

# Main Street Lending Program Explained

A large, thick teal circle graphic that frames the text "KNOW GREATER VALUE".

**KNOW**  
**GREATER**  
**VALUE**

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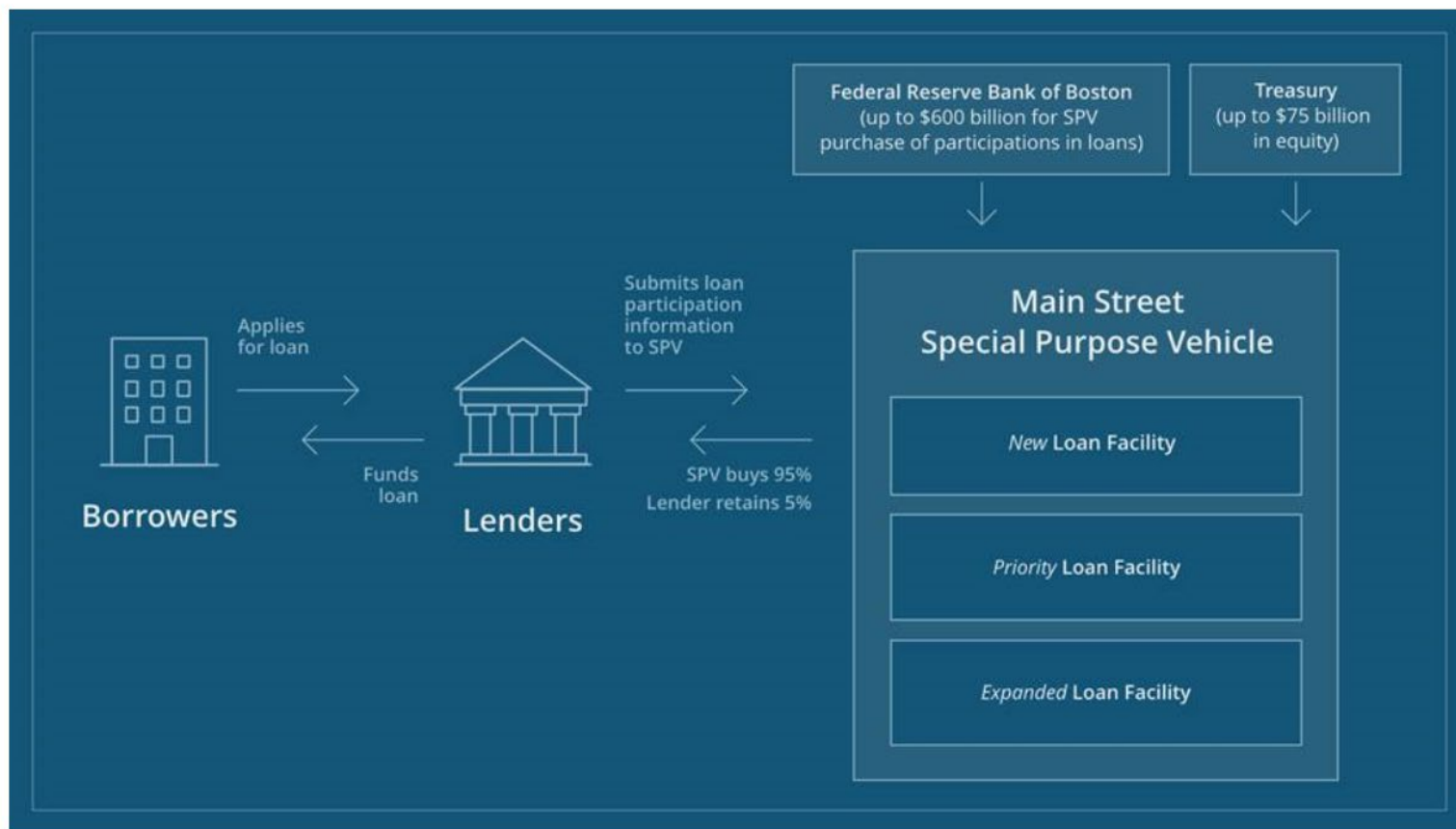
June 30, 2020

