

MEMORANDUM

TO: Clients of Jordan Price

FROM: Terry J. Carlton, Managing Partner

SUBJECT: Coronavirus Aid, Relief, and Economic Security Act (CARES Act) SBA “loan” options

DATE: March 30, 2020

Paycheck Protection Program

What is it?

Section 1102 of the Act creates the “Paycheck Protection Program,” which provides employers with less than 500 employees (full time or part time), or not more than 500 employees per physical location, eligibility for federally guaranteed loans. The loan covered period is retroactive to February 15, 2020 through June 30, 2020.¹

How much can I get?

The maximum amount that can be taken out by eligible employers must be the lesser of:

- 1) **Two and a half months payroll**, as calculated by taking the average total monthly payments by the business for payroll costs incurred during the 1-year period before the date on which the loan is made.² **Multiply this number by 2.5 for two and a half months payroll.**

OR

- 2) \$10,000,000

What does it cover?

The use of the loan is for payment of interest on any mortgage obligation, rent payments, utilities, other debt obligations that were incurred before February 15, 2020 and most importantly payroll costs, which includes:

- employees compensation (salary, wage, commission);
- payment of cash tip or equivalent;
- payment for vacation, parental, family, medical, or sick leave;

¹ The program is administered through the (SBA) 7(a) Loan Program, and the government guarantee increases to 100% through December 31, 2020, and then reduce to 75% for loans exceeding \$150,000 and 85% for loans equal to or less than \$150,000.

² For a seasonal employer, the business calculates the average total monthly payments for payroll during the 12-week period beginning February 15, 2019, or at the choice of the business, March 1, 2019, and ending June 30, 2019.

- allowance for dismissal or separation;
- payment required for the provision of group health care benefits (including insurance premiums); and
- payment of state/local tax assessed on the compensation of employees.

Payroll costs *do not include*:

- compensation of individual employees whose annual salary exceeds \$100,000
- compensation of an employee whose principal place of residence is outside the U.S.
- Qualified sick or family wages which a credit is allowed under the Families First Coronavirus Response Act

Eligibility?

SBA-certified lenders will look at whether you were in operation on February 15, 2020 and had employees who you paid salaries and payroll taxes. All fees are waived, and you do not have to show you are unable to obtain credit elsewhere. There are no personal guarantees required and no collateral required for the loan.

Requirements?

Make a good faith certification that:

- the uncertainty of the current economic conditions makes necessary the loan request to support ongoing operations of your business;
- acknowledging that the funds will be used to retain workers and maintain payroll/mortgage payments/rent/utilities;
- you do not have an application pending nor have you received a loan under this program for the same purpose and same amount.

How to start the application process?

Luckily, you do not have to visit any government institution to apply for the program. You can apply for the program at any lending institution that is approved to participate through the existing U.S. SBA 7(a) lending program and additional lenders approved by the Department of Treasury. This could be the bank you already use and have a relationship with. You can call your bank to see or check this list of SBA certified lenders in North Carolina:

<https://www.sba.gov/offices/district/nc/charlotte/resources/sba-lenders-serving-north-carolina-small-businesses>

Also, you can find SBA-approved lenders in your area through SBA's online Lender Match tool at:

<https://www.sba.gov/funding-programs/loans/lender-match>

Loan Forgiveness

What is forgiven?

Section 1006 of the Act provides for loan forgiveness equal to the amount spent, on the covered expenses explained above, by the borrower during the 8-week period after the origination date of the loan. The amount of loan forgiveness shall not exceed the principal amount of the loan.

Things to look out for

The amount forgiven will be reduced proportionally by any reduction in employees retained compared to the prior year and reduced by the reduction in pay of any employee beyond 25 percent of their prior year compensation. To encourage employers to rehire any employees who have already been laid off due to the COVID-19 crisis, borrowers that re-hire workers previously laid off will not be penalized for having a reduced payroll at the beginning of the period.

Application for Forgiveness

Once you have received the loan and want to apply for forgiveness, after the covered 8-week period, under Section 1006, you **MUST** submit to the lender servicing the loan:

- documentation verifying the number of full-time employees on payroll and pay rates for the previous year or period, including payroll tax filings and state income, payroll and unemployment insurance filings;
- documentation verifying payments on covered mortgage obligations, lease obligations and utilities;
- certification from a representative of the employer that the documentation is true and correct and amount for which forgiveness is requested was used to retain employees, make interest payments on a covered mortgage obligation, make payments on rent and/or utilities.

QUESTIONS?

Please find attached a summary of the CARES Act which was prepared by the U.S. Chamber of Commerce designed to answer many common questions concerning the program. If you should have any questions or would seek any help in this process, please feel free to contact either Paige Vankooten or myself. Our contact information is listed below:

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