

# Business Resources

*Programs highlighted include:*

- *Main Street Lending program*
- *Counseling and Training*

## Main Street Lending Program

In March 2020, the Federal Reserve created the Main Street Lending (MSL) program to support small and medium-sized businesses impacted by the COVID-19 pandemic crisis. The Federal Reserve designed the program to support small and medium-sized businesses that were unable to access the Paycheck Protection Program (PPP) or that require additional financial support after receiving a PPP loan.

Under the Main Street Lending program the Federal Reserve opened three lending facilities ([Main Street New Loan Facility](#), [Main Street Priority Loan Facility](#), [Main Street Expanded Loan Facility](#)) and will purchase up to \$600 billion in eligible loans. All three lending facilities use the same eligible lender and eligible borrower criteria, and have many of the same features, including the same maturity, interest rate, deferral of principal and interest for one year, and ability of the borrower to prepay without penalty.

The program was established to respond to uncertainty related to the COVID-19 pandemic and is authorized to purchase participations until September 30, 2020.

### Eligible Borrowers

- Eligible borrowers are for-profit businesses with up to 15,000 employees OR up to \$5 billion in 2019 annual revenues.
- Businesses must have been formed prior to March 13, 2020.
- Each eligible borrower must be a business that is created or organized in the US with significant operations in and a majority of its employees based in the US.
- Eligible Borrowers must be businesses that were created or organized in the United States or under the laws of the United States with significant operations in and a majority of their employees based in the United States.
- Borrower may only participate in one of the Main Street facilities.
- Borrowers that have taken advantage of the Paycheck Protection Program may also receive a loan as part of the Main Street Lending program if the borrower meets the eligibility criteria.
- The Business must not have received specific support pursuant to the Coronavirus Economic Stabilization Act of 2020 (Subtitle A of Title IV of the CARES Act).
- Businesses must be able to make all of the certifications and covenants required under the program.

### How to calculate 2019 revenues to determine eligibility

To determine its 2019 annual revenues, Businesses must aggregate their revenues with those of their affiliates. Businesses may use either of the following methods to calculate 2019 annual revenues for purposes of determining eligibility:

1. A business may use its (and its affiliates') annual "revenue" per its 2019 Generally Accepted Accounting Principles-based (GAAP) audited financial statements; or
2. A business may use its (and its affiliates') annual receipts for the fiscal year 2019, as reported to the Internal Revenue Service. For purposes of the program, the term "receipts" has the same meaning used by the Small Business Administration in [13 CFR 121.104\(a\)](#).

If a potential borrower (or its affiliate) does not yet have audited financial statements or annual receipts for 2019, the borrower (or its affiliate) should use its most recent audited financial statements or annual receipts.

### **Eligible Borrower Required Certifications and Covenants**

- Borrower must commit to refrain from using the proceeds of the eligible loan to repay other loan balances of equal or lower priority, with the exception of mandatory principal payments, unless the eligible borrower has first repaid the eligible loan in full.
  - Although, the Main Street Priority Loan Facility includes a modification to the eligible borrower covenant regarding debt repayment to allow an eligible borrower to refinance existing debt owed to a lender that is not the eligible lender at the time the Main Street Priority Loan Facility loan is originated.
- Borrower must commit that it will not seek to cancel or reduce any of its outstanding 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 origination of the Eligible Loan and after giving effect to such loan, 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<sup>1</sup>, 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<sup>2</sup>.

### **Retaining employees**

Each eligible borrower participating in the program should make commercially reasonable efforts to maintain its payroll and retain its employees during the time the eligible loan is outstanding.

### **Eligible Loans**

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<sup>1</sup> 4003(c)(3)(A)(ii) of the CARES Act- not part of a syndicated loan, a loan originated by a financial institution in the ordinary course of business, or a securities or capital markets transaction.

<sup>2</sup> Section 4019(b) of the CARES Act- Notwithstanding any other provision of this subtitle, no covered entity may be eligible for any transaction described in section 4003.

The Federal Reserve Board has created three loan options under the Main Street Lending Program- New Loans, Priority Loans, and Expanded Loans. New and priority loans have a minimum size of \$500,000, but expanded loans are for \$10 million and up. Maximum loan sizes vary.

All three of the loans are four-year loans with deferred principal and interest payments for the first year. The interest rate terms will be LIBOR<sup>3</sup> plus 3%.

<b>Main Street Lending Program Loan Options</b>	<b>New Loans Main Street New Loan Facility</b>	<b>Priority Loans Main Street Priority Loan Facility</b>	<b>Expanded Loans Main Street Expanded Loan Facility</b>
<b>Term</b>	4 years	4 years	4 years
<b>Minimum Loan Size</b>	\$500,000	\$500,000	\$10,000,000
<b>Maximum Loan Size</b>	Lesser of \$25M or an amount that when added does not exceed 4x 2019 adjusted EBITDA <sup>4</sup> less existing outstanding and undrawn available debt	Lesser of \$25M or an amount that when added does not exceed 6x 2019 adjusted EBITDA less existing outstanding and undrawn available debt	Lesser of \$200M, 35% of outstanding and undrawn available debt, or an amount that when added does not exceed 6x 2019 adjusted EBITDA less existing outstanding and undrawn available debt
<b>Payment (year one deferred for all)</b>	Years 2-4: 33.33% each year	Years 2-4: 15%, 15%, 70%	Years 2-4: 15%, 15%, 70%
<b>Rate</b>	LIBOR + 3%	LIBOR + 3%	LIBOR + 3%

**Is collateral required?**

It depends. Collateral may be required depending on the lending facility being utilized and lender requirements.

**Are the loans forgivable?**

Main Street loans are full-recourse loans and are not forgivable. Under the CARES Act the principal amount of a Main Street loan cannot be reduced through loan forgiveness.

**Application Process**

To obtain a loan under the program, an eligible borrower must submit an application and any other documentation required by an eligible lender to such eligible lender. Eligible borrowers interested in participating in the Main Street Lending Program are encouraged to contact an

<sup>3</sup> London Interbank Offered Rate

<sup>4</sup> Earnings before interest, taxes, depreciation, and amortization



eligible lender for more information on whether the eligible lender plans to participate in the Program and to request more information on the application process.

**NOTES:**

Updates regarding the Program, including the official launch date, will be made available on the [Board's Main Street page](#).

## Counseling and Training

The CARES Act authorized \$265 million for the Small Business Administration to provide additional financial awards to resource partners (Small Business Development Centers and Women's Business Centers) to provide counseling, training, and education on SBA resources and business resiliency to small business owners impacted by COVID-19. Counseling is free and training is low-cost with these partners.

Small Business Development Centers are a national network of nearly 1,000 centers that are located at leading universities, colleges, state economic development agencies and private partners. They provide counseling and training to new and existing businesses. To find out more about Small Business Development Centers click [here](#). To locate your local Small Business Development Center click [here](#).

Women's Business Centers (WBC) are a national network of more than 100 centers that offer one-on-one counseling, training, networking, workshops, technical assistance and mentoring to entrepreneurs on numerous business development topics. In addition to women, WBCs are mandated to serve the needs of underserved entrepreneurs, including low-income entrepreneurs. To learn more about WBCs click [here](#).

In addition, the Minority Business Development Agency's Business Centers (MBDCs), which cater to minority business enterprises of all sizes, will also receive funding to hire staff and provide programming to help their clients respond to COVID-19. Not every state has a MBDC. To find out if there is one that services your area, visit this [site](#).