

Summary of Recent Government Actions Supporting U.S. Businesses

Updated Through March 30th, 2020

Working Draft – Subject to Update and Correction



Actions Being Taken to Support U.S. Businesses

Overview

Focus For Today



- Since early March, the government has taken several actions to support U.S. businesses through legislation as well as direct actions by the Federal Reserve and Treasury Department
- This document highlights the programs we believe are most salient to our clients, including:

Program	Most Applicable To ¹	Overview	Page
Paycheck Protection Program	Businesses <500 Employees	Forgivable Loans	3 – 5
Economic Injury Disaster Loans / Grants	Businesses <500 Employees	Low Interest Loans / Grants	7
SBA Loan Subsidy	Existing or New SBA Borrowers	SBA Subsidizes 6 Payments	9
Assistance for Mid-Sized Businesses	Businesses 500 – 10,000 Employees	Low Interest Loans	11
Commercial Paper (“CP”) Funding Facility	Investment Grade CP Issuers	Gov’t Purchase of CP	13 – 14
Term Asset-Backed Securities Loan Facility	Issuers of Asset-Backed Securities	Gov’t Purchase of Asset-Backed Securities	16 – 17
Primary Market Corporate Credit Facility	Investment Grade Borrowers	Gov’t Purchase of Loans / Bonds	19 – 20
Payroll Tax Relief	All Businesses	Defer Payroll Taxes	22
Income Tax Delay	Federal Tax Payers	Delay Income Taxes	22
Net Operating Losses (“NOLs”)	Businesses with NOLs	Extend Carryback / Fully Offset Income	22

- *Important: Only **bolded items are currently operational**. In addition, details for all programs are subject to future guidance and modifications by the administration and / or Federal Reserve. As a result, this document is subject to update and change as terms become more clear*

¹⁾ Note these are simplistic guidelines. Further detail on eligibility can be found on the following pages.

Expected Operational Date:

To Be Determined

Paycheck Protection Program



Paycheck Protection Program

("PPP")



Overview

- PPP allows businesses, 501(c)(3) non-profits, tribal businesses, sole proprietors, contractors and veteran's organizations impacted by COVID-19 to borrow up to \$10mm in forgivable loans to cover payroll and/or interest, rent and utility expenses
 - Program is administered by SBA lenders and runs through June 30th, 2020

Eligibility

- Public and private businesses as well as 501(c)(3)s operating in the U.S. and in business since February 15th, 2020 with either fewer than 500 full, part time or other employees or¹:
 - Meeting the SBA's NAICS-based size standards, available at:
https://www.sba.gov/sites/default/files/2019-08/SBA%20Table%20of%20Size%20Standards_Effective%20Aug%2019%2C%202019.pdf
 - Having <\$15mm of tangible net worth AND <\$5mm of average earnings in last 2 years
 - Note, a hospitality and dining firm in NAICS code 72 with more than 1 location can qualify if the number of employees at each location is less than 500
- The CARES Act does not appear to have overridden the SBA's "affiliation" rules¹
 - Entities are "affiliates" when they are controlled by or under common control of another entity. This generally includes private equity owners
 - Business cannot exceed the size thresholds for either the primary industry of the business alone or the industry of the business and its affiliates, whichever is greater
 - For groups of affiliates that do not operate in same industry (often the case with private equity), industry code is based on the primary income producing entity
- The CARES Act creates 3 exceptions to these affiliate rules for the PPP:
 - Hospitality and dining firms in NAICS codes 72 with less than 500 employees
 - Franchises that are assigned franchise identification code by the SBA
 - Businesses receiving assistance from a Small Business Investment Company
 - *Portfolio companies falling within these exceptions as well as those not deemed to be an affiliate (e.g., certain minority investments) may be able to take advantage of a loan*

¹⁾ There is some ambiguity in the Act as to how affiliation rules apply to the PPP and it is possible that the SBA will issue more favorable guidance. Further detail on affiliation rules are available at:
https://www.sba.gov/sites/default/files/2018-09/2018-07-13%20AFFILIATION%20GUIDE_Updated%20%281%29.pdf

Paycheck Protection Program

("PPP")



