Main Street Lending Program Overview
August 26, 2020

Scott Strah, Assistant Vice President
Supervision, Regulation and Credit Department
Federal Reserve Bank of Boston
Agenda for Today’s Session

▷ Overview of the Main Street Lending Program (Main Street or Program)

▷ Key Terms and Conditions

▷ Getting Started

▷ Additional Resources
Main Street Overview

▷ The Federal Reserve designed the Main Street Lending Program to help credit flow to small- and medium-sized *for-profit* businesses and *nonprofit* organizations that:
  ▷ Were in sound financial condition before the pandemic shock to the economy
  ▷ Now need loans to help maintain or bridge their operations and payroll

▷ By providing additional lending capacity, the Program aims to enable as many sound for-profit businesses and nonprofit organizations as possible to retain operational capacity to support a quick economic recovery.

▷ The Program creates additional lending capacity through two important actions:
  ▷ Sharing risk that would otherwise be absorbed solely by lenders
  ▷ Creating additional balance sheet capacity for lenders to extend more loans
Main Street Overview (continued)

Lenders review and approve loans based on their underwriting criteria prior to submitting loan participation information to the SPV.

Federal Reserve Bank of Boston
(up to $600 billion for SPV purchase of participations in loans)

Treasury
(up to $75 billion in equity)

Main Street Special Purpose Vehicle

- New Loan Facility
- Priority Loan Facility
- Expanded Loan Facility
- Nonprofit Organization New Loan Facility
- Nonprofit Organization Expanded Loan Facility
Eligible Loans

The Program offers three loan types for for-profit businesses and two for nonprofits, each with different features, to meet the needs of small- and medium-sized businesses and nonprofit organizations. All include:

- Wide range of loan sizes
- Attractive repayment terms
- Deferred interest for one year
- Secured or unsecured loans

Nonprofit organization loan terms are similar to those of for-profit businesses, with certain adjustments to reflect differences in operating models.

Main Street loans are not grants and cannot be forgiven.

Loan features are detailed in the charts on the following slides and in the Program term sheets.
## Eligible Loans: For-Profit Businesses

<table>
<thead>
<tr>
<th></th>
<th><strong>New Loan Facility</strong></th>
<th><strong>Priority Loan Facility</strong></th>
<th><strong>Expanded Loan Facility</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Loan Term &amp; Interest Rate</strong></td>
<td>5 year term loan with adjustable rate of LIBOR (1 or 3 month) + 300 basis points</td>
<td>Principal deferred for 2 years. Years 3–5: 15%, 15%, 70%</td>
<td><strong>Note:</strong> Maximum Loan Size 6 times adjusted 2019 EBITDA</td>
</tr>
<tr>
<td><strong>Principal Payments</strong></td>
<td>Principal deferred for 2 years. Years 3–5: 15%, 15%, 70%</td>
<td>Interest deferred for 1 year</td>
<td><strong>Note:</strong> Lender will retain 5% of the upsized tranche of the loan</td>
</tr>
<tr>
<td><strong>Interest Payments</strong></td>
<td></td>
<td>Interest deferred for 1 year</td>
<td></td>
</tr>
<tr>
<td><strong>Prepayment Allowed</strong></td>
<td>Yes, without penalty</td>
<td><strong>Note:</strong> Main Street SPV will purchase a 95% interest in the upsized tranche of the loan</td>
<td></td>
</tr>
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<td><strong>Loan Fees</strong></td>
<td>Origination and transaction fees may apply</td>
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<tr>
<td><strong>Loan Size</strong></td>
<td>$250,000–$35 million</td>
<td>$250,000–$50 million</td>
<td>$10 million–$300 million</td>
</tr>
<tr>
<td><strong>Maximum Loan Size</strong></td>
<td>4 times adjusted 2019 EBITDA</td>
<td>6 times adjusted 2019 EBITDA</td>
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</tr>
<tr>
<td><strong>Requirements for Priority and Security</strong></td>
<td>Unsecured or secured loan that may not be contractually subordinate to other debt</td>
<td>Unsecured or secured loan that is senior to or pari passu with, in terms of priority or security, other debt</td>
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<td><strong>Lender Participation Rate</strong></td>
<td>Lender will retain 5% of the loan</td>
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<td>Lender will retain 5% of the upsized tranche of the loan</td>
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<td><strong>Main Street SPV Participation Rate</strong></td>
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## Eligible Loans: Nonprofit Organizations

