



*BUCKLEY KING*

# CORONAVIRUS: SBA PAYCHECK PROTECTION PLAN: DEFINITELY BUSINESS “UNUSUAL”

April 3, 2020

Presented by:  
Frank P. Nagorney  
[nagorney@buckleyking.com](mailto:nagorney@buckleyking.com)  
216-685-4784

# CORONAVIRUS AID, RELIEF, AND ECONOMIC SECURITY ACT (CARES)

## AGENDA

- SBA Paycheck Protection Plan
  - Loan Amount
  - Application Form and required information
  - Debt Forgiveness

Presented by:  
Frank P. Nagorney

*BUCKLEY KING*

# CARES

## Paycheck Protection

### UPDATED SBA GUIDANCE FOR PAYCHECK PROTECTION PROGRAM

- Applications now being accepted for small businesses and sole proprietors!
- Independent contractors and self-employed individuals can apply starting April 10, 2020
- Apply through any existing SBA lender, FDIC insured institutions, credit unions, and Farm Credit System institutions; more to come
  - **Note:** Banks likely will give priority to existing customers
- 7(a) loans up to \$10,000,000 per company
- **Note:** Lenders may have their own application form and documentation requests, such as payroll tax reports, and financial statements and tax returns of the business and 20%+ owners

# CARES

## Paycheck Protection

### UPDATED SBA GUIDANCE FOR PAYCHECK PROTECTION PROGRAM

- Loan amount is based upon eight weeks of prior year average payroll times 2.5
  - Note: It is not entirely clear if only W-2 compensation is included in the base, or if fringe benefits, 1099 payments to individuals, and owner compensation in the form of guaranteed payments, also are to be included.
- Two year term
- 0.5% interest rate
- Loan payments will be deferred for six months
- No collateral
- No personal guarantees
- No lender or SBA fees charged to the borrower

### UPDATED SBA GUIDANCE FOR PAYCHECK PROTECTION PROGRAM


- Use of Loan Proceeds during eight week “cover period”:
- Payroll costs, including benefits;
- Interest on mortgage obligations incurred prior to February 15, 2020
- Rent on leases in force before February 15, 2020
- Utilities for which service began before February 15, 2020
- **Note:** It is anticipated that not more than 25% of the forgiven amount may be for non-payroll costs due to expected high demand for funding

### UPDATED SBA GUIDANCE FOR PAYCHECK PROTECTION PROGRAM

- What counts as payroll costs:
- Salary, wages, commissions, tips (capped at \$100,000 on an annualized basis for each employee)
  - Employee benefits (vacation, parental, family, medical, or sick leave)
  - Severance payments
  - Group health care benefits including insurance premiums
  - Retirement benefits
  - State and local taxes on compensation
  - For a sole proprietor or independent contractor: wages, commissions, income, or net earnings from self-employment, capped at \$100,000 on an annualized basis for each employee
  - **Note:** is the same definition used in determining loan amount?

### UPDATED SBA GUIDANCE FOR PAYCHECK PROTECTION PROGRAM

- Underwriting:
  - Lenders are not to determine repayment ability
  - Was the business operational on February 15, 2020?
  - Did the business have paid employees or independent contractors on that date?
  - Lenders will ask for payroll tax returns, W-2s, 1099s, federal income tax returns and financial statements for the business and its 20%+ owners.

 **Paycheck Protection Program Application Form** OMB Control No.: 3245-0407  
Expiration Date: 09/30/2020

<b>Non-Profit</b> <input type="checkbox"/> <b>Vet Org</b> <input type="checkbox"/> <b>Tribal</b> <input type="checkbox"/> <b>Ind. Cont.</b> <input type="checkbox"/> <b>Self Employed</b> <input type="checkbox"/>		<b>DBA or Tradename if applicable</b>	
<b>Business Legal Name</b>			
<b>Business Primary Address</b>		<b>Business TIN (EIN,SSN)</b>	<b>Business Phone</b>
		( ) -	
		<b>Primary Contact</b>	<b>Email Address</b>

Average Monthly Payroll:	\$	X 2.5 equals Loan Amount:	\$	Number of Jobs:	
Purpose of the loan (select more than one):					
<input type="checkbox"/> Payroll <input type="checkbox"/> Rent / Mortgage Interest <input type="checkbox"/> Utilities <input type="checkbox"/> Other (explain):					

**Applicant Ownership**

List all owners of Applicant with greater than 20% ownership stakes. Attach a separate sheet if necessary.

