

Cowen is committed to doing its best to help our clients and business partners navigate these challenging times. As part of this effort, we have synthesized the business lending provisions included in Congress' Coronavirus Stimulus Package, which was passed by the Senate and the House. We prepared this document to help you identify the financial support that your business may qualify for, as well as how to access it. Please don't hesitate to contact your Cowen representative for additional information. *We caution that this language could still change. We will continue to update as we obtain more information. Please check back periodically.*

Last updated: April 6, 2020

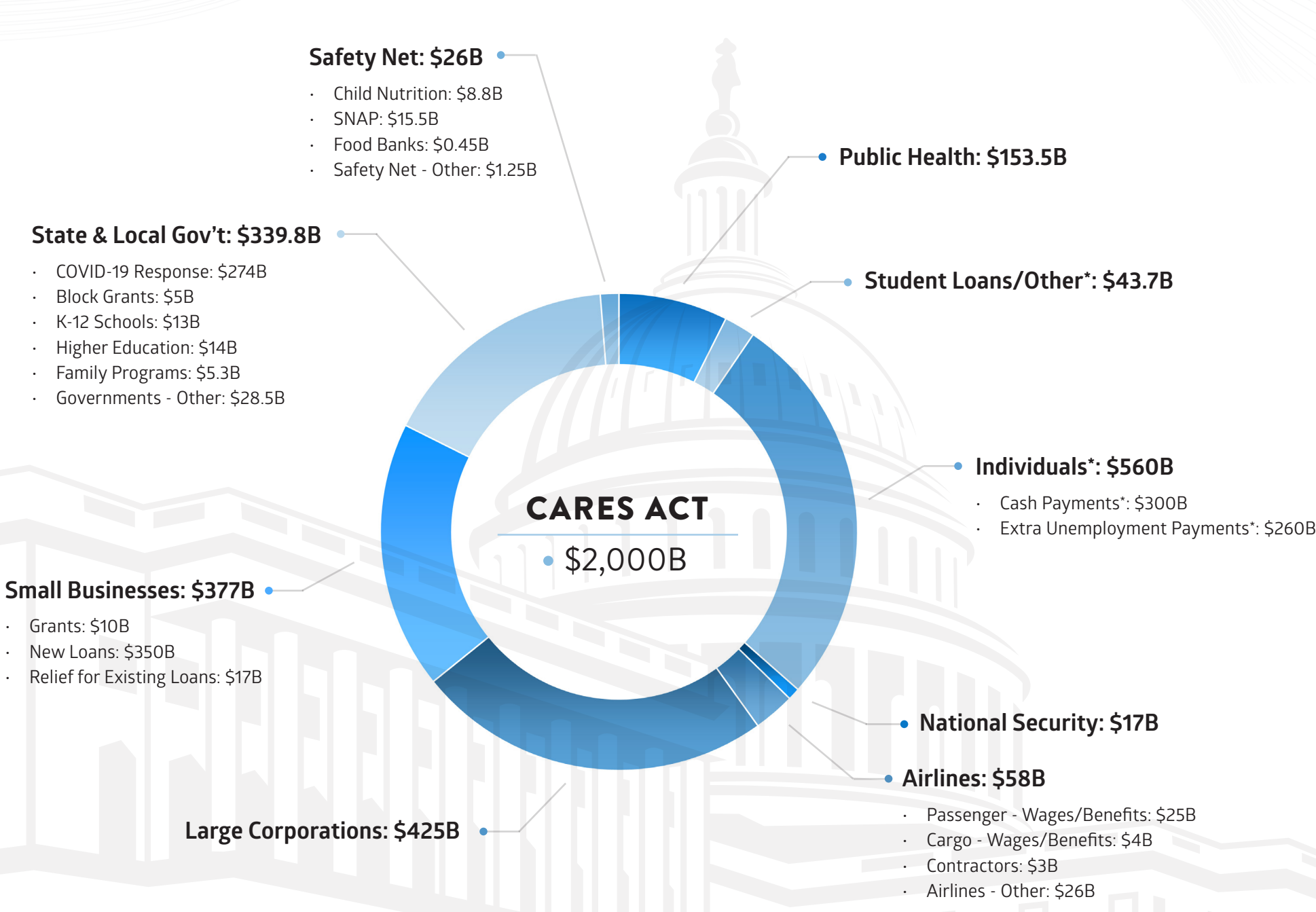
**STIMULUS OPTIONS OVERVIEW**

Affected businesses may access one and only one of the following stimulus options. Additional plan details below.

