FEDERAL RESERVE
MAIN STREET LENDING PROGRAM
EFFECTIVE: APRIL 9, 2020

The Federal Reserve announced this morning, among other economic support measures, the implementation of the Main Street Lending Program (“MSLP”), providing cash flows to small and mid-sized businesses with the purchase of up to $600 billion in loans originated by U.S. banks, their holding companies, and credit unions. The MSLP implements provisions under Title IV of the CARES Act and is intended to supplement the Paycheck Protection Program (‘PPP”) designed to target small businesses. Borrowers that have taken advantage of the PPP may also take out MSLP loans.

Loans under the MSLP will consist of two separate types of loan facilities:

- The Main Street New Loan Facility (“MSNLF’), and
- The Main Street Expanded Loan Facility (“MSELF”)

Most of the program features/requirements under these facilities are the same, except as noted below. Here is a summary of the main MSLP features:

- **Eligible Borrowers**: U.S. based businesses with a majority of its employees in the U.S. with a) up to 10,000 employees, or b) up to $2.5 billion in 2019 annual revenues. Participation can be in the MSNLF or the MSELF, but not both, and participants in the Federal Reserve’s Primary Market Corporate Credit Facility (“PMCCF”) are prohibited from participating in the MSLP.
- **Eligible Loans and Credit Terms:** A term loan made by an eligible lender to an eligible borrower after April 8, 2020 in the case of a MSNLF loan and before April 8, 2020 in the case of a MSELF loan, provided the loan has the following credit terms:
    1. A 4-year maturity
    2. Unsecured if the loan is under the MSNLF
    3. Deferral of amortization of principal and interest for one year
    4. An adjustable rate equal to the Federal Reserve’s Secured Overnight Financing Rate (“SOFR”) plus 250 to 400 basis points
    5. A minimum loan size of $1 million and a maximum loan size of:
        - For MSNLF loans, the lesser of (i) $25 million or (ii) an amount that, when added to the eligible borrower’s existing outstanding and committed but undrawn debt, does not exceed four times the Eligible Borrower’s 2019 earnings before interest, taxes, depreciation, and amortization (“EBITDA”)
        - For MSELF loans, the lesser of (i) $150 million, (ii) 30% of the Eligible Borrower’s existing outstanding and committed but undrawn bank debt, or (iii) an amount that, when added to the Eligible Borrower’s existing outstanding and committed but undrawn debt, does not exceed six times the Eligible Borrower’s 2019 earnings before interest, taxes, depreciation, and amortization (“EBITDA”)
    6. Prepayment without penalty
- **Purchased Participation:** Through a single common special purpose vehicle (“SPV”), a Federal Bank will purchase a 95% participation in the MSLP loans. In the case of MSELF loans, the purchase is 95% of the upsized tranche of the eligible loan. Any collateral securing a MSELF loan, will secure the loan participation on a pro rata basis.

- **Lender Attestations:**
    1. The entity is eligible to participate in the Facility, including in light of the conflicts of interest prohibition in section 4019(b) of the CARES Act.
    2. The proceeds of the eligible loan will not be used to repay or refinance pre-existing loans or lines of credit made by the eligible lender to the eligible borrower, including the pre-existing portion of the eligible loan in the case of a MSELF loan.
    3. It will not cancel or reduce any existing lines of credit outstanding to the eligible borrower.
- **Borrower Attestations**:
    1. The entity is eligible to participate in the Facility, including in light of the conflicts of interest prohibition in section 4019(b) of the CARES Act.
    2. Commitment to refrain from repaying other debt of equal or lower priority, with the exception of mandatory principal payments, unless the eligible borrower has first repaid the eligible loan (or the upside tranche for MSELF loans) in full.
    3. It will not seek to cancel or reduce any of its outstanding lines of credit with the eligible lender or any other lender.
    4. It requires financing due to the exigent circumstances presented by the coronavirus disease 2019 ("COVID-19") pandemic, and that, using the proceeds of the eligible loan (or the upside tranche for MSELF loans), it will make reasonable efforts to maintain its payroll and retain its employees during the term of the eligible loan.
    5. It meets the EBITDA leverage condition contained in the required features of eligible loans.
    6. 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.
- **Facility Fee**: In the case of an MSNLF loan, an eligible lender will pay the SPV a facility fee of 100 basis points of the principal amount of the loan participation purchased by the SPV. The Eligible Lender may require the Eligible Borrower to pay this fee.
- **Loan Origination and Servicing**: An eligible borrower will pay an eligible lender an origination fee of 100 basis points of the principal amount of the eligible loan (or the upside tranche for MSELF loans). The SPV will pay an eligible lender 25 basis points of the principal amount of its participation in the eligible loan per annum for loan servicing.
- **Facility Termination**: The SPV will cease purchasing participations in eligible loans on September 30, 2020, unless the Board and the Treasury Department extend the MSLP.