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# Coronavirus Relief Loans Resources For Business Owners.

**Disclaimer:** This content is a combination of multiple information Venturezen gathered through various webinar, and other public sources. Our goal is to help our clients and prospect to better navigate through this process by providing the information below.

## I. Phase III: Coronavirus Aid, Relief and Economic Security Act (the "CARES Act")

The Coronavirus Aid, Relief, and Economic Security (CARES) Act allocated \$350 billion to help small businesses keep workers employed amid the pandemic and economic downturn. Known as the Paycheck Protection Program, the initiative provides 100% federally guaranteed loans to small businesses.

Importantly, these loans may be forgiven if borrowers maintain their payrolls during the crisis or restore their payrolls afterward.

The administration soon will release more details including the list of lenders offering loans under the program.

Below is a summary of key details related to business owner relief as part of "Phase III." Many details are yet to be finalized\*\*

Type: Small Business Interruption Loans (i.e., forgivable loans related to COVID-19)

### Eligibility:

- Businesses (including sole props & self-employed) & nonprofits except those with Medicaid funds and
  - with fewer than 500 employees (subject to the limited exceptions); or
  - that meet the Small Business Administration's ("SBA") industry- based "size standard" requirements for the applicable NAICS code (based either on number of employees or annual receipts)
- Must have been "substantially affected by COVID-19," which are described as:
  - supply chain disruptions
  - staffing challenges.
  - a decrease in sales or customers; or
  - shuttered businesses

### Loan Duration & Amount:

- With a maximum maturity of 10 years, the amount to be the lesser of (a) \$10 million or (b) 2.5 multiplied by the average total monthly payments by the applicant for payroll, mortgage payments, rent payments, and payments on any other debt obligations incurred during the 1 year period before the date on which the loan is made. Note (b) above is different for newer companies or those with seasonal employees.

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### Allowable Use:

- Payroll support (up to \$100k annual salary), including paid sick, medical, or family leave, and costs related to the continuation of group health care benefits during those periods of leave.
- Employee salaries.
- Mortgage payments
- Rent (including rent under a lease agreement)
- Utilities; and any other debt obligations that were incurred before the covered period

### Loan Forgiveness:

- An eligible recipient shall be eligible for forgiveness of indebtedness in an amount equal to the cost of maintaining payroll continuity and other allowable costs during the covered period (8 weeks from loan origination). The borrower shall submit to the lender an application, which shall include documentation verifying the number of full-time equivalent employees on payroll and the other costs included in "Allowable Use:"
  - payroll tax filings reported to the Internal Revenue Service
  - state income, payroll, and unemployment insurance filings.
  - financial statements verifying payment on debt obligations incurred before the covered period; and
  - any other necessary documentation to be determined

NOTE: The amount of any loan forgiveness will be reduced by any reductions in employee wages (in excess of 25% for any employee) or a reduction in the number of employees during the covered period.

How do I calculate my average monthly?

<b>Sum of INCLUDED payroll costs MINUS sum of EXCLUDED payroll costs EQUAL PAYROLL COSTS</b>
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Taxability: Canceled indebtedness under this section shall be excluded from gross income

### Other Terms:

- Final rates (which are not to exceed 4%), underwriting standards and other terms & conditions are to be determined
- These loans will be issued by SBA 7(a) lenders<sup>1</sup>

Type: Credit Support for Other Affected Businesses (other than Small Businesses)

### Overview:

- The Secretary of the Treasury (the "Secretary") is given discretion to determine which businesses will be beneficiaries of the credit support but likely to include businesses that would otherwise not qualify for the Small Business Interruption Loans assistance (e.g., businesses with more than 500 employees)

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- The Secretary will be authorized to make loans, guarantees and other investments (e.g., an equity stake or warrants) in support of eligible businesses as well as states and municipalities not to exceed \$500 billion
- An independent oversight committee will oversee the program

### Loan Amount and Terms:

- Maturity not to exceed 5 years. The Secretary is given similar discretion on determining the terms related to rates, underwriting and other terms & conditions. These loans are not forgivable.

