

Small Business Administration

Paycheck Protection Program

As of March 31, 2020

The stimulus bill passed by Congress and signed by the President last week contains a number of opportunities for business to receive financial support if their operations are impacted by COVID-19. One of those that may be of interest to the Logging and Wood Supply segments is the Paycheck Protection Act.

This information was developed by Innovative Natural Resource Solutions LLC for our clients and friends, using publicly available information. Please be sure to consult your attorney and / or financial advisory prior to entering into any contracts, and be aware that terms of any loan should be carefully reviewed.

What is the SBA Paycheck Protection Program?

Title 1 of the Coronavirus Aid, Relief, and Economic Security (CARES) Act is the Keeping American Workers Paid and Employed Act, which provides relief for small businesses and their employees who are affected by the outbreak of COVID-19;

The key program is the “Paycheck Protection Program,” an emergency lending tool, administered by the Small Business Administration (SBA) under its existing 7(a) lending program, to provide loans to small business on favorable terms to borrowers impacted by the economic uncertainty brought about because of the pandemic;

There is roughly \$350 billion set aside for this program – it is the largest program targeted toward small businesses in the CARES Act;

The Paycheck Protection Program has two main goals:

- Help small businesses cover immediate and near-term operating expenses, and
- Provide an incentive for employers to retain employees.

How does the Paycheck Protection Program Work?

The program provides small businesses with 500 or fewer employees with federally insured, partially forgivable loans that can be used to cover operating expenses:

Maximum loan is 250% of the employer’s monthly payroll costs, or \$10 million (whichever is less);

Payroll costs include wages, salaries, retirement contributions, healthcare benefits and contributions to retirement;

The program has a number of attractive features for borrowers, including:

- Six to twelve months of deferred payments

Waiver of loan application and processing fees

Streamlined application and approval process;

Most importantly, the Paycheck Protection Program has a loan forgiveness feature:

This effectively turns some of the loan into a grant that does not need to be repaid

Loan forgiveness equivalent to the sum spent on qualifying expenses

Payroll

Rent

Utilities

Mortgage interest payments;

To qualify for loan forgiveness, borrowers must:

Maintain their pre-crisis level of full-time equivalent employees (or face a reduction in forgiveness proportional to the reduction in headcount);

Because some businesses have already been forced to make staffing reductions in response to shrinking markets and lost revenues, the legislation includes a provision that allows those companies to qualify for loan forgiveness if they have re-hired back to pre-crisis levels by June 30, 2020;

Borrowers do not need to show economic harm, but do need to certify that:

The current economic conditions created by COVID-19 necessitate a loan to support ongoing business operations;

The funds will be used to maintain payroll and other covered expenses;

Loan terms:

10-year maturity;

Interest not to exceed 4%;

Deferral of any payments for 6-12 months (when coupled with loan forgiveness provisions, this may mean some entities never make a payment);

Lenders are expected to prioritize loans to small business and companies in rural areas, which describes most forest industries;

Applications are through banks and other financial institutions that administer Small Business Administration loans. Check with your bank or financial institution to see if they can assist with this loan process.

As of March 31, 2020, rules for banks making these loans are still in development. It is anticipated that these loans will be available in the near future, and companies are encouraged to reach out to their banks as soon as possible if they want to learn more about this opportunity.

SCTPA Comments: The Small Business Administration can be accessed directly on the SCTPA website www.scloggers.com. Click on the Small Business Administration box and it'll go to the SBA home page. There you will see the Coronavirus relief for disaster loan at the top. The Paycheck Protection Program can be accessed by clicking Funding Programs and the Paycheck Protection Program will be shown and click on that to proceed.