

Financial Assistance Programs and Facilities for Corporates Affected by COVID-19

As of April 10, 2020



Introduction

This deck contains a high-level summary of the major federal financial assistance programs and facilities for corporates that are currently available or have been announced, but have not yet launched.

Businesses should carefully evaluate which forms of assistance to pursue. Each program and facility has different eligibility criteria, and in some cases, taking advantage of one form of assistance will make a business ineligible for another.

Other forms of credit and liquidity assistance not summarized in this deck are available from the Federal Reserve or otherwise under the CARES Act, although we have excluded them as unlikely to be attractive to corporates or to provide meaningful support to them.

Additional details about the Federal Reserve's already-announced credit and lending facilities are available in our updated [summary](#) of financial sector initiatives responding to COVID-19 and our alert [memorandum](#) on the Main Street Lending Facilities. A comprehensive summary of, and our observations on, the programs and facilities created and authorized by the CARES Act is available in our alert memorandum [here](#).

SBA Assistance for Small Businesses: Paycheck Protection Program (PPP)

PROGRAM OR FACILITY	ELIGIBILITY	FORM OF RELIEF	KEY RESTRICTIONS
<p>Paycheck Protection Program (\$349bn) (CARES Act)</p> <p><i>Interim final rule published on 4/2/2020 (link); supplemental rule published on 4/3/2020 (link); guidance on affiliation rule published on 4/3/2020 (link); FAQs updated as of 4/8/2020 (link); term sheet for Federal Reserve liquidity facility for PPP lenders released on 4/9/2020 (link)</i></p>	<p>U.S. businesses, nonprofits, veterans organizations and tribal businesses with 500 employees or less</p> <p>U.S. businesses with more than 500 employees if:</p> <ul style="list-style-type: none"> — the SBA has established specific size standards for its industry that are greater; or — the business is a hotel/restaurant with 500 employees or less per physical location <p>Businesses must ordinarily include affiliates to determine the number of employees; this affiliate requirement is waived for hotels/restaurants, franchises and SBIC-assisted businesses</p>	<p>SBA-guaranteed loan to cover payroll and other overhead; generally capped at the lower of \$10 million or 250% of monthly payroll costs</p> <p>8 weeks of payroll and other overhead costs are eligible for forgiveness</p> <p>Forbearance for first 6 months</p>	<p>Loans must only be used for: payroll costs (including salaries and benefits), mortgage interest payments, rent, utilities and interest on existing debt and to refinance EIDL loans. No more than 25% of loan proceeds may be used for non-payroll costs</p> <p>Forgiveness is available only for the portion of loans used to cover 8 weeks of payroll and other overhead costs: wages, tips, leave, severance, health and retirement benefits, mortgage interest, rent and utilities. No more than 25% of forgiven amount may go to non-payroll costs (i.e., other overhead)</p> <p>Reductions in employees or salaries will proportionately reduce amount of forgiveness (unless employees are re-hired)</p>

Direct Treasury Assistance: Loans for Aviation and National Security-Critical Businesses

PROGRAM OR FACILITY	ELIGIBILITY	FORM OF RELIEF	KEY RESTRICTIONS
<p>Loans and Investments for Aviation and National Security-Critical Businesses (\$46bn)</p> <p>(CARES Act)</p> <p><i>Treasury guidance issued on 3/30/2020</i></p> <p>(link)</p>	<p>Passenger air carriers, ticket agents, aircraft services companies, cargo airlines and businesses critical to maintaining national security that:</p> <ul style="list-style-type: none"> — Are created/organized in or under the laws of the U.S. and have significant operations and majority of employees in the U.S. — Demonstrate continued operations are jeopardized by losses related to COVID-19 — Cannot reasonably obtain credit elsewhere 	<p>Loans, loan guarantees and “other investments” to provide liquidity to businesses affected by COVID-19</p>	<p>Restrictions on share repurchases, capital distributions, executive compensation for the time the loan is outstanding plus one year</p> <p>Restrictions on workforce reductions until 9/30/2020</p> <p>Must maintain minimum level of air services until at least 9/30/2020</p> <p>Treasury must obtain warrants or an equity interest (or senior debt if recipient is not publicly traded)</p> <p>Recipients will be ineligible for PMCCF and SMCCF</p>

