

## Federal Loan Relief Is On Its Way For Businesses Affected By COVID-19

Since the outbreak of COVID-19, the federal government has announced and/or enhanced various loan programs to assist affected businesses and individuals. This summary briefly describes the following loan programs to provide economic relief for businesses and keep people in jobs; compares them at a high-level on an easy-to-digest chart; and details them individually.

PROGRAM	BRIEF DESCRIPTION
<p><b>CARES Act – Coronavirus Economic Stabilization Act of 2020</b></p> <p><a href="#">Click here for more details</a></p>	<p>Treasury loans and loan guarantees to very distressed sectors of the economy, such as passenger air carriers and related entities like eligible businesses approved to perform aircraft inspections and maintenance and air ticket agents (\$25 billion); cargo air carriers (\$4 billion) and businesses critical to maintaining national security, such as defense contractors and aircraft manufacturers (\$17 billion). In return, these businesses agree to a variety of restrictions, including retaining employees until September 30, 2020.</p> <p>In addition to the targeted programs for the distressed businesses above, the Board of Governors of the Federal Reserve System (Federal Reserve) will make available at least \$454 billion to assist businesses (including mid-size companies with between 500-10,000 employees), states and municipalities.</p>
<p><b>CARES Act – SBA Paycheck Protection Program</b></p> <p><a href="#">Click here for more details</a></p>	<p>SBA lending program of \$349 billion to keep people in jobs and rehire laid off employees by originating and forgiving paycheck protection loans to small businesses (generally limited to 500 employees, with leniency for hard-hit industries like food service and accommodations, franchises and SBIC funded businesses). These loans would assist in the payment of covered payroll, mortgage, rent, utility, group health care benefit and debt-servicing costs for the covered period of February 15 – June 30, 2020.</p> <p>These loans will be made through SBA-approved banks generally in amounts of 2.5x monthly payroll costs up to \$10 million per company. No collateral is required. In the absence of a workforce reduction by the borrower, the loans are intended to be forgiven and keep people working.</p>

PROGRAM	BRIEF DESCRIPTION
<p><b>CARES Act – SBA Paycheck Protection Program</b></p> <p><a href="#">Click here for more details</a></p>	<p>Note that smaller businesses owned by private equity and venture capital funds may not be eligible due to SBA affiliation rules for small businesses that require the 500 employee count to aggregate employees of commonly owned or controlled businesses. Efforts are being made to effectuate change to the aggregation rules for this program.</p>
<p><b>SBA Economic Injury Disaster Loan Program</b></p> <p><a href="#">Click here for more details</a></p>	<p>Loans to provide assistance to small businesses and nonprofits, generally of 500 employees or less (with similar affiliation rules as the SBA Paycheck Protection Program) suffering considerable economic injury as a result of declared disasters.</p> <p>This program is an existing SBA program. The CARES Act increased the program by \$10 billion and adds a feature providing a \$10,000 grant while applications are processing. These loans max out at \$2 million, are subject to an economic injury test and generally require collateral.</p>
<p><b>Primary Market Corporate Credit Facility</b></p> <p><a href="#">Click here for more details</a></p>	<p>Provides U.S.-based investment-grade employers with emergency access to credit by purchasing bonds and extending loans. Recipient must have material operations in the U.S. This facility backstops corporate debt and is scheduled to expire on September 30, 2020.</p>

