



Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”)

&

State and Local Relief Programs

PAYCHECK PROTECTION PROGRAM

The Paycheck Protection Program (“PPP”) provides federally guaranteed loans through the Small Business Association (“SBA”) 7(a) lending program to qualified buyers. Loans can be up to 2.5 times a borrower’s average monthly payroll measured over the past twelve months to a maximum loan value of \$10 million.

Loan Value:

- Loans will be up to 2.5 times a borrower’s average monthly payroll.
 - Businesses in existence for more than one year – The prior twelve months of payroll data will be used.
 - Business in existence for less than one year – The period of January 1, 2020 through February 29, 2020 will be used.

Eligibility:

- Any business, not-for-profit, veterans’ group, or tribal business with fewer than 500 employees or meets the size standard, regarding number of employees, established by the SBA for the industry in which the entity operates.
- Sole proprietorships
- Independent Contractors



PAYCHECK PROTECTION PROGRAM

Underwriting Requirements:

- Borrower must have been in business prior to February 15, 2020, and have had employees for which it was paying salaries and payroll taxes or paid independent contractors.
- Borrower must certify:
 1. the impact of the COVID-19 pandemic has resulted in economic uncertainty for the borrower resulting in the need for the loan to support the ongoing operations of the business;
 2. funds will be used to maintain workforce and payroll, pay mortgage interest and/or lease and utility payments;
 3. the loan request is not duplicative of amounts applied for through other SBA programs;
 4. during the period from February 15, 2020 through December 31, 2020, the borrower has not received duplicative amounts from other SBA programs.
- Borrowers do not have to demonstrate an inability to obtain financing elsewhere. The loans will be non-recourse and will not require collateral.



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Funds Qualifying for Loan Forgiveness:

- Payroll costs include:
 - Employee salaries, wages & commissions up to \$100K/annum
 - Payment for vacation, parental, family, medical or sick leave
 - Independent contractors considered an FTE equivalent.
 - Severance payments
 - Group health insurance
 - Retirement plan contributions
 - State and local taxes
- Payroll costs do not include:
 - Compensation over \$100K/annum
 - Federal tax withholdings
 - Compensation for non-U.S. residents
 - Sick and family leave provided by the Families First Coronavirus Response Act for which tax credits have been claimed.



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Funds Qualifying for Loan Forgiveness (Cont):

- Mortgage interest
- Rent & utilities
- Interest on any other debt obligation
- Loan principal cannot be paid with these loan proceeds
- Eligible payroll costs for an independent contractor or sole proprietor include compensation that is wage, commission, income, net earning or similar compensation not to exceed \$100K in one year (prorated for the covered period)
- The period of time during which the above costs are covered by the PPP is February 15 ,2020 through June 30, 2020 (“Covered Period”)



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Loan Forgiveness:

- The program includes the ability to apply for loan forgiveness relating to the following costs incurred during the 8-week period after the loan's origination date:
 - Payroll costs
 - Interest payments on any mortgage executed prior to February 15, 2020
 - Rent payments on any lease in force prior to February 15, 2020
 - Payment of any utility in service prior to February 15, 2020
- Amounts forgiven may not exceed the principal amount of the PPP loan.
- Compensation above \$100K/annum, as prorated for the covered period, are not refunded.
- Payroll documentation and documentation of expenses are required to receive forgiveness.

Loan Forgiveness Reduction:

- The concept of loan forgiveness is to incentivize employers to maintain their workforce and/or bring back workers who were previously furloughed due to COVID-19.
- Loan forgiveness will be proportionally reduced due to the following:
 - The average number of employees is reduced during the Covered Period compared to the same period in 2019.
 - The amount of reduction in total employee compensation during the covered period in excess of 25% of total employee compensation.
- Borrowers who rehire furloughed workers by June 30, 2020, won't be penalized for a reduction in force.

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Loan Balances Not Forgiven:

- Balances not forgiven at the end of one year from the origination date continue as an ongoing loan.
- Maximum term is 10 years
- Maximum interest rate is 4%
- Loan is 100% guaranteed by the federal government for the duration of the loan.

Disbursement Timeline:

- Disbursement time may vary as loans are under-written by third-party banks, with SBA guarantees.
- Awaiting specifics regarding application procedures and processing time.

Additional Program Terms:

- Loan repayments may be deferred for six months to a maximum of one year.
- The covered loan period is from February 15 ,2020 through June 30, 2020.
- Lenders decide eligibly, not the SBA. Lenders must waive borrower and lender fees.



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What are the next steps:

- Awaiting specifics from the SBA & Department of the Treasury regarding information required for the application, how to apply and the overall process and approval timeline.
- While we await details, you can prepare by gathering the following documents:
 - 2019 IRS Quarterly 940, 941 or 944 payroll tax reports.
 - Last 12 months of payroll reports beginning with your last payroll prior to February 15, 2020 and back 12 months.
 - Reports should include gross wage per employee (including officers), PTO, vacation and any family/medical leave pay.
 - State and local taxes withheld for each employee.
 - 1099's for 2019 related to independent contractors which would otherwise be an employee of your business.
 - Support for all health insurance premiums paid under a group health plan, including owners.
 - Retirement plan match paid for each employee, including owners.
 - Additional information may be required once application requirements are released.



ECONOMIC INJURY DISASTER LOAN ASSISTANCE (EIDL)

Overview:

- EIDL existed before COVID-19.
- The Coronavirus Preparedness and Response Supplemental Appropriations Act, enacted on March 6, 2020, expanded the EIDL program.
- Qualifying businesses can receive up to \$2 million for working capital needs and ordinary expenditures.
- The loan value will be based on the economic injury from COVID-19.
- EIDL loans are applied for directly with and funded by the SBA.
- 3.75% for small businesses & 2.75% for not-for-profit organization.
- Establishes an Emergency Grant of no more than \$10,000, distributed within 3 days, with no repayment.
- EIDL loans are not forgivable.