### Compensation Limits:

- Businesses that receive loans or guarantees under this provision will be required to agree to certain caps on compensation and severance payments for employees whose compensation exceeded \$425,000 in the 2019 calendar year. Employees with compensation exceeding \$425,000 will be capped at the 2019 levels and any severance pay is not to exceed twice the maximum compensation received in 2019.
- For officers or employees who earned more than \$3 million in 2019 annual salary, their compensation would be capped at \$3 million plus 50% of the amount exceeding \$3 million in 2019 (example an individual earned \$5 million in 2019 would be capped at \$3 million+ 50% x (\$5 million - \$3 million)= \$4 million cap) These caps will be in place for the period while the loan is outstanding plus an additional 12 months

### Buybacks & Dividends:

- Companies may not conduct stock buybacks nor provide dividends nor capital distributions to investors while the loan is outstanding plus an additional 12 months

### Employment Levels:

- Until September 30, 2020, companies are to maintain levels of employment as of March 24, 2020 to the extent that is practical and in no case is the company to reduce employment by more than 10%

## **II. SBA Economic Injury Disaster Loan Program:**

Phase II" relief for business owners. Please note that this program is different than the program in "Phase III" and that participating in this program may make the borrower ineligible for participating in the "Phase III" program.

### **Loan Size: Up to \$2,000,000**

Who is eligible:

- Small businesses, including ESOPs, and non-profits affected by the coronavirus in presidential and SBA-declared disaster areas (list is updated regularly)

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### Interest rate:

- 2.75% for nonprofits
- 3.75% for small businesses

### Term length:

- Will vary, but up to 30 years

### Usage:

- Accounts payable, fixed debts, payroll, and other bills due to the virus

### What you'll need to provide:

- Supporting documentation could include the business's most recent tax returns, a personal financial statement and a schedule of liabilities that lists all your current debts.

Note: These loans are issued by the government and not by Venturezen. However, the process may take considerable time as details are not yet finalized. Some business owners may wish to seek traditional SBA 11 7(a) 11 loans<sup>1</sup> at higher rates to potentially receive funding faster.

### III. C-19 Microloan:

#### **Loan Size: Up to \$50,000**

#### Who is eligible:

- Small businesses, including ESOPs, and non-profits affected by the coronavirus in presidential and SBA-declared disaster areas (list is updated regularly)

#### Interest rate:

- Prime + 1%
- Prime rate is currently at 3.25% as 3/30/2020

#### Term length:

- 1 Year Term with 10-year amortization to keep payment low

#### Usage:

- To help cover shortfalls in your payroll rent, utilities and insurance payment due to COVID-19

#### What you'll need to provide:

- Supporting documentation could include the business's most recent tax returns, a personal financial statement and a schedule of liabilities that lists all your current debts.

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Minimum credit Score:

- 680 FICO

#### **IV. C-19 Working Capital Loan:**

**Loan Size: Up to \$150,000**

Who is eligible:

- Small businesses, including ESOPs, and non-profits affected by the coronavirus in presidential and SBA-declared disaster areas (list is updated regularly)

Interest rate:

- Rate depends on your business and personal credit history it will be between prime +2.75-6.0%

Payback term:

- 10-years

Usage:

- To help cover shortfalls in your payroll rent, utilities and insurance payment due to COVID-19

What you'll need to provide:

- Supporting documentation could include the business's most recent tax returns, a personal financial statement and a schedule of liabilities that lists all your current debts.

Minimum credit Score:

- 680 FICO

#### **For additional information:**

Please contact us at (213)455-4753 or email us at [inquiries@venturezen-us.com](mailto:inquiries@venturezen-us.com)

\*\*Source: Congress.gov , SBA, and CDC.

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