

APRIL 1, 2020

COVID-19 BUSINESS SERIES *ENSURING BUSINESS CONTINUITY*





WELCOME

WEBINAR: SERIES 1

Sandra Watson
Arizona Commerce Authority
President & CEO



AGENDA

- 1 INTRODUCTIONS
- 2 FINANCIAL RELIEF PROGRAMS
- 3 OPERATIONAL CONSIDERATIONS
- 4 MITIGATING BUSINESS RISK & NEXT STEPS

MEET THE EXPERTS



Paul Hughes
Arizona Commerce Authority
EVP, Business Development



Paul Hickman
Arizona Bankers Association
President & CEO



Kelly Skalicky
Stearns Bank
President & CEO



Franklin Vincent
SheKnows.com
Former CFO



David T. Barton
BurnsBarton
Partner



Kathryn Hackett King
BurnsBarton
Partner



John Keyser
Keyser
Founder

A man with a beard, wearing a red and blue plaid shirt and a white apron, is smiling and holding a wooden sign. The sign is made of several horizontal planks and has the words "WE'RE OPEN" written on it. The word "OPEN" is in large, red, block letters. The background is a blurred interior of a shop or restaurant.

COVID-19 FINANCIAL RELIEF



KEY DISCUSSION POINTS

PROGRAM TERMS

Paycheck Protection Program (PPP)

Economic Injury Disaster Loan (EIDL)

Small Business Administration

PROGRAM TRANSFER

Program rules and regulations

Role of bank administrators

Additional details coming (April 1)

PROGRAM RELATIONSHIP

SBA-Approved Lenders

Credit Accounts

Deposit Accounts

COVID-19 CARES ACT





CARES ACT

CORONAVIRUS AID, RELIEF AND ECONOMIC SECURITY ACT

- \$2 trillion federal stimulus package
- Passed into law on March 27, 2020 by Congress
- Provides relief to those impacted by the crisis allowing the government to send checks to qualifying Americans
 - \$1,200 per individual (\$2,400 joint return + \$500 per child)
 - Incomes above \$75,000 (\$150,000 joint) not eligible
- Allocates funds for economic relief programs, which includes tax changes, credits and loans



MAJOR PROVISIONS FOR EMPLOYERS

CARES ACT

PAYROLL TAXES

- Delay payment of employer payroll taxes between now and 1/1/21
- 50% due 12/31/21 and 50% due 12/31/22
- Excludes employers who have loans forgiven under Paycheck Protection Program

TAX CHANGES

- Net Operating Loss for '18, '19, & '20 can be carried back 5 years, suspend 80% limitation, extends to pass-throughs and sole proprietors
- Accelerate recovery of AMT credits
- Election to increase limit on interest deductibility to 50% for '19 & '20
- Qualified Improvement Property (QIP) fix



MAJOR PROVISIONS FOR EMPLOYERS

CARES ACT

EMPLOYEE RETENTION CREDIT

- Employers fully or partially shutdown or with 50% drop in gross receipts in a quarter compared to prior year (until return to 80%)
- Refundable tax credit for 50% of the wages paid by the employer up to \$10,000 per employee
- Employers with more than 100 employees applies to employees not providing services
- Employers with 100 or fewer workers applies to all employees paid during the eligible period
- Employers are not eligible if they receive a Paycheck Protection Program loan
- Allows for advance payment of the credit



MAJOR PROVISIONS MID-SIZE & LARGER EMPLOYERS

CARES ACT

LOANS, LOAN GUARANTEES, FEDERAL RESERVE CREDIT FACILITY

- \$454 billion to the Treasury Department for loans, loan guarantees, or to support Federal Reserve Credit Facilities
- Special programs for airline industry and critical national security businesses
- Restrictions on stock buybacks and executive compensation
- Likely to see new programs through the Federal Reserve that will support lending by financial institutions to businesses