Owner Name	Title	Ownership %	TIN (EIN,SSN)	Address

*If questions (1) or (2) below are answered "Yes," the loan will not be approved.*

Question	Yes	No
1. Is the Business or any owner presently suspended, debarred, proposed for debarment, declared ineligible, voluntarily excluded from participation in this transaction by any Federal department or agency, or presently involved in any bankruptcy?	<input type="checkbox"/>	<input type="checkbox"/>
2. Has the Business, any of its owners, or any business owned or controlled by any of them, ever obtained a direct or guaranteed loan from SBA or any other Federal agency that is currently delinquent or has defaulted in the last 7 years and caused a loss to the government?	<input type="checkbox"/>	<input type="checkbox"/>
3. Is the Business or any owner an owner of any other business or have common management with any other business? If yes, attach a listing of all Affiliates and describe the relationship as addendum A.	<input type="checkbox"/>	<input type="checkbox"/>
4. Has the Business received an SBA Economic Injury Disaster Loan between January 31, 2020 and April 3, 2020? If yes, provide details on a separate sheet identified as addendum B.	<input type="checkbox"/>	<input type="checkbox"/>

*Applicants who are individuals and all 20% or greater owners of the business must answer the following questions. If questions (5) or (6) are answered "Yes" or question (7) is answered "No," the loan will not be approved.*

Question	Yes	No
5. Are you presently subject to an indictment, criminal information, arraignment, or other means by which formal criminal charges are brought in any jurisdiction, or presently incarcerated, on probation or parole?  Initial here to confirm your response to question 5 →	<input type="checkbox"/>	<input type="checkbox"/>
6. Within the last 7 years, for any felony or misdemeanor for a crime against a minor, have you: 1) been convicted; 2) pleaded guilty; 3) pleaded nolo contendere; 4) been placed on pretrial diversion; or 5) been placed on any form of parole or probation (including probation before judgment)?  Initial here to confirm your response to question 6 →	<input type="checkbox"/>	<input type="checkbox"/>
7. <input type="checkbox"/> I am a U.S. Citizen <b>OR</b> <input type="checkbox"/> I have Lawful Permanent Resident status <input type="checkbox"/> No  Initial here to confirm your response to question 7 →	<input type="checkbox"/>	<input type="checkbox"/>





## Paycheck Protection Program Application Form

OMB Control No.: 3245-0407  
Expiration Date: 09/30/2020

### By Signing Below, You Make the Following Representations, Authorizations, and Certifications

#### REPRESENTATIONS AND AUTHORIZATIONS

I represent that:

- I have read the Statements Required by Law and Executive Order included in this form, and I understand them.
- I will comply, whenever applicable, with the civil rights and other limitations in this form.
- All SBA loan proceeds will be used only for business related purposes as specified in the loan application.
- To the extent feasible, I will purchase only American-made equipment and products.
- The Applicant is not engaged in any activity that is illegal under federal, state or local law.

For Applicants who are individuals and all Associates: I authorize the SBA to request criminal record information about me from criminal justice agencies for the purpose of determining my eligibility for programs authorized by the Small Business Act, as amended.

#### CERTIFICATIONS

The Business and each 20% or greater owner must certify in good faith to all of the below by **initialing** next to each one:

- \_\_\_\_ Current economic uncertainty makes this loan request necessary to support the ongoing operations of the Applicant.
- \_\_\_\_ The funds will be used to retain workers and maintain payroll or make mortgage payments, lease payments, and utility payments; I understand that if the funds are used for unauthorized purposes, the federal government may pursue criminal fraud charges.
- \_\_\_\_ Documentation verifying the number of full-time equivalent employees on payroll as well as the dollar amounts of payroll costs, covered mortgage interest payments, covered rent payments, and covered utilities for the eight week period following this loan will be provided to the lender.
- \_\_\_\_ Loan forgiveness will be provided for the sum of documented payroll costs, covered mortgage interest payments, covered rent payments, and covered utilities. Due to likely high subscription, it is anticipated that not more than twenty-five percent (25%) of the forgiven amount may be for non-payroll costs.
- \_\_\_\_ During the period beginning on February 15, 2020 and ending on December 31, 2020, the Applicant has not and will not receive another loan under this program.
- \_\_\_\_ I further certify that the information provided in this application and the information that I have provided in all supporting documents and forms is true and accurate. I realize that knowingly making a false statement to obtain a guaranteed loan from SBA is punishable under 18 USC 1001 and 3571 by imprisonment of not more than five years and/or a fine of up to \$250,000; under 15 USC 645 by imprisonment of not more than two years and/or a fine of not more than \$5,000; and, if submitted to a Federally insured institution, under 18 USC 1014 by imprisonment of not more than thirty years and/or a fine of not more than \$1,000,000.
- \_\_\_\_ I acknowledge that the lender will calculate the eligible loan amount using tax documents I have submitted. I affirm that these tax documents are identical to those I submitted to the IRS. I also understand, acknowledge and agree that the Lender can share the tax information with SBA's authorized representatives, including authorized representatives of the SBA Office of Inspector General, for the purpose of compliance with SBA Loan Program Requirements and all SBA reviews.

