

VIL: COVID-19 CRISIS MANAGEMENT LEGAL RESOURCE GUIDE

As America wakes up to ever-growing concern over the COVID-19 pandemic, we as Americans are developing an ever-growing list of responsibilities; to our families, to our fellow employees, to our neighbors, and to each other as fellow citizens of this great nation. Leading the way is the private manufacturing sector, and with automobile manufacturers repurposing their facilities to produce face masks, high end perfume brands retooling their operations to increase the supply of hand sanitizer, and luxury hotels utilizing space to serve as emergency quarantine shelters, we must now all recognize that to minimize the effects of this viral outbreak, we must repurpose ourselves to fit the current environment in an effort to become as useful as our individual experience and knowledge allows.

Accordingly, while we at Venerable Injury Law have been, and have served the community as, a personal injury legal practice, our individual attorneys have practiced in wide ranging specialty areas, some of which are applicable to the current pandemic and its ensuing negative economic effects. In addition to their current practices, our attorneys have handled matters ranging from commercial transactions, bankruptcy, corporate formation/governance, real estate acquisition/divestment, probate, entity dissolution, employment, contract negotiation, to asset protection and more. Thus, as the current landscape unfolds, we can see that many businesses, and individuals involved in the management of those businesses, will need advice and guidance in locating, applying for, and administering a pipeline of COVID-19 assistance resources that will be available to small businesses at the local, state, and federal levels.

Our intent is to aggregate these resources into one easily searchable reference point, and to put our experience to work in assisting small businesses access locally, regionally, and nationally available aid to recover from the downturn caused by the COVID-19 virus and its associated quarantines. From that reference point, we will provide as much general guidance as we can to put businesses in the proper position to access assistance services and get them back to operational capacity, i.e., back to doing what they do best. We believe in community and we know that together we will survive the current chaos and thrive in its aftermath.

SMALL BUSINESS ADMINISTRATION

Disaster Loan Program - As part of its disaster relief efforts, the S.B.A. is currently providing low-interest working capital loans of up to two million dollars (\$2,000,000.00 USD) to small businesses affected by the coronavirus, which by now is just about every small business in the U.S.

These loans carry an interest rate of 3.75% for small businesses and 2.75% for nonprofits. Loan repayment terms vary by applicant, but businesses may be eligible for terms up to a maximum of 30 years.

First off though, what is a small business (*which qualifies you for assistance with the S.B.A.*)?

Unfortunately, like most government provided services, it is not that simple, and such a question is answered by that most dreaded of legal retorts, "Well, it depends." But the truth is, it depends.

The definition of a "small business" depends on the industry your business is in, or more specifically, a small business could be defined as a maximum of 250 employees or a maximum of 1,500 employees depending on the relevant industry (and related sub-industry). Or, if your small business is involved in the construction industry or retail trade industry, for example, it can be considered a "small business"

for S.B.A. purposes if it has a maximum of \$750,000.00 or a maximum of \$38.5 million (depending on sub-industry) in average annual receipts. For detailed information on your industry and sub-industry (according to North American Industry Classification System Codes), please refer to the current Table of Small Business Size Standards, which can be accessed from this link:

https://www.sba.gov/sites/default/files/2019-08/SBA%20Table%20of%20Size%20Standards_Effective%20Aug%202019%2C%202019_Rev.pdf

Eligibility - Businesses in every state, plus American Samoa, Guam, the Northern Mariana Islands, Puerto Rico and the U.S. Virgin Islands, can apply. Funds obtained through the loan program can be used to cover accounts payable, debts, payroll and other bills your small business may need assistance to pay for due to the negative effects caused by the coronavirus outbreak.

How to Apply - Apply online at <https://disasterloan.sba.gov/ela/Information/Index>. You'll need to supply required supporting documentation that could include the business' most recent tax returns and a schedule of liabilities that lists all of your current debts. If necessary, call the SBA Disaster Assistance Customer Service Center at 1-800-659-2955 for help with your application, but be prepared for extremely long wait times followed up by a frustrating conversation with S.B.A. representatives.

What we think – From our test runs of the system, it is definitely clunky and slow. It even froze my computer a couple of times. The website is not information dense, so it is relatively easy to follow, but that may be a trade-off for slow processing times on the back end.

The disaster loan application is going to require recent tax statements of the applying company, personal financial statements of its owners, a schedule of liabilities/debt, and a current profit and loss statement reflecting ongoing business operations. These required documents are typical of any loan, so many businesses will not find this part of the loan process unfamiliar. Expect that the owners/principals will also have their credit histories reviewed, so you'll want good to great credit scores to move your application forward.

While underwriting on these disaster loans may be softened due to the circumstances under which they are being provided, you can still expect a certain level of cautiousness during the due diligence portion of the loan application. No matter what the title of the loan is, the S.B.A. will still rather lend money to credit worthy businesses and business owners, who have operating histories evidencing an ability to repay. Accordingly, these loans, despite being named "disaster loans" will be most realistic for businesses who are not already saddled with operational debt, such as business starter loans, lines of credit, equipment loans, or other debt commonly seen with newer business operations. Additionally, this type of loan will only be an option to those businesses who were not experiencing declining revenues before the coronavirus outbreak, as S.B.A. underwriters tend to be conservative in their lending terms.

The offered interest rates on the S.B.A. disaster loan, as low as 3.75%, can be considered relatively low compared to other available commercial loan rates. However, you can expect to get a higher quote if you have less than excellent credit and/or your company doesn't have an extensive operating history. The other problem is that this type of assistance is in the form of a loan, meaning you will have to pay it back, with interest. So, if you obtain an S.B.A. disaster loan, you better have a financial plan to increase operational revenue in order to cover ongoing expenses, on top of making payments on the loan itself. Despite generous repayment periods of up to 30 years, debt is debt, and if you predict having to struggle

for a bit after coming out of a “safer at home” mandate, then perhaps piling additional debt on top of that isn’t the best recipe for continued success, or just continuing at all.

We hope the information provided is helpful to you as you ponder your next moves in this ever-changing environment. If it makes you feel any better, we’re in the same boat, right next to you trying to figure out how these damn paddles work. Keep checking back in with us, as we will continue posting about available business assistance programs at the city, state, and federal levels. Follow up with the Team at [Venerable Injury Law](#) for more information regarding small businesses during this crisis!