



## Senate Passes \$2.2 Trillion Relief Bill-Analysis on Small Businesses-Part I-Uses of Loan, Forgiveness, Resource Partners, Covered Small Business Concerns, and Borrower Requirements

On March 25, 2020, Senate passed the \$2.2 Trillion Coronavirus Bill - The Coronavirus Aid, Relief, and Economic Security Act ("CARES Act" or "Act"), which is aimed at economic relief for businesses and individuals affected by Coronavirus in the United States. The full text of the bill may be access at Outlook Law's website under the update section. The House is scheduled to vote this week on it.

This initial and partial analysis examines and references parts of the bill aimed at Small Business Relief. The specific part of the Act is found in Title I-Keeping American Workers Paid and Employed Act-Section 1103 through 1106, Entrepreneurial Development and Loan Forgiveness.

Through the U.S. Small Business Administration ("SBA") if a business is deemed eligible, the allowable **uses of a loan** (depending on circumstance multi-million) include the following:

- (I) payroll costs;
- (II) costs related to the continuation of group health care benefits during periods of paid sick, medical, or family leave, and insurance premiums;
- (III) employee salaries, commissions, or similar compensations;
- (IV) payments of interest on any mortgage obligation (which shall not include any prepayment of or payment of principal on a mortgage obligation);
- (V) rent (including rent under a lease agreement);
- (VI) utilities; and
- (VII) interest on any other debt obligations that were incurred before the covered period.

**Resource partners** also get grants to help educate, understand, and assist small businesses through the SBA. The Administrator of the SBA shall report back to Congress differently for the six months as opposed to subsequent years on how the money was spent as well as the efforts for online education and training of resource counselors to assist small businesses.

**Loan Forgiveness** may include the following for the covered period (February 15, 2020, forward):

- (b) FORGIVENESS.—An eligible recipient shall be eligible for forgiveness of indebtedness on a covered loan in an amount equal to the sum of the following costs incurred and payments made during the covered period:
  - (1) Payroll costs.
  - (2) Any payment of interest on any covered mortgage obligation (which shall not include any prepayment of or payment of principal on a covered mortgage obligation).
  - (3) Any payment on any covered rent obligation.

**Covered Small Business Concern** defined:



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the term “covered small business concern”

means a small business concern that has experienced, as a result of COVID-19—

(A) supply chain disruptions, including changes in—

(i) quantity and lead time, including the number of shipments of components and delays in shipments;

(ii) quality, including shortages in supply for quality control reasons; and

(iii) technology, including a compromised payment network;

(B) staffing challenges;

(C) a decrease in gross receipts or customers; or

(D) a closure;

There are also clauses containing no fees and no recourse in some provisions.

**Borrower Requirements** are defined as follows:

“(G) BORROWER REQUIREMENTS.—

“(i) CERTIFICATION.—An eligible recipient applying for a covered loan shall make a good faith certification—

“(I) that the uncertainty of current economic conditions makes necessary the loan request to support the 11 ongoing operations of the eligible recipient;

“(II) acknowledging that funds will be used to retain workers and maintain payroll or make mortgage payments, lease payments, and utility payments;

“(III) that the eligible recipient does not have an application pending for a loan under this subsection for the same purpose and duplicative of amounts applied for or received under a covered loan; and

“(IV) during the period beginning on February 15, 2020 and ending on December 31, 2020, that the eligible recipient has not received amounts under this subsection for the same purpose and duplicative of amounts applied for or received under a covered loan.

More to follow in the days to come.