FRIED FRANK

To Our Clients and Friends

Memorandum

April 9, 2020

Federal Reserve Announces Main Street Lending Program

As part of additional actions to support the economy, the Federal Reserve on April 9, 2020 published termsheets for two new lending facilities: (1) the Main Street Expanded Loan Facility (the "Expanded Loan Facility") and (2) the Main Street New Loan Facility (the "New Loan Facility" and together with the Expanded Loan Facility, the "MSL Program").

The MSL Program will make available up to $600 billion to facilitate financing to small and medium-sized businesses. A single special purpose vehicle ("SPV") – financed by a loan from a Federal Reserve Bank and $75 billion of equity from the Department of the Treasury pursuant to the CARES Act – will acquire 95% participations in eligible loans made to eligible borrowers. Lenders will retain 5% of each loan. The SPV and the lenders will share risk on a pari passu basis.

Which loans qualify?

To qualify under the MSL Program, an unsecured term loan (in the case of the New Loan Facility) and the upsize tranche of a term loan (in the case of the Expanded Loan Facility) must have the features summarized below.

	Expanded Loan Facility	***New Loan Facility***
Origination:	Upsize tranches of term loans originated before April 8, 2020, provided the upsize is on or after April 8, 2020	Unsecured term loans originated on or after April 8, 2020
Maximum Loan Amount:	Lesser of (i) $150 million, (ii) 30% of the borrower's existing outstanding and committed but undrawn bank debt or (iii) an amount that when added to the borrower's existing outstanding and committed but undrawn debt does not exceed ***six*** times 2019 EBITDA	Lesser of (i) $25 million or (ii) an amount that when added to the borrower's existing outstanding and committed but undrawn debt does not exceed ***four*** times 2019 EBITDA
Minimum Loan Amount:	$1 million	Same

	Expanded Loan Facility	*New Loan Facility*
Term:	4-year maturity; amortization of principal and interest deferred for one year	Same
Rate:	SOFR + 250-400 bps	Same
Prepayment:	Permitted without penalty	Same
Eligible Lenders:	U.S. insured depository institutions, U.S. bank holding companies, and U.S. savings and loan holding companies	Same
Collateral	Collateral securing the loan (whether pledged as part of the original term loan or at the time of upsizing) must secure the loan participation on a pari passu basis	n/a

Who is eligible to participate?

A business qualifies for the MSL Program if:

- It has up to 10,000 employees or up to $2.5 billion in 2019 annual revenues (the termsheets are silent on the treatment of affiliates and how employees are calculated); and
- It is created or organized in the United States or under the laws of the United States and has significant operations in, and a majority of its employees based in, the United States.

A business may participate in the Expanded Loan Facility or New Loan Facility, but not both. The MSL Program is not open to borrowers that already participate in the Federal Reserve's Primary Market Corporate Credit Facility.

What fees apply?

The fees payable by borrowers are as follows:

	Expanded Loan Facility	*New Loan Facility*
Upsizing/Origination Fee to Lender:	100 bps of the principal amount of the upsize tranche at time of upsizing	100 bps of the principal amount of the eligible loan

	Expanded Loan Facility	*New Loan Facility*
Facility Fee to SPV:	n/a	Lenders must pay the SPV a facility fee of 100 basis points of the principal amount of the loan participation purchased by the SPV, which fee the lender may pass on to the borrower

What attestations are borrowers required to make?

With respect to each loan, the borrower will be required to make certain attestations, including that:

- It commits to refrain from (i) using loan proceeds to repay other loan balances and (ii) repaying other debt of equal or lower priority, with the exception of mandatory principal payments, unless the loan it is financing under the MSL Program has been repaid in full.
- It will not seek to cancel or reduce any of its outstanding lines of credit with the eligible lender under the MSL Program or any other lender.
- It requires financing based on the COVID-19 pandemic and that it will, using proceeds of the loan, make reasonable efforts to maintain its payroll and retain its employees during the term of the loan.
- It meets the applicable EBITDA leverage conditions described in the table above in the description of the "Maximum Loan Amount" for eligible loans.
- It will follow the compensation, stock repurchase and capital distribution restrictions that apply to direct loan programs under the CARES Act. For a more detailed discussion of the restrictions on compensation, stock repurchases and capital distributions, please see our memorandum on the CARES Act.
- It is eligible to participate in the relevant facility, including in light of the conflict of interest prohibitions in section 4019(b) of the CARES Act.

What attestations are lenders required to make?

With respect to each loan, the lender will be required to make certain attestations, including that:

- It will not cancel or reduce any existing lines of credit outstanding to the borrower.
- It will not use the proceeds of the loan or upsized tranche of the loan, as applicable, to repay or refinance pre-existing loans or lines of credit made by the lender to the borrower.

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This memorandum is not intended to provide legal advice, and no legal or business decision should be based on its contents. If you have any questions about the contents of this memorandum, please call your regular Fried Frank contact or an attorney listed below:

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