Federal Reserve Board Adjusts Terms of Main Street Lending Program

I. Background

On October 30, 2020, the Federal Reserve Board adjusted various terms of three facilities under the Main Street Lending Program ("MSLP") to reduce minimum loan sizes available for borrowers and alter the fee structures.[1]

II. Minimum Loan Sizes

The minimum loan sizes offered under three of the MSLP's facilities originating loans, namely the Main Street New Loan Facility ("New Loan Facility"), the Main Street Priority Loan Facility ("Priority Loan Facility"), and the Nonprofit Organization New Loan Facility ("Nonprofit New Loan Facility"), have each been reduced to $100,000 from the original $250,000 requirement. The Federal Reserve Board indicated in its press release that this change was instituted to better target support to smaller business. The revised Term Sheets relating to the New Loan Facility, the Priority Loan Facility, and the Nonprofit New Loan Facility are attached to this memorandum as Annexes A, B, and C.

III. Fee Structures

The fees tied to the borrowing and making of loans under the New Loan Facility, Priority Loan Facility, and Nonprofit New Loan Facility have also been changed. Under the original Term Sheets, (i) lenders paid a transaction fee of up to 100 basis points to the MSLP's special purpose vehicle ("SPV") at the time of loan origination, which they could require borrowers pay instead, (ii) borrowers paid lenders an origination fee of up to 100 basis points at the time loans are made, and (iii) the SPV would pay the lender a loan servicing fee of 25 basis points of the principal amount of its participation in the loan annually.

The new iterations of the Term Sheets maintain this fee structure for all loans extended under the facilities where the principal amounts are $250,000 or greater. However, for loans of less than $250,000, there will be no transaction fees payable to the SPV at the time of origination, borrowers now will pay lenders an origination fee of up to 200 basis points for loan origination, and the SPV will pay lenders an annual servicing fee of 50 basis points on the principal amount of its participation in the loan.

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[1] The Federal Reserve press release announcing the adjustments to the Main Street Lending Program can be found here. We previously discussed the initial terms of the MSLP in our memo dated April 14, 2020, which can be accessed here, and the subsequent expansions and revisions thereof in our memos dated May 13, 2020, June 26, 2020, and August 14, 2020, which can be accessed here, here, and here.

A summary of the updated terms of the three facilities under the MSLP is set forth below:

Main Street Lending Program Loan Options		New Loan Facility	Priority Loan Facility	Nonprofit New Loan Facility
Minimum Loan Size		$100,000	$100,000	$100,000
Fees ($250,000+)	Transaction Fee	• 100 basis points from lender to SPV due at origination (lender can require borrower to pay this amount); plus	• 100 basis points from lender to SPV due at origination (lender can require borrower to pay this amount); plus	• 100 basis points from lender to SPV due at origination (lender can require borrower to pay this amount); plus
	Loan Origination Fee	• Up to 100 basis points from borrower to lender at origination; plus	• Up to 100 basis points from borrower to lender at origination; plus	• Up to 100 basis points from borrower to lender at origination; plus
	Loan Servicing Fee	• 25 basis points from SPV to lender per annum	• 25 basis points from SPV to lender per annum	• 25 basis points from SPV to lender per annum
Fees ($100,000 - $249,999)	Transaction Fee	• Nothing due from lender to SPV at origination	• Nothing due from lender to SPV at origination	• Nothing due from lender to SPV at origination
	Loan Origination Fee	• Up to 200 basis points from borrower to lender at origination; plus	• Up to 200 basis points from borrower to lender at origination; plus	• Up to 200 basis points from borrower to lender at origination; plus
	Loan Servicing Fee	• 50 basis points from SPV to lender per annum	• 50 basis points from SPV to lender per annum	• 50 basis points from SPV to lender per annum

Per the Federal Reserve Board's press release, the MSLP has made almost 400 loans totaling $3.7 billion to date, and the reduction in minimum loan size, coupled with the lower fees paid to the SPV and higher fees paid to lenders, are meant to encourage the provision of these loans to smaller businesses.

