Coronavirus Relief Package

How companies can borrow under the new stimulus package

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CARES Act Business Lending Programs

Phase 1
Coronavirus Preparedness and Response Supplemental Appropriations Act
H.R. 6074

Phase 2
Families First Coronavirus Response Act
H.R. 6201

Phase 3
CARES Act
H.R. 748
Understanding the CARES Context

**KEEPING AMERICAN WORKERS PAID**
- Paycheck Protection Program
- EIDL Grants

**ASSISTANCE FOR AMERICAN WORKERS, FAMILIES & BUSINESSES**
- Unemployment Insurance
- Rebates and Other Provisions
- Business Tax Credits

**SUPPORTING HEALTHCARE SYSTEMS IN THE FIGHT AGAINST THE CORONAVIRUS**
- Health Supply Shortages
- Access to COVID-19 Health Care
- Health Care Workforce
- Medicare & Medicaid
- Human Services

**ECONOMIC STABILIZATION AND ASSISTANCE TO SEVERELY DISTRESSED SECTORS OF THE UNITED STATES ECONOMY**
- Stabilization Act of 2020
- Air Carrier Worker Support

**CORONAVIRUS RELIEF FUNDS FOR STATE AND LOCAL GOVERNMENTS**
- Coronavirus Relief Funds

**MISCELLANEOUS (EMERGENCY APPROPRIATIONS)**
- Appropriations & Programs
- Agricultural Programs
- Department of Commerce
- Department of Defense
- Corps of Engineers
- Department of Treasury
- Department of Homeland Security
- Department of Interior
- Department Labor
- Legislative Branch
- Veteran Affairs
- Department of State
- Department of Transportation
Economic Injury Disaster (EIDL)

$50 billion

Provides up to $2 million per borrower in working capital loans for small businesses. Small businesses must meet a list of size standards which vary per NAICS industry code.

$10 billion

$10,000 grant to each applicant, paid within three days after completing its application to the SBA. The grant is not required to be repaid, even if the applicant does not obtain a loan under the EIDL program.

Eligibility
- Small Business Concern, Cooperative, ESOP, Tribal Business concern, Sole Proprietorship, Independent Contractor not more than 500 employees
- Meet affiliate rules (more on that later)
- Disaster recovery area (all States are now)

Amount, Rate & Term
- Up-to $2 million
- Interest rate of 3.75% with 2.75% for non-profits
- Collateral requirements for loans in excess of $25,000
- No personal guarantees for loans under $200,000
- Evaluation includes credit history, repayment ability

Use of Proceeds
- Working Capital
- Payroll
- Other expenses applicant could have paid had the disaster not occurred.
- Cannot be used to replace lost profits or to finance expansion.

Application & Timing
- Apply direct to SBA.
- IRS forms of ownership, tax returns, financials, fixed debt schedule and owner info.
- SBA checks credit and reviews docs.
- Decision up-to 4 weeks.
- First $25,000 disbursed within 5 business days (which can repay bridge loans).

Advance Grant
- Up-to $10,000
- Paid within 3 days of application to SBA
- Realized even if application is denied.
- If Paycheck Protection Program (PPP) is awarded, reduces forgiveness under PPP.
- Can pay sick leave, payroll, supply chain materials, rent/mortgage, debt.
Paycheck Protection Program (PPP) Eligibility

1) Must have less than 500 employees or meet NAICS Size Standards
2) Business operating on 2/15/2020.
3) Certify that loan is necessary to support ongoing operations, and funds will be used for eligible costs.
4) Certify that it has not obtained, and has application pending, for an SBA loan for the same costs.
5) Must have employees or contract workers receiving a salary/wages.

Affiliation rules with size standards.
Other applicants must count employees of affiliates along with their own in determining compliance with the 500 employee limit. Affiliates include other businesses that are controlled by an affiliate that controls you.

