

Main Street Lending Program

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The Federal Reserve continues to release updated guidance for the Main Street Lending Program. The below summary is subject to change as the program is rolled out and more refinements are announced by the Fed in the future.

For additional information, please visit <https://www.pillsburylaw.com/en/services/covid-19-coronavirus.html>

SUMMARY	<ul style="list-style-type: none"> ▪ The Main Street Lending Program (MSLP) establishes three new loan facilities: <ol style="list-style-type: none"> (1) The Main Street New Loan Facility (MSNLF) for term loans originated after April 24, 2020; (2) The Main Street Priority Loan Facility (MSPLF) for more highly leveraged borrowers for term loans originated after April 24, 2020; and (3) The Main Street Expanded Loan Facility (MSELF) for term loans or revolving credit facilities originated on or before April 24, 2020 or purchased before April 24, 2020, with remaining maturity of at least 18 months and subsequently upsized with a term loan tranche (even if the underlying existing loan being “upsized” is a revolving loan).
ELIGIBILITY	<ul style="list-style-type: none"> ▪ Businesses that, together with affiliates, have up to 15,000 employees or had up to \$5 billion in 2019 revenues. ▪ Businesses that are created or organized in the United States or under the laws of the United States with significant operations in and a majority of employees in the United States (based on the US borrower and its consolidated subsidiaries). ▪ If it or any of its affiliates borrows under one of the MSLP facilities, it may not borrow under any of the other MSLP facilities or the Primary Market Corporate Credit Facility, <i>but can participate in the SBA’s Paycheck Protection Program or Economic Injury Disaster Loan Program.</i> ▪ Borrowers should make commercially reasonable efforts to maintain their payroll and retain employees during the time the MSLP loan is outstanding. Borrowers that have already laid off or furloughed workers are still eligible to apply. ▪ PE funds are not eligible, but portfolio companies of PE funds might otherwise be eligible.
USES, RESTRICTIONS, CERTIFICATIONS	<ul style="list-style-type: none"> ▪ Borrower must commit to refrain from repaying other debt, <i>with the exception of mandatory principal and interest payments, ordinary course paydowns of lines of credit or, in the case of the MSPLF, refinancing of debt owed to other lenders</i>, until the MSLP loan has been repaid in full or an interest therein is no longer held by the Main Street SPV or a governmental assignee. ▪ Among other certifications, Borrower must certify that (i) it will not seek to cancel or reduce any of its committed lines of credit, (ii) it reasonably believes it has the ability to meet its financial obligations for at least 90 days and does not expect to file for bankruptcy during this period and (iii) it is unable to secure adequate credit accommodations from other banking institutions. ▪ Borrowers that are public companies, may not buy back any related stock. ▪ Borrower may not pay any dividends or capital distributions (other than for taxes for pass-through entities) for 12 months following repayment of the MSLP loan. ▪ Borrower may not increase compensation for employees making more than \$425,000 and must comply with other limits on employee compensation. ▪ Borrower has robust quarterly and annual financing reporting covenants. ▪ Lenders to assess borrowers’ financial condition, certify EBITDA methodology and make other certifications, which in certain instances will be following due inquiry.
LOAN TERMS	<ul style="list-style-type: none"> ▪ 5-year maturity, may be secured or unsecured. ▪ Payment of principal deferred for two years and interest deferred for one year (unpaid interest will be capitalized). ▪ No Prepayment penalty. ▪ Principal Repayment: 15%, 15% and 70% on the third, fourth and fifth anniversaries of the funding date. ▪ Rate: One-month or three-month LIBOR +3% ▪ Minimum loan size of \$250,000 for MSNLF & MSPLF; \$10,000,000 for MSELF. ▪ Maximum loan size: <ul style="list-style-type: none"> ○ MSNLF: The lesser of (i) \$35 million or (ii) an amount which, when added to its outstanding and undrawn available debt, does not exceed four times its adjusted 2019 EBITDA. ○ MSPLF: The lesser of (i) \$50 million or (ii) an amount which, when added to its outstanding and undrawn available debt, does not exceed six times its adjusted 2019 EBITDA. ○ MSELF: The lesser of (i) \$300 million or (ii) an amount which, when added to its outstanding and undrawn available debt, does not exceed six times its adjusted 2019 EBITDA. ▪ Note: The Federal Reserve will disclose certain information regarding lenders and borrowers and terms of the MSLP loans.

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