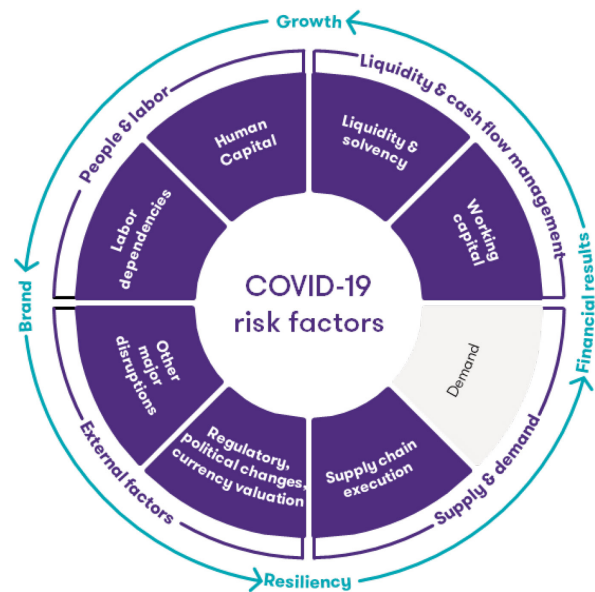


Government funding and tax opportunities during COVID-19

Making sense of myriad options

Navigating programs and benefits available to businesses impacted by COVID-19 is essential to emerging better and stronger from the crisis. Yet, the programs are numerous and causing confusion in the marketplace. While the \$2.3 trillion CARES Act passed on March 25, the Federal Reserve had previously announced that it was creating a Main Street Lending Program before the CARES Act was enacted. Now there are multiple Federal Reserve and CARES Act programs in addition to other funding options. Moreover, the CARES Act prevents double dipping, leaving companies to decide whether to seek loans / loan forgiveness or certain tax benefits. The following is a quick reference guide to the various opportunities of interplays to assist you as you determine the best options for your business.