ECONOMIC INJURY DISASTER LOAN ASSISTANCE (EIDL)

Eligibility:

- Based on number of employees and sales volume and vary by industry:
 - Typical manufacturing companies with 500 or fewer employees
 - Non-manufacturing companies with average annual receipts under \$7.5 million
 - Only available to borrowers unable to meet existing financial obligations due to COVID-19 crisis
 - Cannabis businesses, casinos, racetracks, charitable organizations and religious institutions are not eligible.
 - Small business in all U.S. States and territories are eligible to apply.

How to Apply:

- Apply directly with SBA at <https://sba.gov/disaster-assistance/coronavirus-covid-19>

Disbursement Timeline:

- Typical loan processing time to notification of approval is two to three weeks
- Funds disbursed within five to seven days after approval.



STATE OF PENNSYLVANIA

COVID-19 Working Capital Access (“CWCA”):

- Overview:
 - Administered by the Pennsylvania Industrial Development Authority.
 - Provides critical working capital financing to small businesses within the Commonwealth adversely impacted by COVID-19 outbreak.
 - Applications must be submitted through a Certified Economic Development Organization (“CEDO”).
- Eligibility:
 - Eligible small business enterprises:
 - For-profit corporation
 - Limited liability company
 - Partnership
 - Proprietorship or other legal business entity
 - Eligible Costs:
 - Working capital used for operations
 - Fixed assets as well as production machinery and equipment are excluded
 - Eligible working capital costs incurred three months prior to submission of loan application will count toward either the loan amount or, if applicable, the matching investment requirement.
 - Retail/service enterprises are able to incur eligible working capital costs up to six months prior to submission of the loan application.
 - Evidence of eligible working capital costs incurred equal to the project cost will be required prior to disbursement.



STATE OF PENNSYLVANIA

COVID-19 Working Capital Access (“CWCA”) - (Cont):

- Loan Amounts, Matching Investment, Job-Requirements
 - The maximum loan amount of \$100,000
 - No match is required except for retail/service enterprises in which case the CWCA program is able to finance 50% of eligible working capital costs up to \$100,000
 - No job retention/creation requirements
- Interest Rates and Terms
 - The interest rate will be set by the PIDA Board
 - Loan terms are three years with a 12-year amortization.
 - No payments will be due and payable during the first year.
 - Principal, and if applicable, interest payments will be due monthly for years two and three
 - A balloon payment will be due and payable at the end of the third year.



STATE OF PENNSYLVANIA

COVID-19 Working Capital Access (“CWCA”) - (Cont):

- Collateral and Guarantees
 - A blanket lien will be required on all current and future business assets at the highest position possible.
 - A guarantee by any individual or entity with greater than 20% ownership will be required.
- Ineligible Activates
 - Payments to owners, partners or shareholders of the eligible business deemed a loan repayment, dividend distribution, return of capital, loans, or similar distributions.
 - Finance a project located outside the boundaries of the Commonwealth.
- Restrictions
 - The borrower and its principles must be current in payment of all applicable federal, state and local taxes.
 - The borrower, its principals and officers must disclose any potential conflicts of interest with any official or employees of the Department or the CEDO, which is submitted the application on behalf of the borrower.
- Supplemental Application Information
 - In addition to the Electronic Single Application for Assistance (“ESA”), a list of eleven financial, operational and compliance items must be submitted.



CITY OF PHILADELPHIA

Philadelphia COVID-19 Small Business Relief Fund is designed for immediate relief by providing grants and zero-interest loans to Philadelphia businesses negatively impacted by COVID-19.

- The goals of the program include:
 - Helping small businesses survive the COVID-19 crisis
 - Retaining employment and helping small businesses continue to pay employees
 - Helping business avoid predatory lenders
 - Maintaining the provisions of goods and services available to Philadelphia residents
- The program includes the following three programs:
 - Microenterprise Grant
 - Eligible business: Annual revenue under \$500,000
 - Amount Available: \$5,000 grant
 - Documents required for application: Signed tax return to confirm annual revenue



CITY OF PHILADELPHIA

Philadelphia COVID-19 Small Business Relief Fund – (Cont):

- Small Biz Grant
 - Eligible business: Annual revenue between \$500,000 - \$3 Million
 - Amount available: \$25,000 grant
 - Documents required for application:
 - Signed Tax Return
 - 2019 Financial Statements
 - Verification of cash flow needs
 - Proof of insurance
 - A description of the impact COVID-19 had on business.
 - Recovery plan
- Small Biz Zero-Interest Loan
 - Eligible business: \$3 million - \$5 million
 - Amount available: \$25,000 - \$100,000 loan
 - Documents required for application: Same as Small Biz Grant
 - No collateral requirements
- One application for all three programs



CITY OF PHILADELPHIA

Philadelphia COVID-19 Small Business Relief Fund – (Cont):

- The following priorities will be considered when awarding the grants and loans:
 - The number of jobs that a business maintains during a normal business cycle prior to the outbreak of Covid-19
 - A loss of 50% or more of revenue due to the Covid-19 outbreak.
 - Strong chance of remaining open post the COVID-19 pandemic
 - Loss of revenue due other matters than COVID-19, such as recent public works projects (i.e. water main breaks, utility repairs or other similar projects).
 - Provides jobs to low-income individuals and/or is located in high poverty areas.
 - Business has been operating for two or more years
 - For sole proprietors/independent contractors, priority will be given to those located in high poverty areas and/or sustain multiple sub-contractors during normal business (pre-Covid-19)