## EXECUTIVE SUMMARY COMPARISON CHART

	Industry-Specific Treasury Loans and Loan Guarantees	Mid-Sized Business Program	Paycheck Protection Loans	Economic Injury Disaster Loans	Primary Market Corporate Credit Facility
Eligibility	<p>Specific U.S.-based businesses:</p> <ul style="list-style-type: none"> <li>• Passenger air carriers; eligible businesses approved to perform aircraft inspections and maintenance; and air ticket agents (\$25 billion)</li> <li>• Cargo air carriers (\$4 billion)</li> <li>• Businesses critical to maintaining national security (\$17 billion)</li> </ul>	<p>U.S.-based businesses with 500 to 10,000 employees</p> <p>Note: This is a specific program authorized by the CARES Act to provide financing to banks and other lenders to make direct loans, other specific programs may follow, such as a “Main Street” lending program</p>	<ul style="list-style-type: none"> <li>• Loans for covered payroll, mortgage, rent, utility, group health care benefits and debt servicing costs</li> <li>• Generally, eligible businesses are those with fewer than 500 employees, but subject to exceptions (with affiliate counting, but subject to exceptions for food service and accommodation businesses, franchises and SBIC-backed businesses)</li> </ul>	<ul style="list-style-type: none"> <li>• Loans for small businesses and non-profits suffering injury as a result of declared disasters</li> <li>• Generally, eligible businesses are those with fewer than 500 employees, but subject to exceptions (with affiliate counting, but no exceptions)</li> </ul>	<ul style="list-style-type: none"> <li>• Investment-grade U.S.- based companies</li> </ul>
Maximum Amount	Program limits described above, but no individual loan limits announced yet	\$454 billion program (plus amounts not used by the industry specific baskets), but no individual loan limits announced yet	Lesser of: (i) \$10 million, or (ii) 2.5x average monthly payroll costs plus the amount of any economic injury disaster loan obtained after January 31	Generally, \$2 million	Limits based on ratings and amount of existing bonds and loans
Interest Rate	Based on risk and current average yield on outstanding U.S. marketable obligations	2% or less	4% or less	<ul style="list-style-type: none"> <li>• 3.75% for small businesses</li> <li>• 2.75% for nonprofits</li> </ul>	Dependent on market conditions
Collateral	Sufficiently secured, or interest rate reflects risk	TBD, but expect collateral	None	Generally required for loans of \$25,000 or more	TBD

# EXECUTIVE SUMMARY COMPARISON CHART

	Industry-Specific Treasury Loans and Loan Guarantees	Mid-Sized Business Program	Paycheck Protection Loans	Economic Injury Disaster Loans	Primary Market Corporate Credit Facility
<b>Maturity</b>	5 years or less	CARES Act is silent	10 years or less from the date the borrower applies for forgiveness	30 years or less	4 years or less
<b>Payment Deferrals</b>	CARES Act is silent	No principal or interest payments for the first 6 months	No principal or interest payments for 6 months to 1 year	Not required to repay \$10,000 advance	Optional 6 months PIK election for interest, subject to restrictions on buybacks and dividends
<b>Other Notable Features</b>	<ul style="list-style-type: none"> <li>Restrictions on buybacks, dividends and compensation</li> <li>Limitations on workforce reductions</li> <li>Issuance of warrants, equity interests or senior debt instruments to the Treasury</li> </ul>	<ul style="list-style-type: none"> <li>Restrictions on buybacks, dividends and compensation</li> <li>Limitations on workforce, pay and benefits reductions and workforce; pay and benefits restoration</li> <li>Outsourcing and offshoring restrictions</li> <li>Abrogation of collective bargaining agreements restriction</li> <li>Union neutrality</li> </ul>	Loan forgiveness feature	\$10,000 emergency advance feature	