Direct Treasury Assistance: Grants to Aviation Businesses

PROGRAM OR FACILITY	ELIGIBILITY	FORM OF RELIEF	KEY RESTRICTIONS
<p>Grants for Aviation Industry (\$32bn) (CARES Act)</p> <p><i>Treasury guidance issued 3/30/2020 (link); applications encouraged by 4/27/2020</i></p>	<p>U.S. passenger air carriers, cargo air carriers and aircraft contractors</p>	<p>Direct grants to pay wages, salaries and benefits to preserve aviation jobs and compensate aviation industry workers</p>	<p>Grants must be used exclusively for wages, salaries and benefits</p> <p>Restrictions on share repurchases and capital distributions until 9/30/2021; restrictions on executive compensation until 3/24/2022</p> <p>No involuntary furloughs and no reduction in employees' pay and benefits until 9/30/2020</p> <p>Must maintain minimum level of air services until at least 9/30/2020</p> <p>Treasury has discretion to receive warrants, options, preferred stock or debt</p> <p>Treasury may not condition grants to force negotiations with unions</p> <p>Recipients will be ineligible for PMCCF and SMCCF</p>

Federal Reserve Facilities: Purchases of Debt from Issuers

PROGRAM OR FACILITY	ELIGIBILITY	FORM OF RELIEF	KEY RESTRICTIONS
<p>Primary Market Corporate Credit Facility (PMCCF) (Term Sheet)</p>	<p>Companies that:</p> <ul style="list-style-type: none"> — are created / organized in or under the laws of the U.S. and have significant operations and majority of employees in the U.S.; and — (i) are rated investment grade or (ii) were investment grade as of 3/22/2020, but have since been downgraded to BB-/Ba3 or above <p>Issuers are ineligible if they (i) have received specific support pursuant to the CARES Act or any subsequent federal legislation, (ii) participated in the MSNLF or the MSELF, or (iii) are IDIs or depository institution holding companies</p>	<p>FRBNY SPV facility purchases corporate bonds or portions of syndicated loans directly from issuers at issuance</p>	<p>Certain limitations on amount that the facility will purchase of each issuer</p> <p>Issuers are subject to the CARES Act conflict of interest provisions</p>

Federal Reserve Facilities: Indirect Assistance Through Secondary Market Purchases

PROGRAM OR FACILITY	ELIGIBILITY	FORM OF RELIEF	KEY RESTRICTIONS
<p>Secondary Market Corporate Credit Facility (SMCCF) (Term Sheet)</p>	<p>Issuers that:</p> <ul style="list-style-type: none"> — are created / organized in or under the laws of the U.S. and have significant operations and majority of employees in the U.S.; and — (i) are rated investment grade or (ii) were investment grade as of 3/22/2020, but have since been downgraded to BB-/Ba3 or above <p>Also, U.S.-listed ETFs that provide broad exposure to U.S. corporate bonds are eligible; preponderance of the facility's ETF holdings will be ETFs focused on investment grade</p> <p>Same ineligibility requirements as under the PMCCF above</p>	<p>FRBNY SPV facility makes secondary market purchases of eligible corporate bonds and ETFs to provide liquidity for corporate bonds</p> <p>Only U.S. companies—created / organized in or under the laws of the U.S. and with significant operations and a majority of employees in the U.S.—are eligible to sell assets to the facility</p>	<p>Certain limitations on amount that the facility will purchase of each issuer</p> <p>Issuers and sellers are subject to the CARES Act conflict of interest provisions</p>

Federal Reserve Facilities: Commercial Paper Purchases

PROGRAM OR FACILITY	ELIGIBILITY	FORM OF RELIEF	KEY RESTRICTIONS
<p>Commercial Paper Funding Facility (CPFF)</p> <p>(Term Sheet)</p> <p>(FAQs)</p>	<p>Active CP issuers with A1/P1/F1 credit ratings as of 3/17/2020</p> <p>An issuer that (i) on 3/17/2020, was rated at least A1/P1/F1; and (ii) is subsequently downgraded, will be able to make a one-time sale of commercial paper to the SPV so long as the issuer is rated at least A2/P2/F2</p> <p>Issuer must be a U.S. entity, but issuers with a foreign parent are eligible</p>	<p>FRBNY SPV facility purchases unsecured three-month dollar-denominated commercial paper from U.S. issuers (through primary dealers) to provide liquidity for U.S. companies and municipalities</p>	<p>Certain limitations on the amount that the facility will purchase of each issuer</p>