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If you have any questions about the issues addressed in this memorandum, please do not hesitate to call or email authors Geoffrey E. Liebmann at 212.701.3313 or gliebmann@cahill.com; Richard Pan at 212.701.3654 or rpan@cahill.com; or Paul Rafla at 212.701.3388 or prafla@cahill.com; or email publications@cahill.com.

This memorandum is for general information purposes only and is not intended to advertise our services, solicit clients or represent our legal advice.

Main Street New Loan Facility

Effective October 30, 2020[1]

Program: The Main Street New Loan Facility ("Facility"), which has been authorized under section 13(3) of the Federal Reserve Act, is intended to facilitate lending to small and medium-sized Businesses by Eligible Lenders. Under the Main Street Lending Program ("Program"), including the Facility, the Main Street Priority Loan Facility ("MSPLF"), the Main Street Expanded Loan Facility ("MSELF"), the Nonprofit Organization New Loan Facility ("NONLF"), and the Nonprofit Organization Expanded Loan Facility ("NOELF"), the Federal Reserve Bank of Boston ("Reserve Bank") will commit to lend to a single common special purpose vehicle ("SPV") on a recourse basis. The SPV will purchase 95% participations in Eligible Loans from Eligible Lenders. Eligible Lenders will retain 5% of each Eligible Loan. The Department of the Treasury, using funds appropriated to the Exchange Stabilization Fund under section 4027 of the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"), has committed to make a $75 billion equity investment in the single common SPV in connection with the Program. The combined size of the Program will be up to $600 billion.

Eligible Lenders: An Eligible Lender is a U.S. federally insured depository institution (including a bank, savings association, or credit union), a U.S. branch or agency of a foreign bank, a U.S. bank holding company, a U.S. savings and loan holding company, a U.S. intermediate holding company of a foreign banking organization, or a U.S. subsidiary of any of the foregoing.

Eligible Borrowers: An Eligible Borrower is a Business[2] that:

1. was established prior to March 13, 2020;
2. is not an Ineligible Business;[3]
3. meets at least one of the following two conditions: (i) has 15,000 employees or fewer, or (ii) had 2019 annual revenues of $5 billion or less;
4. 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;
5. does not also participate in the MSPLF, the MSELF, the NONLF, the NOELF, or the Primary Market Corporate Credit Facility; and
6. has not received specific support pursuant to the Coronavirus Economic Stabilization Act of 2020 (Subtitle A of Title IV of the CARES Act).[4]

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[1] The Board of Governors of the Federal Reserve System ("Board") and the Secretary of the Treasury may make adjustments to the terms and conditions described in this term sheet. Any changes will be announced on the Board's website.

[2] For purposes of the Facility, a Business is an entity that is organized for profit as a partnership; a limited liability company; a corporation; an association; a trust; a cooperative; a joint venture with no more than 49 percent participation by foreign business entities; or a tribal business concern as defined in 15 U.S.C. § 657a(b)(2)(C), except that "small business concern" in that paragraph should be replaced with "Business" as defined herein. Other forms of organization may be considered for inclusion as a Business under the Facility at the discretion of the Federal Reserve, and such determinations may be found in the Program's Frequently Asked Questions ("FAQs").

[3] For purposes of the Facility, an Ineligible Business is a type of business listed in 13 CFR 120.110(b)-(j) and (m)-(s), as modified by regulations implementing the Paycheck Protection Program established by section 1102 of the CARES Act ("PPP") on or before April 24, 2020. The application of these restrictions to the Facility may be further modified at the discretion of the Federal Reserve through FAQs.

[4] For the avoidance of doubt, Businesses that have received PPP loans or Economic Injury Disaster Loans are permitted to borrow under the Facility, provided that they are Eligible Borrowers.