## 1. CESA LENDING PROGRAMS IN DETAIL

GENERAL TERMS	
<b>Overview:</b>	\$500 billion for direct Treasury loans and/or Federal Reserve lending programs for loans, loan guarantees and other investments.
<b>Baskets:</b>	
(1) <i>Passenger air carriers, eligible businesses approved to perform aircraft inspections and maintenance, and air ticket agents</i>	\$25 billion.
(2) <i>Cargo air carriers</i>	\$4 billion.
(3) <i>Businesses critical to maintaining national security</i>	\$17 billion.
(4) <i>Federal Reserve programs that support lending to eligible businesses, states or municipalities</i>	\$454 billion (plus amounts not used by the baskets listed above).
<b>Interest Rates:</b>	Determined by the Treasury Secretary. Based on risk and current average yield on outstanding marketable obligations of the U.S. of comparable maturity.
<b>Procedures:</b>	<b>Procedures and further guidance are to come from the Treasury Secretary and Federal Reserve. CARES Act requires procedures and guidance for baskets (1), (2) and (3) to be issued by April 6, 2020.</b>
RESTRICTIONS APPLICABLE TO ALL LOANS, LOAN GUARANTEES AND INVESTMENTS	
<b>No Buybacks:</b>	No buybacks of equity securities listed on a national exchange until 12 months after the loan or loan guarantee is no longer outstanding, except to the extent required under a contractual obligation in effect as of March 27, 2020.
<b>No Dividends:</b>	No dividends or other capital distributions with respect to the common stock of the borrower until 12 months after the loan or loan guarantee is no longer outstanding.

## 1. CESA LENDING PROGRAMS IN DETAIL

<b>RESTRICTIONS APPLICABLE TO ALL LOANS, LOAN GUARANTEES AND INVESTMENTS</b>	
<b>Compensation Limitations:</b>	<p>Until 1 year after the loan or loan guarantee is no longer outstanding:</p> <p>(a) No officer or employee whose total compensation in calendar year 2019 from the borrower exceeded \$425,000 (unless covered by a collective bargaining agreement entered into prior to March 1, 2020):</p> <p style="padding-left: 40px;">(1) can receive total compensation from the borrower which exceeds, during any 12 consecutive months of such period, total compensation received from the borrower in calendar year 2019; and</p> <p style="padding-left: 40px;">(2) can receive severance pay or other benefits upon termination of employment which exceeds twice the maximum total compensation received in calendar year 2019.</p> <p>(b) If the officer or employee had total compensation in calendar year 2019 in excess of \$3 million, the total compensation limit during any 12 consecutive months of such period is the sum of \$3 million plus 50% of calendar year 2019 total compensation in excess of \$3 million.</p> <p>Total compensation includes salary, bonuses, awards of stock and other financial benefits provided by the borrower to the officer or employee.</p>
<b>Location of Business:</b>	Created in the U.S., has significant operations in the U.S. and has a majority of its employees in the U.S.
<b>TERMS APPLICABLE ONLY TO SPECIFIC INDUSTRIES</b>	
<b>Eligibility:</b>	<p>(a) Passenger air carriers, eligible businesses approved to perform aircraft inspections and maintenance, and air ticket agents;</p> <p>(b) cargo air carriers; and</p> <p>(c) businesses critical to maintaining national security.</p>
<b>General Requirements:</b>	<p>(a) Credit is not reasonably available to the borrower;</p> <p>(b) intended obligation is prudently incurred; and</p>

## 1. CESA LENDING PROGRAMS IN DETAIL

TERMS APPLICABLE ONLY TO SPECIFIC INDUSTRIES	
<b>General Requirements:</b>	(c) the borrower must have incurred or is expected to incur covered losses as a result of COVID-19 such that the continued operations of the business are jeopardized.
<b>Collateral/Interest Rate:</b>	(a) Sufficiently secured, or (b) made at a rate that:  (i) reflects the risk of the loan or loan guarantee; and  (ii) to the extent practicable, is no less than the interest rate based on market conditions prior to the COVID-19 outbreak.
<b>Maturity:</b>	5 years or less.
<b>Restrictions:</b>	
<i>(a) Limitations on workforce reductions</i>	Until September 30, 2020, the borrower must maintain its employment levels as of March 24, 2020, to the extent practicable, and in any case cannot reduce its employment levels by more than 10% from the levels on March 24, 2020.
<i>(b) Warrants and Senior Debt Instruments</i>	(a) If a public company, a warrant or equity interest is required to be issued to the Treasury (or, if a warrant or equity interest is not feasible, then a senior debt instrument); or  (b) if not a public company, a warrant or equity interest, or a senior debt instrument, is required to be issued to the Treasury.
TERMS APPLICABLE TO ALL FEDERAL RESERVE PROGRAMS	
<b>Specific Programs:</b>  <i>(1) Mid-Sized Business Program</i> <i>(2) Main Street Lending Program</i> <i>(3) Government Lending Program</i>	Potential programs:  (1) a program for “mid-sized businesses” (500-10,000 employees);  (2) a Main Street Lending Program for small to mid-sized business; and  (3) a program that supports lending to states and municipalities.  Importantly, with the exception of the program for mid-sized businesses (see below for details), <b>the CARES Act does not provide particular details on the programs.</b>
<b>Eligible Businesses:</b>	U.S. business that has not otherwise received adequate economic relief in the form of loans or loan guarantees under the CARES Act.