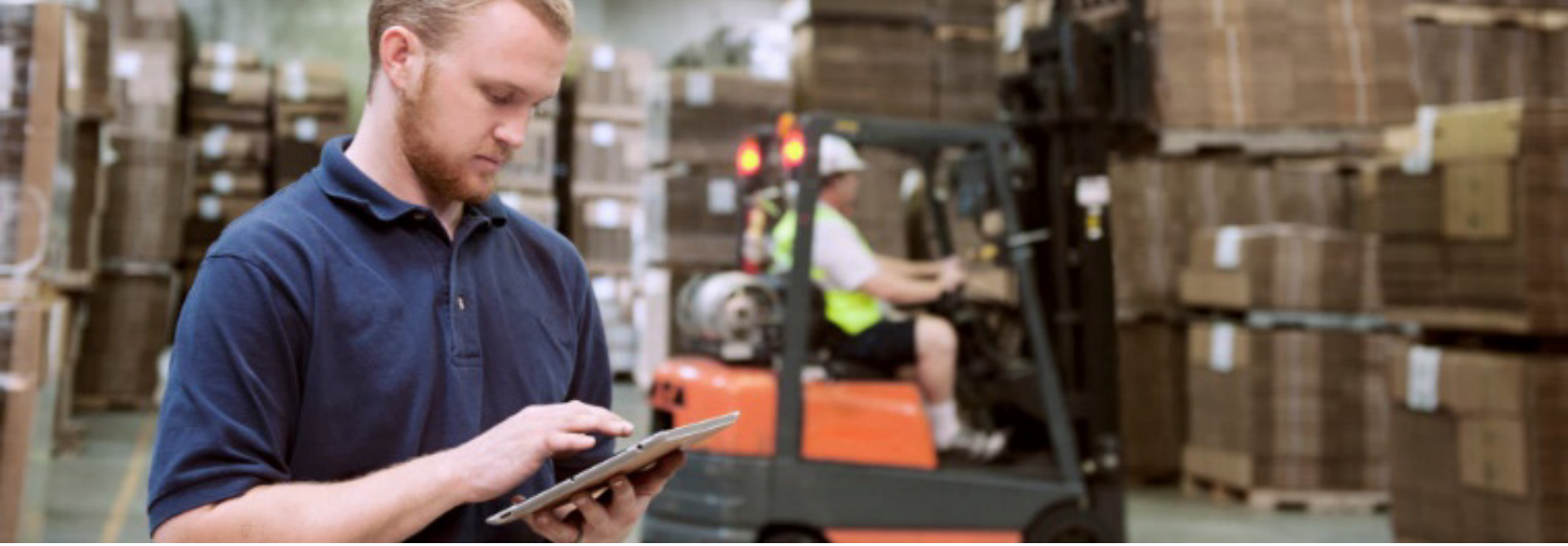
Funding opportunities

Funding program	Eligibility	Uses	Loan Amount/% Rate	Terms/restrictions	Forgiveness
Main Street Lending Program Federal Reserve Act facilitates up to \$600 billion in lending for: <ul style="list-style-type: none"> New loans (through Main Street New Loan Facility) Expanded existing loans (through Main Street Expanded Loan Facility) 	Small to mid-sized companies: <ul style="list-style-type: none"> Up to 10,000 employees or less than \$2.5 billion in 2019 annual revenues Can apply if also applying for Payroll Protection Program 	“Exigent circumstances” as a result of COVID-19	<ul style="list-style-type: none"> New loan: \$1 million to an amount capped at the lesser of either \$25 million or bank debt* equaling 4x 2019 EBITDA Expanded loan: \$1 million to \$150 million that expands an existing loan with a cap at 30% of bank debt* or bank debt* equaling 6x 2019 EBITDA Rates: <u>SOFR</u> plus 2.5% to 4% 	<ul style="list-style-type: none"> 4 years, with no payments for 1 year Must “make reasonable efforts to maintain payroll and retain workers” for life of loan Can’t apply for new loan if existing loan expanded or if participating in the Primary Market Corporate Credit Facility Can’t be used to pay off other loan balances No dividend payments or “other capital distributions with respect to the common stock” 1 year past loan life Limits on employee and executive total compensation for salaries above \$425,000, including severance pay or “golden parachutes” for loan life + 1 year 	N/A

*Debt includes existing outstanding and committed but undrawn debt as well as new Main Street loan amounts, if applicable



Funding program	Eligibility	Uses	Loan Amount / % Rate	Terms / restrictions	Forgiveness
<p>Middle Market Loan Facility</p> <p>The CARES Act indicates that the Treasury Secretary will “endeavor to seek the implementation” of a Middle Market loan facility</p> <p>Implementation is still pending</p>	<p>Mid-sized companies & non-profits: 500-10,000 employees</p>	<p>Retaining workforce</p>	<p>No more than 2% interest rate</p>	<ul style="list-style-type: none"> No payments for 6 months Must retain 90% of workforce at full wages / benefits through 9/30/2020 No buybacks or dividend payments through loan life No outsourcing / job offshoring for the loan life plus two years. No abrogating collective bargaining for the term of the loan + two years 	<p>N/A</p>
<p>Exchange Stabilization Fund</p> <p>The CARES Act provides \$500 billion to provide loans, loan guarantees and other investments for big businesses, states, and municipalities impacted by the pandemic</p> <p>The majority of this money (\$454 billion) will be used as a backstop for Federal Reserve lending and not available directly from the Department of Treasury</p>	<p>Sectors broadly defined as being severely distressed are available for direct loans. Passenger (\$25B) and cargo air carriers (\$4B), and businesses critical to national security (\$17B) are expressly eligible for loans</p>	<ul style="list-style-type: none"> Employee wages Benefits 	<p>Industry specific, to be negotiated</p> <p>The Treasury Secretary may establish the terms and conditions of the assistance, including interest rates (based on current Treasury rates plus a risk adjustment)</p>	<ul style="list-style-type: none"> Loan for impacted industries should be short as possible, not exceeding 5 years and will be publicly disclosed For public companies, government takes an equity interest in the business For private companies, government takes an equity interest or senior debt interest as collateral Borrowers must, until 9/30/2020, maintain employment levels as of 3/24/2020, “to the extent practicable,” and at minimum, employment can’t decrease more than 10% from the level on 3/24/2020 Workforce levels must be restored within 4 months of the end of the health crisis Limits exist on employee and executive total compensation for salaries above \$425,000, including severance pay or “golden parachutes” until one year after the loan is no longer outstanding Corporate stock buybacks and dividends prohibited (unless contractually obligated) for loan life + 1 year Loans shall be treated as indebtedness for tax purposes 	<p>N/A</p>
<p>Term asset-backed securities loan facility (TALF)</p> <p>The TALF offers up to \$100 billion in liquidity for investment-grade collateral that includes auto loans, student loans, small business loans and more</p> <p>The Federal Reserve has expanded the eligible collateral to include limited quantities of riskier securities</p>	<p>U.S. companies that own eligible asset-backed securities and have a relationship with a primary dealer</p>	<p>Generally to “meet credit needs of consumers and businesses by facilitating the issuance of asset-backed securities (“ABS”) and improving the market conditions for ABS”</p>	<p>Variety of pricing based on attributes of collateralized loan obligations and other ABS attributes</p> <p>See more details here</p>	<ul style="list-style-type: none"> Three year loan maturity Non-recourse to borrow as long as TALF requirements are met Can pre-pay in whole or part, but cannot substitute collateral during loan term Must comply with CARES Act section 4019 on conflicts of interest More detailed terms and conditions will be based on 2008 TALF 	<p>N/A</p>