Eligible Loans: An Eligible Loan is a secured or unsecured term loan made by an Eligible Lender(s) to an Eligible Borrower that was originated after April 24, 2020, provided that the loan has all of the following features:

1. 5 year maturity;
2. principal payments deferred for two years and interest payments deferred for one year (unpaid interest will be capitalized);
3. adjustable rate of LIBOR (1 or 3 month) + 300 basis points;
4. principal amortization of 15% at the end of the third year, 15% at the end of the fourth year, and a balloon payment of 70% at maturity at the end of the fifth year;
5. minimum loan size of $100,000;
6. maximum loan size that is the lesser of (i) $35 million or (ii) an amount that, when added to the Eligible Borrower's existing outstanding and undrawn available debt, does not exceed four times the Eligible Borrower's adjusted 2019 earnings before interest, taxes, depreciation, and amortization ("EBITDA");[5]
7. is not, at the time of origination or at any time during the term of the Eligible Loan, contractually subordinated in terms of priority to any of the Eligible Borrower's other loans or debt instruments; and
8. prepayment permitted without penalty.

Loan Classification: If the Eligible Borrower had other loans outstanding with the Eligible Lender as of December 31, 2019, such loans must have had an internal risk rating equivalent to a "pass" in the Federal Financial Institutions Examination Council's supervisory rating system on that date.

Assessment of Financial Condition: Eligible Lenders are expected to conduct an assessment of each potential borrower's financial condition at the time of the potential borrower's application.

Loan Participations: The SPV will purchase at par value a 95% participation in the Eligible Loan. The SPV and the Eligible Lender will share risk in the Eligible Loan on a pari passu basis. The Eligible Lender must retain its 5% of the Eligible Loan until it matures or the SPV sells all of its participation, whichever comes first. The sale of a participation in the Eligible Loan to the SPV will be structured as a "true sale" and must be completed expeditiously after the Eligible Loan's origination.

Required Lender Certifications and Covenants: In addition to other certifications required by applicable statutes and regulations, the following certifications and covenants will be required from Eligible Lenders:

- The Eligible Lender must commit that it will not request that the Eligible Borrower repay debt extended by the Eligible Lender to the Eligible Borrower, or pay interest on such outstanding obligations, until the Eligible Loan is repaid in full, unless the debt or interest payment is mandatory and due, or in the case of default and acceleration.
- The Eligible Lender must commit that it will not cancel or reduce any existing committed lines of credit to the Eligible Borrower, except in an event of default.
- The Eligible Lender must certify that the methodology used for calculating the Eligible Borrower's adjusted 2019 EBITDA for the leverage requirement in section 6(ii) of the Eligible Loan paragraph above is the methodology it has previously used for adjusting EBITDA when extending credit to the Eligible Borrower or similarly situated borrowers on or before April 24, 2020.

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[5] The methodology used by the Eligible Lender to calculate adjusted 2019 EBITDA must be the methodology it has previously used for adjusting EBITDA when extending credit to the Eligible Borrower or similarly situated borrowers on or before April 24, 2020.

- The Eligible Lender 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.

Required Borrower Certifications and Covenants: In addition to other certifications required by applicable statutes and regulations, the following certifications and covenants[6] will be required from Eligible Borrowers:

- The Eligible Borrower must commit to refrain from repaying the principal balance of, or paying any interest on, any debt until the Eligible Loan is repaid in full, unless the debt or interest payment is mandatory and due.
- The Eligible Borrower must commit that it will not seek to cancel or reduce any of its committed 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, 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.

Retaining Employees: Each Eligible Borrower that participates in the Facility should make commercially reasonable efforts to maintain its payroll and retain its employees during the time the Eligible Loan is outstanding.

Transaction Fee: If the initial principal amount of the Eligible Loan is $250,000 or greater, an Eligible Lender will pay the SPV a transaction fee of 100 basis points of the principal amount of the Eligible Loan at the time of origination. The Eligible Lender may require the Eligible Borrower to pay this fee. No transaction fee will be imposed if the initial principal amount of the Eligible Loan is less than $250,000.

Loan Origination Fee: If the initial principal amount of the Eligible Loan is $250,000 or greater, an Eligible Borrower will pay an Eligible Lender an origination fee of up to 100 basis points of the principal amount of the Eligible Loan at the time of origination. If the initial principal amount of the Eligible Loan is less than $250,000, an Eligible Borrower will pay an Eligible Lender an origination fee of up to 200 basis points of the principal amount of the Eligible Loan at the time of origination.