COVID-19 PAYCHECK PROTECTION PROGRAM



SUSTAINING SMALL BUSINESS

PAYCHECK PROTECTION PROGRAM

\$349B

ALLOCATED FOR
SMALL BUSINESSES

\$5.6B

ESTIMATED AVAILABLE
FOR ARIZONA

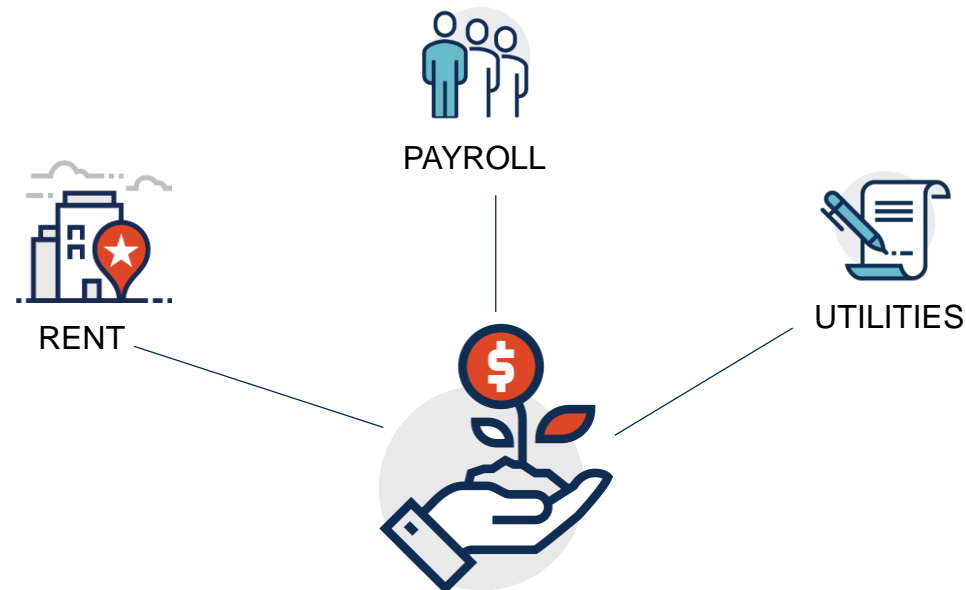
100%

FEDERALLY GUARANTEED LOANS
FOR SMALL BUSINESSES THAT MAINTAIN THEIR
PAYROLL DURING THIS EMERGENCY

IMMEDIATE CASH FLOW

PAYCHECK PROTECTION PROGRAM

These loans may be forgiven if borrowers maintain their payrolls during the crisis or restore their payrolls afterward.



A vertical photograph on the left side of the slide shows a person standing on a rocky cliff, looking out over a city at sunset. The sky is a mix of orange, yellow, and blue, and the city lights are visible in the distance.

ELIGIBILITY

PAYCHECK PROTECTION PROGRAM

- A small business with *fewer than 500 employees*
- A small business that otherwise *meets SBA's size standard*
- A *501(c)(3)* with *fewer than 500 employees*
- An individual who operate as a *sole proprietor*
- An individual who operates as an *independent contractor*
- An individual who is *self-employed* who regularly carries on any trade or business.
- A *tribal business* concern that meets the *SBA size standard*
- A *501(c)(19) Veterans Organization* that meets the *SBA size standard*



PROGRAM FEATURES

PAYCHECK PROTECTION PROGRAM

Loans can be equivalent to **250%** of the borrower's average monthly payroll costs.

NON-SEASONAL EMPLOYERS

Maximum loan =

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

Maximum loan =

2.5 x average total monthly payments for payroll costs for the **12-week** period beginning **February 15, 2019** or **March 1, 2019** (decided by the loan recipient) and ending **June 30, 2019**.

ELIGIBLE PAYROLL COSTS

PAYCHECK PROTECTION PROGRAM

Sum of INCLUDED payroll costs

- **For employers:** Sum of payments of any compensation
- **For Sole Proprietors, Independent Contractors and Self-Employed Individuals:** Sum of payments of any compensation to or income of a sole proprietor or independent contractor that is not more than \$100,000 in one year, as pro-rated for the covered period

—

Sum of EXCLUDED payroll costs

- Compensation of an individual employee in excess of an annual salary of \$100,000, as prorated for the period February 15 to June 30, 2020
- Payroll taxes, railroad retirement taxes and income taxes
- Any compensation of an employee whose principal place of residence outside of the U.S.
- Qualified sick leave wages or qualified family leave

=

PAYROLL COSTS



EVALUATING ELIGIBILITY

PAYCHECK PROTECTION PROGRAM

Proof that the borrower was in operation before Feb. 15, 2020 **AND** had employees whom they paid salaries and payroll taxes or paid independent contractors

GOOD FAITH CERTIFICATION

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



ELIGIBLE LOAN FORGIVENESS

PAYCHECK PROTECTION PROGRAM

A borrower is eligible for loan forgiveness equal to the amount the borrower spent on the following items during the **8-week period** beginning on the date of the origination of the loan:

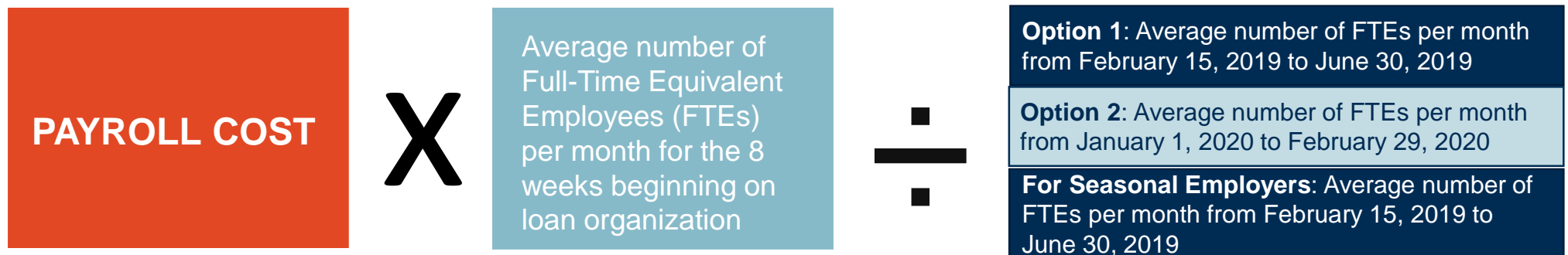
- Payroll costs
- Interest on the mortgage obligation incurred in the ordinary course of business
- Rent on a leasing agreement
- Payments on utilities (electricity, gas, water, transportation, telephone or internet)
- For borrowers with tipped employees, additional wages paid to those employees

REDUCING FORGIVENESS

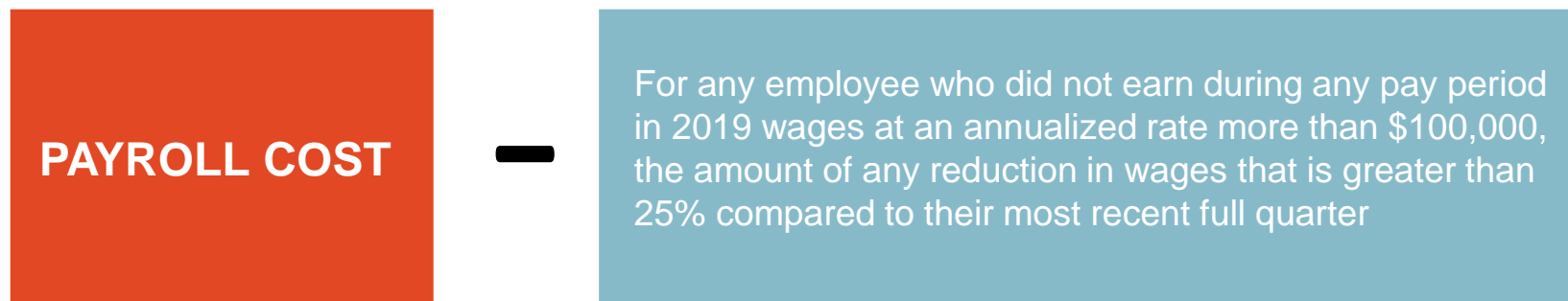
PAYCHECK PROTECTION PROGRAM

The amount of loan forgiveness is reduced if there is a reduction in the number of employees or a reduction of greater than 25% in wages paid to employees.

Reduction based on reduction of number of employees



Reduction based on reduction in salaries



APPROVED ARIZONA LENDERS

PAYCHECK PROTECTION PROGRAM

Active SBA Lenders Located in Arizona

VERSION 16.6 Dated 1/1/2020

List includes conventional Banks, Credit Unions, Small Business Lending Companies, SBA funded Microlenders, Certified Development Companies (504 loans), and out-of-state Banks or Credit Unions with a Loan Production Office in Arizona that have provided referral information. Lender credit preferences are subject to change by the participating lender without notice. Please note that some participating lenders prefer no referrals or did not respond to our survey. Lenders that offer only 3rd party loans under the 504 program are not listed. For additional questions contact SBA at 602-745-7200.

