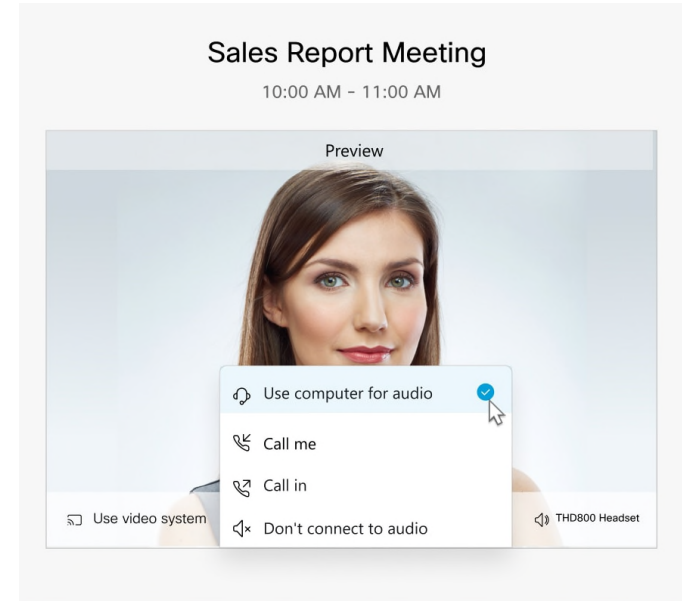
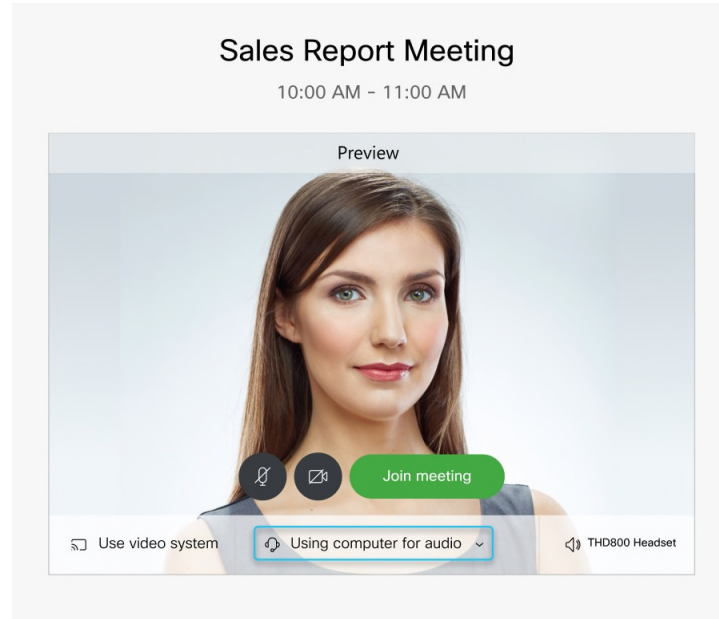


Welcome and thank you for joining us for today's presentation. Our topic is **“NAVIGATING THE CARES ACT: What You Need to Know to Obtain Vital Assistance for Your Business.”**

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NAVIGATING THE CARES ACT

What You Need to Know to Obtain Vital Assistance for Your Business

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CARES Act

- What is the Act?
 - The “Coronavirus Aid, Relief and Economic Security Act,” called the CARES Act (“Act”)
 - Passed by the Senate on 3/26/20
 - Passed by the House of Representatives on 3/27/20
 - Signed by the President on 3/27/20



CARES Act

- What is the purpose of the Act?
 - Allocates more than \$337 Billion to small businesses
 - \$130 Billion to hospitals
 - \$150 Billion to state and local governments
 - \$500 Billion fund to be distributed to the Federal Reserve's existing lending facilities
- Oversight structure created similar to the Troubled Asset Relief Program (TARP) instituted after the financial crash of 2008



CARES Act

- Certain business sectors are specifically designated for relief:
 - Airline industry - \$57 Billion
 - \$17 Billion targeted to industries “critical to national security”
- The remaining \$425+ Billion will be distributed by the US Treasury across all other business sectors



CARES Act

- Funds designated by the Act are in addition to previous congressional appropriations, including the \$50 Billion approved for distribution by the Small Business Administration (SBA) in the previous stimulus bill, the Families First Coronavirus Response Act



