



WRIGHT LINDSEY JENNINGS

COVID-19 CLIENT ALERT – FINANCIAL AID SUMMARY

SBA Overview March 31, 2020 (to be updated after further guidance issued)

APRIL 2, 2020

SMALL BUSINESS PAYCHECK PROTECTION PROGRAM (PPP); \$349 BILLION TOWARDS JOB RETENTION, RENT AND UTILITIES

Loan Period	You will owe money when your loan is due if you use the loan amount for anything other than payroll costs, mortgage interest, rent, and utility payments over the 8 weeks after getting the loan (not more than 25% should be used for non-payroll costs)
Eligible Businesses	<ul style="list-style-type: none">• Small businesses, nonprofits (501(c)(3) only), Tribal business concerns, and veteran's organizations, in each case that have fewer than 500 employees or the applicable size standard for the industry as provided by SBA• Sole proprietors, self-employed individuals, and independent contractors are also eligible• The business must have been in operation on Feb. 15, 2020
Application Period	<ul style="list-style-type: none">• April 3: small businesses and sole proprietorships can start applying for PPP loans from existing SBA lenders• April 10: Independent contractors and self-employed individuals can start applying for paycheck protection loans from existing SBA lenders• June 30, 2020 – PPP application window closes
Maximum Loan Amount	<ul style="list-style-type: none">• The lesser of:<ul style="list-style-type: none">○ 2 months of average monthly payroll costs from the last year plus and additional 25% of that amount or 2.5x of the average monthly payroll cost○ \$10 million <p>For new businesses, the measurement period will be January 1, 2020 to February 29, 2020</p> <p>The legislation also temporarily increases the maximum amount for an SBA Express loan from \$350,000 to \$1 million through December 31, 2020</p>
Guarantees	Increases the government guarantee of 7(a) loans to 100 percent through December 31, 2020

COVID-19 CLIENT ALERT – FINANCIAL AID SUMMARY

[SBA Overview March 31, 2020 \(to be updated after further guidance issued\)](#)

How to Apply	<ul style="list-style-type: none"> • Contact your bank/lender as soon as possible to determine their requirements for submission of application • Submit the attached PPP Application Form to your SBA Lender: SBA PPP Application Form • PPP Information Sheet for Borrowers: PPP Information Sheet for Borrowers
Allowable Uses	<ul style="list-style-type: none"> • Payroll costs (compensation above \$100,000 excluded) • Health care benefits (including paid sick or medical leave and insurance premiums) • Mortgage interest obligations • Rent obligations • Utility payments • Interest on other debt obligations incurred previous to Feb. 15, 2020
Eligible Lenders	<ul style="list-style-type: none"> • SBA approved lenders • SBA and the Secretary of the Treasury are granted authority to determine additional lenders to administer the Payment Protection Program loans
Maturity Schedule	All loans have a 2-year maturity
Interest Rate	Fixed rate of 0.50%
Payment Deferral	All payments are deferred for 6 months (interest accrues over this period)
Terms of Loan Forgiveness	<ul style="list-style-type: none"> • Loan recipients will be eligible for loan forgiveness for an 8-week period after the loan's origination date in the amount equal to the sum of the following costs incurred and paid during that period: <ul style="list-style-type: none"> ○ Payroll costs (compensation above \$100,000 excluded) ○ Payment of interest on mortgage obligations ○ Rent obligations ○ Utility payments • The amount forgiven cannot exceed the amount borrowed. SBA Guidance suggests not more than 25% of the forgiven loan amount may be used for non-payroll costs • Reduction to forgiveness: <ul style="list-style-type: none"> ○ Loan forgiveness will be proportionally reduced if the average number of full-time equivalent employees (FTEEs) is reduced during the covered period as compared to one of the following periods, which the borrower can choose: February 15, 2019 to June 30, 2019 or January 1, 2020 to February 29, 2020 • The amount of loan forgiveness will be reduced by the amount of any reduction in total employee salary or wages during the covered period that is in excess of 25 percent of the total salary or wages. • Payroll documentation and documentation of expenses are required to receive forgiveness to ensure the forgiveness was used to retain employees and pay approved expenses.