Product Codes- Standard Guaranty Loan Program (7(a)), SBA Express (X), Export Express (EX), Export Working Capital Program (EWCP), Community Advantage (CA)

Lender Status Codes- General Partner (GP), Preferred Lending Partner (PLP)

SBA 7(a) Loans LENDER	PHONE	PRODUCT	MARKET AREA	Lender Status	LENDER PREFERENCES						Industry Exclusion Codes	MIN. LOAN SIZE
					SMALL LOANS	SEASONAL LINE OF CREDIT	BUILDER LC	CONTRACT FINANCING	STARTUPS New Business	STARTUPS New Business		
ALLIANCE BANK OF ARIZONA	(480) 996-6548	7(a), X, EX, EWCP	Statewide	PLP						L-I		\$50,000
AMERICA FIRST CU	(602) 538-9671	7(a), X, EX	Statewide	PLP								\$100,000
ARIZONA CENTRAL CREDIT UNION	(602) 523-8342	7(a)	Central AZ	GP						F-G-S-A-N-V-H-C-D		\$100,000
ARIZONA FEDERAL CU	(602) 230-3508	7(a)	Statewide	GP								\$250,000
ATLANTIC CAPITAL BANK	(602) 577-7740	7(a), X, EX, EWCP	Statewide	PLP							L	\$350,000
BANK 34	(480) 795-6936	7(a), X, EX, EWCP	Statewide	GP							L	\$50,000
BANK OF AMERICA	(602) 695-0760	7(a), X, EWCP	Statewide	PLP								\$350,000
BANK OF ARIZONA	(602) 240-2751	7(a), X	Phoenix Metro Area	PLP							L-I	\$50,000
BANK OF THE WEST	(602) 549-4860	7(a), X, EX, EWCP	Statewide	PLP								\$350,000
BBVA USA	(602) 522-2696	7(a), X, EWCP	Statewide	PLP	S						G-V-H	\$50,000
BMO HARRIS BANK	(602) 330-4860	7(a), X, EX, EWCP	Statewide	PLP	S							\$25,000
BNC NATIONAL BANK	(602) 508-3773	7(a), X, EWCP	Statewide	PLP	S							\$100,000
CANYON COMMUNITY BANK	(602) 603-3524	7(a)	Statewide	GP								\$500,000
CENTERSTONE SBA LENDING	(602) 999-7108	7(a)	Statewide	PLP								\$100,000
COMERICA BANK	(714) 424-3838	7(a), X, EX, EWCP	Statewide	PLP	S						H-G	\$250,000
COMMERCE BANK OF ARIZONA	(480) 253-4505	7(a)	Statewide	GP								\$50,000
ENTERPRISE BANK	(913) 791-9112	7(a), X, EX, EWCP	Statewide	PLP	S						L	\$25,000
FIRST INTERNET BANK	(317) 372-7822	7(a), X	Statewide	PLP							L	\$500,000
HARVEST SMALL BUSINESS FINANCE	(602) 703-6301	7(a)	Statewide	PLP							L-I	\$250,000
HORIZON COMMUNITY BANK	(928) 854-3000	7(a), X	Statewide	PLP	S						L-I	\$50,000

SBA 7(a) Loans LENDER	PHONE	PRODUCT	MARKET AREA	Lender Status	LENDER PREFERENCES						Industry Exclusion Codes	MIN. LOAN SIZE
					SMALL LOANS	SEASONAL LINE OF CREDIT	BUILDER LC	CONTRACT FINANCING	STARTUPS New Business	STARTUPS New Business		
IOWA STATE BANK	(520) 314-2597	7(a)	Statewide	GP								\$100,000
JOHNSON BANK	(602) 381-2152	7(a), X	Maricopa Co.	PLP								\$200,000
JPMORGAN CHASE BANK	(623) 337-9969	7(a), X	Statewide	PLP	S						L-I	\$10,000
MEADOWS BANK	(623) 328-9770	7(a), X	Statewide	PLP								\$150,000
METRO PHOENIX BANK	(602) 346-1803	7(a), X	Statewide	PLP							L-I	\$200,000
MIDFIRST	(602) 801-5713	7(a), X	Statewide	PLP	S							\$50,000
MIDWEST REGIONAL SBL	(480) 468-5180	7(a), EWCP	Statewide	GP								\$150,000
MOUNTAIN AMERICA CU	(480) 487-5577	7(a), X, EX	Statewide	PLP							L-I	\$50,000
NATIONAL BANK OF ARIZONA	(602) 212-5545	7(a), X	Statewide	PLP								\$10,001
ONEAZ CU	(602) 467-4262	7(a)	Statewide	GP							F-G-W-V-H	\$10,000
POPPY BANK	(480) 346-1218	7(a)	Statewide	PLP								\$350,000
REPUBLIC BANKAZ	(602) 280-9402	7(a)	Statewide	GP								\$500,000
RADIUS BANK	(602) 635-6999	7(a), X, EX	Statewide	PLP							L-I	\$250,000
READYCAP LENDING	(602) 538-9671	7(a), X	Statewide	PLP								\$200,000
STATE BANK OF ARIZONA	(928) 855-4050 ext.5201	7(a)	Statewide	GP								\$50,000
STEARNS BANK	(480) 391-5908	7(a), X, EWCP	Statewide	PLP								\$50,000
SUNFLOWER BANK	(602) 292-5886	7(a), X, EX, EWCP	Statewide	PLP							H	\$150,000
T BANK	(602) 206-1417	7(a), X, EX	Statewide	PLP								\$150,000
TEXAS CAPITAL	(602) 228-6647	7(a), X, EX, EWCP	Statewide	PLP								\$350,000
UMB BANK	(816) 860-5058	7(a), X, EX	Maricopa Co.	PLP	S						L-I	\$25,000
U.S. BANK	(602) 222-4576	7(a), X, EX, EWCP	Statewide	PLP	S						L	\$100,000
VANTAGE WEST CREDIT UNION	(520) 617-4062	7(a), X	Major Counties	GP	S						F-V-G	\$100,000
WELLS FARGO BANK ARIZONA	(602) 378-5221	7(a), X	Statewide	PLP	S							\$25,000
WESTERN BANK	(575) 388-3521	7(a)	Cochise Co.	GP	S						H	\$25,000
WEST VALLEY NATIONAL BANK	(714) 862-7085	7(a)	Statewide	GP							F-V-H	\$50,000

