



# CORONAVIRUS EMERGENCY LOANS

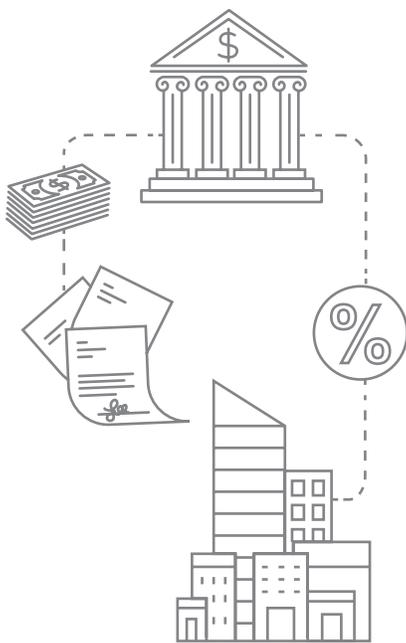
## A business guide to the new Main Street Lending Program

The Federal Reserve on April 9 [launched a \\$600 billion lending program](#) to help small- and medium-sized businesses deal with the economic shock caused by the coronavirus pandemic.

This new Main Street Lending Program offers four-year loans to businesses that meet specific criteria and were in good financial standing before the coronavirus crisis hit. Businesses that have taken advantage of the Small Business Administration's Paycheck Protection Program may also take out loans under this new program. Principal and interest payments under this new program will be deferred for one year.

The Department of the Treasury will provide \$75 billion in equity to the lending facility, using funding from the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). Businesses seeking these loans must commit to making reasonable efforts to maintain payroll and retain workers. Borrowers are also required to follow compensation, stock repurchase and dividend restrictions that apply to direct loan programs under the CARES Act.

Here's a guide to questions businesses may have about this new program, based on information from the Federal Reserve.

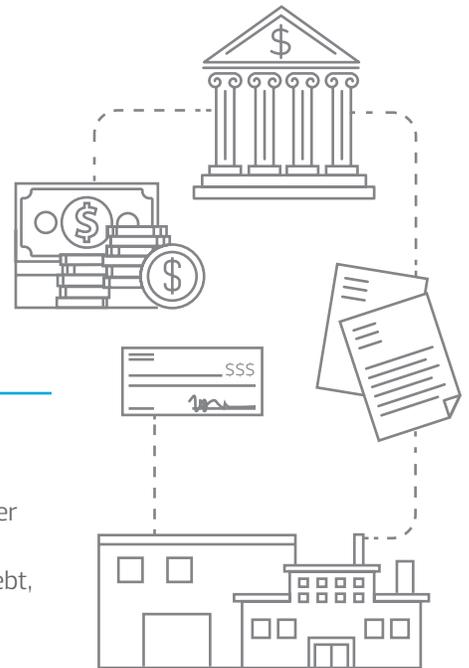


## Is my business eligible?

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Eligible borrowers for the Main Street Lending Program are businesses that meet the following criteria:

- Have up to 10,000 employees or up to \$2.5 billion in 2019 annual revenues
- Must be a business 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



## How much can I borrow?

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There are two loan facilities under the Main Street Lending Program.

The Main Street New Loan Facility (MSNLF) is for new loans that originate on or after April 8, 2020. The maximum loan size is the lesser of \$25 million or an amount that, when added to the borrower's existing outstanding and committed but undrawn debt, does not exceed four times that borrower's 2019 EBITDA.

The Main Street Expanded Loan Facility (MSELF) allows banks to increase the size of an outstanding loan issued prior to April 8, 2020 to a business customer, rather than initiate a new loan. The maximum loan size is the lesser of \$150 million, 30% of the borrower's existing outstanding and committed but undrawn bank debt, or an amount that, when added to the borrower's existing outstanding and committed but undrawn debt, does not exceed six times that borrower's 2019 EBITDA.

A company cannot participate in both Main Street New Loan Facility and the Main Street Expanded Loan Facility. Companies that participate in the Main Street Lending Program cannot participate in the Primary Market Corporate Credit Facility.

## What is the rate and terms of the loan?

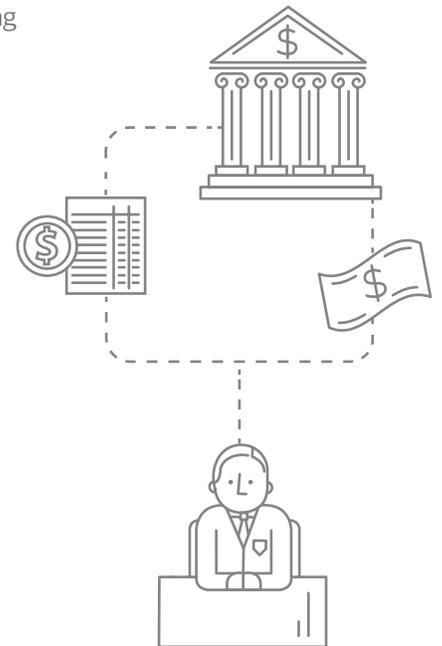
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Loan terms are a four-year maturity at an adjustable rate of SOFR plus 250–400 basis points with the minimum size of \$1 million. Amortization of principal and interest will be deferred for one year. Prepayment will be permitted without penalty.

# Required attestations

In addition to certifications required by applicable statutes and regulations, the following attestations will be required from the borrower:

- The borrower must attest that it requires financing due to the exigent circumstances presented by the coronavirus pandemic, and that, using the proceeds of the loan (or the upsized tranche of the loan under MSELF), it will make reasonable efforts to maintain its payroll and retain its employees during the term of the loan.
- The borrower must commit to refrain from using proceeds of the loan (or the upsized tranche of the loan under MSELF) to repay other loan balances and commit to refrain from repaying other debt of equal or lower priority, with exception of mandatory principal payments, unless the borrower has first repaid the Main Street Lending Program loan in full.
- The borrower must attest that it will not seek to cancel or reduce any of its outstanding lines of credit with the Main Street Lending Program lender or any other lender.
- The borrower must attest that it meets the EBITDA leverage conditions outlined earlier in this document.
- The borrower must attest 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. These conditions, which are summarized below, apply through the duration of the loan and for 12 months after the date on which the loan is no longer outstanding.
  - May not repurchase an equity security that listed on a national securities exchange of the business or any parent company of the business, except to the extent required under a contractual obligation that was in effect on the date of enactment of the CARES Act (March 27, 2020).
  - May not pay dividends or make other capital distributions with respect to the common stock of the business.
  - Must comply with limitations on compensation under section 4004 of the CARES Act, which are summarized below:
    - Officers or employees with total compensation over \$425,000 in calendar year 2019 shall not receive total compensation in excess of what was received by the officer or employee in calendar year 2019. Severance pay or other benefits received upon termination shall not exceed twice the total compensation received by the officer or employee in calendar year 2019.
    - Officers or employees with total compensation over \$3 million in calendar year 2019 shall not receive total compensation over \$3 million and 50% of the excess over \$3 million of what was received in calendar year 2019.
- Lenders and borrowers will each be required to certify that the entity is eligible to participate in the program, including in light of the conflicts of interest prohibition in section 4019(b) of the CARES Act.



It is important to note that the Federal Reserve Bank's special purpose vehicle (SPV) for this lending program will stop purchasing participations in eligible loans on Sept. 30, 2020, unless the Board of Governors of the Federal Reserve System and the Treasury Department extend the facility. The Federal Reserve Bank will continue to fund the SPV after that date, until the SPV's underlying assets mature or are sold.

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