BUSINESS SIZE	MAX LOAN	TERMS	SPEC. PROVISIONS	UNDERWRITING	HOW TO APPLY
<b>SMALL BUSINESSES</b> <500 employees including part time (exceptions noted below)	\$10M or avg. monthly payroll x 2.5 plus other expenses	100 basis point interest rate	75% of the loan must be spent on payroll  Amount used for wages for 8 weeks can be forgiven	In business with payroll prior to Feb. 15  No collateral or personal guarantee required	Contact SBA lender which dispenses funds  See below for links, details and worksheets
<b>MEDIUM BUSINESSES</b> 500 – 10,000 employees	TBD by the Federal Reserve	200 basis point max interest rate	Congress urges the Federal Reserve to create a middle market loan facility but does not mandate it. Lawmakers imposed few guide posts other than for the number of employees that can work for the company.	Funds used to retain at least 90% of payroll with full benefits.	We expect this would be done through a commercial bank
<b>LARGE BUSINESSES</b> Open to any company that has an investment grade credit rating. Can be either corporate debt or direct loans.  <i>We expect the Federal Reserve to expand big business loan options once the stimulus becomes law.</i>	Max loan is 140% of amount of bonds or loans company had outstanding on any day between March 22, 2019 and March 22, 2020 for AAA rated. Drops to 130% for AA, 120% for A and 110% for BBB.	Market rate plus 100 basis point commitment fee	Borrower can elect to defer interest and principal for the first six months, but missed payments will be added to the loan. The Fed can extend this period.  Companies that skip payments cannot pay dividends or buyback stock.	Only U.S. companies that are not getting direct help in the stimulus  Must be investment grade with a maturity of no more than 4 years	BlackRock is managing the facility on behalf of the Federal Reserve Bank of New York

**CARES ACT SNAPSHOT**

Ballpark size - the final price tag will likely be closer to \$2.2T



\*Estimated

**PROGRAM DETAILS**

For Small Business Lending and Big Business Credit Facility

**SMALL BUSINESS LENDING PROGRAM**

**FOR SMALL BUSINESSES ONLY**

- <500 employees (including part time)
- See links below for exceptions

**LOAN**

- \$10 million or average monthly payroll costs over the prior year multiplied by 2.5 plus additional amounts borrowed for other allowable costs like rent, other debts and utilities.
- Borrowers must intend to use at least 75% of the proceeds for payroll regardless of whether the business seeks loan forgiveness.
- No fees for loans
- May be used for payroll, benefits such as medical insurance and sick leave, interest payments on a mortgage, rent payments, utilities and other debts.

**GUIDANCE**

Links below to SBA guides and tools:

- [SBA Guidance](#)
- [Small Business Qualification Criteria](#)
- [Interactive Tool for Small Business Qualification](#)
- [Small Business Qualification Guide by Industry](#)

**PAYCHECK PROTECTION PROGRAM**

- Eight weeks loan forgiveness for the cost of payroll, rent, mortgage interest, utilities and other debts as long as the borrower retains payroll.
- The guidance bars businesses from counting toward payroll amounts paid to independent contractors and others who get 1099s.
- Links to Treasury Department details:
  - [Treasury Department Guides](#)
  - [Paper Application](#)
  - [Eligible Lenders](#)

