

Financial Assistance to Eligible Businesses, States, and Municipalities Under Title IV of the CARES ACT

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The Economic Stabilization and Assistance to Severely Distressed Sectors of the United States Economy (Title IV of the Cares Act) provides assistance to companies, states, and municipalities that are distressed because of the COVID-19 pandemic.

Financial Assistance to Eligible Businesses, States, and Municipalities Under Title IV of the Cares Act

Eligible businesses, states and municipalities may be provided financial assistance in the aggregate amount of \$500 billion in the form of loans, loan guarantees, and other investments (including purchasing from issuers or through the secondary markets certain obligations or other interests) for losses directly or indirectly related to COVID-19. However, Title IV has sub-limits for each of their programs. Title IV will only provide (i) \$25 billion under the passenger air carrier program ("B1 Loan"), (ii) \$4 billion under the cargo air carrier program ("B2 Loan"), (iii) \$17 billion under the program for companies considered to be critical to the national security of the United States ("B3 Loan"), and (iv) \$454 billion to other eligible businesses through programs supported by the Board of Governors of the Federal Reserve System ("B4 Loan").

Eligible businesses that may seek relief under Title IV include air carriers and other United States businesses that have not received adequate economic relief assistance through other programs under the Cares Act ("eligible business" or "participant").

Eligibility Requirements and Restrictions for Participation in B1, B2, and B3 Loan Programs

Eligible businesses may apply for B1, B2, and B3 loans, loan guarantees, or other investments if (i) other credit is not reasonably available at the time of applying for assistance, (ii) the intended obligation is prudently incurred, and (iii) the loan or loan guarantee is sufficiently secured or is made at a rate that reflects the risk of the loan or loan guarantee and reflects an interest rate based on market conditions prior to the outbreak of the COVID-19 pandemic. No loan or loan guarantee shall extend past five (5) years for the participant. The terms (including rates) and conditions of these loans are provided at the discretion of the Secretary of Treasury of the United States ("Secretary"). Additional regulations will be published within ten (10) days after the passage of the CARE Act.

In addition to the requirements above, the Secretary may not issue a loan, loan guarantee, or other investment under B1, B2, and B3 Loan programs unless the participant (i) has issued securities on a national securities exchange and the Secretary receives a warrant or interest in the business, or (ii) the Secretary receives an equity interest in the business or a senior debt instrument. The terms and conditions of the warrants, equity interest, or senior debt instrument will be set by the Secretary. The Secretary seeks to obtain equity appreciation in the warrant or equity interest, or seeks to obtain a premium rate of interest for the senior debt instrument. However, the Secretary will not exercise voting power in the business from equity interests acquired under these programs.

If an eligible company participates in the B1, B2, or B3 Loan programs, each participant shall be (i) restricted from purchasing its securities during the term of the outstanding obligations and for a period of 12 months thereafter, (ii) restricted from making dividends or contributions during the term of the outstanding obligations and for a period of 12 months thereafter, (iii) restricted from terminating employees (the participant will be responsible for maintaining employment levels at the same levels as of March 24, 2020 and such employment levels shall not reduce by more than 10%), (iv) a company organized under the laws of and has substantial operations and employees in the United States,

and (v) expected to incur losses such that the continued operations of the business are jeopardized.

Additional restrictions also include compensation restrictions for participants in the B1, B2, and B3 Loan programs. During the term of the outstanding obligations and for a period of one (1) year thereafter, the participant shall not allow any officer or employee (whose compensation exceeded \$429,000 in 2019) (i) to receive compensation that exceeds their compensation in 2019 for any 12 consecutive month period, (ii) to receive any termination or severance benefits that are twice the total maximum compensation received by the officer or employee in 2019, and (iii) who received compensation of \$3 million or more in 2019, to receive compensation, for any 12 consecutive month period, in excess of the sum of \$3 million and shall receive compensation in the sum of 50% of the total excess sum over \$3 million received by any officer or employee in 2019. Total compensation includes salary, stock awards, bonuses, and other financial benefits.

Lastly, please note that if an air carrier participates in the B1 Loan program set forth in Title IV, the Secretary of Transportation shall have the right to direct the air carrier to maintain scheduled air transportation services as such services existed prior to March 1, 2020 or as the Secretary of Transportation deems necessary. These transportation requirements will expire March 1, 2022.

Eligibility Requirements and Restrictions for Participation in B4 Loan Programs

Eligible businesses may participate in B4 loans, loan guarantees, or other investments if (i) the participant has not received adequate economic relief assistance under another program through the Cares Act, and (ii) the participant is a U.S. businesses that is for profit and to the extent practicable, nonprofit, and has between 500 to 10,000 employees.

The loan terms for B4 Loans shall be subject to an annualized interest rate no greater than 2% and at the discretion of the Secretary, no principal or interest will be due for at least 6 months. The principal amounts of B4 Loans shall not be reduced or forgiven.

The participant must (i) make a loan request related to supporting operations of the company, (ii) retain 90% of the company's workforce under current compensation levels and benefits until September 30, 2020, (iii) restore 90% of the participant's workforce prior to February 1, 2020 and restore all compensation and benefits to workers within 4 months from January 31, 2020, (iv) be domiciled in the United States or has a significant amount of operations or employees in the United States, (v) not have applied for bankruptcy protection, (vi) not pay dividends to common stock holders of the participant or repurchase shares of the participant from a national securities exchange (to the extent that the participant is not contractually required to do so as of date of the CARE Act), (vii) not outsource jobs for two (2) years after the repayment of the outstanding obligations, (viii) not abrogate any collective bargaining agreement for two (2) years after the repayment of the outstanding obligations, and (ix) remain neutral during the term of the outstanding obligations in connection with any union organizing efforts.

Terms and conditions for loan programs involving the participation of states and municipalities participating under B4 Loans will be forth coming from the Secretary as the Secretary will seek to implement a program directed toward such participants.

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