Borrower Certification

- Borrowers must make a good faith certification that:
 - Loan is necessary to support the business through environment created by COVID-19
 - Funds will be used to retain workers and maintain payroll or make mortgage interest payments, lease payments and utility payments
 - They have not otherwise received funds or have an application pending under the Paycheck Protection Program
- Do not need to demonstrate that credit is otherwise unavailable to the borrower

Loan Amount

- Loan amounts are formulaically determined and equal to the lesser of \$10mm or the sum of any outstanding COVID-19 Emergency Injury Disaster Loan ("EIDL")¹ plus:
 - For non-seasonal employers, 2.5x the average monthly payroll over the last year
 - For seasonal firms, 2.5x the average monthly payroll for 12-week period starting either February 15th, 2019 or March 1st, 2019 (at the election of the borrower)
 - For businesses without a full year of payroll history, 2.5x the average monthly payroll from January 1st, 2020 to February 29th, 2020
- Payroll includes salaries (capped at \$100k per employee), tips, insurance, retirement benefits, etc.

Interest and Fees

- Maximum interest rate is 4%
- Borrowers will not be charged any participation fees or prepayment fees²

Collateral and Guarantees

- No collateral or personal guarantees are required
- SBA will have no recourse unless loans are used for purpose other than authorized

¹) Borrowers may elect to refinance an existing COVID-19 EIDL.
²) Banks will receive a processing and servicing fee from the SBA.

Paycheck Protection Program

("PPP")



Loan Forgiveness

- Loans are eligible for forgiveness up to the principal balance¹. The amount of forgiveness is calculated as the sum of amounts paid in the 8 weeks following loan origination for:
 - a) Payroll (as defined on prior page), b) mortgage interest (excluding pre-payments or overpayments), c) rent (including rent under a lease agreement) and d) utilities
- Forgiveness amount will be reduced:
 - Proportionally by any reduction in full-time equivalent employees ("FTE") in the period from February 15th, 2020 to June 30th, 2020 as compared to by average monthly FTEs from either February 15th, 2019 to June 30th, 2019 or from January 1st, 2020 to February 29th, 2020 (borrower can choose comparison period)
 - By any decrease in wages beyond 25% for employees earning less than \$100k per year occurring February 15th, 2020 to June 30th, 2020 relative to wages in 4Q19
 - *To encourage rehiring and pay raises, borrowers bringing employee and salary levels to where they were at February 15th, 2020 will not be penalized by these reductions*
 - By any funds received under an EIDL Emergency Grant (see next section)
- Cancelled indebtedness will not be included in borrowers' taxable income

Maturity and Payments

- Balances remaining after loan forgiveness will have a max maturity of 10 year
- Loan and interest payments are deferred for at least 6 months but no more than 1 year

Interaction with Other Programs

- Borrowers may apply for Paycheck Protection loans and other SBA financial assistance, including EIDLs, however they cannot use the loans for the same purpose
 - For example, if you use Paycheck Protection Loan to cover payroll for the 8-week covered period, you cannot use a different SBA loan to make payroll for that same period, although you could use it for a different period

¹⁾ If full principal is repaid, borrower will not be responsible for the interest accrued in the 8-week period.

Expected Operational Date:

Loans Operational

Grants To Be Determined

Economic Injury Disaster Loans and Grants



Economic Injury Disaster Loans

("EIDL")



Overview

- EIDLs allow small businesses, tribal businesses, cooperatives, ESOPs, non-profits, sole proprietors and contractors with fewer than 500 employees that are impacted by COVID-19 to receive loans up to \$2mm to pay debts, make payroll and meet other expenses
 - In addition, CARES created new "Emergency Grants" of up to \$10k available to EIDL applicants that are disbursed within 3 days and are not required to be repaid
 - EIDL loans can be applied for directly with the SBA at <https://disasterloan.sba.gov/ela/>

Business Eligibility

- Businesses with less than 500 employees or, if more lenient, meeting the SBA small business definition outlined in the prior PPP section, operating since January 31st, 2020
- Do not need to demonstrate that credit is otherwise unavailable to the borrower

Interest and Fees

- 3.75% for small businesses and 2.75% for non-profits
- Borrowers will not be charged any participation fees or prepayment fees

