

April 2, 2020

CARES Act Key Provisions Overview

To provide you with key information as you make these critical decisions, we've reviewed the Coronavirus Aid, Relief and Economic Security Act (the "CARES Act"), the largest economic stimulus package in US history, providing \$2 trillion in emergency relief. The following is an overview of the key provisions.

There are two loan programs available under the CARES Act that you may want to consider. Note that applicants are prohibited from receiving both loans to **cover the same expenses**; however, applicants may receive both types of loans to **cover separate expenses**.

Paycheck Protection Program ("PPP") Loans

- **Eligibility:** Most businesses with under 500 employees will qualify for these emergency loans. Click [here](#) for SBA size standards and other FAQs.
- **Maximum interest rate:** The interest rate will be 100 basis points or 1%.
- **Maximum loan amount:** approximately 2.5 x average monthly payroll expenses. Click [here](#) to see maximum loan calculation.
- **Fees:** Waived annual fees
- **Term:** 2 years, with payments deferred for 6 months to a year after the loan is issued (While the Act provides that a loan will have a maximum maturity of up to ten years from the date the borrower applies for loan forgiveness (described below), the Administrator, in consultation with the Secretary, determined that a two year loan term is sufficient in light of the temporary economic dislocations caused by the coronavirus.)
- **Collateral:** No collateral or personal guarantee
- **Use of funds:**
 - Payroll costs (excluding individual employee compensation over \$100,000)
 - Group health care benefits
 - Payment of interest on mortgage obligations
 - Rents/leases
 - Utilities
- **Forgiveness**
 - Borrowers are eligible for forgiveness of PPP loans to the sum of payroll costs, mortgage interest, rent payments, and utility payments made by the borrower during the 8-week period beginning on the date of the origination of the Loan.
 - Forgiveness amounts will be considered canceled indebtedness by a lender and are not deemed income to the borrower.
 - The amount of forgiveness available to the borrower will be reduced by both (1) a percentage related to the number of employees laid off during the such 8-week period, and (2) an amount related to reductions in salaries and wages of employees in excess of 25% during the 8-week period (with a cure for salaries and wages restored by June 30, 2020).
 - Borrowers must provide their lenders with complete documentation of the calculation of their forgiveness amounts.
 - Loan forgiveness must be applied for. Lender has 60 days from receipt of application to decide on forgiveness.
- **Turnaround:** Faster than a 7(a) loan — lenders don't have to wait for SBA approval
- Click [here](#) for the PPP application

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Economic Injury Disaster Loan (EIDL)

Relevant Eligible Entities and Eligibility

- **Eligibility:**
 - Businesses with less than 500 employees
 - The entity must be located in a declared disaster area and have suffered “substantial economic injury” as a direct result of COVID-19. The entity must have also been in business for at least a year, which may be waived in some cases, but minimally, before January 31, 2020.
- **Advance:** The applicant can request an advance of up to \$10,000. The SBA will provide this within three days of receiving the application. The advance does not need to be repaid, even if the loan is denied.
 - If the applicant is approved for a Payroll Protection Program (PPP) loan, the amount forgiven under PPP is reduced by the amount advanced from the EIDL
- **Personal Guaranty:** Not required on loans and advances <\$200k.
- **Collateral:** Required for loans more than \$25k
- **Interest Rate:** 3.75%
- **Maximum Term:** 30 years

Allowed Uses of Funds

- Working capital
- Providing paid sick leave to employees unable to work directly due to COVID-19
- Payroll
- Meeting increased costs to obtain materials because of interrupted supply chains
- Making rent or mortgage payments
- Repaying obligations that cannot be met due to revenue losses

Where to Apply

- Click [here](#)

Disclaimer

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