## 1. CESA LENDING PROGRAMS IN DETAIL

TERMS APPLICABLE TO ALL FEDERAL RESERVE PROGRAMS	
Requirements under the Federal Reserve Act:	<p>Requirements under Section 13(3) of the Federal Reserve Act apply, including:</p> <ul style="list-style-type: none"> <li>(i) security for loans is sufficient to protect taxpayers from losses;</li> <li>(ii) collateral to be assigned a lendable value that is consistent with sound risk management practices (to be determined by the Federal Reserve);</li> <li>(iii) loans must be made for the purpose of providing liquidity to the financial system, and not to aid a failing company;</li> <li>(iv) borrower shall not be insolvent; and</li> <li>(v) interest rates will be set at a penalty level that is a premium to the market rate in normal circumstances.</li> </ul>
TERMS APPLICABLE ONLY TO MID-SIZED BUSINESSES	
Mid-Sized Business:	"Mid-sized business" means a business with 500-10,000 employees.
Interest Rate:	2% per annum or less.
Six-Month Deferment:	No principal and interest payments for the first 6 months.
Requirements:	
1. <i>Certifications Requirement</i>	<p>Borrower must certify to the following:</p> <ul style="list-style-type: none"> <li>(i) the uncertainty of economic conditions as of the date of application makes the loan necessary to support ongoing operations of the business;</li> <li>(ii) funds will be used to retain at least 90% of the recipient's workforce, at full compensation and benefits, until September 30, 2020; and</li> <li>(iii) recipient intends to restore not less than 90% of the workforce of the recipient that existed as of February 1, 2020 and restore all compensation and benefits to the workers, no later than 4 months after the termination of the health emergency declared by the Secretary of HHS on January 31, 2020.</li> </ul>
2. <i>Not in Bankruptcy</i>	Recipient is not a debtor in a bankruptcy proceeding.
3. <i>No outsourcing</i>	Recipient will not outsource or offshore jobs for the term of the loan and 2 years after repayment.
4. <i>No abrogation of existing collective bargaining agreements</i>	Recipient will not abrogate existing collective bargaining agreements during the term of the loan and 2 years after repayment.
5. <i>Union-neutral</i>	Recipient will remain neutral in any union organizing effort for the term of the loan.

## 2. SBA PAYCHECK PROTECTION PROGRAM IN DETAIL

<b>Overview:</b>	SBA lending program to originate paycheck protection loans to small businesses to help pay for covered payroll, mortgage, rent, utility, group healthcare benefits and debt servicing costs. The Administrator of the SBA will issue regulations for carrying out this program by April 11, 2020.
<b>Covered Period:</b>	Available from February 15, 2020 through June 30, 2020
<b>Eligible Borrower:</b>	<p>Any small business, business concern, nonprofit organization, veterans organization or eligible tribal business concern will be eligible to receive a paycheck protection loan if it employs fewer than the greater of:</p> <p>(a) 500 employees; or</p> <p>(b) if applicable, the size standard in number of employees established by the SBA for the industry in which the applicant operates. <b>Note:</b> <a href="#">Click here to see the SBA size standards</a>. Please consult this list to determine eligibility.</p> <p><u>Per Location Exception:</u> Any businesses with not more than 500 employees per location, that, as of the date on which the loan is disbursed, is assigned a North American Industry Classification System code beginning with 72 (businesses within the accommodation and food services sector), is also eligible for covered loans even if it does not meet the SBA size standards.</p> <p>Paycheck protection loans are also available to:</p> <ul style="list-style-type: none"> <li>• sole proprietors,</li> <li>• independent contractors, and</li> <li>• eligible self-employed individuals.</li> </ul>

