

COVID Relief for Small Businesses

Forgivable SBA Paycheck Protection Plan Loans

The Department of Treasury has issued guidance for the Small Business Administration's Paycheck Protection Program ("PPP"). The PPP is one of the best programs for quickly getting money to Small Businesses. Although it is technically a loan, it is ***forgivable*** provided that Companies:

1. Use Loan Proceeds for Payroll, Mortgage, Rent and/or Utilities expenses, and
2. The Small Business doesn't reduce headcount or wages more than 25% over the Next 8 weeks.



Loan size is determined by multiplying 2.5 times the average monthly payroll, in the aggregate, for all jobs provided by the Company. These jobs can include employees, and independent contractors. The calculation maxes out at \$8,334 per employee. For a 5-Employee business, the loan size could be as large as \$104,175. Again, completely forgivable if used for payroll, mortgage, rent and/or utilities if employees are retained. Otherwise, repayable in 2 years at 6% interest.

Each business can only apply once, and each employee can only be counted under one applicant. There is still some question about how an individual owner's various affiliations will be calculated and how ownership is defined and in what percentages. For VC-backed companies, the analysis can be complex because of multiple affiliations and ranges of rights, preferences and privileges like "veto-rights," "blocking rights," "voting rights," "warrants," "options," "profits interests," "participation rights," and "non-dilution clauses" impact the reporting of ownership percentages and affiliations.

Applications are available from the SBA online. Completed applications are processed by local SBA-lenders, like Wells Fargo, Bank of America and US Bank.

Economic Injury Disaster Loans

Small business owners can apply for Economic Injury Disaster Loans of up to \$10,000. The EIDLs provide working capital to help them overcome temporary revenue losses. Funds are available within 3-days of an accepted application. Short, one-page applications are made online via the SBA's website. Although described as loans, they are actually grants and need not be repaid.



Contact **Stuart Hays, Esq.** at **650-520-9771**, stuart@transbaylaw.com for answers about the SBA Payroll Protection Plan and check with your accountant and other advisors to obtain advice with respect to any particular issue or problem, and you should not act or refrain from acting based on the contents of these materials. Use of these materials does not create an attorney-client relationship between you and Transbay Law Group, PC.