Basis of affiliation:
1. ownership interests
2. common management
3. newly organized concerns
4. stock options, convertible securities or a merger agreement
5. family members, persons with similar economic interests or economic dependence
6. subcontractor arrangements
7. joint ventures
8. franchise/license agreements
9. totality of the circumstances

Exemption from Affiliation
1. Hospitality Industry (NAICS Code Starting with 72)
2. Franchise listed with SBA
3. Received direct financial assistance from an SBIC
Paycheck Protection Program (PPP)

**Loan Amount**: lesser of $10m or 2.5 months of "Payroll Costs"

**Forgiveness**: up-to 100% of principal, see next page for details.

**Risk**: no collateral or personal guarantees required

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### Example

<table>
<thead>
<tr>
<th>Salary</th>
<th>Other Comp</th>
<th>Non-comp. Payroll Costs</th>
<th>Loan Eligible</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Employee 1</strong></td>
<td>$150,000</td>
<td>$40,000</td>
<td>$100,000</td>
</tr>
<tr>
<td><strong>Employee 2</strong></td>
<td>$30,000</td>
<td>$9,000</td>
<td>$40,000</td>
</tr>
<tr>
<td><strong>Employee 3</strong></td>
<td>$100,000</td>
<td>$30,000</td>
<td>$100,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td><strong>$240,000</strong></td>
</tr>
</tbody>
</table>

Total / 12 months x 2.5 months = **$50,000**

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**Deferral**: interest & principal payments 6-12 months

**Term**: 2 years

**Interest Rate**: 0.5%

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**Use of Proceeds**

- payroll
- costs related to the continuation of group health care benefits during periods of paid sick, medical, or family leave, and insurance premiums
- employee salaries, commissions, or similar compensations
- payments of interest on any mortgage obligation (which shall not include any prepayment of or payment of principal on a mortgage obligation)
- rent (including rent under a lease agreement)
- utilities; and
- interest on any other debt obligations that were incurred before the covered period.

**"Payroll Costs"**

- salary, wage, commission or similar compensation
- payment of cash tip or equivalent
- payment for vacation, parental, family, medical or sick leave
- allowance for dismissal or separation
- payment required for the provisions of group healthcare benefits, including insurance premiums
- payment of any retirement benefit
- payment of State or local tax assessed on the compensation of employees
- sum of payments of any compensation to or income of a sole proprietor or independent contractor not to exceed more than $100,000 in year 1, as pro-rated for the cover period.

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**Risk**: no collateral or personal guarantees required
Paycheck Protection Program (PPP)

Forgiveness

**Assumptions**

**Background**
- Company typically employs 10 making $110k and 90 making $30k.
- Company reduces comp. of $110k employees by 40%.

**NO IMPACT**
- Company reduces salary and wages of employees making less than $100k by 35%.

**IMPACTS LOAN**
- Company reduces all employment by 15%.

<table>
<thead>
<tr>
<th>Loan Amount (capped at $10m)</th>
<th>$5.5m</th>
</tr>
</thead>
</table>

Employees with compensation over $100k are capped at $100k ($8,333).

**Forgiveness: Employment Test**
- Employees represent "equivalent" employees, including full-time, part-time and contractors.

<table>
<thead>
<tr>
<th>BENCHMARK</th>
<th>PERFORMANCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Last 12 Months avg. monthly Payroll Costs X 2.5 months</td>
<td>8 weeks after loan closing</td>
</tr>
<tr>
<td>2/15/2019 - 6/30/2019 Avg. Monthly Full-time Equivalent</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>BENCHMARK</th>
<th>PERFORMANCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Most recent quarter avg. salary &amp; wages jobs &lt;$100k</td>
<td></td>
</tr>
<tr>
<td>8 weeks after loan closing</td>
<td></td>
</tr>
</tbody>
</table>

