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The Main Street New Loan Facility and Main Street Expanded Loan Facility

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The Main Street New Loan Facility and Main Street Expanded Loan Facility

The Federal Reserve Board recently unveiled several programs under the CARES Act. The two primary programs, the Main Street New Loan Facility and Main Street Expanded Loan Facility, are available to privately held mid-sized and large businesses. We have highlighted the key differences between the two programs in bold.

Main Street New Loan Facility (MSNLF)

Appropriated Amount: $75 billion. Federal Reserve may expand appropriations in the MSNLF and MSELF to a combined balance of up to $600 billion.

Availability Period: Through September 30, 2020.

Eligible Borrowers: US-domiciled businesses with significant operations in and a majority of employees based in the US. Maximum employees: 10,000. Maximum 2019 revenues: $2.5 billion. Cannot participate in MSELF or Primary Market Corporate Credit Facility.

Lenders: All FDIC-insured banks, savings banks, S&Ls (whether national or state charter), bank holding companies and S&L holding companies. A special purpose vehicle (SPV) created and funded by the Federal Reserve will purchase 95% participation interests in each loan.

Type of Credit Facility: Term loan

Maximum Loan Amount: 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 the borrower's 2019 EBITDA.

Minimum loan amount: $1 million.

Interest: SOFR plus 250-400 basis points (variable rate).

Fees: Origination fee payable by borrower of 100 basis points of the loan amount. In addition, the lender may require the borrower to pay the lender's facility fee to the SPV of 100 basis points of the principal amount of the SPV's 95% participation in the loan.

Amortization: Payments are deferred for the first year. Thereafter, payments of principal and interest are required over the next three years.

Maturity Date: Four years from funding.

Prepayment: Permitted without penalty

Collateral: None.

Strings attached:

- Loan proceeds can't be used to repay or refinance existing loans or lines of credit.
- Borrower must commit to refrain from repaying debt with pari passu or junior priority, except mandatory principal payments, until the loan is paid in full.
- Lender cannot cancel or reduce any existing lines of credit.
- Borrower cannot seek to cancel or reduce any outstanding lines of credit with any lender.
- Borrower must attest that it requires financing due to the exigent circumstances presented by the COVID-19 pandemic.
- Borrower must attest that it will make reasonable efforts to maintain its payroll and retain its employees during the term of the loan.
- Borrower must attest that it meets the EBITDA leverage test (see above).
- Borrower must attest that it will use loan proceeds to retain at least 90% of its workforce, at full compensation and benefits, until September 30, 2020.
- Borrower must attest that it intends to restore not less than 90% of its workforce that existed as of February 1, 2020, and to restore all compensation and benefits to its employees no later than four months after the termination of the COVID-19 public health emergency declared by the Secretary of the Department of Health and Human Services.
- While the loan is outstanding, Borrower cannot pay dividends with respect to its common stock or repurchase an equity security of itself or its parent company that is listed on a national securities exchange, except to the extent that it is required under a contractual obligation in effect on March 27, 2020.
- During the term of the loan and for two years thereafter, Borrower must not outsource or offshore jobs or abrogate existing collective bargaining agreements.
- During the term of the loan, Borrower must remain neutral in any union organizing efforts.
- Loan is not available to entities in which the President, Vice President, any head of an executive branch department, member of Congress, or the spouse, child, son-in-law or daughter-in-law of any such person directly or indirectly holds a 20% or greater stake,

by vote or value, of the outstanding amount of any class or series of equity in the business.

Main Street Expanded Loan Facility (MSELF)

Appropriated Amount: $75 billion. Federal Reserve may expand appropriations in the MSNLF and MSELF to a combined balance of up to $600 billion.

Availability Period: Through September 30, 2020.

Eligible Borrowers: US-domiciled businesses with significant operations in and a majority of employees based in the US. Max. employees: 10,000. Max 2019 revenues: $2.5 billion. Cannot participate in MSNLF or Primary Market Corporate Credit Facility.

Lenders: All FDIC-insured banks, savings banks, S&Ls (whether national or state charter), bank holding companies and S&L holding companies. A special purpose vehicle (SPV) created and funded by the Federal Reserve will purchase 95% participation interests in the upsized tranche of each loan.

Type of Credit Facility: Term loan

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 four times the borrower's 2019 EBITDA.

Minimum loan amount: $1 million.

Interest: SOFR plus 250-400 basis points (variable rate).

Fees: Origination fee payable by borrower of 100 basis points of the upsized tranche amount.

Amortization: Payments are deferred for the first year. Thereafter, payments of principal and interest are required over the next three years.

Maturity Date: Four years from funding.

Prepayment: Permitted without penalty

Collateral: Loan may or may not be secured by collateral.

Strings attached:

- Loan proceeds can't be used to repay or refinance existing loans or lines of credit.
- Borrower must commit to refrain from repaying debt with pari passu or junior priority, except mandatory principal payments, until the loan is paid in full.
- Lender cannot cancel or reduce any existing lines of credit.

- Borrower cannot seek to cancel or reduce any outstanding lines of credit with any lender.
- Borrower must attest that it requires financing due to the exigent circumstances presented by the COVID-19 pandemic.
- Borrower must attest that it will make reasonable efforts to maintain its payroll and retain its employees during the term of the loan.
- Borrower must attest that it meets the EBITDA leverage test (see above).
- Borrower must attest that it will use loan proceeds to retain at least 90% of its workforce, at full compensation and benefits, until September 30, 2020.
- Borrower must attest that it intends to restore not less than 90% of its workforce that existed as of February 1, 2020, and to restore all compensation and benefits to its employees no later than four months after the termination of the COVID-19 public health emergency declared by the Secretary of the Department of Health and Human Services.
- While the loan is outstanding, Borrower cannot pay dividends with respect to its common stock or repurchase an equity security of itself or its parent company that is listed on a national securities exchange, except to the extent that it is required under a contractual obligation in effect on March 27, 2020.
- During the term of the loan and for two years thereafter, Borrower must not outsource or offshore jobs or abrogate existing collective bargaining agreements.
- During the term of the loan, Borrower must remain neutral in any union organizing efforts.
- Loan is not available to entities in which the President, Vice President, any head of an executive branch department, member of Congress, or the spouse, child, son-in-law or daughter-in-law of any such person directly or indirectly holds a 20% or greater stake, by vote or value, of the outstanding amount of any class or series of equity in the business.

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seek the advice of your legal counsel.