Key Business Provisions of CARES

- The Paycheck Protection Program
 - As part of the Act, among many other provisions, Section 1102, The Paycheck Protection Program (“PPP”) was implemented
 - The PPP was allocated nearly \$350 Billion in the Act and was intended to provide American “small businesses” with 8 weeks of assistance through 100% federally guaranteed and potentially forgivable loans
 - The PPP is an addition – an add on – to the Small Business Administration Section 7(a) lending program
 - Many provisions of the hastily written Act need guidance from the SBA (as the overseer)
 - The **primary goal** of the Act is to speed distribution of funds to businesses across all sectors by reducing paperwork and administrative requirements



Key Business Protections

- Emergency Economic Injury Disaster Loans/Grants
 - Low-interest loans for working capital to small businesses
 - Borrowers seeking emergency funds can request \$10,000 payable three days after application
 - There is no debt forgiveness
 - Applicants deal exclusively with the SBA



Benefits for Individuals – The Highlights

- Individuals making \$75,000 or less per year will receive \$1,200; married couples with a combined income below \$150,000 will receive \$2,400; and families with children will see an extra \$500 per child under 17 years of age
- The Act restricts foreclosures on mortgages and evictions of renters
- Those suffering COVID-19 hardship can obtain forbearance on their federally backed mortgages for up to 60 days, with the possibility of further extensions
- Maximum weekly unemployment benefit will increase by \$600. The federal government is fully funding the increase
- Businesses controlled by federally elected officials, cabinet members and their immediate families do not qualify for the loans and investments managed by the U.S. Department of the Treasury



Key Points and Next Steps

- Key Legislative Points
 - The CARES Act is intended to be an economic life line for a discrete period of time
 - House Democrats are already moving rapidly on a fourth coronavirus relief package, to supplement the existing stimulus program
 - The next focus will include shoring up health systems and protecting frontline health care workers
- Key Points for Paycheck Protection Program
 - Revised application for Paycheck Protection Loans issued 4/2/20
 - Paycheck Protection Loan applications may start to be accepted as of today
 - Revised SBA guidance issued 4/2/20; expect continued guidance



Paycheck Protection Loans – General Terms

- Lesser of \$10 million or 2.5x monthly average payroll costs + balance of EID Loan
- No collateral, no personal guarantee, no “credit elsewhere”
- Fixed interest rate of 1.00%
- Loan term of 2 years (for unforgiven portion)
- Payments of principal, interest and fees will be deferred for at least six months
- Loan forgiveness can be obtained for amounts of a covered 7(a) loan equal to the cost of maintaining payroll continuity during the covered period (March 1- June 30, 2020)



Paycheck Protection Loans – Eligibility

- Small businesses with fewer than 500 employees including:
 - certain nonprofits, 501(c)(3), veterans organizations and tribal businesses
 - “Employee” includes full-time, part-time, or other basis
- Businesses with alternative SBA size standards
- Sole proprietors, independent contractors and self-employed individuals
- Businesses that fall within NAICS Code 72 and employ not more than 500 employees per location (accommodations and food services, with 500 or less people per physical location)



Paycheck Protection Loans – Use of Proceeds

- Payroll costs
- Continuation of group health care benefits paid during sick medical or family leave and insurance premiums
- Employee salaries, commissions, and similar compensation
- Interest on mortgage obligations
- Rent (including rent under a lease agreement) and utilities
- Any other debt obligations that were incurred before the covered period
- EID Loans can be refinanced



Paycheck Protection Loans – Loan Amount

- Lesser of (i) \$10 million or (ii) 2.5X average monthly “payroll costs” during the 1-year period before the date of the loan + outstanding balance of EID Loan
- “Payroll Costs” include payments of:
 - salary, wages, commission, similar compensation, and cash tips
 - medical, parental, family sick leave
 - group health care (insurance premiums) and retirement benefits
 - state and local tax assessed on employee compensation



Paycheck Protection Loans – Loan Amount (cont'd.)