Funding program	Eligibility	Uses	Loan Amount/ % Rate/Pricing	Terms/restrictions	Forgiveness
<p>Primary Market Corporate Credit Facility A special purpose vehicle receiving \$50 billion initial investment from Treasury will buy bonds in full or in part as well as partially buy syndicated loans</p>	<p>U.S. based businesses rated at BBB-/Baa3 (as of 3/22/2020) by a major NRSRO (or by 2, if multiple ratings)</p> <p>Cannot be a Dodd-Frank Act defined depository institution or have received other CARES Act support</p>	<p>Sell corporate bonds and syndicated loans</p>	<ul style="list-style-type: none"> The maximum outstanding bonds or loans capped at 130% of the issuer's maximum outstanding bonds and loans outstanding on any day, 3/22/2019 - 3/22/2020 Max syndicated loans purchase is 25% of any loan syndication 	<ul style="list-style-type: none"> Bonds and syndicated loans must have maturity of ≤ 4 years and have been issued by an eligible issuer Refinancing of outstanding debt to take place three months ahead of maturity date Additional debt can be considered at any time if rating reaffirmed. Must comply with CARES Act section 4019 on conflicts of interest Purchasing ends no later than September 30, 2020, unless extended Facility will be funded until holdings mature or are sold 	N/A
<p>Secondary Market Corporate Credit Facility A special purpose vehicle receiving \$25 billion initial investment from Treasury will buy eligible individual corporate bonds and exchange-traded funds</p>	<p>Same as above PMCCF criteria</p>	<p>Sell secondary market eligible individual corporate bonds and eligible corporate bond ETFs</p>	<ul style="list-style-type: none"> Maximum purchase/ issuer = 1.5% of combined size Facility / PMCCF Maximum bond purchase/issuer = 10% of issuer's max bonds outstanding on any day, 3/22/2019 - 3/22/2020 Any ETF purchased cannot equate to Facility holding 20%+ of the ETF's shares 	<ul style="list-style-type: none"> For ETFs, trade prices must not exceed the estimated net asset value of the underlying portfolio Must comply with CARES Act section 4019 on conflicts of interest Purchasing ends no later than September 30, 2020, unless extended Facility will be funded until holdings mature or are sold 	N/A

ADDITIONAL EXPORT IMPORT (EXIM) BANK PROGRAMS

EXIM has introduced two new options that can be structured as guaranteed or direct loans (subject to standard due diligence and credit analysis):

- A one-year, short-term loan or loan guarantee through the Temporary Bridge Financing Program.
- One year of financing through the Temporary Progress Delivery Payment Financing program if buyers are not receiving long-term financing through EXIM (typically this funding has been for large capital goods but is now extended to manufacturing sectors whose international buyers have not participated in pre-export payment).

