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MEMORANDUM

To: Clients
From: Schultheis & Panettieri, LLP
Date: July 21, 2020

We are providing this memorandum to ensure that you are aware of information contained in the HR 748 **Coronavirus Aid, Relief, and Economic Security Act** ("CARES Act") regarding the Main Street Lending Program ("MSLP"). This program was established by the Federal Reserve Bank of Boston ("FRBB"). The Department of the Treasury, using funds appropriated to the Exchange Stabilization Fund under the CARES Act, will make a \$75 billion equity investment. On June 15, 2020, the FRBB announced that it would expand the program to include nonprofit organizations.

Background

The purpose of the MSLP is to provide loans to small and medium sized businesses that were unable to secure a Small Business Administration Paycheck Protection Program ("PPP") loan or require additional financial resources after receiving a PPP loan. Eligible borrowers were recently expanded to include nonprofit organizations, more specifically organizations under 501(c)(3) or 501(c)(19) of the Internal Revenue Code ("IRC"). As of the date of this memorandum, other forms of organization may be considered for inclusion at the discretion of the Federal Reserve.

The MSLP is structured differently than other loan products offered by the Small Business Administration. The FRBB is using a special purpose vehicle to purchase loans from eligible lenders. These loans will be categorized into facilities. The various facilities are merely operating structures to group loans based on their size and terms.

Eligible borrowers are expected to make reasonable efforts to maintain payroll and retain employees while the loan is outstanding.

Eligibility

There are two facilities available to nonprofit organizations: the Nonprofit Organization New Loan Facility (“NONLF”) and the Nonprofit Organization Expanded Loan Facility (“NOELF”).

An eligible borrower is a nonprofit organization that:

- was established prior to, and has been in continuous operation since, January 1, 2015;
- meets at least one of the following two conditions:
 - has 15,000 employees or fewer, or
 - had 2019 annual revenues of \$5 billion or less
- has at least 10 employees;
- has an endowment of less than \$3 billion;
- has total non-donation revenues equal to or greater than 60% of expenses for the period from 2017 through 2019;
- has 2019 earnings before interest expense, depreciation and amortization to unrestricted 2019 operating revenue greater than or equal to 2%;
- has a ratio of liquid assets to average daily expenses over the previous year equal to or greater than 60 days;
- at the time of loan origination, has a ratio of unrestricted cash and investments to existing outstanding and undrawn available debt, plus the amount of any loan under this facility, that is greater than 55%;
- 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;
- has not received specific support under the CARES Act*.

**Organizations that have received PPP loans are permitted to borrow under this facility.*

Loan conditions

	NONLF	NOELF
Term	5 years	
Minimum amount	\$250,000	\$10,000,000
Principal payments	Deferred for 2 years	
Interest payments	Deferred for 1 year	
Interest rate	LIBOR + 3%	
Lender risk retention	5% of principal	5% principal
Transaction fee (borne by lender or borrower)	1% of principal	.75% of principal
Loan origination fee (borne by borrower)	1% of principal	.75% of principal

Borrower certifications

- Eligible borrower must refrain from making loan prepayments on any other debt until their MSLP loan is repaid in full.
- Eligible borrower must not cancel or reduce committed lines of credit with any lenders.
- Eligible borrower must reasonably certify that it has the ability to meet financial obligations for at least 90 days and does not anticipate filing for bankruptcy during that time period.
- Eligible borrower must follow compensation, stock repurchase, and capital distribution restrictions outlined in the CARES Act.
- Eligible borrower must certify it can participate in the MSLP in light of conflicts of interests' prohibitions outlined in the CARES Act.

Summary

We anticipate continuing developments in regard to COVID-19 legislation and will keep you apprised of additional guidance as it becomes available. Please visit the Federal Reserve System website <https://www.federalreserve.gov/monetarypolicy/mainstreetlending.htm> for more information, frequently asked questions, and updated information regarding the Main Street Lending Program.