Loan Servicing Fee: If the initial principal amount of the Eligible Loan is $250,000 or greater, the SPV will pay an Eligible Lender 25 basis points of the principal amount of its participation in the Eligible Loan per annum for loan servicing. If the initial principal amount of the Eligible Loan is less than $250,000, the SPV will pay an Eligible Lender 50 basis points of the principal amount of its participation in the Eligible Loan per annum for loan servicing.

Facility Termination: The SPV will cease purchasing participations in Eligible Loans on December 31, 2020, unless the Board and the Department of the Treasury extend the Facility. The Reserve Bank will continue to fund the SPV after such date until the SPV's underlying assets mature or are sold.

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[6] An Eligible Lender is expected to collect the required certifications and covenants from each Eligible Borrower at the time of origination of the Eligible Loan. Eligible Lenders may rely on an Eligible Borrower's certifications and covenants, as well as any subsequent self-reporting by the Eligible Borrower.

Main Street Priority Loan Facility

Effective October 30, 2020[1]

Program: The Main Street Priority Loan Facility ("Facility"), which has been authorized under section 13(3) of the Federal Reserve Act, is intended to facilitate lending to small and medium-sized Businesses by Eligible Lenders. Under the Main Street Lending Program ("Program"), including the Facility, the Main Street New Loan Facility ("MSNLF"), the Main Street Expanded Loan Facility ("MSELF"), the Nonprofit Organization New Loan Facility ("NONLF"), and the Nonprofit Organization Expanded Loan Facility ("NOELF"), the Federal Reserve Bank of Boston ("Reserve Bank") will commit to lend to a single common special purpose vehicle ("SPV") on a recourse basis. The SPV will purchase 95% participations in Eligible Loans from Eligible Lenders. Eligible Lenders will retain 5% of each Eligible Loan. The Department of the Treasury, using funds appropriated to the Exchange Stabilization Fund under section 4027 of the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"), has committed to make a $75 billion equity investment in the single common SPV in connection with the Program. The combined size of the Program will be up to $600 billion.

Eligible Lenders: An Eligible Lender is a U.S. federally insured depository institution (including a bank, savings association, or credit union), a U.S. branch or agency of a foreign bank, a U.S. bank holding company, a U.S. savings and loan holding company, a U.S. intermediate holding company of a foreign banking organization, or a U.S. subsidiary of any of the foregoing.

Eligible Borrowers: An Eligible Borrower is a Business[2] that:

1. was established prior to March 13, 2020;
2. is not an Ineligible Business;[3]
3. meets at least one of the following two conditions: (i) has 15,000 employees or fewer, or (ii) had 2019 annual revenues of $5 billion or less;
4. 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;
5. does not also participate in the MSNLF, the MSELF, the NONLF, the NOELF, or the Primary Market Corporate Credit Facility; and
6. has not received specific support pursuant to the Coronavirus Economic Stabilization Act of 2020 (Subtitle A of Title IV of the CARES Act).[4]

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[1] The Board of Governors of the Federal Reserve System ("Board") and the Secretary of the Treasury may make adjustments to the terms and conditions described in this term sheet. Any changes will be announced on the Board's website.

[2] For purposes of the Facility, a Business is an entity that is organized for profit as a partnership; a limited liability company; a corporation; an association; a trust; a cooperative; a joint venture with no more than 49 percent participation by foreign business entities; or a tribal business concern as defined in 15 U.S.C. § 657a(b)(2)(C), except that "small business concern" in that paragraph should be replaced with "Business" as defined herein. Other forms of organization may be considered for inclusion as a Business under the Facility at the discretion of the Federal Reserve, and such determinations may be found in the Program's Frequently Asked Questions ("FAQs").

[3] For purposes of the Facility, an Ineligible Business is a type of business listed in 13 CFR 120.110(b)-(j) and (m)-(s), as modified by regulations implementing the Paycheck Protection Program established by section 1102 of the CARES Act ("PPP") on or before April 24, 2020. The application of these restrictions to the Facility may be further modified at the discretion of the Federal Reserve through FAQs.

