

COVID-19 NEWS OF INTEREST

Federal Reserve Announces Update to Main Street Lending Program

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On April 9, 2020, the Board of Governors of the Federal Reserve System (the “Board”) announced additional actions taken by the Federal Reserve to support the economy during the COVID-19 pandemic. Among these is a \$600 billion Main Street Lending Program, which is designed to facilitate lending to small and medium-sized businesses impacted by COVID-19. The Board updated the terms of the Main Street Lending Program on [April 30, 2020](#) and [May 27, 2020](#).

On June 8, 2020, the Board further updated the terms of the Main Street Lending Program (as so updated, the “Main Street Program”). This update to the Main Street Program, among other things, (i) extends the maturity date of loans made under the Main Street Program (“Loans”) from four years to five years, (ii) extends the principal deferral period from one year to two years and modifies the principal amortization schedule, (iii) modifies the minimum and/or maximum size of certain Loans, and (iv) reduces the percentage of Loans that eligible lenders are required to retain under the Main Street Priority Loan Facility from 15% to 5%, bringing it in line with the other Main Street Program facilities.

Although the launch date for the Main Street Program has not been announced, the most recent update to the Main Street Program suggests that the Board continues to refine the parameters of the Main Street Program in an effort to make it more attractive to prospective borrowers (e.g., by extending the maturity date and principal deferral period) and lenders (e.g., by lowering the overall exposure that lenders under the Main Street Priority Loan Facility will be required to retain).

The updated term sheets for the [Main Street New Loan Facility](#), [Main Street Priority Loan Facility](#) and [Main Street Expanded Loan Facility](#), together with updated responses to certain “[Frequently Asked Questions](#),” are each available on

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the Board's website.¹ In addition, [Annex A](#) below contains a side-by-side comparison of certain terms of the Main Street Program.

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¹ The Federal Reserve is also updating its form legal documents to align with the June 8, 2020 updates.

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Annex A

Term	New Loan Facility	Priority Loan Facility	Expanded Loan Facility
Maximum Loan Size	Lesser of (i) \$35,000,000 and (ii) an amount that, when added to existing and undrawn available debt of the borrower, does not exceed 4x adjusted 2019 EBITDA of the borrower	Lesser of (i) \$50,000,000 and (ii) an amount that, when added to existing and undrawn available debt of the borrower, does not exceed 6x adjusted 2019 EBITDA of the borrower	Lesser of (i) \$300,000,000 and (ii) an amount that, when added to existing debt of the borrower, does not exceed 6x adjusted 2019 EBITDA of the borrower
Minimum Loan Size	\$250,000		\$10,000,000
Facility Type	Term loan		Term loan upside to an existing term loan or revolving credit facility
Ranking	Secured or unsecured, but cannot be subordinated in right of payment to existing indebtedness of the borrower	Secured or unsecured, but must be senior or <i>pari passu</i> in right of payment and lien to any other debt of the borrower (other than (i) debt secured by real property and (ii) limited recourse equipment financings secured only by the acquired equipment)	Secured or unsecured, but must be senior or <i>pari passu</i> in right of payment and lien to any other debt of the borrower (other than (i) debt secured by real property and (ii) limited recourse equipment financings secured only by the acquired equipment)
Maturity	5 years		
Interest Rate	LIBOR (1- or 3-month) + 300 basis points		
Interest Deferral	Interest payments deferred for one year (unpaid interest will be capitalized)		
Amortization	15% at the end of the third year and 15% at the end of the fourth year with the balance due at maturity		
Transaction Fee	100 basis points		75 basis points

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Term	New Loan Facility	Priority Loan Facility	Expanded Loan Facility
Upsizing/Origination Fees and Servicing Fees	Up to 100 basis points		Up to 75 basis points
Prepayments	Permitted without penalty		
Retention of Employees	Borrower must use commercially reasonable efforts to maintain its payroll and retain its employees during the term of the loan		