

CARES ACT SEMINAR
APRIL 9, 2020
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HSCPA

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**PAYCHECK PROTECTION
PROGRAM**
(\$350 Billion allocated under CARES)

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KEY FEATURES OF PPP

- **Loan Amount**
 - 2.5 times average monthly payroll 12 months preceding February 15, 2020 **plus 25%**
 - Cap of \$10 million
 - Now through June 30, 2020
 - Purpose keep employees on payroll or hire back laid off employees
 - No independent contractors (they can apply on their own)
- **Lender (local banks – SBA Guaranteed)**
 - Some larger businesses received funds early this week
- **Eligibility (broad)**
 - Any business, non-profits, sole proprietor, self-employed individual, independent contractor
 - Up to 500 employees - (loophole for businesses with more)

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THE GOOD

- No collateral, personal guarantee or fees
- 1% interest
- No payment for 6 months
- 2 year maturity
- Simple 2 page application
- Loan forgiven if
 - 75% fund payroll and related expenses
 - ✓ Must maintain full time employees for 8 weeks after loan disbursed
 - 25% for mortgage interest, rent and utilities
 - ✓ Obligation must have originated before February 15, 2020

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THE NOT SO GOOD

- Money will run out
- Decline in full time headcount or wages impact forgiveness
- Cap of \$100k salary (cap that can be forgiven)
- Other Uses will not be eligible for forgiveness

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SBA DISASTER LOANS

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SBA DISASTER LOANS

- Already in place but expanded through CARES
- Available Through December 31, 2020
- Loan Amount – up to \$2 million
 - Also can obtain emergency grant up to \$10k from SBA (\$10 billion set aside)
 - ✓ Emergency Grant Fund use restricted
 - ✓ Upon completion of package even if loan declined
- Eligibility limited to for-profit entities
- Must have been in business since January 31, 2020.

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SBA DISASTER LOANS

THE GOOD

- Long term loans – generally 15 and up to 30 years
- 3.75% interest for borrowers (non-profits 2.75%)
- No guarantee for loans less than \$200,000
- No limit on uses – general working capital

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SBA DISASTER LOANS

NOT SO GOOD

- More paperwork(e.g., credit score, tax returns, PFS)
- SBA apparently slow
- Real estate collateral required for loans above \$500,000
- Must have P&L for 12 month ending January 31, 2020

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ADVISING A DISTRESSED/INSOLVENT BUSINESS

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Profile of Business Owner

- No cash in business account, i.e., closed
- Owner personally liable for most business debts
 - Bank loans
 - Credit Cards
 - Leases
- Owner putting money into business to pay expenses
 - Hopefully not from retirement accounts

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INSOLVENT CLIENT

DO NOT

- Pay rent or bank loans(if business not operating and no cash)
 - Lenders/landlords will work with borrowers/tenants
- Apply for internet loans
- Let owner throw good money after bad
- Let owner take money out of business if there are delinquencies
 - Including through shareholder loan repayment
- Put business into chapter 7 bankruptcy
 - No discharge for corporate debtors in liquidation

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INSOLVENT CLIENT

DO

- Conserve cash
- Apply for PPP
- Check business interruption coverage
- Ask lenders/landlords for forbearance
 - Force majeure?
- Talk to owner about prospects for business in Pandemic era
 - Does it make sense to continue?