## 2. SBA PAYCHECK PROTECTION PROGRAM IN DETAIL

<p><b>Affiliation Rules:</b></p>	<p>Generally, in calculating the number of employees a business or other entity has, the SBA will include employees of such borrower's affiliates.</p> <p>Affiliation can be based on:</p> <ul style="list-style-type: none"> <li>(a) ownership;</li> <li>(b) stock options, convertible securities, and agreements to merge;</li> <li>(c) common management;</li> <li>(d) identity of interest (close relatives, common investments and economic dependence);</li> <li>(e) totality of circumstances; or</li> <li>(f) franchise agreements.</li> </ul> <p>However, those affiliation rules are waived for:</p> <ul style="list-style-type: none"> <li>(i) any business with not more than 500 employees that, as of the date on which the loan is disbursed, is assigned a North American Industry Classification System code beginning with 72 (businesses within the accommodation and food services sector);</li> <li>(ii) any business operating as a franchise that is assigned a franchise identifier code by the SBA; and</li> <li>(iii) any business that receives financial assistance from a small business investment company ("SBIC").</li> </ul> <p>If an affiliate does not fall within one of these exemptions, the employee count would aggregate the applicant's and all non-exempt affiliates' employees for purposes of determining the applicant's employee count.</p>
<p><b>Private Equity and Venture Capital Firms:</b></p>	<p>Based on current guidance, portfolio companies of private equity firms and venture capital firms are <u>not</u> exempt from the affiliation rules.</p>

## 2. SBA PAYCHECK PROTECTION PROGRAM IN DETAIL

<b>Additional Eligibility Requirements:</b>	
<i>(a) Certification</i>	<p>Applicants for paycheck protection loans must certify that:</p> <ol style="list-style-type: none"> <li>1. the uncertainty of the current economic conditions makes necessary the loan request to support the ongoing operations of the eligible recipient;</li> <li>2. funds will be used to retain workers and maintain payroll or make mortgage payments, lease payments, and utility payments;</li> <li>3. applicant does not have another application pending for a paycheck protection loan for the same purpose and duplicative of amounts applied for or received under a covered loan; and</li> <li>4. during the period beginning on February 15, 2020 and ending on December 31, 2020, that the eligible recipient has not received amounts for the same purpose and duplicative of amounts applied for or received under a covered loan.</li> </ol>
<i>(b) Considerations for Determining Eligibility</i>	<p>Considerations:</p> <ol style="list-style-type: none"> <li>1. whether was in operation on February 15, 2020; and</li> <li>2. whether had employees for whom it paid salaries and payroll taxes or paid independent contractors.</li> </ol>
<b>Terms:</b>	
<i>(a) Maximum Loan Amount</i>	<p>Lesser of:</p> <p>(a) \$10,000,000 or</p> <p>(b) the sum of:</p> <p>(i) the product obtained by multiplying (x) 2.5 by (y) the average total monthly payments by the applicant for payroll costs incurred during:</p> <ul style="list-style-type: none"> <li>(A) the 1-year period before the date on which the loan is made; or</li> <li>(B) for <b>seasonal employers</b> as determined by the SBA, either the 12-week period beginning February 15, 2019, or, at the election of the eligible recipient, March 1, 2019-June 30, 2019; or</li> <li>(C) if requested by an otherwise <b>eligible recipient that wasn't in business from February 15, 2019-June 30, 2019</b>, January 1, 2020-February 29, 2020; <u>plus</u></li> </ul> <p>(ii) the outstanding amount of any disaster loan extended by the SBA to the recipient after January 31, 2020 that is refinanced by the paycheck protection loan.</p>
<i>(b) Interest Rate</i>	4% or less.

