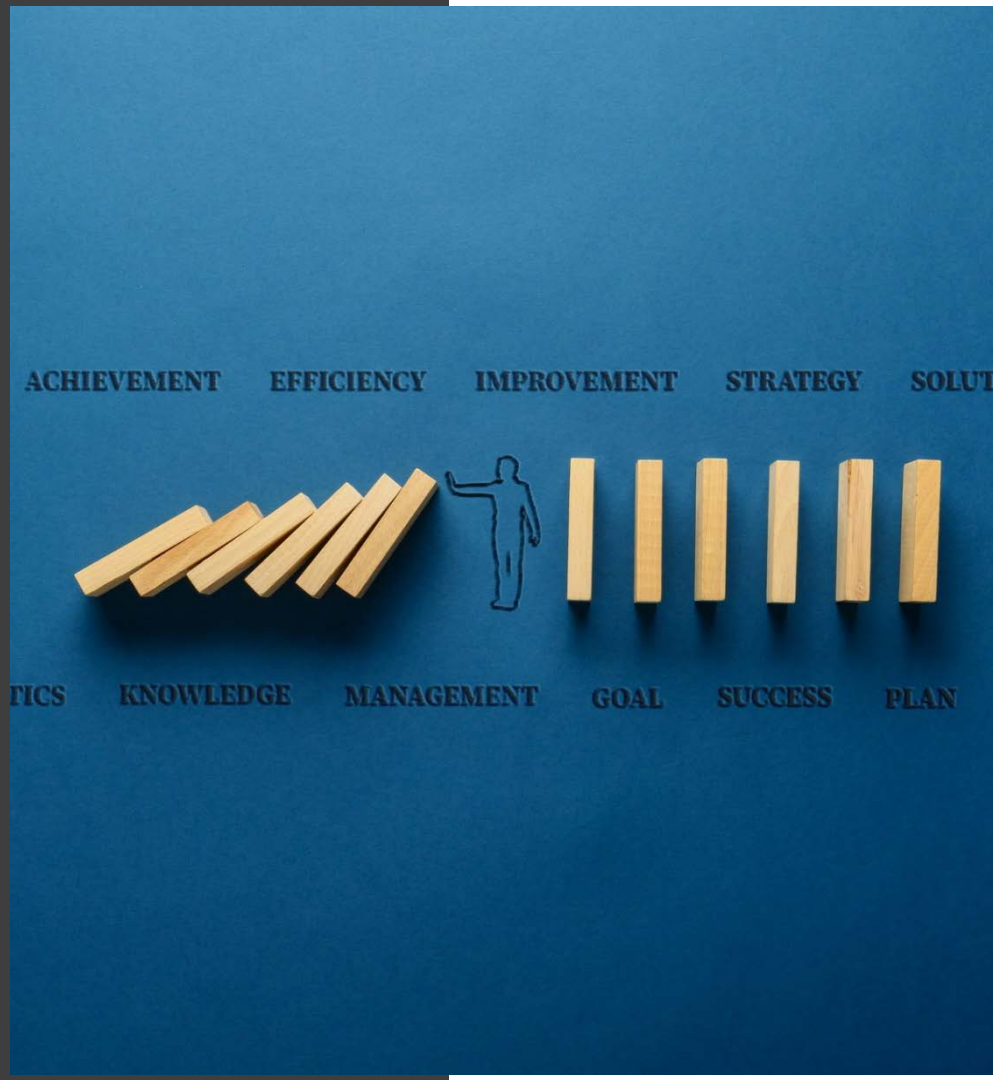
Managing Risk in Uncertain Times



COVID-19 | PROACTIVE ACTION

Proactive Action

To help turn panic into productive and proactive steps, we have outlined two funding options that small business should consider. .

Panelists

Doug Lamm
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SVP | Community Financial Resources
Columbia Bank