## The Main Street Loan Facilities

Aims to provide credit funds that can bridge small and medium-sized businesses until better economic times:

- Main Street New Loan Facility – MSNLF
- Main Street Priority Loan Facility – MSPLF
- Main Street Expanded Loan Facility – MSELF
  
- Nonprofit Organization New Loan Facility – NONLF\*
- Nonprofit Organization Enhanced Loan Facility – NOELF\*

# The Main Street Lending Program



Source: Federal Reserve Board

## Main Street Loan Facilities Compared

MSNLF & MSPLF	MSELF
<p>New term loans originated after April 24, 2020</p>	<p>Additional loan funding that increases previously existing secured or unsecured term loans or revolving credit facilities originated on or before April 24, 2020:</p> <ul style="list-style-type: none"> <li>• Were made by an ‘Eligible Lender(s)’ to an Eligible Borrower</li> <li>• Are currently held, at least in part, by the Eligible Lender originating the MSELF upsized tranche</li> <li>• Have a remaining maturity of at least 18 months; and</li> <li>• Received an internal risk rating equivalent to a “pass” in the FFIEC’s supervisory rating system by the Eligible Lender, as of 12/31/19.</li> </ul>

## Eligible Borrower defined

- Business must have been established prior to 3/13/20
- Are created or organized in the US or under the laws of the US with significant operations in and a majority of their employees based in the US
- 2019 revenue less than or equal to \$5 billion\*
- Businesses (including borrower and affiliates) have fewer than 15,000 employees\*
  - # of employees = average of total number of employees for each pay period over the prior 12 months

# Ineligible Borrowers

- Business must not be ineligible per 13CFR 120.110(b)-(i), (m)-(s)
  - Examples include: financial businesses; businesses located in foreign countries; more than 1/3 in legal gaming; involved in illegal activities; speculative businesses (oil wildcatting); previously defaulted on a Federal loan; political and lobbying firms

## Eligible Borrower defined

- US business
- May only participate in one of the Main Street Loan Facilities and not also PMCCF
- Borrower may have a PPP Loan or EIDL
- Cannot have received specific support under The CARES Act, for example airlines, cargo air carriers or business critical to national security
- Were in sound financial condition prior to the onset of the COVID-19 pandemic

## Can Private Equity Borrow?

- Private Equity Funds cannot borrow because a PE Fund is primarily engaged in investment or speculative business [13 CFR 120.110(s) and 85 Fed. Reg. 23450]
- PE Fund Portfolio Companies can apply but the 'Affiliate Rules' apply:
  - Aggregate number of employees:  $\leq 15,000$
  - 2019 Revenue  $\leq$  \$5 billion



# Key Terms and Conditions

Terms & Conditions	MSNLF	MSPLF	MSELF
Minimum Loan Amount	\$250,000	\$250,000	\$10,000,000
Maximum Loan Amount	Lesser of: 1. <b>\$35 million</b> ; or 2. An amount that, when added to existing outstanding and undrawn available debt, <b>does not exceed FOUR times the borrower's adjusted 2019 EBITDA</b>	Lesser of: 1. <b>\$50 million</b> ; or 2. An amount that, when added to existing outstanding and undrawn available debt, <b>does not exceed SIX times the borrower's adjusted 2019 EBITDA</b>	Lesser of: 1. <b>\$300 million</b> ; or 2. An amount that, when added to existing outstanding and undrawn available debt, <b>does not exceed SIX times the borrower's adjusted 2019 EBITDA</b>

# Key Terms and Conditions

Terms & Conditions	MSNLF	MSPLF	MSELF
Interest Rate	LIBOR (1 or 3-month) + 300 bps.		
Maturity	5 years	5 years	5 years; but underlying loan maturity $\geq$ 18 months
Interest Deferral	1 year		
Principal Deferral	2 years		
Amortization	15% end of years 3 and 4; and 70% balloon payment end of year 5		
Prepayment Penalty	None		