Loan Amount, Underwriting and Term

- For the remainder of 2020, SBA can approve based solely on credit score, without the need for a borrower's tax return. It may also choose to use an alternative method
- Loan amount is determined by the SBA based on economic injury / need up to \$2mm
- Maximum term of loan is 30 years

Guarantees and Collateral

- Guarantees are required for loans >\$200k and collateral is required if loan is >\$25k
 - Real estate is preferred, but a loan will not be declined for lack of collateral. Any available collateral will be taken. SBA lien is subordinate to any existing liens

Emergency Grants

- Borrowers can receive up to a \$10,000 grant within 3 days after applying for an EIDL loan
 - If the application is denied, the applicant is not required to repay the grant

Expected Operational Date:
To Be Determined

SBA Loan Subsidy

Overview

- CARES Act requires the SBA to pay on behalf of borrowers all principal, interest and fees related to eligible SBA loans for six months
 - Note the mechanism for effecting this rule has not yet been determined by the SBA

Eligible Loan Types

- All outstanding loans or loans made within 6 months of the passage of CARES under:
 - The SBA Business Loan Program, including Community Advantage and 7(a) loans
 - Title 5 of the Small Business Act
 - SBA's Microloan Program
- **EIDL loans and Paycheck Protection Loans are not eligible**

SBA Payments

- The SBA will pay the principal, interest, and any associated fees that are owed on the covered loans for a six month period starting on the next payment due date
 - For loans already on deferment, SBA will make six months of payment beginning with the first payment after the deferral
 - For loans made within 6 months of the passage of the CARES Act, SBA will make first six months payment following disbursement of loan

Expected Operational Date:
To Be Determined

Mid-Sized Business Program



Overview

- CARES Act encourages the Federal Reserve to establish a facility to provide financing to lenders to make loans to businesses and non-profits with 500 to 10,000 employees
 - *Note the CARES Act specifically allows the Federal Reserve to establish a similar “Main Street Lending” program without the same certifications requirements noted below. We expect the Federal Reserve to implement such a program*

Interest and Payments

- Maximum interest rate of 2%
- For the first 6 months after a direct loan is made – or potentially longer based on the direction of the Secretary of Treasury – all principal and interest payments are deferred

Borrower Certification

- Borrower must certify that:
 - It is an entity or business domiciled in the U.S. with significant U.S. operations
 - It is not in bankruptcy proceedings
 - COVID-19 and the general economy requires the business to borrow to maintain operations
 - Funds will be used to retain at least 90% of workforce until September 30th, 2020
 - Will restore at least 90% of the workforce that existed on February 1st, 2020
 - Will restore all compensation and benefits to employees no later than 4 months after the end of the COVID-19 emergency
 - Will not pay common stock dividends or repurchase equity during the term of the loan
 - Will not outsource or offshore jobs for the term of the loan and 2 years after repayment
 - Will not abrogate existing collective bargaining agreements for the term of the loan and 2 years after repayment
 - Will remain neutral in any union organizing effort for the term of the loan

Expected Operational Date:

Expected Mid-April

Commercial Paper Funding Facility



Commercial Paper Funding Facility

("CPFF")



Overview

- The CPFF is a liquidity backstop that will purchase term commercial paper ("CP") from eligible issuers to support the flow of credit to households and businesses
 - Under CPFF, the Federal Reserve will establish an SPV to purchase eligible CP through the New York Federal Reserve's primary dealers starting in mid-April, 2020
 - The Treasury will invest \$10 billion in the SPV to cover potential losses

Eligible Assets

- CPFF will purchase U.S. denominated three-month CP (including asset-backed commercial paper ("ABCP")) from eligible issuers that meet the following criteria:
 - Issued by a U.S. firm or municipality, including U.S. issuers with a foreign parent
 - Paper is rated at least A1/P1/F1 by an NRSRO or, if rated by multiple NRSROs, is rated at least A1/P1/F1 by two or more, in each case subject to review by the Fed
 - An issuer that, on March 17th, 2020, was (a) rated at least A1/P1/F1 or, if rated by multiple NRSROs, was rated at least A1/P1/F1 by two or more; and (b) is subsequently downgraded, will be able to make a one-time sale of CP to the SPV so long as the issuer is rated at least A2/P2/F2 or, if rated by multiple NRSROs, is rated at least A2/P2/F2 by two or more, in each case subject to Fed review
 - SPV will not purchase ABCP from issuers that did not issue ABCP to institutions other than the sponsoring institution for any 3 month or greater consecutive period between March 16th, 2019 and March 16th, 2020