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<td><strong>Maximum Loan Size</strong></td>
<td>The lesser of $35 million or the borrower’s average 2019 quarterly revenue</td>
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Eligible Lenders

▷ U.S. federally insured depository institutions (including banks, savings associations, and credit unions)

▷ U.S. bank holding companies and savings and loan holding companies

▷ U.S. branches or agencies of foreign banks

▷ U.S. intermediate holding companies of foreign banking organizations

▷ Any U.S. subsidiary of any of the above-mentioned institutions
## Eligible Borrowers

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<th>Small- and Medium-Sized For-profit Businesses</th>
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<td>U.S. business established prior to March 13, 2020</td>
<td>U.S. tax-exempt nonprofit or veterans' organization (described in sections 501(c)(3) and (c)(19), respectively, of the Internal Revenue Code) in continuous operation since January 1, 2015</td>
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<td>Must not be an Ineligible Business as modified and clarified by SBA regulations for purposes of the PPP (see term sheets and FAQ E.1 and E.13 for details)</td>
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<td>Have up to 15,000 employees or up to $5 billion in 2019 annual revenue</td>
<td>• Have up to 15,000 employees or up to $5 billion in 2019 annual revenue • Have at least 10 employees</td>
</tr>
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<td>Must meet the financial criteria described in the term sheets</td>
<td>Have an endowment of less than $3 billion</td>
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Borrower Conditions and Certifications

▷ Borrowers may participate in only one of the Main Street facilities.

▷ Borrowers participating in a Main Street facility may not also participate in the Primary Market Corporate Credit Facility or the Municipal Liquidity Facility (nonprofit organizations only).

▷ Borrowers that have received loans or funds under the following programs may also receive Main Street loans:
  ▷ CARES Act PPP loan program
  ▷ Economic Injury Disaster Loan (EIDL) advance
Borrower Conditions and Certifications (continued)

▷ Lenders will require borrowers to sign facility borrower certifications and covenants for each loan as noted in the term sheets, which include certifications required by the CARES Act.

▷ Borrowers will certify to, among other things, the following:
  ▷ Prohibition on early debt repayment
  ▷ Prohibition on reduction in lines of credit
  ▷ Ability to meet financial obligations for at least the next 90 days
  ▷ CARES Act restrictions on compensation, capital distributions, and equity repurchases
  ▷ CARES Act prohibition on conflicts of interest
Required Borrower Information

▷ Lenders require certain information from borrowers at the time of application and periodically throughout the life of the loan, such as:
  ▷ General identifying information (e.g., borrower name, address, tax ID number, business establishment date, etc.)
  ▷ Financial data (e.g., assets, liabilities, revenue, expenses, debt, dividend/equity distributions, etc.)
  ▷ Collateral information, if applicable (e.g., type, value, etc.)

▷ See Appendix C of the Program FAQs for a complete listing of required data reporting and timeline.
Getting Started

▷ Interested businesses should start by reviewing the Program requirements and contacting their lender to discuss applying for a Main Street loan that meets their needs.

▷ Borrowers must complete required Program documentation, as well as the lender’s loan documentation.

▷ Lenders apply their own underwriting standards in evaluating the financial condition and creditworthiness of borrowers.

▷ Lenders determine whether borrowers are approved for a Main Street loan.
Getting Started (continued)

Borrowers can also view a state-by-state listing of lenders participating in the Main Street Lending Program who are currently accepting applications from new customers by viewing the interactive map on the Main Street website.
Additional Resources

▷ Program information, term sheets, FAQs, and other recorded sessions are located on the Main Street Lending Program website (www.bostonfed.org/mslp).

▷ Sign up to receive email alerts for Program updates.

▷ Submit inquiries to MSLP@bos.frb.org.