Main Street Lending Program

pillsbury

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On June 15, the Federal Reserve proposed to expand the Main Street Lending Program to benefit small and medium-sized nonprofits, and released term sheets for public comment. The below summary of the term sheets does not reflect any FAQ guidance or form of borrower certifications and covenants document (which we expect to be issued after public comment on the term sheets) and is subject to change as the proposed expansion is rolled out and future refinements are announced by the Fed.

For a summary of information for the Main Street Lending Program Facilities for small and medium-sized for-profit businesses, please visit https://www.pillsburylaw.com/images/content/1/3/134023/MSLP-Expansion-one-pager.pdf

SUMMARY	▪ Two new loan facilities under the Main Street Lending Program (MSLP) for small and medium-sized nonprofits: (1) The Main Street Nonprofit Organization New Loan Facility (NONLF) for term loans originated after June 15, 2020; and (2) The Main Street Nonprofit Organization Expanded Loan Facility (NOELF) for term loans or revolving credit facilities originated on or before June 15, 2020 or purchased before June 15, 2020, with remaining maturity of at least 18 months and subsequently upsized with a term loan tranche (even if the underlying existing loan being "upsized" is a revolving loan).
ELIGIBILITY	A Nonprofit organization that: ▪ (a) Is either (i) a tax-exempt nonprofit organization described in section 501(c)(3) of the Internal Revenue Code (IRC) or (ii) a tax-exempt veterans' organizations described in section 501(c)(19) of the IRC and (b) was established prior to, and has been in continuous operation since, January 1, 2015. ▪ (a) Has at least 50 employees and (b) either (i) has up to 15,000 employees or (ii) had up to $5 billion in 2019 revenues. ▪ (a) Has an endowment of less than $3 billion and (b) 2019 revenues from donations of less than 30% of total 2019 revenues. ▪ Has a ratio of adjusted 2019 earnings before interest, depreciation, and amortization (EBIDA) to unrestricted 2019 operating revenue, greater than or equal to 5%. ▪ Has a ratio (expressed as a number of days) of (i) liquid assets at the time of the origination of theMSLP loan to (ii) average daily expenses over the previous year, equal to or greater than 90 days. ▪ Has, at the time of the origination of the MSLP loan, a ratio of (i) unrestricted cash and investments to (ii) existing outstanding and undrawn available debt, plus the amount of any loan under the Facility, plus the amount of any CMS (Centers for Medicare and Medicaid Services) Accelerated and Advance Payments, that is greater than 65%. ▪ Was 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. ▪ If it borrows under one of the MSLP facilities (including the NONLF or the NOELF), it may not borrow under any of the other MSLP facilities or the Primary Market Corporate Credit Facility, ***but can participate in the SBA's Paycheck Protection Program***.
USES, RESTRICTIONS, CERTIFICATIONS	▪ Borrower must commit to refrain from repaying other debt, *with the exception of mandatory principal and interest payments, ordinary course paydowns of lines of credit*, until the MSLP loan has been repaid in full. ▪ Among other certifications, Borrower must certify that (i) it will not seek to cancel or reduce any of its committed lines of credit and (ii) it reasonably believes it has the ability to meet its financial obligations for at least 90 days and does not expect to file for bankruptcy during this period. ▪ Borrower may not pay any dividends or capital distributions for 12 months following repayment of the MSLP loan. ▪ Borrower may not increase compensation for employees making more than $425,000 and must comply with other limits on employee compensation. ▪ Borrower should make reasonable efforts to maintain its payroll and retain employees while the MSLP loan is outstanding. ▪ Lenders to assess borrowers' financial condition, certify EBIDA and operating revenue methodology and make other certifications, which in certain instances will be following due inquiry.
LOAN TERMS	▪ 5-year maturity, may be secured or unsecured. ▪ Payment of principal deferred for two years and interest deferred for one year (unpaid interest will be capitalized). ▪ No Prepayment penalty. ▪ Principal Repayment: 15%, 15% and 70% on the third, fourth and fifth anniversaries of the funding date. ▪ Rate: One-month or three-month LIBOR + 3% ▪ Minimum loan size of $250,000 for NONLF; $10 million for NOELF. ▪ Maximum loan size: ○ **NONLF**: The lesser of (i) $35 million or (ii) Borrower's average 2019 quarterly revenue. ○ **NOELF**: The lesser of (i) $300 million or (ii) Borrower's average 2019 quarterly revenue. ▪ Note: The Federal Reserve will disclose certain information regarding lenders and borrowers and terms of the MSLP loans.