Joe Williams
VP | Commercial Banking
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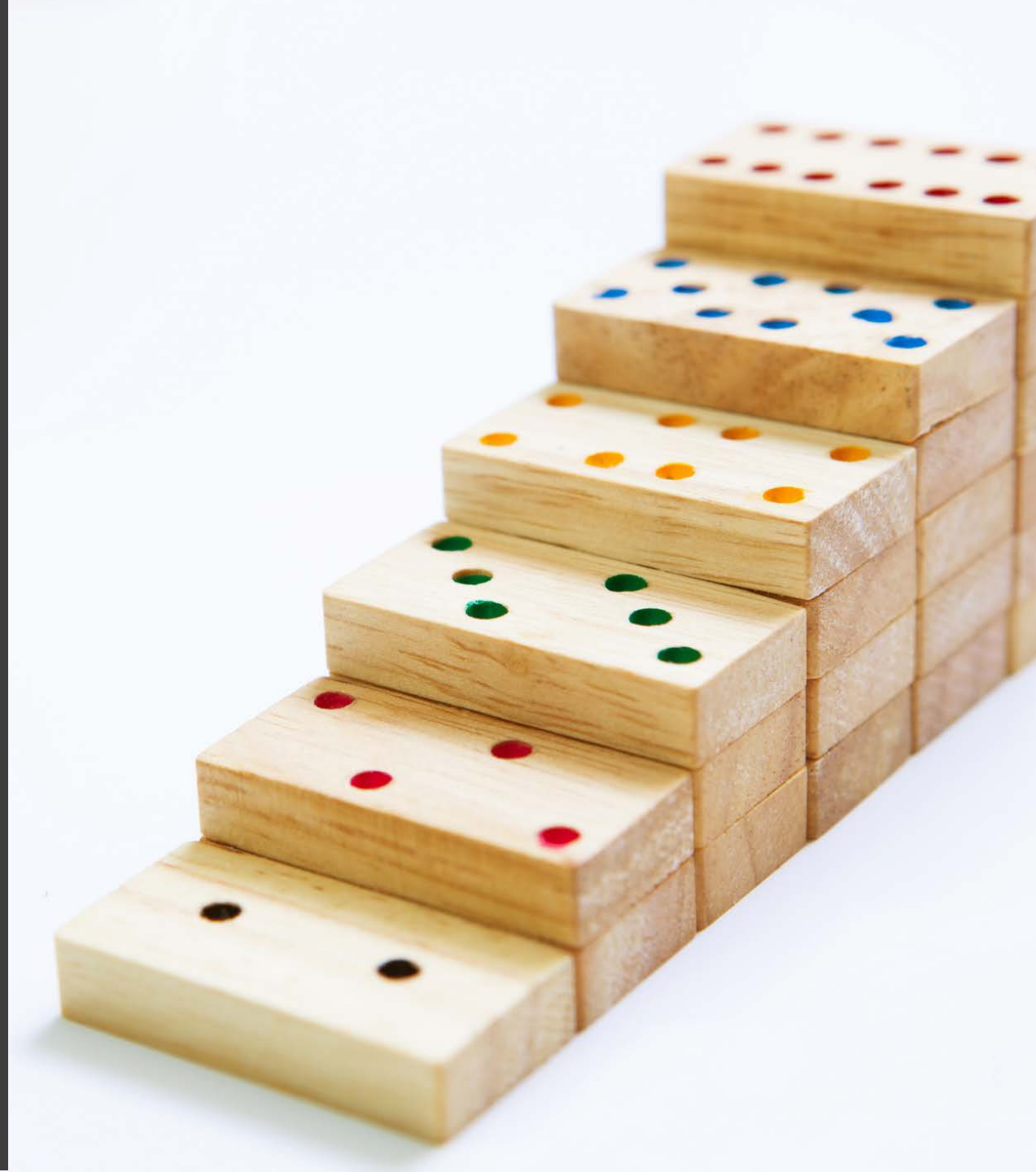
TWO LOANS