\_\_\_\_\_  
Signature of Authorized Representative of Business

\_\_\_\_\_  
Date

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Title

\_\_\_\_\_  
Signature of Owner of Applicant Business

\_\_\_\_\_  
Date

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Title



## Paycheck Protection Program Application Form

OMB Control No.: 3245-0407  
Expiration Date: 09/30/2020

### Purpose of this form:

This form is to be completed by the Applicant and all individuals identified below and submitted to your SBA Participating Lender. Submission of the requested information is required to make a determination regarding eligibility for financial assistance. Failure to submit the information would affect that determination.

### Instructions for completing this form:

For purposes of calculating "Average Monthly Payroll", most Applicants will use the average monthly payroll for 2019, excluding costs over \$100,000 on an annualized basis for each employee. For seasonal businesses, the Applicant may elect to instead use average monthly payroll for the time period between February 15, 2019 and June 30, 2019, excluding costs over \$100,000 on an annualized basis for each employee. For new businesses, average monthly payroll may be calculated using the time period from January 1, 2020 to February 29, 2020, excluding costs over \$100,000 on an annualized basis for each employee.

The first section and questions 1-4 request information about the Business. Questions 5-7 are to be completed, signed and dated by each applicant who is an Individual as well as each 20% or greater owner of an Applicant Business. All parties listed below are considered owners of the Applicant Business as defined in 13 CFR § 120.10, as well as "principals."

- For a sole proprietorship, the sole proprietor;
- For a partnership, all general partners, and all limited partners owning 20% or more of the equity of the firm;
- For a corporation, all owners of 20% or more of the corporation;
- For limited liability companies, all members owning 20% or more of the company; and
- Any Trustor (if the Applicant is owned by a trust).

**Paperwork Reduction Act** – You are not required to respond to this collection of information unless it displays a currently valid OMB Control Number. The estimated time for completing this application, including gathering data needed, is 8 minutes. Comments about this time or the information requested should be sent to: Small Business Administration, Director, Records Management Division, 409 3rd St., SW, Washington DC 20416, and/or SBA Desk Officer, Office of Management and Budget, New Executive Office Building, Washington DC 20503.

**Privacy Act (5 U.S.C. 552a)** – Under the provisions of the Privacy Act, you are not required to provide your social security number. Failure to provide your social security number may not affect any right, benefit or privilege to which you are entitled. (But see Debt Collection Notice regarding taxpayer identification number below.) Disclosures of name and other personal identifiers are required to provide SBA with sufficient information to make a character determination. When evaluating character, SBA considers the person's integrity, candor, and disposition toward criminal actions. Additionally, SBA is specifically authorized to verify your criminal history, or lack thereof, pursuant to section 7(a)(1)(B), 15 USC Section 636(a)(1)(B) of the Small Business Act (the Act).

**Disclosure of Information:** Requests for information about another party may be denied unless SBA has the written permission of the individual to release the information to the requestor or unless the information is subject to disclosure under the Freedom of Information Act. The Privacy Act authorizes SBA to make certain "routine uses" of information protected by that Act. One such routine use is the disclosure of information maintained in SBA's system of records when this information indicates a violation or potential violation of law, whether civil, criminal, or administrative in nature. Specifically, SBA may refer the information to the appropriate agency, whether Federal, State, local or foreign, charged with responsibility for, or otherwise involved in investigation, prosecution, enforcement or prevention of such violations. Another routine use is disclosure to other Federal agencies conducting background checks but only to the extent the information is relevant to the requesting agencies' function. See, 74 F.R. 14890 (2009), and as amended from time to time for additional background and other routine uses. In addition, the CARES Act, requires SBA to register every loan made under the Paycheck Protection Act using the Taxpayer Identification Number (TIN) assigned to the borrower.

**Debt Collection Act of 1982, Deficit Reduction Act of 1984 (31 U.S.C. 3701 et seq. and other titles)** – SBA must obtain your taxpayer identification number when you apply for a loan. If you receive a loan, and do not make payments as they come due, SBA may: (1) report the status of your loan(s) to credit bureaus, (2) hire a collection agency to collect your loan, (3) offset your income tax refund or other amounts due to you from the Federal Government, (4) suspend or debar you or your company from doing business with the Federal Government, (5) refer your loan to the Department of Justice, or (6) foreclose on collateral or take other action permitted in the loan instruments.

