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From: Robert Fried

There were many very good parts of the recently announced CARES Act passed by the Senate, and House and anticipated to be entered into law shortly.

The bill is 883 pages and provides much needed financial assistance on a number of fronts.

Executive Summary

The bill includes a provision granting eligible businesses the ability to receive up to \$10M in loans.

The proposed loan provision would appear to apply to every business with fewer than 500 employees (including sole proprietors). The act would allow these businesses (whether a corporation, LLC, partnership, or some other form of entity) to obtain a loan to cover payroll costs, including healthcare premiums, rent, utilities, mortgage interest (not principal), and interest on other pre-existing loans for an eight-week period falling between the loan origination date and June 30, with a maximum loan amount of \$10 million. The loan would be non-recourse, require no security or personal guarantees, and bear interest at no more than 4% with a repayment period of up to 10 years for any portion not eligible for forgiveness as described below.

Unlike a typical loan, this one would have the potential for partial or total forgiveness in an amount equal to the sum; of payroll costs, payments of interest on any covered mortgage, payments on any covered rent obligations, and covered utility payments made during the 8 week period following the origination of the loan. The amount to be forgiven however, would be reduced if the business reduced its number of actual workforce, or pay rates of its employees (making less than \$8,333/month) by more than 25%.

We are expecting/hoping that many of your current banks should be able to process the loan applications and issue the necessary loans. This is unlike other SBA loans as very little documentation will be required, and there will be no need for guarantees. It should be noted, it cannot be taken in conjunction with any other SBA loan.

This is all very new and you should each read the attached detailed analysis of the loan programs and the many definitions that apply. The page and line references are to the actual Bill itself.

More Detailed Analysis

Should you wish to pursue the loan, to help you make an analysis, **below is some of what you need to gather (full definitions are in the attachment) and a spreadsheet is attached that may help;**

To determine the maximum loan – see attached for full definition of “Payroll Costs” determined for an average one month period for the period April 1, 2019 through March 31, 2020.

To determine how much you may want to consider borrowing – calculate the sum of your payments for the “Allocable Uses” of the loan as defined in the attached

To determine your possible “Maximum Loan Forgiveness” – calculate/estimate for the period from April 6, 2020 through June 1, 2020 (8 week period) the sum as described in further detail on the attached of the payroll costs, mortgage interest, rent obligations and utility payments

To determine the “Reduction in the Possible Maximum Loan Forgiveness” – divide the average number of full time equivalent employees (FTE’s) per month you plan on paying during the period April 6, 2020 through June 1, 2020 (8 week period) and determine the lesser of the FTE’s per month for the period February 15, 2019 through June 30, 2019; or January 1, 2020 through February 29, 2020, and multiply that by the maximum loan forgiveness amount. The result will reduce the loan forgiveness amount. Further, if during the period April 6, 2020 – June 1, 2020 (8 week period) you are reducing the salary of any employee who made less than \$100,000/year by more than 25% this is a further reduction in the loan forgiveness amount.

The silver lining may be that if all employees are hired back by June 30, 2020, then there may be no reduction in the amount of the loan forgiveness, and the entire amount paid during the 8 weeks for the eligible costs may be forgiven.

This is all very new, and extremely complicated. We are continuing to analyze and will keep you update. We are here to assist.

Good luck and stay healthy. My wish is that we will be back together again soon.