



MAIN STREET LENDING PROGRAM FINALLY LAUNCHES WITH MODIFIED KEY TERMS

by Nancy Bostic, Amy Lott, Lynsey Hyde, Chad Kell and Grace Rollinger
June 17, 2020



The Federal Reserve established the \$600 billion Main Street Lending Program (Program) to keep credit flowing to small and medium-sized businesses that were in sound financial condition before the COVID-19 pandemic. In response to criticism that the Program's terms were too onerous to foster participation, the Federal Reserve on June 8, 2020 modified the Program to provide more attractive loan terms, such as a lower minimum loan amount for certain loans, increased maximum loan sizes, extended loan terms and extended principal repayment deferment, as outlined below. On June 15, 2020, the Federal Reserve officially opened its [portal](#) for lender registration.

This alert summarizes key terms of three of the Program's loan facilities: (1) the Main Street New Loan Facility (MSNLF), (2) the Main Street Priority Loan Facility (MSPLF), and (3) the Main Street Expanded Loan Facility (MSELF, and, together with the MSNLF and MSPLF, the Loan Programs). As noted above, the term sheets and FAQs were substantially revised on June 8, 2020 and are available [here](#). The following explains some of the key changes that the Federal Reserve made to the Loan Programs on June 8, 2020.

LOAN SIZE EXPANSION

The minimum loan amounts under the MSNLF and MSPLF have been reduced from \$500,000 to \$250,000. The minimum loan amount for the MSELF remains unchanged at \$10 million.

The maximum loan size increased to \$35 million for the MSNLF, \$50 million for the MSPLF and \$300 million for the MSELF; however, the maximum loan size is capped (a) for the MSNLF at an amount that when added to the outstanding and undrawn available debt, does not exceed 4.0x adjusted earnings before interest, taxes, depreciation and amortization (EBITDA), and (b) under the MSPLF and MSELF at an amount that when added to the outstanding and undrawn available debt, does not exceed 6.0x adjusted EBITDA.

MATURITY DATE EXPANSION

The maturity date was extended for loans under all Loan Programs from 4 years to 5 years.

DEFERRAL PERIOD EXPANSION

Principal payments under all Loan Programs are now deferred for 2 years instead of 1 year. Principal payments are now due as follows: 15 percent at the end of year 3, 15 percent at the end of year 4, and 70 percent at the end of year 5. This is a significant change in particular for the MSNLF, which previously provided for principal deferral of 1 year followed by payments of 33.33 percent at the end of years 2, 3 and 4.

The deferral period for interest payments remains 1 year, and the interest rate remains at LIBOR plus 3 percent.

EXPANDED FEDERAL RESERVE PARTICIPATION

The Program is administered by the Federal Reserve Bank of Boston, which intends to purchase a 95 percent interest in each loan, provided that the required documentation is complete and the transactions are consistent with the relevant Program requirements. The Federal Reserve Bank of Boston has set up a special purpose vehicle to effect these loan purchases.

Borrowers may apply for loans under the Loan Programs through a participating lender. To participate in the program, lenders must register using the lender portal, which is available [here](#).

Borrowers and lenders can find more information, term sheets, documents and FAQs [here](#) and [here](#).

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ELIGIBILITY OF LOANS ALREADY FUNDED

The Program will accept loans originated under the prior terms, if they were funded before June 10, 2020.

POSSIBLE EXPANSION TO INCLUDE NONPROFITS

On June 15, 2020, the Federal Reserve issued a [press release](#) announcing it will seek public comment until June 22, 2020 on a proposal to allow small and medium-sized nonprofit organizations to participate in the Program. The Federal Reserve's draft term sheets for nonprofit organizations to potentially participate in the Program are available [here](#).

OTHER LOAN PROGRAMS

Businesses that receive Paycheck Protection Program (PPP) loans, Economic Injury Disaster Loans (EIDLs) and EIDL Emergency Advances are still eligible to receive assistance under the Program. Please see our PPP [client alert](#) for the most recent changes to the PPP, which is still accepting applications. For more information on the PPP and a list of PPP lenders by state, please visit the Small Business Administration's [website](#).

As of June 15, 2020, EIDLs and EIDL Emergency Advances are no longer limited to agricultural businesses. Accordingly, qualified [Eligible Entities](#) are once again eligible to apply for both EIDLs and EIDL Emergency Advances. For more information on EIDLs and EIDL Emergency Advances, as well as a link to the SBA's online application, please click [here](#).

ABOUT THE AUTHORS



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Nancy is the Practice Group Leader for Mergers and Acquisitions and Private Equity. She represents public and private companies and private equity funds in securities issuances, acquisitions and dispositions of assets and equity, joint ventures, recapitalizations, financings and change of control transactions valued at up to \$3.5 billion. Her clients focus in the upstream, midstream and downstream oil and gas sectors and in the oilfield service and chemical and product manufacturing industries.



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With clients ranging from corporations, partnerships and entrepreneurs to family offices, investment companies and individual investors, Amy focuses her practice on structuring a wide variety of transactions, including stock and asset acquisitions, mergers, private placements, joint ventures and financings. She often also serves as outside general counsel advising on tax-efficient entity structuring, investment vehicles, regulatory compliance, business disputes and day-to-day contracting, operational and governance matters.



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Lynsey focuses her legal practice on corporate governance and transactional matters. During law school, Lynsey received seven CALI Academic Awards for earning the highest grade in her class, including Contracts II, Federal Income Taxation, Payment Systems (Commercial Paper) and Professional Responsibility. She was also a member of the Phi Delta Phi International Fraternity and Order of the Lytae.



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Grace's practice is primarily focused on the negotiation and structuring of mergers and acquisitions, a variety of commercial agreements, entity formation, private equity offerings, and asset and stock sales. She has experience working with a variety of clients, from startups to Texas-based companies with nation-wide operations. Grace has also gained familiarity with the loan process through her work creating Bankruptcy Remote Entities for commercial real estate financing transactions.