**Right to Financial Privacy Act of 1978 (12 U.S.C. 3401)** – The Right to Financial Privacy Act of 1978, grants SBA access rights to financial records held by financial institutions that are or have been doing business with you or your business including any financial institutions participating in a loan or loan guaranty. SBA is only required provide a certificate of its compliance with the Act to a financial institution in connection with its first request for access to your financial records. SBA's access rights continue for the term of any approved loan guaranty agreement. SBA is also authorized to transfer to another Government authority any financial records concerning an approved loan or loan guarantee, as necessary to process, service or foreclose on a loan guaranty or collect on a defaulted loan guaranty.



## Paycheck Protection Program Application Form

OMB Control No.: 3245-0407  
Expiration Date: 09/30/2020

**Freedom of Information Act (5 U.S.C. 552)** – Subject to certain exceptions, SBA must supply information reflected in agency files and records to a person requesting it. Information about approved loans that will be automatically released includes, among other things, statistics on our loan programs (individual borrowers are not identified in the statistics) and other information such as the names of the borrowers (and their officers, directors, stockholders or partners), the collateral pledged to secure the loan, the amount of the loan, its purpose in general terms and the maturity. Proprietary data on a borrower would not routinely be made available to third parties. All requests under this Act are to be addressed to the nearest SBA office and be identified as a Freedom of Information request.

**Occupational Safety and Health Act (15 U.S.C. 651 et seq.)** – The Occupational Safety and Health Administration (OSHA) can require businesses to modify facilities and procedures to protect employees. Businesses that do not comply may be fined, forced to cease operations, or prevented from starting operations. Signing this form is certification that the applicant, to the best of its knowledge, is in compliance with the applicable OSHA requirements, and will remain in compliance during the life of the loan.

**Civil Rights (13 C.F.R. 112, 113, 117)** – All businesses receiving SBA financial assistance must agree not to discriminate in any business practice, including employment practices and services to the public on the basis of categories cited in 13 C.F.R., Parts 112, 113, and 117 of SBA Regulations. All borrowers must display the "Equal Employment Opportunity Poster" prescribed by SBA.

**Equal Credit Opportunity Act (15 U.S.C. 1691)** – Creditors are prohibited from discriminating against credit applicants on the basis of race, color, religion, national origin, sex, marital status or age (provided the applicant has the capacity to enter into a binding contract), because all or part of the applicant's income derives from any public assistance program; or because the applicant has in good faith exercised any right under the Consumer Credit Protection Act.

**Debarment and Suspension Executive Order 12549; (2 CFR Part 180 and Part 2700)** – By submitting this loan application, you certify that neither you nor any Associates have within the past three years been: (a) debarred, suspended, declared ineligible or voluntarily excluded from participation in a transaction by any Federal Agency; (b) formally proposed for debarment, with a final determination still pending; (c) indicted, convicted, or had a civil judgment rendered against you for any of the offenses listed in the regulations or (d) delinquent on any amounts owed to the U.S. Government or its instrumentalities as of the date of execution of this certification.

### LOAN FORGIVENESS

- 100% relief if employer maintains payroll during the eight week “covered period”
- Not more than 25% of the forgiven amount may be for non-payroll costs
- Partial forgiveness if staff and payroll is not maintained.
- Reductions made between February 15, 2020 and April 26, 2020 are not taken into account if restored by June 30, 2020
- Lender is to certify borrower documentation presented for debt relief

### OTHER SBA PROGRAMS;

- Economic Injury Disaster Loans.
  - Application Process On-Line Direct to SBA at <https://disasterloan.sba.gov/ela>
  - Loan Limit: \$2,000,000
  - Interest Rate: 3.75%
  - Term: Up to 30 years
  - Emergency Grant for \$10,000 advance to eligible applicants
- 7(a) Debt Relief:
  - SBA will pay the principal and interest of **new 7(a) loans** issued prior to September 27, 2020.
  - will pay the principal and interest of **current 7(a) loans** for a period of six months.



*BUCKLEY KING*

Buckley King is a solutions-driven law firm and strives to provide outstanding client experiences based upon value, quality, efficiency and thought leadership. Our attorneys advise on:

- Business and corporate law
- Commercial finance
- Commercial transactions
- Governance
- Intellectual property
- Labor and employment
- Real estate and construction
- Commercial and business litigation
- Bankruptcy and workouts
- Governmental and *public law*
- Domestic relations and family law
- Tax and tax controversy