



SUPPORTING HARD-HIT SMALL AND MID-SIZED BUSINESSES

New Proposals from U.S. Senators Todd Young (R-Ind.) and Michael Bennet (D-Colo.)

Part I: Fix to Existing PPP Covered Period/Forgiveness for Hardest-Hit Businesses

- Eligibility:
 - Non-publicly traded businesses that have received PPP assistance, with fewer than 500 employees.
 - Self-certify they have suffered revenue losses of more than 25% during the 8-week covered period under PPP, as compared to an 8-week period a year ago or the 8-week period that immediately preceded February 15, 2020.

- Benefit:
 - Eligible businesses may extend the 8-week covered period to 16 weeks.
 - This extension will not allow eligible businesses to borrow additional funds through PPP but would instead allow these businesses additional time to deploy existing PPP funds and to receive corresponding loan forgiveness.

Part II: RESTART Program

Loan Terms/Amount/Eligibility:

- 7-year loan, capped at 45% of 2019 gross receipts up to \$10 million; 100% federal guarantee for life of the loan, as in PPP program

- Employment cap of 5,000
 - Streamlined procedures for those under 500 employees

- No cap on loan size based on multiple of payrolls

- Self-certify an acute revenue loss to be eligible (e.g. 25% revenue loss for three-month period, year-over-year)

- Appropriate adjustments for fiscal year taxpayers and seasonal businesses
- Interest Rates/Payment Schedule:
 - No principal payments required for 2 years
 - Up to 2 years of additional principal deferral is available if business is certified as economically distressed
 - Fixed interest rate for first 2 Years of 4%
 - No interest payments due for first 12 months
 - Interest only for next 12 months
 - Interest rate for years 3 to 7 is the Applicable Federal Rate (AFR) plus 250 – 450 bps, based on revenue decline
- Origination fee structure:
 - 5% up to \$100,000
 - 4.75% up to \$200,000
 - 4.5% up to \$300,000
 - 4.25% up to \$400,000
 - 4% up to \$500,000
 - 3.75% up to \$600,000
 - 3.5% up to \$700,000
 - 3.25% up to \$800,000
 - 3% up to \$1 million
 - 2.75% up to \$1.25 million
 - 2.5% up to \$1.5 million
 - 2.25% up to \$1.75 million
 - 2% up to \$2 million
 - 1.75% up to \$2.5 million
 - 1.5% up to \$3 million
 - 1.25% up to \$3.5 million
 - 1% up to \$4 million
 - 0.75% up to \$10 million
- Restrictions on dividends/share buybacks/executive compensation for duration of loan (no prepayment penalty; ability to refinance into a private alternative)
 - Special rules for REITs, S-Corps, LLCs w/ K-1s, etc.
 - Limit growth in total firm payments to owners of non-public firms to 5% per year for all owners receiving more than \$100,000 per year as of 2019 or in any subsequent year.
- Cannot participate in other program under sec. 4001/4003 of CARES Act (i.e. ESF/Treasury/Fed programs).
 - Note: Allow for refinance out of Main Street Lending, but no double-dipping
- Publicly traded corporations have access to loans but not forgiveness.

- Allow entities with up to 50% municipal ownership (consistent with PPP rule).

Use of Funds:

- Businesses can borrow to pay for all payroll + benefits + fixed operating costs for next 6 months, based on ½ (either last six months of 2019 or half of total 2019 amount) of aggregate of:
 - Total payroll (up to \$100k per employee)
 - Employee benefits (for both current and furloughed employees)
 - Rent
 - Utilities
 - Mortgage payments on existing mortgages as of February 15, 2020, (forgiveness limited to mortgage interest)
 - Other scheduled debt service, as of February 15, 2020
- Amounts received through PPP and EIDL will be subtracted from the total.

Timing:

- Treasury guidance issued within 15 days of passage
- Loan decisions made within 30 days of application date
- Funds disbursed within 15 days of approval
- Forgiveness is applied for within 2 years of loan origination (i.e., will have 2020 tax returns done by end 2021 and have time to calculate the decline in revenue).

Loan Forgiveness:

- Level of forgiveness based on loss in revenues.
- No requirement to increase staffing beyond what business conditions dictate.
- Smaller (<500 employees) Business Forgiveness:
 - $[1 - (\text{Gross receipts in 2020} / \text{Gross receipts in 2019})] * 0.90 * [(\text{Payroll} + \text{Benefits paid in six month period following loan origination}) + (\text{qualified operating costs paid during six months following origination})]$

OR

- $[1 - (\text{Gross receipts in 2020 for six month period of loan} / \text{Gross receipts in 2019 for equivalent six month period in prior year})] * 0.90 * [(\text{Payroll} + \text{Benefits paid in six month period following loan origination}) + (\text{qualified operating costs paid during six months of loan})]$

- Simpler version:
 - Small Business Forgiveness = Percentage decline in revenues (either year-over-year totals OR 6-months after loan origination vs. 6-months a year earlier) * Haircut factor of 0.90 * (Payroll + Benefits + Operating Costs)
- Larger businesses follow same forgiveness, except for payroll (i.e. benefits and operating costs fully included but not payroll).
- Nonprofits would have access to a loan, but would not be eligible forgiveness. Instead, the loan terms would have a longer duration (e.g. up to 10 years) and/or a lower interest rate.

Example:

Business A (classified as a small business) had payroll + other fixed operating costs in 2019 of:

- \$800,000 for payroll
- \$200,000 for benefits
- \$25,000 for utilities
- \$275,000 for rent
- \$100,000 for other debt service
 - Eligible for a loan of up to \$630,000

Business A takes out a \$500,000 loan

Business A's receipts were \$1.5 million in 2019 and \$900,000 in 2020 (a decline of 40%)

In the six month period following the loan origination, Business A paid:

- \$200,000 for payroll (i.e. half staffed)
- \$100,000 for benefits (i.e. paid six months of benefits for all employees, whether furloughed or not)
- \$200,000 for other fixed operating costs (i.e. full cost)

Business A's forgiveness, as a small business, is: $0.40 * 0.90 * (\$200,000 + \$100,000 + \$200,000)$
 = \$180,000 in forgiveness
 \$320,000 in loan obligation remains

Note: If Business A were a "larger business," forgiveness would appear as follows:

Business A's forgiveness, as a larger business, is: $0.40 * 0.90 * (\$100,000 + \$200,000)$ =
 \$108,000 in forgiveness
 \$392,000 in loan obligation remains