- “Payroll Costs” do not include:
 - Annual compensation to an individual employee in excess of \$100,000
 - Qualified sick or family leave wages for which a credit is allowed under section 7001 of the Families First Coronavirus Response Act.
 - Compensation to an employee whose principal place of residence is outside of the United States



Paycheck Protection Loans – Forgiveness

- Loan forgiveness can be obtained for amounts of a covered loan equal to the cost of maintaining payroll continuity during the 8-week period following loan origination
 - Not more than 25% of the forgiven amount may be for non-payroll costs
- Amount of eligible forgiveness shall be equal to the sum of (i) payroll costs, (ii) mortgage interest payments, (iii) rent obligations, and (iv) utility payments



Paycheck Protection Loans – Forgiveness and Reduction

- Amount of eligible forgiveness shall be reduced proportionately by
 - any reduction in full-time employees during the covered period when compared to (i) the prior-year period or (ii) the period beginning Jan. 1, 2020 and ending Feb. 29, 2020;
 - any 25% or more reduction in pay to employees earning less than \$100,000 when compared to prior year



Paycheck Protection Loans – Application

- Business applicants can apply directly through existing SBA lenders or federally insured depository institutions ***beginning today***
 - Independent contractors and self-employed individuals may apply beginning April 10
- Applicants may be required to:
 - Provide payroll and tax documentation
 - Answer questions regarding Applicant Ownership Information for any individual or business with a greater than 20% ownership stake
- Applicants must make a good faith certification that:
 - Current economic uncertainty makes the loan necessary to support ongoing operations
 - Funds will be used to retain workers; maintain payroll; and make mortgage, lease or utility payments
 - Borrower has not and will not receive another loan under this program
 - Borrower will provide to the lender documentation that verifies the number of full-time equivalent employees on payroll and the dollar amounts of payroll costs, covered mortgage interest payments, covered rent payments and covered utilities



Economic Injury Disaster Loan – Terms

- Amount up to \$2,000,000
- Proceeds may be used to pay fixed debts, payroll, accounts payable, rent, utilities and other bills that cannot be paid because of the disaster's impact
- Interest rate not to exceed 3.75%; 2.75% for nonprofits
- Collateral required for loans more than \$25,000
- Guarantee required for loans more than \$200,000
- Term up to 30 years
- Not eligible for forgiveness (but may be refinanced with a Paycheck Protection Program loan)



Economic Injury Disaster Loan - General

- Covered period: January 1 - December 31, 2020
- Eligible entity:
 - Business (including private nonprofit) with not more than 500 employees
 - Business subject to SBA's alternative size standards
 - Individual operating as a sole proprietorship, with or without employees
 - Independent contractor
 - ESOP without more than 500 employees
 - Tribal small business concern
 - Suffered substantial economic injury due to COVID-19



Economic Injury Disaster Loan – General (cont'd.)

- Requirements waived
 - Personal guarantee on advances and loans of not more than \$200,000 during the covered period for all applicants;
 - One-year operating period before the disaster, unless business was not in operation on January 31, 2020; and
 - Applicant unable to obtain credit elsewhere
- Approval
 - Can be based solely on the credit score of the applicant and shall not require an applicant to submit a tax return or a tax return transcript for such approval
 - Alternative appropriate methods to determine an applicant's ability to repay



Economic Injury Disaster Loan - Application

- Applicants deal exclusively with the SBA
- Applications are submitted electronically or by mail and include:
 - Business tax returns for three prior years;
 - Personal tax returns for each principal owning 20% or more;
 - 2019 Federal Tax Returns (or an explanation if not available);
 - Personal Financial Statements (SBA Form 413) for each applicant and principal owning 20% or more of the applicant;
 - Applicant's debt schedule (SBA Form 2202); and
 - Confirmation of having business interruption insurance



Economic Injury Disaster Loan – Application (cont'd.)

- The SBA determines final loan terms on a case-by-case basis after evaluating each applicant's needs. Ultimately, loan terms are predicated on the economic injury sustained and an applicant's ability to payback its obligations.
- General Criteria
 - Credit history, repayment ability, eligibility



Economic Injury Disaster Loan – Emergency Grants

- May be requested within three days after application
- Verification that applicant is an eligible entity by having applicant submit a required self-certification under penalty of perjury
- Maximum amount up to \$10,000



Economic Injury Disaster Loan – Emergency Grants (cont'd.)

- Uses:

- Providing paid sick leave to employees unable to work due to COVID–19
- Maintaining payroll during business disruptions or substantial slowdowns
- Meeting increased costs to obtain materials unavailable from the applicant's original source due to interrupted supply chains
- Paying rent or mortgage
- Repaying obligations that cannot be met due to revenue losses



Economic Injury Disaster Loan – Emergency Grants (cont'd.)