COVID-19 CLIENT ALERT – FINANCIAL AID SUMMARY

SBA Overview March 31, 2020 (to be updated after further guidance issued)

Terms of Loan Forgiveness, continued	<ul style="list-style-type: none"> • Borrowers who previously reduced number of FTEEs can avoid reductions by rehiring those employees (or an equivalent number of FTEEs) by June 30, 2020 • Borrowers with tipped workers may receive loan forgiveness for the additional wages paid to those employees. • The canceled loan amount will not count towards gross income for tax purposes.
Waivers	<ul style="list-style-type: none"> • Borrower and lender fees are waived • Prepayment fees are waived
Borrower Requirements	<ul style="list-style-type: none"> • Good faith certification that the loan is necessary to support ongoing operations because of economic uncertainty caused by COVID-19 and will be applied to maintain payroll and make required payments. • Borrower must also certify that they are not receiving this assistance and duplicative funds for the same uses from another SBA program. • No collateral or personal guarantee are required under the Act
Nonbinding Guidance	Lenders should prioritize small businesses, entities in underserved and rural markets, veterans and members of the military community, small business concerns owned by socially and economically disadvantaged individuals, women, and businesses in operation for less than 2 years.
Lender Reimbursements	<ul style="list-style-type: none"> • Lenders will be reimbursed at the following rates based on the balance of the financing outstanding at the time of loan disbursement: <ul style="list-style-type: none"> ○ 5 percent for loans up to \$350,000 ○ 3 percent for loans between \$350,000 and \$2,000,000 ○ 1 percent for loans above \$2,000,000
SBA link to Paycheck Protection Program	SBA Payroll Protection Program

COVID-19 CLIENT ALERT – FINANCIAL AID SUMMARY
SBA Overview March 31, 2020 (to be updated after further guidance issued)

SBA ECONOMIC INJURY DISASTER LOAN	
Eligible Borrowers	<p>Small Businesses (generally under 500 employees) and most private nonprofits that have been impacted by the coronavirus. There working capital loans of up to \$2 million can be used to pay fixed debts, payroll and other bills.</p> <p>Ineligible: Agricultural Enterprises; Religious Organizations, Charitable Organizations; Gambling Concerns; Casinos and Racetracks</p>
Interest Rate	<ul style="list-style-type: none"> • 3.75% for small businesses without credit available elsewhere • Businesses with credit available elsewhere are not eligible • 2.75% for non-profits
Term	<ul style="list-style-type: none"> • Long-term repayments, up to 30 years, determined on a case-by-case basis based on borrower’s ability to repay
Advance	Up to \$10,000 - The applicant will not be required to repay the \$10,000 advance, even if the SBA ultimately denies the successful application for an EIDL
How to apply	<p>Streamlined Process Requirements: COVID-19 Economic Injury Disaster Loan Application</p> <p>Basic Requirements: Disclosures; Business Information; Business Owner’s Information; Additional Information; Summary; Submission (with option to apply for \$10,000 grant)</p>
Link to SBA Information	SBA Disaster Assistance in Response to the Coronavirus
SBA Debt Relief Program	<p>For existing SBA Debt</p> <ul style="list-style-type: none"> • The SBA will also pay the principal and interest of new 7(a) loans issued prior to September 27, 2020. • The SBA will pay the principal and interest of current 7(a) loans for a period of six months.
Express Bridge Loan Pilot Program	This pilot program allows SBA Express Lenders authority to deliver expedited SBA-guaranteed financing on an emergency basis for disaster-related purposes to eligible small businesses, while the small businesses apply for and await long-term financing – <i>see</i> https://www.sba.gov/document/support--express-bridge-loan-pilot-program-guide

COVID-19 CLIENT ALERT – FINANCIAL AID SUMMARY
SBA Overview March 31, 2020 (to be updated after further guidance issued)

ARKANSAS BRIDGE LOAN PROCESS

Description of Program	This pilot program allows SBA Express Lenders authority to deliver expedited SBA-guaranteed financing on an emergency basis for disaster-related purposes to eligible small businesses, while the small businesses apply for and await long-term financing.
How to apply	This application is done directly through the AEDC: Support for Express Bridge Loan Pilot Program
Express Bridge Loan Pilot Program Guide	Express Bridge Loan Pilot Program Guide

COVID-19 CLIENT ALERT – FINANCIAL AID SUMMARY
SBA Overview March 31, 2020 (to be updated after further guidance issued)