Pricing and Fees

- For CP rated A1/P1/F1 will be OIS+110bps. For CP rated A2/P2/F2, will be OIS+200bps
- At time of registration, issuers must pay a 10bps fee on the maximum amount of the issuers CP that the SPV may own

Commercial Paper Funding Facility

("CPFF")



Limits

- The maximum amount of an issuer's CP the SPV may own will be the greatest amount of U.S. dollar-denominated CP the issuer had on any day between March 16th, 2019 and March 16th, 2020
 - The SPV will not purchase additional CP from an issuer whose total CP outstanding to all investors (including the SPV) equals or exceeds the issuer's limit
 - For an issuer that was downgraded as noted above, the maximum amount of the issuer's CP that the SPV will purchase is the amount of U.S. dollar CP the issuer had outstanding the day before it was downgraded

Additional Details

- Additional details available at:
<https://www.newyorkfed.org/markets/commercial-paper-funding-facility/commercial-paper-funding-facility-faq>

Expected Operational Date:
To Be Determined

Term Asset-Backed Securities Loan Facility



Term Asset-Backed Securities Loan Facility

("TALF")



Overview

- TALF is a credit facility to facilitate the issuance of asset-backed securities ("ABS") and improve market conditions for ABS more generally
 - Under TALF, the Federal Reserve is establishing an SPV to make up to \$100 billion of loans (up to 3-year term) backed by eligible ABS. The loans are non-recourse (i.e., borrower bears no credit risk beyond the pledged ABS).
 - Treasury will make a \$10bn investment in the SPV to cover potential losses

Eligible Borrowers

- All U.S. companies, as well as U.S. branches or agencies of foreign banks and U.S. organizations with foreign parents, that own eligible collateral and maintain an account relationship with a primary dealer are eligible to borrow under the TALF

Eligible Assets

- Eligible collateral includes U.S. dollar denominated cash ABS that have a credit rating in the highest long-term or the highest short-term investment-grade rating category from at least two NRSROs and do not have a credit rating below the highest investment-grade rating category from an eligible NRSRO
 - Substantially all of the credit exposures underlying eligible ABS must have been originated by a U.S. company and the ABS must be issued on or after March 23rd, 2020
- Eligible collateral is ABS where the underlying credit exposures are one of the following:
 - Auto loans and leases
 - Student loans
 - Credit card receivables (both consumer and corporate)
 - Equipment loans and floorplan loans
 - Insurance premium finance loans
 - Certain small business loans that are guaranteed by the Small Business Administration
 - Eligible servicing advance receivables

Term Asset-Backed Securities Loan Facility

("TALF")



Collateral Valuation

- Pledged eligible collateral will be valued and assigned a haircut according to a schedule based on its sector, the weighted average life, and historical volatility of the ABS
- Haircut schedule will be published in the detailed terms and conditions and will be roughly in line with the haircut schedule used for the TALF Facility established in 2008

Pricing and Fees

- For ABS with a weighted average life under 2 years, will be 2-Year LIBOR swap +100bps. For ABS with an average life greater than 2 years, will be 3-Year LIBOR swap +100bps
- SPV will assess an administrative fee of 10bps on loan amount at settlement

Maturity and Pre-Payment

- All loans under TALF will have a maturity of 3 years
- Loans are pre-payable in whole or in part at the option of the borrower, but substitution of collateral during the term of the loan generally will not be allowed.