## 2. SBA PAYCHECK PROTECTION PROGRAM IN DETAIL

<i>(c) Refinancing Disaster Loans</i>	Disaster loans previously extended to the borrower by the SBA that were originated after January 31, 2020 may be refinanced under the Paycheck Protection Program.
<i>(d) Nonrecourse</i>	No personal guarantee or collateral is required.
<i>(e) Fees and Prepayment Penalties</i>	None.
<i>(f) Waiver of “No Credit Elsewhere” Requirement</i>	The SBA’s standard requirement that an applicant is “unable to obtain credit elsewhere” is waived.
<i>(g) Payment Deferral</i>	Payments deferred from between 6 months to 1 year.
<i>(h) Allowable Uses</i>	<p>Paycheck protection loans may be used for:</p> <ul style="list-style-type: none"> <li>(i) payroll costs;</li> <li>(ii) costs related to the continuation of group healthcare benefits during periods of paid sick, medical or family leave and insurance premiums;</li> <li>(iii) employee salaries, commissions or similar compensation;</li> <li>(iv) payments of interest on any mortgage obligation (excluding any prepayment of or payment of principal on a mortgage obligation);</li> <li>(v) rent;</li> <li>(vi) utilities; and</li> <li>(vii) interest on any other debt obligations that were incurred before February 15, 2020.</li> </ul>

## 2. SBA PAYCHECK PROTECTION PROGRAM IN DETAIL

<p>(j) "Payroll Costs" Defined</p>	<p>"Payroll costs" include:</p> <ul style="list-style-type: none"> <li>(i) salary, wage, commission, or similar compensation;</li> <li>(ii) payment of cash tip or equivalent;</li> <li>(iii) payment for vacation, parental, family, or sick leave;</li> <li>(iv) severance/separation payments;</li> <li>(v) payments for group healthcare benefits and insurance premiums;</li> <li>(vi) payment of any retirement benefits;</li> <li>(vii) payment of state or local taxes assessed on employee compensation; and</li> <li>(viii) For independent contractors and sole-proprietors: the sum of earnings from self-employment (capped at \$100,000), as prorated for the covered period.</li> </ul> <p>Excluded from "payroll costs":</p> <ul style="list-style-type: none"> <li>(i) compensation of individuals in excess of \$100,000, as prorated for the covered period;</li> <li>(ii) compensation to employees living outside the U.S.;</li> <li>(iii) certain tax imposed or withheld relating to household and dependent care, total disability, and child tax credits; and</li> <li>(iv) qualified sick leave or family leave wages for which credits are otherwise allowable under the Families First Coronavirus Response Act.</li> </ul>
<p><b>Loan Forgiveness:</b></p>	<p>Loans are eligible for forgiveness for the following covered costs incurred during the Covered Period:</p> <ul style="list-style-type: none"> <li>(i) payroll costs;</li> <li>(ii) any interest payments on mortgage obligations incurred prior to February 15, 2020 (which shall not include any prepayment of or payment of principal);</li> <li>(iii) any payment on rent obligations incurred prior to February 15, 2020; and</li> <li>(iv) any utility payment on utilities in service prior to February 15, 2020.</li> </ul> <p><b>Note:</b> While a loan may be used to pay covered group healthcare benefits and debt servicing obligations, any loan amounts used for these purposes are not eligible for loan forgiveness.</p>