[4] For the avoidance of doubt, Businesses that have received PPP loans or Economic Injury Disaster Loans are permitted to borrow under the Facility, provided that they are Eligible Borrowers.

Eligible Loans: An Eligible Loan is a secured or unsecured term loan made by an Eligible Lender(s) to an Eligible Borrower that was originated after April 24, 2020, provided that the loan has all of the following features:

1. 5 year maturity;
2. principal payments deferred for two years and interest payments deferred for one year (unpaid interest will be capitalized);
3. adjustable rate of LIBOR (1 or 3 month) + 300 basis points;
4. principal amortization of 15% at the end of the third year, 15% at the end of the fourth year, and a balloon payment of 70% at maturity at the end of the fifth year;
5. minimum loan size of $100,000;
6. maximum loan size that is the lesser of (i) $50 million or (ii) an amount that, when added to the Eligible Borrower's existing outstanding and undrawn available debt, does not exceed six times the Eligible Borrower's adjusted 2019 earnings before interest, taxes, depreciation, and amortization ("EBITDA");[5]
7. at the time of origination and at all times the Eligible Loan is outstanding, the Eligible Loan is senior to or pari passu with, in terms of priority and security, the Eligible Borrower's other loans or debt instruments, other than mortgage debt; and
8. prepayment permitted without penalty.

Loan Classification: If the Eligible Borrower had other loans outstanding with the Eligible Lender as of December 31, 2019, such loans must have had an internal risk rating equivalent to a "pass" in the Federal Financial Institutions Examination Council's supervisory rating system on that date.

Assessment of Financial Condition: Eligible Lenders are expected to conduct an assessment of each potential borrower's financial condition at the time of the potential borrower's application.

Loan Participations: The SPV will purchase at par value a 95% participation in the Eligible Loan. The SPV and the Eligible Lender will share risk in the Eligible Loan on a pari passu basis. The Eligible Lender must retain its 5% of the Eligible Loan until it matures or the SPV sells all of its participation, whichever comes first. The sale of a participation in the Eligible Loan to the SPV will be structured as a "true sale" and must be completed expeditiously after the Eligible Loan's origination.

Required Lender Certifications and Covenants: In addition to other certifications required by applicable statutes and regulations, the following certifications and covenants will be required from Eligible Lenders:

- The Eligible Lender must commit that it will not request that the Eligible Borrower repay debt extended by the Eligible Lender to the Eligible Borrower, or pay interest on such outstanding obligations, until the Eligible Loan is repaid in full, unless the debt or interest payment is mandatory and due, or in the case of default and acceleration.
- The Eligible Lender must commit that it will not cancel or reduce any existing committed lines of credit to the Eligible Borrower, except in an event of default.
- The Eligible Lender must certify that the methodology used for calculating the Eligible Borrower's adjusted 2019 EBITDA for the leverage requirement in section 6(ii) of the Eligible Loan paragraph above is the methodology it has previously used for adjusting EBITDA when extending credit to the Eligible Borrower or similarly situated borrowers on or before April 24, 2020.

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[5] The methodology used by the Eligible Lender to calculate adjusted 2019 EBITDA must be the methodology it has previously used for adjusting EBITDA when extending credit to the Eligible Borrower or similarly situated borrowers on or before April 24, 2020.

- The Eligible Lender 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.

Required Borrower Certifications and Covenants: In addition to other certifications required by applicable statutes and regulations, the following certifications and covenants[6] will be required from Eligible Borrowers:

- The Eligible Borrower must commit to refrain from repaying the principal balance of, or paying any interest on, any debt until the Eligible Loan is repaid in full, unless the debt or interest payment is mandatory and due. However, the Eligible Borrower may, at the time of origination of the Eligible Loan, refinance existing debt owed by the Eligible Borrower to a lender that is not the Eligible Lender.
- The Eligible Borrower must commit that it will not seek to cancel or reduce any of its committed 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, 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.

Retaining Employees: Each Eligible Borrower that participates in the Facility should make commercially reasonable efforts to maintain its payroll and retain its employees during the time the Eligible Loan is outstanding.