EXIM has also extended the guarantee level, relaxed criteria for the Supply Chain Finance Guarantees and expanded eligibility for all inventory that could be exported, as well as increasing the guarantee level for the Working Capital Guarantee Expansion



Funding program	Eligibility	Uses	Loan Amount/ % Rate/Pricing	Terms/restrictions	Forgiveness
<p>Payroll Protection Program The CARES Act provides \$349 billion in funding to provide forgivable loans for small businesses</p>	<p>Small Business Administration size standards apply, generally up to 500 employees, with isolated exceptions by industry*, 501(c)3 non-profits, 501(c)19 veterans organizations and others</p>	<ul style="list-style-type: none"> Rent Payroll Mortgage interest Utilities 	<ul style="list-style-type: none"> 2.5 X business's average monthly payroll (capped at \$100,000 salary per employee) Max \$10 million Amounts not forgiven subject to a 1% loan with a 2 year maturity date 	<ul style="list-style-type: none"> SBA's "no credit elsewhere" standard test is waived No personal guarantee / collateral required No payments for six months Cannot claim the employee retention credit if obtaining a loan and must cease deferring payroll taxes when loan is forgiven 	<p>As long as funds are used for eligible purposes, up to 100% (only 25% can be used on non-payroll allowable costs)</p>
<p>SBA 7(a) Debt Relief The CARES Act provides \$17 billion in funds for SBA to provide debt relief to both existing and new borrowers under its flagship loan program</p>	<p>Small Business Administration size standards apply, but program is not available to non-profits</p>	<ul style="list-style-type: none"> Existing 7(a) terms apply 	<ul style="list-style-type: none"> Existing 7(a) terms apply 	<ul style="list-style-type: none"> Existing 7(a) terms apply SBA will make scheduled principal and interest payments for 6 months for borrowers with existing 7(a) general business loans SBA will also make 6 months of principal and interest payments for any new 7(a) loans issued prior to September 27, 2020 	<p>While loan isn't forgiven, 6 months of payments are paid by SBA</p>
<p>SBA Economic Injury Disaster Loan (EIDL) The CARES Act includes \$10 billion in funding to provide an advance "grant" of \$10,000 to small businesses and nonprofits that apply for an SBA EIDL</p> <p>Funds are to be provided to applicants within three days of application</p>	<p>Small Business Administration size standards apply</p> <p>Available for businesses, ESOPs, cooperatives under 500 employees</p> <p>Program available to all non-profits</p>	<p>Expenses that could have been met if the pandemic had not occurred and for forgiveness:</p> <ul style="list-style-type: none"> Paid leave Maintaining payroll Increased costs due to supply chain disruption, mortgage or lease payments, or repaying obligations that can't be met due to revenue losses 	<p>Up to \$2 million</p> <p>3.75% fixed rate (2.75% for non-profits)</p>	<ul style="list-style-type: none"> Up to 30 years Loans can be made based solely on credit scores and loans below \$200,000 can be approved without a personal guarantee. No credit elsewhere requirement waived. Cash advance of \$10,000 to be provided to applicants within three days of application EIDL loans cannot be used for the same purpose as any amounts provided to a borrower under the Paycheck Protection Program 	<p>Payments on loans are deferred for one year</p> <p>\$10,000 cash advance forgiven if used for purposes</p>

*The SBA has waived its affiliation standards for small businesses in the hotel and food services industry (NAICS 72) code, franchises in the SBA Franchise Directory and entities that receive financial assistance from small business investment companies licensed by the SBA.