01 **SBA Economic Injury Disaster Loan Program**

02 **Paycheck Protection Program (CARES Act)**

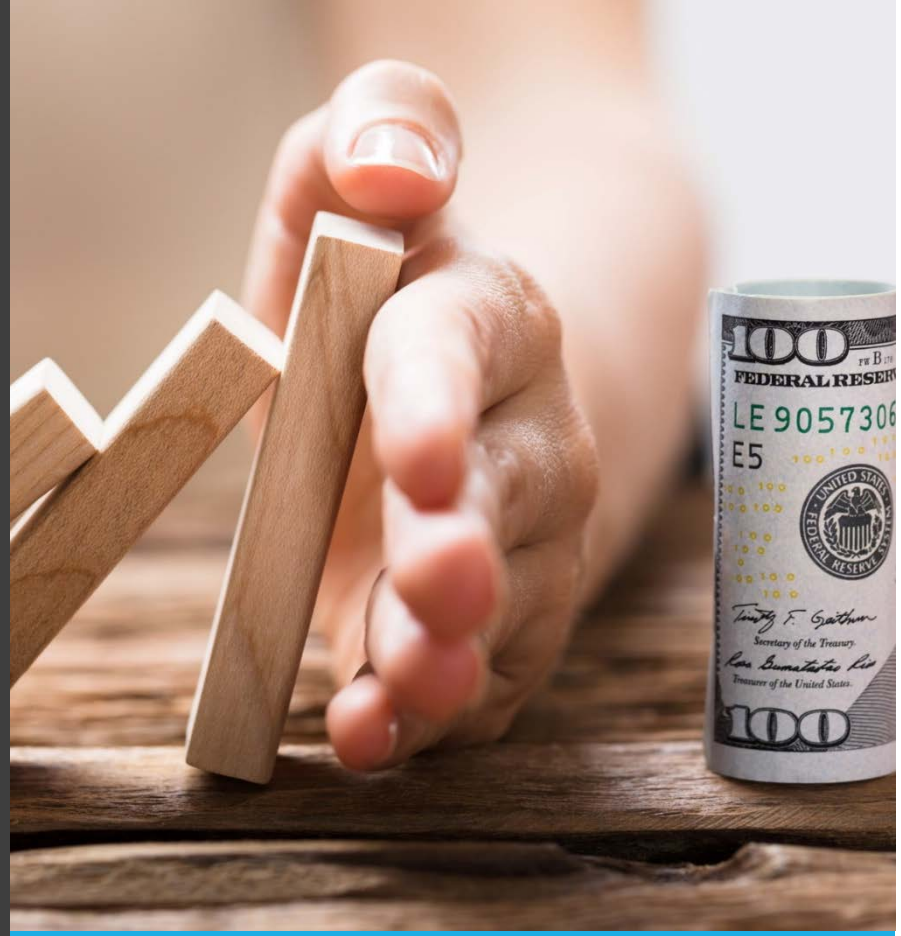
COVID-19 | PROACTIVE ACTION



Non-forgivable Loan Option

SBA Economic Injury Disaster Loan

Loan Size	Up to $2,000,000
Who is Eligible	Small businesses and non-profits affected by COVID-19 in SBA-declared disaster areas
Interest Rate	2.75% for nonprofits 3.75% for small businesses
Loan Term	Varies, up to 30 years
Usage	Accounts payable, fixed debts, payroll and other bills related to COVID-19
Required Loan Documents	Most recent tax returns (typically three years), a personal financial statement, and a schedule of liabilities listing current debts



Paycheck Protection Program

Paycheck Protection Program (CARES Act)

Eligibility	• Businesses that were in operation on February 15, 2020 • Have fewer than 500 employees • Individuals who operate a sole proprietorship or as an independent contractor and eligible self-employed individuals • Affiliation rules are waived for some businesses • Nonprofits with a 501(c) (3) or 501 (c) (9) status with fewer than 500 employees

Loan Amount	• **Maximum of $10 million**
	• Nonseasonal Employers:
	  • 2.5 X Average total monthly payroll costs incurred during the year prior to the loan date.
	  • For businesses not operational in 2019, 2.5 X Average total monthly payroll costs incurred for January and February 2020
	• Seasonal Employers:
	  • 2.5 X Average total monthly payments for payroll costs for the 12 week period beginning February 15, 2019 or March 1, 2019 and ending June 30, 2019
	• If you took out an Economic Injury Disaster Loan (EIDL) between February 15, 2020 and June 30, 2020 and you want to refinance that loan into a PPP loan, you would add the outstanding loan amount to the payroll sum.

What's Excluded?