Federal Reserve Facilities: Newly Originated Loans for Mid-Sized Businesses

PROGRAM OR FACILITY	ELIGIBILITY	FORM OF RELIEF	KEY RESTRICTIONS
<p>Main Street New Loan Facility (MSNLF) (CARES Act) (Term Sheet)</p>	<p>U.S. businesses with up to 10,000 employees or up to \$2.5 billion in 2019 annual revenues</p> <p>Borrowers must be created / organized in or under the laws of the U.S. and have significant operations and majority of employees in the U.S.</p> <p>No collateral requirements from recipient</p> <p>No minimum credit rating required for the borrower</p> <p>Ineligible if a participant in the MSELF or PMCCF</p>	<p>Newly originated unsecured loans from eligible lenders (U.S. banks, other U.S. IDIs and U.S. bank/S&L holding companies) capped at the lesser of (i) \$25 million and (ii) an amount that, when added to existing outstanding and committed but undrawn debt, does not exceed 4x 2019 EBITDA</p> <p>Facility purchases 95% participation in unsecured loans made by eligible lenders to eligible borrowers; 5% retained by lender is pari passu with Federal Reserve participation</p>	<p>Borrower must attest that it will:</p> <ul style="list-style-type: none"> — Make reasonable efforts to maintain payroll and retain its employees during the term of the upsized tranche — Not seek to cancel or reduce an existing credit line with the lender — Abide by CARES Act restrictions on share repurchases, capital distributions and executive compensation for the time the loan is outstanding plus one year — Refrain from using proceeds to repay other loan balances — Refrain from repaying other debt of equal or lower priority (with the exception of mandatory principal payments) until the MSNLF loan is repaid in full <p>Lender must attest that:</p> <ul style="list-style-type: none"> — Proceeds will not be used to repay or refinance pre-existing loans or credit lines from lender to the borrower — It will not cancel or reduce an existing credit line for the borrower

Federal Reserve Facilities: Additional Credit on Preexisting Loans for Mid-Sized Businesses

PROGRAM OR FACILITY	ELIGIBILITY	FORM OF RELIEF	KEY RESTRICTIONS
<p>Main Street Expanded Loan Facility (MSELF) (CARES Act) (Term Sheet)</p>	<p>U.S. businesses with up to 10,000 employees or up to \$2.5 billion in 2019 annual revenues</p> <p>Borrowers must be created / organized in or under the laws of the U.S. and have significant operations and majority of employees in the U.S.</p> <p>No minimum credit rating required for the borrower</p> <p>Ineligible if a participant in the MSNLF or PMCCF</p>	<p>Extensions of additional credit on preexisting loans (originated prior to 4/8/2020, and upsized on or after 4/8/2020) from eligible lenders (U.S. banks, other U.S. IDIs and U.S. bank/S&L holding companies), with the “upsized” capped at the lesser of (i) \$150 million, (ii) 30% of the borrower’s existing outstanding and committed but undrawn debt or (iii) an amount that, when added to existing outstanding and committed but undrawn debt, does not exceed 6x 2019 EBITDA</p> <p>Facility purchases 95% participation in the “upsized tranche” made by eligible lenders to eligible borrowers; 5% retained by lender is pari passu with Federal Reserve participation</p> <p>Federal Reserve benefits pro rata from any collateral pledged to secure the original or upsized loan</p>	<p>Borrower must attest that it will:</p> <ul style="list-style-type: none"> — Make reasonable efforts to maintain payroll and retain its employees during the term of the upsized tranche — Not seek to cancel or reduce an existing credit line with the lender — Abide by CARES Act restrictions on share repurchases, capital distributions and executive compensation for the time the loan is outstanding plus one year — Refrain from using proceeds to repay other loan balances — Refrain from repaying other debt of equal or lower priority (with the exception of mandatory principal payments) until the MSELF loan is repaid in full <p>Lender must attest that:</p> <ul style="list-style-type: none"> — Proceeds will not be used to repay or refinance pre-existing loans or credit lines from lender to the borrower — It will not cancel or reduce an existing credit line for the borrower