Transaction Fee: If the initial principal amount of the Eligible Loan is $250,000 or greater, an Eligible Lender will pay the SPV a transaction fee of 100 basis points of the principal amount of the Eligible Loan at the time of origination. The Eligible Lender may require the Eligible Borrower to pay this fee. No transaction fee will be imposed if the initial principal amount of the Eligible Loan is less than $250,000.

Loan Origination Fee: If the initial principal amount of the Eligible Loan is $250,000 or greater, an Eligible Borrower will pay an Eligible Lender an origination fee of up to 100 basis points of the principal amount of the Eligible Loan at the time of origination. If the initial principal amount of the Eligible Loan is less than $250,000, an Eligible Borrower will pay an Eligible Lender an origination fee of up to 200 basis points of the principal amount of the Eligible Loan at the time of origination.

Loan Servicing Fee: If the initial principal amount of the Eligible Loan is $250,000 or greater, the SPV will pay an Eligible Lender 25 basis points of the principal amount of its participation in the Eligible Loan per annum for loan servicing. If the initial principal amount of the Eligible Loan is less than $250,000, the SPV will pay an Eligible Lender 50 basis points of the principal amount of its participation in the Eligible Loan per annum for loan servicing.

[6] An Eligible Lender is expected to collect the required certifications and covenants from each Eligible Borrower at the time of origination of the Eligible Loan. Eligible Lenders may rely on an Eligible Borrower's certifications and covenants, as well as any subsequent self-reporting by the Eligible Borrower.

Facility Termination: The SPV will cease purchasing participations in Eligible Loans on December 31, 2020, unless the Board and the Department of the Treasury extend the Facility. The Reserve Bank will continue to fund the SPV after such date until the SPV's underlying assets mature or are sold.

Nonprofit Organization New Loan Facility

Effective October 30, 2020[1]

Program: The Nonprofit Organization New Loan Facility ("Facility"), which has been authorized under section 13(3) of the Federal Reserve Act, is intended to facilitate lending to Nonprofit Organizations by Eligible Lenders. Under the Main Street Lending Program ("Program"), including the Facility, the Nonprofit Organization Expanded Loan Facility ("NOELF"), the Main Street New Loan Facility ("MSNLF"), the Main Street Priority Loan Facility ("MSPLF"), and the Main Street Expanded Loan Facility ("MSELF"), the Federal Reserve Bank of Boston ("Reserve Bank") will commit to lend to a single common special purpose vehicle ("SPV") on a recourse basis. The SPV will purchase 95% participations in Eligible Loans from Eligible Lenders. Eligible Lenders will retain 5% of each Eligible Loan. The Department of the Treasury, using funds appropriated to the Exchange Stabilization Fund under section 4027 of the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"), has committed to make a $75 billion equity investment in the single common SPV in connection with the Program. The combined size of the Program will be up to $600 billion.

Eligible Lenders: An Eligible Lender is a U.S. federally insured depository institution (including a bank, savings association, or credit union), a U.S. branch or agency of a foreign bank, a U.S. bank holding company, a U.S. savings and loan holding company, a U.S. intermediate holding company of a foreign banking organization, or a U.S. subsidiary of any of the foregoing.

Eligible Borrowers: An Eligible Borrower is a Nonprofit Organization[2] that:

1. has been in continuous operation since January 1, 2015;
2. is not an Ineligible Business;[3]
3. meets at least one of the following two conditions: (i) has 15,000 employees or fewer, or (ii) had 2019 annual revenues of $5 billion or less;
4. has at least 10 employees;
5. has an endowment of less than $3 billion;
6. has total non-donation revenues equal to or greater than 60% of expenses for the period from 2017 through 2019;[4]

[1] The Board of Governors of the Federal Reserve System ("Board") and the Secretary of the Treasury may make adjustments to the terms and conditions described in this term sheet. Any changes will be announced on the Board's website.

[2] For purposes of the Facility, a Nonprofit Organization is a tax-exempt nonprofit organization described in section 501(c)(3) of the Internal Revenue Code ("IRC") or a tax-exempt veterans' organization described in section 501(c)(19) of the IRC. Other forms of organization may be considered for inclusion as a Nonprofit Organization under the Facility at the discretion of the Federal Reserve, and such determinations may be found in the Program's Frequently Asked Questions ("FAQs").

