

## Main Street Expanded Loan Facility

Effective ~~June 8~~ July 28, 2020<sup>1</sup>

**Program:** The Main Street Expanded Loan Facility (“Facility”), which has been authorized under section 13(3) of the Federal Reserve Act, is intended to facilitate lending to small and medium-sized Businesses by Eligible Lenders. Under the Facility, the Main Street Priority Loan Facility (“MSPLF”), and the Main Street New Loan Facility (“MSNLF”), the Federal Reserve Bank of Boston (“Reserve Bank”) will commit to lend to a single common special purpose vehicle (“SPV”) on a recourse basis. The SPV will purchase 95% participations in the upsized tranche of Eligible Loans from Eligible Lenders. Eligible Lenders will retain 5% of the upsized tranche of each Eligible Loan. The Department of the Treasury, using funds appropriated to the Exchange Stabilization Fund under section 4027 of the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”), will make a \$75 billion equity investment in the single common SPV in connection with the Facility, the MSPLF, and the MSNLF. The combined size of the Facility, the MSPLF, and the MSNLF will be up to \$600 billion.

**Eligible Lenders:** An Eligible Lender is a U.S. federally insured depository institution (including a bank, savings association, or credit union), a U.S. branch or agency of a foreign bank, a U.S. bank holding company, a U.S. savings and loan holding company, a U.S. intermediate holding company of a foreign banking organization, or a U.S. subsidiary of any of the foregoing.

**Eligible Borrowers:** An Eligible Borrower is a Business<sup>2</sup> that:

1. was established prior to March 13, 2020;
2. is not an Ineligible Business;<sup>3</sup>
3. meets at least one of the following two conditions: (i) has 15,000 employees or fewer, or (ii) had 2019 annual revenues of \$5 billion or less;
4. is created or organized in the United States or under the laws of the United States with significant operations in and a majority of its employees based in the United States;
5. does not also participate in the MSPLF, the MSNLF, or the Primary Market Corporate Credit Facility; and
6. has not received specific support pursuant to the Coronavirus Economic Stabilization Act of 2020 (Subtitle A of Title IV of the CARES Act).<sup>4</sup>

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<sup>1</sup> The Board of Governors of the Federal Reserve System (“Board”) and the Secretary of the Treasury may make adjustments to the terms and conditions described in this term sheet. Any changes will be announced on the Board’s website.

<sup>2</sup> For purposes of the Facility, a Business is an entity that is organized for profit as a partnership; a limited liability company; a corporation; an association; a trust; a cooperative; a joint venture with no more than 49 percent participation by foreign business entities; or a tribal business concern as defined in 15 U.S.C. § 657a(b)(2)(C), except that “small business concern” in that paragraph should be replaced with “Business” as defined herein. Other forms of organization may be considered for inclusion as a Business under the Facility at the discretion of the Federal Reserve.

<sup>3</sup> For purposes of the Facility, an Ineligible Business is a type of business listed in 13 CFR 120.110(b)-(j) and (m)-(s), as modified by regulations implementing the Paycheck Protection Program established by section 1102 of the CARES Act (“PPP”) on or before April 24, 2020. The application of these restrictions to the Facility may be further modified at the discretion of the Federal Reserve.

<sup>4</sup> For the avoidance of doubt, Businesses that have received PPP loans are permitted to borrow under the Facility, provided that they are Eligible Borrowers.

**Eligible Loans:** An Eligible Loan is a secured or unsecured term loan or revolving credit facility made by an Eligible Lender(s) to an Eligible Borrower that was originated on or before April 24, 2020, and that has a remaining maturity of at least 18 months (taking into account any adjustments made to the maturity of the loan after April 24, 2020, including at the time of upsizing), provided that the upsized tranche of the loan is a term loan that has all of the following features:

1. 5 year maturity;
2. principal payments deferred for two years and interest payments deferred for one year (unpaid interest will be capitalized);
3. adjustable rate of LIBOR (1 or 3 month) + 300 basis points;
4. principal amortization of 15% at the end of the third year, 15% at the end of the fourth year, and a balloon payment of 70% at maturity at the end of the fifth year;
5. minimum loan size of \$10 million;
6. maximum loan size that is the lesser of (i) \$300 million or (ii) an amount that, when added to the Eligible Borrower's existing outstanding and undrawn available debt, does not exceed six times the Eligible Borrower's adjusted 2019 earnings before interest, taxes, depreciation, and amortization ("EBITDA");<sup>5</sup>
7. at the time of upsizing and at all times the upsized tranche is outstanding, the upsized tranche is senior to or pari passu with, in terms of priority and security, the Eligible Borrower's other loans or debt instruments, other than mortgage debt; and
8. prepayment permitted without penalty.

**Loan Classification:** The Eligible Loan must have had an internal risk rating equivalent to a "pass" in the Federal Financial Institutions Examination Council's supervisory rating system as of December 31, 2019.

**Assessment of Financial Condition:** Eligible Lenders are expected to conduct an assessment of each potential borrower's financial condition at the time of the potential borrower's application.

