unless the Board and the Department of the Treasury extend the Facility, effectively ending the opportunity for a business to borrow from these facilities as of that date.

Main Street Expanded Loan Facility (MSELF).

The MSELF is targeted at larger borrowers and would allow a lender to restructure an existing loan of a minimum size of $10 million. The maximum loan size would be the lesser of $200 million or 35% of outstanding and undrawn available debt.

An Eligible Lender is a U.S. federally insured depository institution (including a bank, savings association, or credit union), a U.S. branch or agency of a foreign bank, a U.S. bank holding company, a U.S. savings and loan holding company, a U.S. intermediate holding company of a foreign banking organization, or a U.S. subsidiary of any of the foregoing.

An Eligible Borrower is a Business that:

1. was established prior to March 13, 2020;

2. is not an Ineligible Business;

3. meets at least one of the following two conditions: (i) has 15,000 employees or fewer, or (ii) had 2019 annual revenues of $5 billion or less;

4. 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;

5. does not also participate in the MSNLF, the MSPLF, or the Primary Market Corporate Credit Facility; AND

6. has not received specific support pursuant to the Coronavirus Economic Stabilization Act of 2020 (Subtitle A of Title IV of the CARES Act).

For purposes of the MSNLF, a Business is an entity that is organized for profit as a partnership; a limited liability company; a corporation; an association; a trust; a cooperative; a joint venture with no more than 49 percent participation by foreign business entities; or a tribal business. Other forms of organization may be considered for inclusion as a Business under the Facility at the discretion of the Federal Reserve.

Businesses that have received PPP loans are permitted to borrow under the MSNLF, provided that they are Eligible Borrowers.

An Eligible Loan is a secured or unsecured term loan made by an Eligible Lender(s) to an Eligible Borrower that was originated after April 24, 2020, provided that the loan has all of the following features:

1. 5 year maturity;

2. principal payments deferred for two years and interest payments deferred for one year (unpaid interest will be capitalized);

3. adjustable rate of LIBOR (1 or 3 month) + 300 basis points;

4. principal amortization of 15% at the end of the third year, 15% at the end of the fourth year, and a balloon payment of 70% at maturity at the end of the fifth year;

5. minimum loan size of $10,000,000;

6. maximum loan size that is the lesser of (i) $300 million, or (ii) six times the Eligible Borrower's adjusted 2019 earnings before interest, taxes, depreciation, and amortization ("EBITDA");

7. at the time of upsizing and at all times the upsized tranche is outstanding, the upsized tranche is senior to or pari passu with, in terms of priority and security, the Eligible Borrower's other loans or debt instruments, other than mortgage debt; AND

8. prepayment permitted without penalty.

The Eligible Loan must have had an internal risk rating equivalent to a "pass" in the Federal Financial Institutions Examination Council's supervisory rating system as of December 31, 2019.

The following certifications and covenants will be required from Eligible Lenders:

- The Eligible Lender must commit that it will not request that the Eligible Borrower repay debt extended by the Eligible Lender to the Eligible Borrower, or pay interest on such outstanding obligations, until the Eligible Loan is repaid in full, unless the debt or interest payment is mandatory and due, or in the case of default and acceleration.

- The Eligible Lender must commit that it will not cancel or reduce any existing committed lines of credit to the Eligible Borrower, except in an event of default.

- The Eligible Lender must certify that the methodology used for calculating the Eligible Borrower's adjusted 2019 EBITDA for the leverage requirement in section 6(ii) of the Eligible Loan paragraph above is the methodology it has previously used for adjusting EBITDA when extending credit to the Eligible Borrower or similarly situated borrowers on or before April 24, 2020.

- The Eligible Lender must certify that it is eligible to participate in the Facility, including in light of the conflicts of interest prohibition in section 4019(b) of the CARES Act.

In addition to other certifications required by applicable statutes and regulations, the following certifications and covenants will be required from Eligible Borrowers:

- The Eligible Borrower must commit to refrain from repaying the principal balance of, or paying any interest on, any debt until the upsized tranche of the Eligible Loan is repaid in full, unless the debt or interest payment is mandatory and due.

- The Eligible Borrower must commit that it will not seek to cancel or reduce any of its committed lines of credit with the Eligible Lender or any other lender.

- The Eligible Borrower must certify that it has a reasonable basis to believe that, as of the date of origination of the Eligible Loan and after giving effect to such loan, it has the ability to meet its financial obligations for at least the next 90 days and does not expect to file for bankruptcy during that time period.

- The Eligible Borrower must commit that it will 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, except that an S corporation or other tax pass-through entity that is an Eligible Borrower may make distributions to the extent reasonably required to cover its owners' tax obligations in respect of the entity's earnings.

- The Eligible Borrower must certify that it is eligible to participate in the Facility, including in light of the conflicts of interest prohibition in section 4019(b) of the CARES Act.

Each Eligible Borrower that participates in the Facility should make commercially reasonable efforts to maintain its payroll and retain its employees during the time the upsized tranche of the Eligible Loan is outstanding.

An Eligible Lender will pay the SPV a transaction fee of 75 basis points of the principal amount of the upsized tranche of the Eligible Loan at the time of upsizing. The Eligible Lender may require the Eligible Borrower to pay this fee. An Eligible Borrower will pay an Eligible Lender an origination fee of up to 75 basis points of the principal amount of the upsized tranche of the Eligible Loan at the time of upsizing.

The SPV will cease purchasing participations in Eligible Loans on September 30, 2020, unless the Board and the Department of the Treasury extend the Facility, effectively ending the opportunity for a business to borrow from these facilities as of that date.