ARKANSAS QUICK ACTION LOAN PROGRAM

Eligibility	Eligible companies may apply for a loan or loan guaranty of up to \$250,000. Priority will be given to small- to medium-sized companies that are in the supply chain of essential goods and services, including health care, food manufacturing and logistics.
Funding	There will be an allocation of \$4,000,000 from the Governor's Quick Action Closing Fund and an additional \$3,000,000 from the Attorney General's Consumer Education and Enforcement Fund. The program is a discretionary incentive program offered by AEDC. Not all who apply of a loan or loan guaranty will be approved.
Terms of Loan Guaranty	<ul style="list-style-type: none"> • AEDC will guaranty up to 80% of the principal balance of a loan issued by a lender participating in the program. The amount of AEDC's guaranty is capped at \$250,000. • Borrower must demonstrate that it has been adversely impacted by the health emergency. • Proceeds may be used for working capital, inventory, payroll, and other uses that facilitate the continuation of business operations. • Borrower will be subject to the lender's customary underwriting and collateral requirements. • Loan amount may be amortized for up to 5 years. • Initial payments may be deferred for up to 90 days at the option of borrower and lender. • Borrower and participating lender must sign loan guaranty agreements with AEDC, which will include job retention requirements for the borrower.
Terms of Direct Loan	<ul style="list-style-type: none"> • Loans issued directly to borrower by AEDC. Loan amount is capped at \$250,000. • Loans are at zero interest and may be amortized for up to two years. • Payments may be deferred for up to 6 months following closing on the loan. • Borrower must demonstrate to AEDC that it has no other satisfactory financing options available to it through commercial lending or through other government programs such as the SBA Economic Injury Disaster Loan Program. • Borrower must demonstrate that it has been adversely impacted by the health emergency. • Borrower must satisfy AEDC's financial underwriting requirements. • Borrower must agree to job retention requirements.
Link to AEDC Program Summary	Quick Action Loan Program Summary

COVID-19 CLIENT ALERT – FINANCIAL AID SUMMARY
SBA Overview March 31, 2020 (to be updated after further guidance issued)

ARKANSAS COMMUNITY DEVELOPMENT BLOCK GRANT

Description of Program	Up to \$12 million in CDBG assistance will be made available for COVID19 relief and recovery. This money will be used to provide grants to eligible local governments with which to provide direct economic assistance in the form of loans to companies impacted by COVID19 and grants to clinics, hospitals and other non-profits who are working hard to provide care in rural Arkansas and to vulnerable populations such as the homeless. AEDC is undertaking necessary regulatory steps required by the federal government to implement this assistance. This page will be updated as more information becomes available.
AEDC link to program	Community Development Block Grant

OTHER RESOURCES

Verizon Small Business COVID 19 Recovery Fund	Telecom giant Verizon is donating \$2.5 million to nonprofit Local Initiatives Support Corporation for its Small Business COVID-19 Recovery Fund , which will use the funds to provide grants of up to \$10,000 to struggling businesses.
Arkansas Small Business and Technology Development Center	ASBTDC COVID-19 Resources
Facebook Small Business COVID-19 Recovery Fund	Facebook Small Business Grants Program

COVID-19 CLIENT ALERT – FINANCIAL AID SUMMARY

SBA Overview March 31, 2020 (to be updated after further guidance issued)

This memorandum is provided by Wright, Lindsey & Jennings, LLP for educational and informational purposes only and is not intended and should not be construed as legal advice. Businesses and individuals with additional questions should contact Fred Perkins, Cal Rose, Sidney Leasure or any other WLJ Business Team attorney.



Cal Rose
479.631.3278
CRose@WLJ.com



Fred Perkins
501.212.1237
FPerkins@WLJ.com



Sidney Leasure
501.212.1340
SLeasure@WLJ.com

Cal Rose is an attorney in WLJ's Rogers office. His practice focuses on mergers and acquisitions, real estate transactions, entity formation and governance and other business and transactional matters.

Fred Perkins is an attorney in WLJ's Little Rock office and leads the firm's Business Team. His practice focuses on mergers and acquisitions, corporate finance, corporate governance, securities, real estate, contracts, and general business and commercial transactions.

Sidney Leasure is an attorney in WLJ's Little Rock office. She utilizes her LL.M. in Taxation to serve as counsel to individuals, partnerships, closely held businesses and charitable organizations in all manner of tax-related areas.

Visit us at www.WLJ.com