[3] For purposes of the Facility, an Ineligible Business is a type of business listed in 13 CFR 120.110(b)-(j) and (m)-(s), as modified by regulations implementing the Paycheck Protection Program established by section 1102 of the CARES Act ("PPP") on or before April 24, 2020. The application of these restrictions to the Facility may be further modified at the discretion of the Federal Reserve through FAQs.

[4] For purposes of this requirement, the following definitions apply: "non-donation revenues" equal gross revenues minus donations; "donations" include proceeds from fundraising events, federated campaigns, gifts, donor-advised funds, and funds from similar sources, but exclude (i) government grants, (ii) revenues from a supporting organization, (iii) grants from private foundations that are disbursed over the course of more than one calendar year, and (iv) any contributions of property other than money, stocks, bonds, and other securities (noncash contributions), provided that such noncash contribution is not sold by the organization in a transaction unrelated to the organization's tax-exempt purpose; and "expenses" equal total expenses minus depreciation, depletion, and amortization.

7. has a ratio of adjusted 2019 earnings before interest, depreciation, and amortization ("EBIDA") to unrestricted 2019 operating revenue,[5] greater than or equal to 2%;
8. has a ratio (expressed as a number of days) of (i) liquid assets[6] at the time of loan origination to (ii) average daily expenses over the previous year, equal to or greater than 60 days;
9. at the time of loan origination, has 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 Accelerated and Advance Payments, that is greater than 55%;
10. 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;
11. does not also participate in the NOELF, the MSNLF, the MSPLF, the MSELF, the Primary Market Corporate Credit Facility, or the Municipal Liquidity Facility; and
12. has not received specific support pursuant to the Coronavirus Economic Stabilization Act of 2020 (Subtitle A of Title IV of the CARES Act).[7]

Eligible Loans: An Eligible Loan is a secured or unsecured term loan made by an Eligible Lender(s) to an Eligible Borrower that was originated after June 15, 2020, provided that the loan has all of the following features:

1. 5 year maturity;
2. principal payments deferred for two years and interest payments deferred for one year (unpaid interest will be capitalized);
3. principal amortization of 15% at the end of the third year, 15% at the end of the fourth year, and a balloon payment of 70% at maturity at the end of the fifth year;
4. adjustable rate of LIBOR (1 or 3 month) + 300 basis points;
5. minimum loan size of $100,000;
6. maximum loan size that is the lesser of (i) $35 million or (ii) the Eligible Borrower's average 2019 quarterly revenue;
7. is not, at the time of origination or at any time during the term of the Eligible Loan, contractually subordinated in terms of priority to any of the Eligible Borrower's other loans or debt instruments; and
8. prepayment permitted without penalty.

Loan Classification: If the Eligible Borrower had other loans outstanding with the Eligible Lender as of December 31, 2019, such loans must have had an internal risk rating equivalent to a "pass" in the Federal Financial Institutions Examination Council's supervisory rating system on that date.

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[5] The methodology used by the Eligible Lender to calculate adjusted 2019 EBIDA must be the methodology it has previously used for adjusting EBIDA when extending credit to the Eligible Borrower or similarly situated borrowers on or before June 15, 2020. The Eligible Lender should calculate operating revenue as unrestricted operating revenue, excluding funds committed to be spent on capital, and including a proxy for endowment income in place of unrestricted investment gains or losses. The methodology used by the Eligible Lender to calculate the proxy for endowment income must be the methodology it has used for the Eligible Borrower or similarly situated borrowers on or before June 15, 2020.

[6] For purposes of this requirement, "liquid assets" is defined as unrestricted cash and investments that can be accessed and monetized within 30 days. An organization may include in "liquid assets" the amount of cash receipts it reasonably estimates to receive within 60 days related to the provision of services, facilities, or products, or any other program service that exceed its reasonably estimated cash outflows payable within the same 60-day period.