## 2. SBA PAYCHECK PROTECTION PROGRAM IN DETAIL

<p><i>(a) Reductions in Amounts Eligible For Forgiveness</i></p>	<p>The amount of eligible loan forgiveness will be reduced, <u>but not increased</u>, by multiplying the amount of eligible loan forgiveness by the quotient obtained by dividing:</p> <ul style="list-style-type: none"> <li>(i) the average number of full-time equivalent employees (“FTEs”) per month employed by the eligible recipient during the 8 weeks after the date of the loan; by, at the recipient’s election, either:</li> <li>(ii) (a) the average number of FTEs per month employed by the eligible recipient during the period beginning on February 15, 2019 and ending on June 30, 2019; or</li> <li>(b) the average number of FTEs per month employed by the eligible recipient during the period beginning on January 1, 2020 and ending on February 29, 2020.</li> </ul>
<p><i>(b) Reductions Relating to Salary and Wages</i></p>	<p>Loan forgiveness reduced by any reduction in the total salary or wages of an employee (only applies to employees earning under \$100,000) that is in excess of 25% of the total salary or wages of the employee during the most recent full quarter during which the employee was employed before the Covered Period.</p>
<p><i>(c) Re-Hire Exemptions</i></p>	<p>For the purpose of calculating loan forgiveness reductions, any reductions in salary or wages or employee counts during the period between February 15, 2020 and ending April 26, 2020 will be ignored if those reductions are eliminated by June 30, 2020.</p>
<p><i>(d) Maturity for Loans with Remaining Balances after Application of Forgiveness</i></p>	<p>With respect to a paycheck protection loan that has a remaining balance after reduction based on the loan forgiveness amount:</p> <ul style="list-style-type: none"> <li>(i) the remaining balance shall continue to be guaranteed by the SBA; and</li> <li>(ii) the paycheck protection loan shall have a maximum maturity of 10 years from the date on which the borrower applies for loan forgiveness.</li> </ul>

### 3. SBA EMERGENCY ECONOMIC INJURY DISASTER LOANS (EIDLs) IN DETAIL

<b>Overview:</b>	Loans to provide assistance to small businesses and non-profits suffering substantial economic injury as a result of declared disasters.  CARES Act adds a feature granting a \$10,000 grant while applications are processing.
<b>Eligible Borrower:</b>	(i) A business with not more than 500 employees;  (ii) a business that meets the SBA size standards if over 500 employees;  (iii) any individual who operates under a sole proprietorship, with or without employees, or as an independent contractor;  (iv) a cooperative with not more than 500 employees;  (v) an eligible Employee Stock Option Plan with not more than 500 employees; and  (vi) an eligible tribal small business concern.  These are similar eligibility requirements as the Paycheck Protection Program.
<b>Affiliation Rules:</b>	Same affiliation rules as the Paycheck Protection Program (as described above).  However, while the Paycheck Protection Program includes exceptions to the affiliation rules (as noted above), the EIDLs program does not include those exceptions.
<b>Requirements:</b>	
<i>(a) Substantial Economic Injury</i>	Must have suffered substantial economic injury as a result of a declared disaster.
<i>(b) Disaster Area</i>	Must have a physical presence in a declared disaster area.
<i>(c) Personal Guarantee</i>	Loans must be personally guaranteed by owners having a 20% interest or higher. Waived for loans under \$200,000.
<i>(d) Waiver of “No Credit Elsewhere” Requirement</i>	The SBA’s standard requirement that an applicant is “unable to obtain credit elsewhere” is waived.
<i>(e) Existing Business Concern Waiver</i>	The SBA’s requirement that an applicant needs be in business for the 1-year period before the disaster is waived so long as the applicant was in operation on January 31, 2020.
<b>Terms:</b>	
<i>(a) Amount</i>	Generally, \$2 million or less.
<i>(b) Interest Rate</i>	3.75% per annum for small businesses. 2.75% per annum for nonprofits.