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<tr>
<td>REVISED LOAN AMOUNT</td>
<td></td>
</tr>
<tr>
<td>100% of principal may be forgiven. Not more than 25% may have been used for non-payroll costs.</td>
<td></td>
</tr>
</tbody>
</table>

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<th>REVISED LOAN AMOUNT</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Revised Loan Amount</td>
<td>$4.125m</td>
</tr>
<tr>
<td>Loan Amount - $1.375m</td>
<td></td>
</tr>
</tbody>
</table>

Full-time equivalent employees (FTEs) test:
1 employee working over 30 hrs per week = 1 FTE
2 employees working 15 hrs per week = 1 FTE (based on 120 hours of work per month, which equates to 30hrs/week)
Economic Stabilization

The Secretary of Treasury and the Federal Reserve to deploy financing programs.

$29 billion 
loans and loan guarantees for cargo air carriers, passenger air carriers & businesses approved for inspection, repair, replacement, overhaul and ticket agents.

$17 billion 
loans and loan guarantees for businesses critical to maintaining national security.

$454 billion 
make loans and loan guarantees to, and other investments in, programs or facilities for the purpose of providing liquidity to the financial system that supports lending to eligible businesses, States, or municipalities.

Eligibility

• Credit is not reasonably available at the time of the transaction
• Organized in or under the laws of the US and has significant operations in and a majority of its employees based in the US.

Rate & Term

• Rate must reflect risk of loan guarantee
• Market conditions to comparable obligations during COVID-19
• Term may not exceed 5 years

Regulations

• No purchase of equity securities (12 months)
• No payment of dividends or capital distributions (12 months)
• Retain 90% of employment from March 24, 2020 - September 30, 2020.
• Rate must reflect risk of loan guarantee
• Market conditions to comparable obligations during COVID-19
• Term may not exceed 5 years

Mid-size Business Program

• Financing to banks and other lenders that make direct loans to businesses or nonprofit organizations, with between 500 and 10,000 employees
• 2% interest, no principal or interest for the first 6 months.
• Retain 90% of workforce at full compensation and restore February 1 employment + comp.
• No job-offshoring
• Union neutrality

Main Street Program

• Confirms ability for the Federal Reserve to establish a Main Street small-to-mid sized business lending program.
Coronavirus (COVID-19) Resource Center

COVID-19 and the current concerns of community spread have raised novel issues for us and many other business owners. As the virus spreads, new issues arise for us and our clients, and new solutions must be found. As we continue to monitor the situation, we are here to help you understand the implications and impacts of COVID-19 on your business.

The coronavirus continues to impact both day-to-day life and the global economy. However, it can be difficult to see how it will impact your business and what steps can be taken to mitigate that impact. Given the fluid nature of this global pandemic, organized a COVID-19 Task Force to help educate our clients about their risks and their company’s risk due to the virus.

Ice Miller Resources

Families First Coronavirus Response Act Bill Webinar

Our attorneys hosted a webinar to discuss the Families First Coronavirus Response Act bill and other considerations for employers during the COVID-19 pandemic on April 18 at 12 p.m. ET. Please note this bill has since been signed into law by President Trump. The latest information about the bill is available here.

A copy of the webinar recording from March 18 is available here.

Business

- NEW New York Guidance, Order and Regulation Providing Borrower Protections in Response to COVID-19
- NEW COVID-19 - Summary of Federal Loan Programs
- Measuring Product Demand in the COVID-19 Era: What to Consider When Considering a New Product
- COVID-19 Business Impact Update
- What is an "Essential Business" Amid the COVID-19 Pandemic?
- Small Businesses Can Apply for Loans Through the U.S. Small Business Administration’s Economic Injury Disaster Loan Program (EIDL)
- Tax Obligations Delayed Due to COVID-19
- COVID-19: Impact on Reporting Obligations
- SEC Grants Exemptive Relief for Certain Investment Advisers Due to COVID-19
- Fiduciary Duties of Directors and Officers When Nearing or Within the Zone of Insolvency