**DETAILS**

- Companies participating must make a "good faith" certification that they need help because of COVID-19 economic uncertainty, that they will use the funds to retain workers, make mortgage and lease payments and utility payments and that they are not seeking duplicative relief from other government programs. Borrowers must intend to use at least 75% of the proceeds for payroll regardless of whether the business seeks loan forgiveness.
- Companies may need to reconsider use of Paycheck Protection loans rather than SBA Economic Injury loans, if the business is seeking working capital. Those loans include a \$10,000 grant and are designed to cover expected cash flow during a crisis. The loan size is capped at \$2 million and the borrower can spread out repayment over 10 years or longer. These loans require more underwriting and typically involve some type of guarantee.
- The interest rate was raised to **100 basis points** from 50 basis points. In addition, **interest will accrue during the first six months of the loan though no payments will be due.** The duration remains at two years, which is what was contained in the earlier guidance. Congress had permitted a term as long as 10 years.
- Lenders must confirm** receipt of the borrower certifications in the loan application and confirm the receipt of payroll data. It also must confirm average monthly payroll by reviewing the payroll documents the borrower provided. The guidance bars businesses from counting toward payroll amounts paid to independent contractors and others who get 1099s.
- Companies need **no collateral, personal guarantees** and SBA agrees it will take no recourse against a borrower, shareholder or partner for nonpayment of a covered loan unless the loan was used for purposes that go beyond what the program permits.
- Excluded is compensation in excess of \$100,000 a year per employees, compensation to workers outside the United States and leave payments for which the company already is getting covered under the sick leave and family leave provisions in the second stimulus bill.
- There are documentation requirements to get forgiveness. They include payroll tax filings, state income, payroll and unemployment insurance filings, documentation of payments such as canceled check, payment receipts and other materials. The borrower also must certify that the terms for forgiveness have been met. The lender has 60 days to review the materials.
- Forgiven debt will not be taxable.

**MIDDLE MARKET LENDING PROGRAM**

**U.S. BUSINESSES WITH BETWEEN 500 AND 10,000 EMPLOYEES**

- This program is not finalized and we expect more information soon

**DETAILS**

- The stimulus urges Treasury and the Federal Reserve to establish a credit facility for mid-sized U.S. businesses
- Banks would provide loans to these businesses. The Federal Reserve would then provide a facility to backstop those loans so banks would not be taking risk.
- The **interest rate is capped at 200 basis points and payments would be deferred for six months.** Treasury has the discretion to extend that deferral even longer.
- Borrowers must make a good faith certification that they have been hurt economically from the COVID-19 crisis and that they will **use the funds to retain at least 90% of employees at full benefits through Sept. 30. Companies also have to agree to return once the national crisis declaration is rescinded to employment levels that are at least 90% of where they were on Feb. 1.**
- Companies may not pay dividends or buyback stock while the loan is outstanding.**
- We expect to get details from the Federal Reserve on this facility shortly.**

**BIG BUSINESS CREDIT FACILITY**

**ANY COMPANY WITH INVESTMENT GRADE DEBT**

- Includes either corporate debt or direct loans
- This program is not finalized and we expect more information soon

**DETAILS**

- Special Purpose Vehicles will be created to purchase qualifying bonds directly from corporate issuers.
- Bonds must be rated at least BBB-/Baa3 and have maturity of no more than four years.
- Companies can defer the interest rate payments for up to six months. Use of the interest rate deferral will mean the company cannot pay dividends or engage in stock buybacks.
- Companies can repay at any point.
- A corporation is capped in how much debt it can process through the facility. This is calculated as a percentage of outstanding bonds that it had on any day between March 19, 2019, and March 19, 2020. The percentage is 140% for AAA/Aaa, 130% for AA/Aa, 120% for A/A and 110% for BBB/Baa.
- The facility will continue purchases through Sept. 30, 2020.

**TERM SHEET**

- [Primary Market Corporate Credit Facility Link above to details from Federal Reserve](#)
- \$454 billion that Congress earmarked for the Exchange Stabilization Fund could support upwards of \$4 trillion in credit. That is on top of as much \$300 billion previously committed to support corporate debt in the primary and secondary market.

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