### 3. SBA EMERGENCY ECONOMIC INJURY DISASTER LOANS (EIDLs) IN DETAIL

<i>(c) Term:</i>	30 years or less; based on the borrower's ability to repay on a case-by-case basis.
<i>(d) Collateral:</i>	Generally required for all EIDL loans over \$25,000.
<i>(e) Permissible Uses:</i>	Funds can be used to pay working capital costs that cannot be met due to COVID-19, including: <ul style="list-style-type: none"> <li>(i) payroll;</li> <li>(ii) accounts payable;</li> <li>(iii) providing paid sick leave to employees unable to work due to COVID-19;</li> <li>(iv) maintaining payroll to retain employees during business disruptions or slowdowns;</li> <li>(v) meeting increased costs to obtain materials due to interrupted supply chains;</li> <li>(vi) making rent or mortgage payments; and</li> <li>(vii) repaying obligations that cannot be met due to revenue losses.</li> </ul>
<i>(f) Refinancing</i>	An EIDL that was previously extended to a borrower that was originated after January 31, 2020 may be refinanced under the Paycheck Protection Program.

#### **\$10,000 Emergency Grants under the CARES Act**

<b>Overview:</b>	The SBA has been appropriated \$10 billion to add a new feature to the EIDL program to allow for eligible applicants who are awaiting EIDL approval to request an advance of up to \$10,000.
<b>Covered Period:</b>	From January 31, 2020 to December 31, 2020.
<b>Terms:</b>	
<i>(a) Maximum Advance Amount</i>	\$10,000.
<i>(b) No Repayment Even if Denied EIDL Loan</i>	\$10,000 advances are not required to be repaid, even if subsequently denied an EIDL loan.  In the event an applicant's EIDL loan is refinanced into a paycheck protection loan, the amount of the advance will be added to the amount of the forgiveness.
<i>(c) Permissible Uses</i>	EIDL advances may be used for any permissible uses for EIDL loans.

## 4. PRIMARY MARKET CORPORATE CREDIT FACILITY (“PMCCF”) IN DETAIL

<b>Overview:</b>	Federal Reserve Bank of New York will lend to a special purpose vehicle, which will in turn purchase qualifying bonds from, and make loans to, eligible issuers.
<b>Availability Period:</b>	PMCCF will end September 30, 2020, unless extended by the Federal Reserve.
<b>Eligible Issuer:</b>	<p>Must be:</p> <ul style="list-style-type: none"> <li>(i) investment-grade company;</li> <li>(ii) U.S. company with headquarters and material operations in the U.S.; and</li> <li>(iii) rated at least BBB-/Baa3 by a major nationally recognized statistical rating organization (“NSRO”), and, if rated by multiple NSROs, rated at least BBB-/Baa3 by 2 or more NSROs, in each case subject to review by the Federal Reserve.</li> </ul> <p>Does not include companies expected to receive direct financial assistance under the CARES Act.</p>
<b>Limits Per Issuer are Based on ratings of Eligible Assets/Eligible Issuers:</b>	Amount borrowed cannot exceed the applicable percentage of the issuer’s maximum outstanding bonds and loans on any day between March 22, 2019 and March 22, 2020, depending on credit rating.
<i>(1) AAA/Aaa rating</i>	140% of outstanding bonds or loan
<i>(2) AA/Aa rating</i>	130% of outstanding bonds or loan
<i>(3) A/A rating</i>	120% of outstanding bonds or loan
<i>(4) BBB/Baa rating</i>	110% of outstanding bonds or loan
<b>Interest Rate:</b>	<p>Dependent on market conditions.</p> <p>At borrower’s election, all or a portion of the interest payments due on each payment date may be PIK’d for a period of 6 months, extendable at the discretion of the Federal Reserve. Borrowers who make this election may not pay dividends or make stock buybacks during this period.</p>
<b>Maturity:</b>	4 years or less.
<b>Commitment Fee:</b>	100 bps.
<b>Call Right:</b>	Callable by issuer at par.

If you would like to discuss the matters addressed in this bulletin, please contact **Michael A. Nemeroff** at (312) 609-7858, **Venu V. Talanki** at (312) 609-7749, **Daniel J. Robot** at (312) 609-7644 or your Vedder Price attorney.

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