# Priority / Security Requirement

Terms & Conditions	MSNLF	MSPLF	MSELF
Priority / Security Requirement	May not include any provisions that would cause the loan to be contractually subordinated to other debt in or outside of bankruptcy		
			Must also include standard lien covenant or negative pledge

# Restrictions on Repayment of Other Debt

MSNLF & MSELF	MSPLF
<p>Borrower must commit to refrain from paying principal balance of, or paying interest on, any debt until the MSNLF Loan, MSPLF Loan or MSELF Upsized Tranche is repaid in full, unless the debt or interest payment is mandatory and due.</p>	
	<p>However, the borrower may, at the time of origination of the MSPLF Loan, refinance existing debt owed by the Eligible Borrower to a lender that is not the Eligible Lender.</p>

The Borrower can repay a line of credit in ‘normal course’ and take on secured debt so long as the Main Street Loans are not subordinated.

# Fees

Fee	MSNLF & MSPLF	MSELF
<p>Transaction Fee: The lender will pay the SPV a transaction fee at the time of origination. Fee may be passed through to the borrower.</p>	<p>100 basis points of the amount of the new loan</p>	<p>75 basis points of the amount of the upsized tranche</p>
<p>Origination Fee: The borrower will pay lender an origination fee:</p>	<p>100 basis points of the principal amount of the new loan</p>	<p>75 basis points of the principal amount of the upsized loan</p>
<p>Servicing Fee: The SPV will pay the lender per year for loan servicing:</p>	<p>25 basis points of the principal amount of the new loan</p>	<p>25 basis points of the principal amount of the upsized tranche</p>

# Termination Date of the Loan Program

September 30, 2020, unless otherwise extended.

Note: The Federal Reserve Bank will continue to fund the operation of the SPV after September 30, 2020 until the SPV's underlying assets mature or are sold.

# COVID-19 Need

## COVID-19 Need

Borrowers must certify that they are unable to secure adequate credit accommodations from other banking institutions.

Borrowers must make commercially reasonable efforts to maintain their payroll and retain their employees during the term of the loan (or the upsized tranche of the MSELF loan).

Restrictions on maintaining employees: Borrowers required to use 'commercially reasonable' efforts to maintain the borrower's payroll and retain its employees.

# Loan Forgiveness

Loans extended under the Main Street Lending Program are not forgivable;

However, in the event of a restructuring or workout, the Government SPV may agree to reductions in interest (including capitalized interest), extended amortization schedules and maturities, and higher priority “priming” loans.



# Restrictions on Compensation

Employees or officers whose total compensation exceeded \$425,000, but was less than or equal to \$3,000,000, in calendar year 2019 or the Subsequent Reference Period will not, until 12 months after the date on which the Eligible Loan is no longer outstanding:

- Receive total compensation which exceeds the total compensation received by the officer or employee in calendar year 2019 or the Subsequent Reference Period; or
- Receive severance pay or other benefits upon termination of employment, which exceeds twice the maximum total compensation received by the officer or employee in calendar year 2019 or the Subsequent Reference Period.
- Exception: These restrictions do not apply to an employee whose compensation is determined through an existing collective bargaining agreement entered into prior to March 1, 2020.

# Restrictions on Compensation

Employees or officers whose total compensation exceeded \$3,000,000, in calendar year 2019 or the Subsequent Reference Period will not, until 12 months after the date on which the Eligible Loan is no longer outstanding:

- Receive, during any 12 consecutive month period, total compensation in excess of the sum of (1) \$3,000,000; and (2) 50% of the excess over \$3,000,000 of the total compensation received by the officer or employee in calendar year 2019 or the Subsequent Reference Period; and
- Except for an employee whose compensation is determined through an existing collective bargaining agreement entered into prior to March 1, 2020, cannot receive severance pay or other benefits upon termination of employment, which exceeds twice the maximum total compensation received by the officer or employee in calendar year 2019 or the Subsequent Reference Period.