Additional Details

- Additional details available at:
<https://www.federalreserve.gov/newsevents/pressreleases/files/monetary20200323b3.pdf>

Expected Operational Date:
To Be Determined

Primary Market Corporate Credit Facility



Primary Market Corporate Credit Facility

("PMCCF")



Overview

- PMCCF will serve as a funding backstop for corporate debt and corporate loans made by eligible issuers
 - Under PMCCF, the Federal Reserve will establish an SPV to (i) purchase qualifying bonds directly from eligible issuers and (ii) provide loans to eligible issuers
 - The Treasury, using the Exchange Stabilization Fund, will make an initial \$10 billion equity investment in the SPV to cover potential losses
 - BlackRock will manage the program

Eligible Assets

- PMCCF will purchase eligible corporate bonds and make eligible loans to issuers
- Eligible corporate bonds and loans must meet following criteria at time of purchase or origination:
 - Be issued by U.S. headquartered firms with material U.S. operations
 - Issuer is rated at least BBB-/Baa3 by an NRSRO and, if rated by multiple major NRSROs, rated at least BBB-/Baa3 by two or more NRSROs
 - Have a maturity of four years or less
 - *Note: Excludes issuers expected to receive direct financial assistance under the CARES Act*

Pricing and Fees

- Facility will purchase bonds / make loans at interest rates informed by market conditions
 - At borrower's election, all or a portion of interest may be payable in kind for 6 months (extendable by the Fed). Borrowers making such an election may not pay dividends or buyback stock during period not paying interest
- Commitment fee is 100bps

Primary Market Corporate Credit Facility

("PMCCF")



Issuer Limits

- Maximum amount of outstanding bonds and loans of an issuer that borrows from the Facility may not exceed the below percent of the issuer's max outstanding bonds and loans on any day between March 22nd, 2019 and March 22nd, 2020
 - 140% for AAA issuers
 - 130% AA issuers
 - 120% A issuers
 - 110% for BBB issuers

Call Rights

- Callable by the issuer at any time at par

Additional Details

- Additional details available at:
<https://www.newyorkfed.org/markets/primary-Market-corporate-credit-facility>

Expected Operational Date:
Applicable Now

Payroll Tax Deferment, Income Tax Delay and Net Operating Losses

Payroll Tax Deferment

- The CARES Act allows businesses to postpone paying the employer portion of Social Security payroll taxes that would otherwise be required to be paid between the enactment of the bill and January 1st, 2021
 - Deferred amounts are payable over the next two years, with 50% due December 31st, 2021 and the remaining 50% due December 31st, 2022
 - *Note that businesses receiving loan forgiveness under the Paycheck Protection Program or other Treasury programs are not eligible for Payroll Tax Deferment*

Income Tax Delay

- The IRS has postponed the due date for payment of federal income taxes and the filing of federal income tax returns otherwise due on April 15th, 2020 until July 15th, 2020

Net Operating Losses

- The CARES Act allows companies to carryback corporate net operating losses from 2018, 2019 and 2020 for five years
 - Currently companies are not able to carryback these net operating losses
- The CARES Act also allows companies to fully offset their income with corporate net operating losses (without regard for 80% limit) for 2020 as well as for 2018 and 2019
- Taken together, this allows companies to utilize net operating losses from 2018, 2019 and 2020 to receive refunds on taxes paid in prior years and to reduce tax payments in 2020+
 - Note that net operating losses cannot be carried back to offset repatriation charges under section 965. However, companies can elect to exclude such tax years, allowing them to “skip” prior taxable years and reach back past the five-year limit
- Note, CARES Act also modifies the excess business loss limitation applicable to non-corporate taxpayers for 2018, 2019, and 2020, allowing them to offset up to 100% of their other taxable income rather than the normal \$250k limit

