



Federal Reserve Expands Main Street Lending Program (Chart Included)

04.30.2020

The Federal Reserve (Fed) this morning materially modified its "Main Street" lending program aimed at mid-sized businesses from the original concepts in its press release on April 9, as discussed [here](#).

Under the earlier proposal for the program, the loans would be geared toward businesses with up to 10,000 employees and \$2.5 billion in revenues in 2019. These have been increased to allow businesses with either (i) 15,000 or fewer employees or (ii) \$5 billion or less in 2019 revenues to participate.

Today's announcement divided the program into three categories that allow for a broader set of eligible borrowers and eligible terms summarized in the table below:

Main Street Lending Program Loan Options	New Loans	Priority Loans	Expanded Loans
Term	4 years	4 years	4 years
Minimum Loan Size	\$500,000	\$500,000	\$10,000,000

Maximum Loan Size	Lesser of \$25M or 4x 2019 adjusted EBITDA	Lesser of \$25M or 6x 2019 adjusted EBITDA	Lesser of \$200M, 35% of outstanding and undrawn available debt, or 6x 2019 adjusted EBITDA
Risk Retention	5%	15%	5%
Payment (year one deferred for all)	Years 2-4: 33.33% each year	Years 2-4: 15%, 15%, 70%	Years 2-4: 15%, 15%, 70%
Rate	LIBOR + 3%	LIBOR + 3%	LIBOR + 3%

The announcement clarifies that businesses that have received PPP loans are permitted to borrow under the Facility, provided that they are otherwise eligible borrowers. It also clarifies that the same broad lists of ineligible borrowers that was applied to the PPP will apply to this program.

Other details have been added, including a modified and expanded list of eligible lender criteria, eligible borrower certifications, information regarding permitted origination and similar fees, and information regarding employee retention.

The loans should not be used for repayment of other debt and borrowers would become subject to certain limitations on executive compensation, equity repurchases and distributions (provided that pass-through entities would be permitted to make tax distributions).

Click here to view the April 30, 2020 Federal Reserve release and term sheets for the New, Priority and Expanded Main Street Programs.

Please note: This alert contains general, condensed summaries of actual legal matters, statutes and opinions for information purposes. It is not meant to be and should not be construed as legal advice. Readers with particular needs on specific issues should retain the services of competent counsel.

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