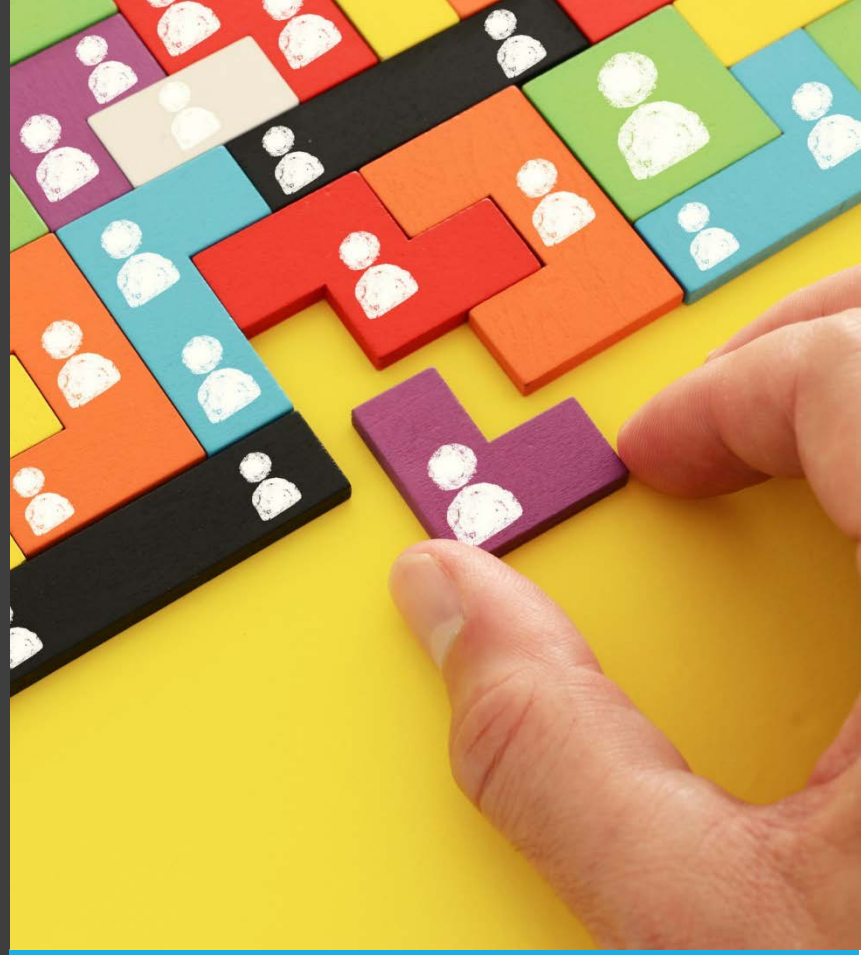
1. Compensation of an individual employee in excess of an annual salary of $100,000 as pro-rated for the period February 15, to June 30, 2020.
2. Federal payroll taxes, railroad retirement taxes, and income taxes.
3. Any compensation of an employee whose principal place of residence is outside of the US.
4. Qualified sick leave wages for which a credit is allows under section 7001 of the Families First Coronavirus Response Act, or qualified family leave wages for which a credit is allowed under section 7003 of the Families First Coronavirus Response Act.

Payroll Costs

Employers

- Salary, wage, commission or similar compensation
- Payment of cash tip or equivalent
- Payment for vacation, parent, family, medical or sick leave.
- Allowance for dismissal or separation.
- Payment required for the provisions of group health care benefits, including insurance premiums
- Payment of any retirement benefit
- Payment of state or local tax assessed on the compensation of the employee

Sum of **Included** Payroll Costs − Sum of **Excluded** Payroll Costs = $ **Payroll Costs**



Sole-Proprietors

Payroll Costs

Sole Proprietors, Independent Contractors, and Self-employed Individuals

Sum of the Following, not to Exceed $100,000 for the Pro-rated Period:

- Wage
- Commission
- Income
- Net Earnings or Similar Compensation

Qualification Requirements

Qualifying

Good faith certification

1. Uncertainty of current economic conditions makes the loan request necessary to support ongoing operations
2. The borrower will use the loan proceeds to retain workers and maintain payroll or make mortgage, lease and utility payments.
3. Borrower does not have an application pending for a loan duplicative of the purpose and amounts applied for here.
4. From February 15, 2020 to December 31, 2020 the borrower has not received a loan duplication of the purpose and amounts applied for here.

Non-Qualifying Factors

- The borrower was not able to obtain credit elsewhere.
- A personal guarantee is not required.
- NO collateral is required for the loan.

Loan Forgiveness

Loan Forgiveness

A borrower is eligible for loan forgiveness equal to the amount the borrower spent on the following items during the eight-week period beginning on the date of the origination of the loan:

- Payroll costs (using the same eligibility criteria for loan amount calculation).
- Interest on the mortgage obligation.
- Rent on a leasing agreement.
- Payments on utilities.
- Tips

Forgiveness cannot exceed the original principal and could be reduced if there is a reduction in the number of employees or a reduction in wages greater than 25%.

Play Offense

Play Offense

1. Strengthen your balance sheet.
2. Position yourself to be ahead of your competitors and take market share in the early stages of recovery.
3. Leverage macro trends to see what's around the corner.

EXAMPLES

- Use a rate of change model to forecast trend changes. Ask us how.
- Consider acquisitions or the development of a strategic product.
- Ramp up sales and marketing efforts to gain market share at the beginning of an upward trend.

About

The Nichols Accounting Group is a boutique Accounting and Consulting Firm that works with privately held businesses to help them save taxes, grow wealth and manage risk.

Contact us today to strategize on managing risk in uncertain times.

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The Nichols Accounting Group

Navigating success and building legacies.