## Participation in Other CARES Act Programs

Affiliated groups of companies may only participate in one of the following loan programs: MSNLF, MSELF, MSPLF or the Primary Market Corporate Credit Facility. Affiliated groups of companies may receive more than one loan under a single Main Street facility so long as the loans taken together do not exceed the maximum loan size that the affiliated group is eligible to receive on a consolidated basis.

Borrowers may not participate in the Main Street Lending Program if they have received specific support pursuant to the CARES Act designated for passenger air carriers, cargo air carriers or businesses critical to maintaining national security.

Borrowers may have a PPP Loan / EIDL Loan and a Main Street Loan facility.

# Main Street Lending Program

## Proposed Term Sheet for Nonprofit Organizations\*

	Nonprofit Organization New Loan Facility	Nonprofit Organization Expanded Loan Facility
Loan Term	5 Years	
Principal Payments	Deferred for two years. Years 3-5: 15%, 15%, 70%	
Interest Payments	Deferred for one year	
Interest Rate	Adjustable rate of LIBOR (1 or 3 month) + 300 basis points	
Loan Size	\$250,000 - \$35 million	\$10 - \$300 million
Lender Participation Rate	5%	
Prepayment Allowed	Yes, without penalty	

\*The Federal Reserve and the US Department of the Treasury accepted comments to this proposed program through June 22, 2020. Final details of program have not yet been announced.

## Nonprofit Organization: Proposed Eligibility Criteria

- Established prior to, and in continuous existence since, January 1, 2015;
- Meets one of the following: (1) 15,000 employees or fewer, or (2) had 2019 annual revenues of \$5 billion or less;
- Has a minimum of 50 employees;
- Has an endowment of less than \$3 Billion;
- Has 2019 revenues from donations that are less than 30% of total 2019 revenues;
- Has a ratio of adjusted EBITDA to unrestricted 2019 operating revenue, greater than or equal to 5%.

\* Based on term sheet for proposed program: Federal Reserve Bank of Boston accepted comments to proposed program through June 22, 2020. Final details have not yet been determined.

## Small Business Considerations: Main Street Loan vs. Economic Injury Disaster Loan (EIDL)

Criteria	Main Street Loan	EIDL
Timeline to obtain loan from application through receipt of proceeds	Longer – New program. Many banks are still in the registration process to become Eligible Lenders. Each bank will use their own standard loan documentation. Negotiation time and legal fees should be expected.	Likely Shorter - Simpler application and more streamlined process through the SBA. Experience with this type of loan.
Loan Amount	Depends on facility: MSNLF starts at \$250K. Clear criteria to determine loan amount.	Loans up to \$2MM. Determination of eligible loan amount less clear.

## Small Business Considerations (continued): Main Street Loan vs. Economic Injury Disaster Loan (EIDL)

Criteria	Main Street Loan	EIDL
Required Collateral	Main Street loans may be Secured OR Unsecured. However, if the Eligible Borrower has outstanding debt, the loan must be at least pari passu with existing debt.	No personal guarantees required for loans up to \$200K. However, a First Priority, Secured Lien may be placed across a broad array of the Borrower’s Assets.
Purpose	Fewer restrictions on usage – Must commit to maintain employees and payroll and avoid dividend payouts to management.	Eligible Purposes only, including Accounts Payable, Rent or Mortgage Payments, Increased Costs for Materials.

# Contact Information and Office Locations

Contact your PKF O'Connor  
Davies representative or  
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## Overseas Offices:

London; Scotland; Dublin; Geneva; Luxembourg  
Grand Cayman; and Mumbai and Chennai, India



## Disclaimer

- This discussion about the Federal Reserve’s Main Street Loan Program (‘Program’) is designed to provide overview and summary information about the program based on information disseminated to date. The ‘Program’ may change and the information presented today may not include all the pertinent factors and considerations that may apply to your organization.