



FOOD VENTURE FINANCING NEWS

MARCH 30, 2020

Several public sector financing options to help food & beverage businesses through the short term were created or modified by the CARES Act, which was passed by both houses of Congress and was signed into law on Friday, March 27th. It is important to note that these provisions will be subject to rulemaking by the Small Business Association (SBA) over the next few weeks, so there will be additional information about the program, and these provisions may ultimately change as a result.

Paycheck Protection Program

A key component of the CARES ACT is an additional \$349 billion authorized to be distributed by the Small Business Association's loan program. This is on top of the \$25 billion previously authorized. A few key points:

- **Eligible Borrowers:** Businesses with 500 or fewer employees (this limitation is exempted for businesses with NAICS code 72, including the hospitality and restaurant industry).
- **Loan Amount:** 2.5 times the business's average monthly payroll costs, capped at \$10 million.
- **Allowable Uses:** Includes payroll costs, salaries, insurance premiums, and mortgage interest, rent and utility payments.
- **Payment Deferral and Loan Forgiveness:** Loan payments will be deferred for 6-12 months. The loans will be forgiven (and excluded from gross income) to the extent funds are spent on allowable uses during the 8-week period after origination. The amount forgiven will be reduced to the extent there are employee cuts and/or wage reductions.

- **Unforgiven Amounts:** Portions of loans not forgiven are payable over a maximum of 10 years at a maximum of 4% interest.
- **Unsecured:** The loans are nonrecourse and will not require a personal guaranty or collateral.

Economic Injury Disaster Loans (EIDL)

As of January 31, 2020, the Coronavirus was a "declared disaster" in every state, enabling small businesses to apply for an EIDL.

- These loans provide working capital of up to \$2 million to help overcome temporary loss of revenue.
- The interest rate is capped at 43.75%, with repayment terms of up to 30 years.
- Pursuant to the CARES Act, the SBA will waive (i) any personal guarantee on loans below \$200,000, (ii) the requirement that the applicant is unable to find credit elsewhere and (iii) the requirement that an applicant needs to have been in business for the 1-year period before the declared disaster.
- In addition, the CARES ACT authorizes the SBA to approve and offer EIDL loans based solely on an applicant's credit score, or use an alternative appropriate alternative method for determining applicant's ability to repay.

SBA Express Loan

The SBA also offers an "Express Loan" pursuant to which it offers accelerated review.

The CARES Act increased the maximum loan amount to \$1 million.

Capital can be in the form of either a term loan or line of credit.

There are also new relief options available to existing borrowers under SBA 504 loans and other programs.

These (and other) options are rapidly evolving in the current environment. Please feel free to reach out with any questions. Thank you.

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