

CARES Act's Main Street Lending Program

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On April 30, 2020, the Federal Reserve Board announced the expansion of the Main Street Lending Program (“Main Street Program”) under the **Coronavirus Aid, Relief, and Economic Security Act** (“CARES Act”), in order to provide liquidity to small and medium-sized businesses amidst the economic disruption caused by the COVID-19 crisis.

Besides the Main Street New Loan Facility for new loans (“New Loans”) and the Main Street Expanded Loan Facility for existing loans (“Expanded Loans”), the Main Street Program launched the Main Street Priority Loan Facility, a third option to be used by companies as part of a refinancing credit facility (“Priority Loans”).

The Main Street Program is now available to businesses with up to 15,000 employees or \$5 billion in 2019 annual revenues. To be an eligible borrower, businesses must also, among others:

- Be a for-profit entity established prior to March 13, 2020; and
- Be created or organized in the U.S. or under the laws of the U.S. “with significant operations in and a majority of its employees based in the United States.”

An eligible borrower may not have been a participant of any of the Treasury Department’s direct lending programs established under Section 4003(b)(1)-(3) of the CARES Act (i.e., cargo air carriers, passenger air carriers, businesses critical to maintaining national security).

Following is a summary of certain updated terms for each loan option facility under the Main Street Program:

- **Main Street New Loan Facility:** a secured or unsecured term loan originated after April 24, 2020, provided that the loan has all of the following features:
 - Term: 4-year maturity
 - Rate: LIBOR plus 300 basis points

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- Minimum Loan Amount: \$500,000
- Maximum Loan Amount: the lesser of (i) 4x adjusted 2019 EBITDA minus existing outstanding and undrawn available debt or (ii) \$25 million
- Payments: principal and interest deferred for one year; principal amortization of 33.33% at the end of each subsequent year until maturity
- Priority: not contractually subordinated in terms of priority to any of the eligible borrower's other loans or debt instruments

- **Main Street Priority Loan Facility:** a secured or unsecured term loan originated after April 24, 2020, provided that the loan has all of the following features:
 - Term: 4-year maturity
 - Rate: LIBOR plus 300 basis points
 - Minimum Loan Amount: \$500,000
 - Maximum Loan Amount: the lesser of (i) 6x adjusted 2019 EBITDA minus existing outstanding and undrawn available debt or (ii) \$25 million
 - Payments: principal and interest deferred for one year; principal amortization of 15% at the end of the second and third year and of 70% at maturity at the end of the fourth year
 - Priority and Security: 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

- **Main Street Expanded Loan Facility:** a secured or unsecured term loan or revolving credit facility to increase (or "upsized") or add a new increment (or "tranche") of an existing credit facility originated on or before April 24, 2020, and that has a remaining maturity of at least 18 months (taking into account any adjustments made to the maturity of the loan after April 24, 2020, including at the time of upsizing), provided that the upsized tranche of the loan is a term loan that has all of the following features:
 - Term: 4-year maturity
 - Rate: LIBOR plus 300 basis points
 - Minimum Loan Amount: \$10,000,000
 - Maximum Loan Amount: the lesser of (i) 6x adjusted 2019 EBITDA minus existing outstanding and undrawn available debt, (ii) 35% of the eligible borrower's existing outstanding and undrawn available debt that is *pari passu* in priority with the eligible loan and equivalent in secured status (i.

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e., secured or unsecured) *or* (iii) \$200 million.

- Payments: principal and interest deferred for one year; principal amortization of 15% at the end of the second and third year and a balloon payment of 70% at maturity at the end of the fourth year.
- Priority and Security: 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.

The Main Street Program loans are full-recourse loans. Each eligible borrower should make commercially reasonable efforts to maintain its payroll and retain its employees during the time the loan under the programs is outstanding "in light of its capacities, the economic environment, its available resources, and the business need for labor". Under section 4003(d)(3) of the CARES Act, the principal amount of a Main Street Program loan cannot be reduced through loan forgiveness. Eligible borrowers under the SBA's **Paycheck Protection Program** ("PPP"), authorized under Section 1102 of the CARES Act, can participate in the Main Street Program.

The Federal Reserve has yet to provide more information on the operational aspect of the Main Street Program. For more information regarding the Main Street Lending Program please access **this link**.

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