Practice Update

Main Street Lending Program Offers Additional Relief to Small and Mid-Size Trade Contractors

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On April 9, 2020, the Federal Reserve established a Main Street Lending Program (Main Street) under the Coronavirus Economic Stabilization Act of 2020 for the purpose of ensuring that credit flows to small and mid-size businesses that require financing due to the exigent circumstances presented by the COVID-19 pandemic. The Main Street program, effective until September 30, 2020, authorizes the following two types of loan programs:

- One enabling eligible lenders to provide new loans to eligible borrowers (the Main Street New Loan Facility – "New Facility"); and
- One enabling eligible lenders to increase the size of existing loans to eligible borrowers that were originated prior to April 8, 2020 (the Main Street Expanded Loan Facility – "Expanded Facility").

Eligible Borrowers

- Companies employing **10,000 or fewer employees** or with **revenues of less than $2.5 billion in 2019** and that were in good standing before the COVID-19 pandemic are eligible to participate in the Main Street lending program.
- Companies that have taken advantage of the Paycheck Protection Program (PPP) are also

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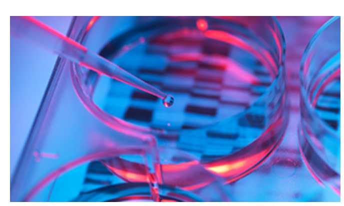

eligible for Main Street loans. However, unlike the PPP, no portion of the Main Street loans will be forgivable.

Loan Size

- ***New Facility***: Minimum loan size of $1 million and maximum loan size that is the lesser of (i) $25 million or (ii) an amount that, when combined with any existing outstanding and committed but undrawn facility, does not exceed 4x EBITDA for 2019.
- ***Expanded Facility***: Upsized tranche minimum loan size of $1 million and maximum loan size that is the lesser of (i) $150 million, (ii) 30 percent of borrower's existing outstanding and committed but undrawn bank debt, or (iii) an amount that, when combined with any existing outstanding and committed but undrawn facility, does not exceed 6x EBITDA for 2019.

Loan Terms

- 4 year maturity;
- Adjustable interest rate of Secured Overnight Financing Rate (SOFR) plus 2.5 percent to 4 percent;
- Deferral of principal and interest payments for one year;
- Do prepayment penalty;
- Origination fee of 1 percent of the principal amount;
- A lender may require a facility fee of 1 percent of the principal amount of the Federal Reserve Bank's loan participation in the loan; and
- Unsecured, provided that any collateral securing an existing loan that is upsized under the Expanded Facility, whether such collateral was pledged under the original terms of the existing loan or at the time of upsizing, will secure loan participation on a pro rata basis.

Requirements for Borrowers

- Borrowers must make reasonable efforts to maintain payroll and retain employees during the term of the loan;
- Borrowers must be U.S. companies with significant operations in and a majority of its employees based in the U.S.;
- Borrowers may only participate in either the New Facility or the Extended Facility and may not participate in the Primary Market Corporate Credit Facility (a separate Federal Reserve program providing a funding backstop for corporate debt);
- Main Street loans cannot be used to repay, refinance or reduce pre-existing loans or lines of credit;
- Other debt of equal or lower priority will be subordinated to the Main Street loans;
- Borrower must require financing due to the exigent circumstances presented by the COVID-19 pandemic; and
- Borrower will be restricted during the loan term and for 12 months after repayment from:
    - repurchasing any public securities from itself or a parent company other than as required under an existing contractual obligation as of March 27, 2020;
    - paying any dividends or making other capital distributions with respect to its common stock; and
    - (i) paying any employee whose total compensation exceeded $425,000 in 2019 (other than an employee whose compensation is determined through an existing collective bargaining agreement) (a) total compensation in excess of such 2019 total compensation during any 12 consecutive months of such period, or (b) severance or other termination benefits in excess of 2x such 2019 total compensation and (ii) paying any employee

whose total compensation exceeded $3,000,000 in 2019 compensation in excess of $3,000,000 plus 50 percent of the excess over $3,000,000 paid in 2019 during any 12 consecutive months of such period.

Potential Additional Requirements for Borrowers

Although the Main Street program is currently in effect, the Federal Reserve likely may issue revisions to the regulations governing the program. dditionally, the following requirements under the CARES Act were not included in the initial details announced by the Federal Reserve for the Main Street program but may apply as they were not expressly excluded:

- Borrower may not outsource or off-shore jobs for the term of the loan and 2 years after completing repayment of the loan;
- Borrower may not abrogate existing collective bargaining agreements for the term of the loan and 2 years after completing repayment of the loan; and
- Borrower will remain neutral in any union organizing effort for the term of the loan.

While eligible lenders get ready to provide Main Street loans in the next few days, you should consider immediately contacting a lender to begin the process.

For further information on the Main Street Lending Program, please visit the Federal Reserve's website at https://www.federalreserve.gov/monetarypolicy/main.htm.

This information is intended to inform firm clients and friends about legal developments, including recent decisions of various courts and administrative bodies. Nothing in this Practice