[7] For the avoidance of doubt, Nonprofit Organizations that have received PPP loans or Economic Injury Disaster Loans are permitted to borrow under the Facility, provided that they are Eligible Borrowers.

Assessment of Financial Condition: Eligible Lenders are expected to conduct an assessment of each potential borrower's financial condition at the time of the potential borrower's application.

Loan Participations: The SPV will purchase at par value a 95% participation in the Eligible Loan. The SPV and the Eligible Lender will share risk in the Eligible Loan on a pari passu basis. The Eligible Lender must retain its 5% of the Eligible Loan until it matures or the SPV sells all of its participation, whichever comes first. The sale of a participation in the Eligible Loan to the SPV will be structured as a "true sale" and must be completed expeditiously after the Eligible Loan's origination.

Required Lender Certifications and Covenants: In addition to other certifications required by applicable statutes and regulations, the following certifications and covenants will be required from Eligible Lenders:

- The Eligible Lender must commit that it will not request that the Eligible Borrower repay debt extended by the Eligible Lender to the Eligible Borrower, or pay interest on such outstanding obligations, until the Eligible Loan is repaid in full, unless the debt or interest payment is mandatory and due, or in the case of default and acceleration.
- The Eligible Lender must commit that it will not cancel or reduce any existing committed lines of credit to the Eligible Borrower, except in an event of default.
- The Eligible Lender must certify that the methodology used for calculating the Eligible Borrower's adjusted 2019 EBIDA and operating revenue in section 7 of the Eligible Borrower paragraph above is the methodology it has previously used when extending credit to the Eligible Borrower or similarly situated borrowers on or before June 15, 2020 (except with respect to the methodology instructions specified above in note 5).
- The Eligible Lender 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.

Required Borrower Certifications and Covenants: In addition to other certifications required by applicable statutes and regulations, the following certifications and covenants[8] will be required from Eligible Borrowers:

- The Eligible Borrower must commit to refrain from repaying the principal balance of, or paying any interest on, any debt until the Eligible Loan is repaid in full, unless the debt or interest payment is mandatory and due.
- The Eligible Borrower must commit that it will not seek to cancel or reduce any of its committed 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.
- 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 of the CARES Act.

Retaining Employees: Each Eligible Borrower that participates in the Facility should make reasonable efforts to maintain its payroll and retain its employees during the time the Eligible Loan is outstanding.

[8] An Eligible Lender is expected to collect the required certifications and covenants from each Eligible Borrower at the time of origination of the Eligible Loan. Eligible Lenders may rely on an Eligible Borrower's certifications and covenants, as well as any subsequent self-reporting by the Eligible Borrower.

Transaction Fee: If the initial principal amount of the Eligible Loan is $250,000 or greater, an Eligible Lender will pay the SPV a transaction fee of 100 basis points of the principal amount of the Eligible Loan at the time of origination. The Eligible Lender may require the Eligible Borrower to pay this fee. No transaction fee will be imposed if the initial principal amount of the Eligible Loan is less than $250,000.

Loan Origination Fee: If the initial principal amount of the Eligible Loan is $250,000 or greater, an Eligible Borrower will pay an Eligible Lender an origination fee of up to 100 basis points of the principal amount of the Eligible Loan at the time of origination. If the initial principal amount of the Eligible Loan is less than $250,000, an Eligible Borrower will pay an Eligible Lender an origination fee of up to 200 basis points of the principal amount of the Eligible Loan at the time of origination.

Loan Servicing Fee: If the initial principal amount of the Eligible Loan is $250,000 or greater, the SPV will pay an Eligible Lender 25 basis points of the principal amount of its participation in the Eligible Loan per annum for loan servicing. If the initial principal amount of the Eligible Loan is less than $250,000, the SPV will pay an Eligible Lender 50 basis points of the principal amount of its participation in the Eligible Loan per annum for loan servicing.

Facility Termination: The SPV will cease purchasing participations in Eligible Loans on December 31, 2020, unless the Board and the Department of the Treasury extend the Facility. The Reserve Bank will continue to fund the SPV after such date until the SPV's underlying assets mature or are sold.