Bank deposit, treasury management and lending products and services, foreign exchange and derivative products (including commodity derivatives), and investment and wealth management and fiduciary services, are provided by PNC Bank, National Association ("PNC Bank"), a wholly owned subsidiary of PNC and **Member FDIC**. Certain fiduciary and agency services are provided by PNC Delaware Trust Company. Equipment financing and leasing products are provided by PNC Equipment Finance, LLC, a wholly owned subsidiary of PNC Bank. Energy financing is provided by PNC Energy Capital LLC, a wholly owned subsidiary of PNC Equipment Finance, LLC. Aircraft financing is provided by PNC Aviation Finance, a division of PNC Equipment Finance, LLC. Asset-based lending is provided by PNC Business Credit, a division of PNC Bank and PNC Financial Services UK Ltd (an indirect wholly owned subsidiary of PNC Bank) in the United Kingdom. Specialty finance products are provided by Steel City Capital Funding, a division of PNC Bank, and specialty finance advisory services are provided by PNC Steel City Advisors, LLC, an SEC-registered investment adviser and a wholly owned subsidiary of PNC Bank. Merchant services are provided by PNC Merchant Services Company. Direct equity investing and mezzanine financing are conducted by PNC Capital Finance, LLC through its PNC Riverarch Capital, PNC Mezzanine Capital and PNC Erieview Capital divisions. Investment banking and capital markets activities are conducted by PNC through its subsidiaries PNC Bank, PNC Capital Markets LLC, Harris Williams LLC, Solebury Capital LLC, and Sixpoint Partners LLC. Services such as public finance investment banking services, securities underwriting, and securities sales and trading are provided by PNC Capital Markets LLC. Mergers & acquisitions advisory and related services are provided by PNC Capital Markets, LLC, Harris Williams LLC, Harris Williams & Co. Ltd., and Harris Williams & Co. Corporate Finance Advisors GmbH. Harris Williams & Co. Ltd is a private limited company incorporated under English law with its registered office at 5th Floor, 6 St Andrew Street, London EC4A 3AE, UK, registered with the Registrar of Companies for England and Wales (registration number 07078852). Harris Williams & Co. Ltd is authorized and regulated by the Financial Conduct Authority. Harris Williams & Co. Corporate Finance Advisors GmbH is registered in the commercial register of the local court of Frankfurt am Main, Germany, under HRB 107540. The registered address is Bockenheimer Landstrasse 33-35, 60325 Frankfurt am Main, Germany (email address: hwgermany@harriswilliams.com). Geschäftsführer/Directors: Jeffery H. Perkins, Paul Poggi. (VAT No. awaited). Harris Williams is a trade name under which Harris Williams LLC, Harris Williams & Co. Ltd, and Harris Williams & Co. Corporate Finance Advisors GmbH conduct business. Equity capital markets advisory and related services are provided by PNC Capital Markets, LLC, Inc., Harris Williams LLC, Harris Williams & Co. Ltd, Harris Williams & Co. Corporate Finance Advisors GmbH, and Solebury Capital LLC. PNC Capital Markets LLC, Harris Williams LLC, Solebury Capital LLC, and Sixpoint Partners LLC are registered broker-dealers and members of FINRA and SIPC. Retail brokerage services and managed account advisory services are offered by PNC Investments LLC, a registered broker-dealer and an SEC-registered investment adviser and member of FINRA and SIPC. Annuities and other insurance products are offered through PNC Insurance Services, LLC. PNC Bank is not registered as a municipal advisor under the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Act"). PNC Bank and certain of its affiliates including PNC TC, LLC, an SEC-registered investment adviser wholly owned by PNC Bank, do business as PNC Real Estate. PNC Real Estate provides commercial real estate financing and related services. Through its Tax Credit Solutions segment, PNC Real Estate provides lending services, equity investments and equity investment services relating to Low Income Housing Tax Credit ("LIHTC"), affordable housing preservation, New Markets Tax Credit ("NMTC") and Historic Tax Credit ("HTC") investments. PNC TC, LLC provides investment advisory services to funds sponsored by PNC Real Estate for LIHTC, HTC and affordable housing preservation investments. Registration with the SEC does not imply a certain level of skill or training. This material does not constitute an offer to sell or a solicitation of an offer to buy any investment product. Risks of each fund, as well as information regarding the investments, risks, and expenses of each fund, are described in the fund's private placement memorandum (PPM) or other offering documents. Please read the PPM and other offering documents carefully before investing.

Important Investor Information – Securities, insurance, foreign exchange, and derivative products are:

**Not FDIC Insured • Not Bank Guaranteed • Not A Deposit
Not Insured By Any Federal Government Agency • May Lose Value**

In Canada, PNC Bank Canada Branch, the Canadian branch of PNC Bank, provides bank deposit, treasury management, lending (including asset-based lending) and leasing products and services. Deposits with PNC Bank Canada Branch are not insured by the Canada Deposit Insurance Corporation or by the United States Federal Deposit Insurance Corporation.

Lending, leasing and equity products and services, as well as certain other banking products and services, require credit approval.

PNC does not provide legal, tax or accounting advice unless, with respect to tax advice, PNC Bank has entered into a written tax services agreement.

©2020The PNC Financial Services Group, Inc. All rights reserved.