Tax relief opportunities available through the CARES Act

Business Tax Relief	Description	Conditions relating to CARES Act funding
Payroll Tax Deferral	Employer portion of payroll taxes through the end of 2020 can be deferred with 50% due by Dec. 31, 2021 and the remainder due Dec. 31, 2022.	Taxpayers that have SBA interruption or Treasury Paycheck Protection Program loans forgiven are not eligible for this deferral.
Employee Retention Credit	Employers may receive a payroll tax credit for 50% of eligible wages (up to \$10,000 per employee) paid to employees while the business is suspended or partially suspended by government orders or if gross receipts decline by more than 50% when compared to same quarter in prior year. Employers with more than 100 employees only receive the credit for paying wage for which the employee doesn't provide services.	Employers that receive the SBA interruption loans are not eligible for the retention credit.
Net Operating Loss (NOL) Carryback	NOLs arising in 2018, 2019 and 2020 are eligible to be carried back for five years. These NOLs can be used to offset income that was taxed at higher tax rates in place prior to the Tax Cuts and Jobs Act (TCJA).	None
Excess business loss limits	Suspends the excess business loss limitation retroactively from 2018 through 2020 to allow pass-through business owners to obtain refunds for previous loss limits and to allow them to fully use the NOL carryback provisions for their business losses.	None
Interest Limitation	Allows businesses to deduct net interest expense of up to 50% of adjusted taxable income instead of 30% for 2019 and 2020. Also allows taxpayers to elect to use 2019 income for the 2020 calculation. Special rules for partnerships require careful consideration.	None
AMT Credit	Allows corporations to quickly recover any remaining unused alternative minimum tax (AMT) credits. The corporate AMT was repealed as part of the Tax Cuts and Jobs Act (TCJA), but corporate AMT credits were not fully recoverable until 2021. This provision allows corporations to claim unused credits on a 2018 amended return, 2019 return, or with a tentative refund claim.	None
Expensing qualified improvements	Enables businesses, especially those in the retail and hospitality industries, to immediately expense the cost of improving leased or own facilities instead of depreciating those improvements over the 39-year life of the building. This change is retroactive to the date of enactment of the TCJA and will allow for refunds through an accounting method change or amended return.	None
Charitable contribution enhancements	Increases the income limits on deductions for certain charitable contributions by corporations, other businesses and individuals.	None
Pension & employee benefits	The Department of Labor is permitted to delay employee benefit related deadlines. Any required minimum single-employer defined pension contributions due in 2020 are delayed until January 1, 2021 (plus interest). A plan sponsor is allowed to use the adjusted funding target attainment percentage for the last plan year ending before January 1, 2020 for plan years including calendar year 2020.	None



Loan forgiveness under the CARES Act Paycheck Protection Program is not considered income.

Other tax savings ideas for liquidity

Companies can also increase tax savings through:

- Deferring revenue or accelerating expenses through accounting method changes
- Different annualization methods for computing estimated taxes to reduce 2020 Q1 estimated tax payments
- Form 4466 (quick refund of overpayment of estimated tax)
- Reducing expenses, e.g. write down partially worthless bad debts, treat charitable contributions of inventory as COGS, capitalize interest under Section 163(j)
- Evaluating worthless / abandonment losses and debt restructuring to generate deductions
- Assessing all global tax attributes (i.e. deferred tax assets) for monetization strategies
- Exploring changes to compensation and benefit plans (health, retirement, deferred compensation plans)
- Examining state and local tax areas for deferrals, overpayments and opportunities for savings (sales & use, VAT, income & franchise, real property, unclaimed property)

At the ready to help you

As you work to quickly stabilize your business during these unprecedented times, our professionals can help you formulate the best funding and tax approaches for your business based on the nuances and tradeoffs. We can provide additional insights, on-call technical support as well specific assistance related to funding application and compliance readiness. Our team will help you navigate tax planning and compliance, including feasibility, credit computation and opportunity analysis as well as implementation services for the employee retention credit.

Living our values of collaboration, leadership, excellence, agility, respect and responsibility, you can count on us to:

- Bring a calm and deliberate approach to discussing key considerations.
- Respond at the speed of your need, bringing care and building trust in everything we do.
- Work with you to create actionable plans that make sense.



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