**Loan Participations:** The SPV will purchase at par value a 95% participation in the upsized tranche of the Eligible Loan, provided that it is upsized on or after April 24, 2020. The SPV and the Eligible Lender will share risk in the upsized tranche on a pari passu basis. The Eligible Lender must be one of the lenders that holds an interest in the underlying Eligible Loan at the date of upsizing. The Eligible Lender must retain its 5% portion of the upsized tranche of the Eligible Loan until the upsized tranche of the Eligible Loan matures or the SPV sells all of its 95% participation, whichever comes first. The Eligible Lender must also retain its interest in the underlying Eligible Loan until the underlying Eligible Loan matures, the upsized tranche of the Eligible Loan matures, or the SPV sells all of its 95% participation, whichever comes first. Any collateral securing the Eligible Loan (at the time of upsizing or on any subsequent date) must secure the upsized tranche on a pro rata basis. The sale of a participation in the upsized tranche of the Eligible Loan to the SPV will be structured as a "true sale" and must be completed expeditiously after the Eligible Loan's upsizing.

**Required Lender Certifications and Covenants:** In addition to other certifications required by applicable statutes and regulations, the following certifications and covenants will be required from Eligible Lenders:

- The Eligible Lender must commit that it will not request that the Eligible Borrower repay debt extended by the Eligible Lender to the Eligible Borrower, or pay interest on such outstanding obligations, until the upsized tranche of the Eligible Loan is repaid in full, unless the debt or interest payment is mandatory and due, or in the case of default and acceleration.

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<sup>5</sup> The methodology used by the Eligible Lender to calculate adjusted 2019 EBITDA must be the methodology it previously used for adjusting EBITDA when originating or amending the Eligible Loan on or before April 24, 2020.

- The Eligible Lender must commit that it will not cancel or reduce any existing committed lines of credit to the Eligible Borrower, except in an event of default.
- The Eligible Lender must certify that the methodology used for calculating the Eligible Borrower's adjusted 2019 EBITDA for the leverage requirement in section 6(ii) of the Eligible Loan paragraph above is the methodology it previously used for adjusting EBITDA when originating or amending the Eligible Loan on or before April 24, 2020.
- The Eligible Lender must certify that it is eligible to participate in the Facility, including in light of the conflicts of interest prohibition in section 4019(b) of the CARES Act.

**Required Borrower Certifications and Covenants:** In addition to other certifications required by applicable statutes and regulations, the following certifications and covenants<sup>6</sup> will be required from Eligible Borrowers:

- The Eligible Borrower must commit to refrain from repaying the principal balance of, or paying any interest on, any debt until the upsized tranche of the Eligible Loan is repaid in full, unless the debt or interest payment is mandatory and due.
- The Eligible Borrower must commit that it will not seek to cancel or reduce any of its committed lines of credit with the Eligible Lender or any other lender.
- The Eligible Borrower must certify that it has a reasonable basis to believe that, as of the date of upsizing of the Eligible Loan and after giving effect to such upsizing, it has the ability to meet its financial obligations for at least the next 90 days and does not expect to file for bankruptcy during that time period.
- The Eligible Borrower must commit that it will follow compensation, stock repurchase, and capital distribution restrictions that apply to direct loan programs under section 4003(c)(3)(A)(ii) of the CARES Act, except that an S corporation or other tax pass-through entity that is an Eligible Borrower may make distributions to the extent reasonably required to cover its owners' tax obligations in respect of the entity's earnings.
- The Eligible Borrower must certify that it is eligible to participate in the Facility, including in light of the conflicts of interest prohibition in section 4019(b) of the CARES Act.

**Retaining Employees:** Each Eligible Borrower that participates in the Facility should make commercially reasonable efforts to maintain its payroll and retain its employees during the time the upsized tranche of the Eligible Loan is outstanding.

**Transaction Fee:** An Eligible Lender will pay the SPV a transaction fee of 75 basis points of the principal amount of the upsized tranche of the Eligible Loan at the time of upsizing. The Eligible Lender may require the Eligible Borrower to pay this fee.

**Loan Upsizing and Servicing Fees:** An Eligible Borrower will pay an Eligible Lender an origination fee of up to 75 basis points of the principal amount of the upsized tranche of the Eligible Loan at the time of upsizing. The SPV will pay an Eligible Lender 25 basis points of the principal amount of its participation in the upsized tranche of the Eligible Loan per annum for loan servicing.<sup>7</sup>

**Facility Termination:** The SPV will cease purchasing participations in Eligible Loans on ~~September 30~~ December 31, 2020, unless the Board and the Department of the Treasury extend the Facility. The Reserve Bank will continue to fund the SPV after such date until the SPV's underlying assets mature or are sold.

<sup>6</sup>An Eligible Lender is expected to collect the required certifications and covenants from each Eligible Borrower at the time of upsizing of the Eligible Loan. Eligible Lenders may rely on an Eligible Borrower's certifications and covenants, as well as any subsequent self-reporting by the Eligible Borrower.

7 Further information regarding credit administration and loan servicing will be made available on the Board's website.