



MEMORANDUM

TO: Clients

FROM: Axley Brynelson, LLP

DATE: March 28, 2020

RE: SBA Loan Programs under the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”)

The CARES Act provides eligible businesses with various financing opportunities through the Small Business Administration (“SBA”) to support those businesses through the economic hardships caused by or related to COVID-19. Below is a brief explanation of the various financing opportunities that businesses may be eligible for.

I. Loan Programs

Businesses are permitted to participate in two major SBA loan programs, the Economic Injury Disaster Loan Program and the newly enacted Paycheck Protection Program made available through the CARES Act, both of which are summarized below. Eligible small businesses can qualify for both loan programs, however businesses are not permitted to use both loans to cover the same expenses.

ECONOMIC INJURY DISASTER LOAN PROGRAM (“EIDL”)	PAYCHECK PROTECTION PROGRAM (§7(A) PROGRAM) (“PPP”)
<p style="text-align: center;">OVERVIEW</p> <p>EIDL, which is typically available in select states and counties, is now available in every state and county and offers eligible businesses lower interest rates to mitigate substantial economic injury.</p>	<p style="text-align: center;">OVERVIEW</p> <p>PPP gives eligible businesses the funds to pay most employees their current compensation and benefits for up to 2 ½ months using a SBA §7(a) loan. There is potential full loan forgiveness.</p>
<p style="text-align: center;">PROVIDER</p> <p>Available directly through the SBA.</p>	<p style="text-align: center;">PROVIDER</p> <p>Available through participating SBA Lenders.</p>
<p style="text-align: center;">TERM AND RATES OF REMAINING LOAN BALANCE</p> <p>The SBA determines the term of the loan on a case-by-case basis; the maximum term is thirty (30) years. The interest rate for qualifying small businesses is 3.75%, and the interest rate for qualifying non-profits is 2.75%. Interest rates are not to exceed 4%. Monthly payment deferrals for up to one (1) year.</p> <p>No prepayment penalties apply.</p> <p>Origination fees are waived.</p>	<p style="text-align: center;">TERM AND RATES OF REMAINING LOAN BALANCE AFTER LOAN FORGIVENESS</p> <p>Any remaining balance after loan forgiveness is eligible for a term of up to 10 years at an interest rate not to exceed 4%, with monthly payment deferrals for up to one (1) year.</p> <p>No prepayment penalties apply.</p> <p>Origination fees waived.</p> <p>These loans are unsecured and do not require personal guarantees.</p>

SBA will waive any personal guarantee on advances below \$200,000 for loans made prior to December 31, 2020.

ELIGIBLE BUSINESSES

Any small business, small agricultural cooperatives and most non-profits in the declared-disaster area are eligible. A small business typically has \$750,000 to \$36.5 million in total revenue and has anywhere from 500 to 1,500 employees, depending on the industry. Eligibility is determined based on the Size Standards Tool provided by the SBA.

COVERED PERIOD

No determination regarding duration of availability.

MAXIMUM LOAN AMOUNT

The SBA office determines the amount of the loan on a case-by-case basis. The SBA's determination is based on the gross profits information provided on the application. The maximum loan amount available is \$2,000,000.00.

REFINANCING OPPORTUNITIES FOR EXISTING EIDL LOANS

EIDL loans made after January 31, 2020 may be refinanced in the covered period through the PPP.

ALLOWABLE USES OF FUNDS

Payment of fixed debts, payroll, employee benefits, accounts payable, and other bills that otherwise could not be paid due to economic hardships caused by or related to COVID-19.

ELIGIBLE BUSINESSES

Any business concern, private non-profit organization or public non-profit organization which employs not more than 500 employees is eligible. Multi-location businesses in lodging and hospitality, gaming and food and beverage services with more than 500 employees are eligible as well.

COVERED PERIOD

February 15, 2020 – December 31, 2020

MAXIMUM LOAN AMOUNT

Maximum loan amount available is the lesser of:

- (A) [2019 average total monthly gross Payroll Costs x 2.5] + [any outstanding amount of prior EIDL loans made between January 31, 2020 to the date the new loan is refinanced];
- or**
- (B) \$10,000,000.00

REFINANCING OPPORTUNITIES FOR EXISTING EIDL LOANS

EIDL loans made after January 31, 2020 may be refinanced in the covered period through the PPP.

ALLOWABLE USES OF FUNDS

- (A) Employee salaries, wages, commissions, and bonuses;
- (B) Payroll support, including paid sick, medical, or family leave (except FFCRA leave), and costs related to the continuation of group health care benefits during those periods of leave;
- (C) Interest (not principal) payments of "Mortgage Obligations" incurred before March 1, 2020;
- (D) Rents (including rent under lease agreements outstanding as of March 1, 2020);
- (E) Utilities; and
- (F) Any other debt obligations that were incurred during the covered period.

POTENTIAL LOAN FORGIVENESS	POTENTIAL LOAN FORGIVENESS
No loan forgiveness is available.	Borrowers are eligible for forgiveness of covered §7(a) loan debt in an amount equal to the cost of <ul style="list-style-type: none"> (A) Payroll Costs expended over an 8 week period following the loan origination; (B) Any payment of interest (not principal) on any covered “Mortgage obligation” outstanding as of February 15, 2020; (C) Any payment of rent on a lease in place as of February 15, 2020; and (D) Any covered utility payment. ** Maximum loan forgiveness amounts apply.

II. Relief for Existing SBA Loans

The CARES Act directs the SBA to subsidize existing loans made through the SBA 7(a), 504 and Microloan programs up to an estimated amount of \$17 billion. The features to this subsidizing program are as follows:

- (A) The SBA will pay the principal, interest, and any related fees that are owed on an existing covered loan for a six (6) month period, starting on the next payment due date;
- (B) If a covered existing loan is already on deferment, the SBA will begin making these payments with the first payment after the deferral; and
- (C) SBA loans that are made under SBA 7(a), 504 and Microloan programs within the next six (6) months will also receive a full six (6) months of loan payments by the SBA.

III. Emergency Grants- EIDL Program

The CARES Act established a \$10 million EIDL Emergency Grant program. Under this new program, entities that apply for the EIDL program (further explained in Section I.) may request up to a \$10,000 advance on the loan. SBA is required to distribute the emergency grant to the entity within 3 days of the entity’s request. If the entity is ultimately denied for the EIDL program, the \$10,000 grant does not need to be repaid.

The emergency grant may only be used for the following expenses: (a) paid sick leave to employees, (b) maintaining payroll, (c) increased cost to obtain materials, (d) rent or mortgage payments, and (e) repaying any obligation that cannot be met due to revenue losses.

The CARES Act requires that any grant be considered when determining loan forgiveness, if the entity refinances to a loan made under PPP. The Emergency Grant program terminates on December 31, 2020.

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