- Repayment
 - Applicant not required to repay any amounts advanced under this subsection, even if subsequently denied a loan
- Unemployment Grant
 - If applicant transfers into, or is approved for PPL, the advance amount shall be reduced from the loan forgiveness amount



SBA's Affiliation Rules

- Rule: The SBA considers businesses to be “affiliates” that have shared ownership of 50% or more of the voting securities **or** significant control rights
- Result of Affiliation: Applicant and all affiliated entities will be looked at as one business concern. For purposes of the SBA's size standards, revenue and the number of employees will be determined after aggregating all affiliated entities
- Examples likely to cause affiliation:
 - Control rights of a minority owner: Block quorum or prevent stock holder action
 - Negative covenants of minority owner: Ability to block day-to-day operations
 - Common management or identity of interest



Coronavirus Economic Stabilization Act (CESA)

– General Provisions

- Eligibility
 - U.S. businesses that have not otherwise received adequate economic relief from loans and loan guarantees provided under the CARES Act
 - The Secretary will determine whether (a) the applicant is an eligible business for which credit is not reasonably available; (b) the loan obligations are being prudently incurred; and (c) the loan is made at a rate that reflects the risk of the loan or guarantee and is not less than a rate based on market conditions prior to the outbreak of COVID-19



CESA – General Provisions (cont'd.)

- Forms, terms and conditions
 - The Secretary will have discretion to determine forms, terms and conditions of loans (including interest rates) and loan guarantees (including length of guaranty)
- Limitations on stock buyback (listed securities)
 - Prohibition of 12 months from maturity on purchase of security of the eligible business or parent company except to the extent required under a contractual obligation in effect as of the enactment date of the CARES Act



CESA – General Provisions (cont'd.)

- Limitations on the payment of dividends
 - Prohibition for 12 months after the loan or loan guaranty is no longer outstanding, on payment of dividends on or capital distributions based upon common stock of the entity
- Maintenance of employment levels
 - Eligible business must maintain its March 24, 2020 employment levels to the extent practicable and in any case not reduce levels by more than 10% until September 30, 2020



CESA – Federal Reserve Programs and Facilities

- Secretary may make loans, loan guarantees and other investments in programs or facilities established by the Board of Governors of the Federal Reserve System that make loans to eligible businesses, states and municipalities
- Eligible business borrowers must agree to the buyback, dividends and compensation limitations. Requirements can be waived in limited circumstances



CESA – Federal Reserve Programs and Facilities

- Businesses must be organized in the U.S. and have significant operations and a majority of its employees based in the U.S.
- Not eligible for forgiveness



CESA – Federal Reserve Mid-size Company Loan Program

- Direct loans to eligible businesses including, to the extent practicable, nonprofit organizations, with 500 – 10,000 employees
- Interest rate not higher than 2% per annum
- Principal and interest would not be payable during the first six months of the loan (or longer)
- Borrower must certify that:
 - Loan request is necessary to support ongoing operations due to the uncertainty of economic conditions; and
 - Borrowed funds will be used to retain at least 90% of the borrower's workforce at full compensation and benefits until September 30, 2020;



CESA – Federal Reserve Mid-size Company Loan Program (cont'd.)

- Recipient intends to restore not less than 90% of its February 1, 2020 workforce and restore all compensation and benefits within four months of the termination date of the January 31, 2020 COVID-19 public health emergency declaration by the Secretary of Health and Human Services;
- Recipient is not a debtor in a bankruptcy proceeding;
- Recipient is organized in the U.S. and has significant operations and a majority of its employees based in the U.S.;



CESA – Federal Reserve Mid-size Company Loan Program (cont'd.)

- Recipient will not pay common stock dividends or repurchase any listed equity security of the recipient or parent company while the direct loan is outstanding except as required under a contractual obligation in effect on the enactment date of the CARES Act;
- Recipient will not outsource or offshore jobs during the term of the loan and for two years after repayment of the loan;
- Recipient will not abrogate existing collective bargaining agreements for the term of the loan and for two years after repayment of the loan; and
- Recipient will remain neutral in any union organizing effort during the term of the loan



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