[Access approved lender list](#)

COVID-19 ECONOMIC INJURY DISASTER LOAN





ALLEVIATE ECONOMIC INJURY

ECONOMIC INJURY DISTASTER LOAN

- If your small business (**less than 500 employees**) has suffered substantial economic injury due to COVID response
 - Unable to meet obligations and pay ordinary and necessary operating expenses
- Loan repayment may be **deferred up to 1 year**
- Repayment terms **up to 30 years** available

ELIGIBLE BUSINESSES

ECONOMIC INJURY DISTASTER LOAN



Businesses directly affected by the COVID-19 emergency



Businesses that offer services directly related to the businesses targeted in the declaration



Other businesses indirectly related to the industries likely to be harmed by losses in their community, including cancelled events and import of foreign goods not previously imported



APPROPRIATE USE OF FUNDS

ECONOMIC INJURY DISASTER LOAN

- Help meet the capital needs caused by COVID-19 response
- Help pay financial obligations and operating costs which could have been paid had the disaster not occurred
 - Fixed debt payments, payroll, accounts payable
 - Extraordinary expenses caused by COVID-19
- EIDL **does not** replace lost revenue, lost profits or fund expansion
- EIDL loan can **augment** Paycheck Protection Plan

AVAILABLE LOAN TERMS

ECONOMIC INJURY DISASTER LOAN

Loans capped at \$2,000,000

- Less any insured losses or other recoveries
- \$10,000 cash advances available and are forgiven if spent on paid leave or maintaining payroll, lease payments

May be repaid
up to 30 years



Assistance below
\$200,000 can be approved
without personal
guarantee

- File **immediately** and let the process begin
- Must show acceptable credit rating



COLLATERAL REQUIREMENTS

ECONOMIC INJURY DISTASTER LOAN

- EIDL amounts **over \$25,000** require collateral
- SBA accepts **real estate as collateral** when it is available
- SBA will not **decline a loan for lack of collateral**
 - Will require borrowers to pledge what is available



GETTING STARTED

ECONOMIC INJURY DISTASTER LOAN

- Get business documents in order
- **AZ SBDCs** can help you:
 - Prepare **SBA Form 5**
 - Personal Financial Statement **SBA Form 413**
 - Schedule of Liabilities **SBA Form 2202**
 - IRS Release of tax info **IRS Form 4506T**
- Have complete copy of most recent federal income tax of the applicant business available.

<https://disasterloan.sba.gov/ela/information/paperforms>

IMPORTANT NOTES

ECONOMIC INJURY DISTASTER LOAN

START NOW

Applications are processed at a central facility in Fort Worth Texas and may take **up to two weeks for response**

BE READY

Depending upon your loan amount, you may be asked for tax documents for partners and owners

ASK FOR HELP

- AZ Small Business Development Centers
<https://www.azsbdc.net/>
- AZ Small Business Ombudsman
<https://www.azcommerce.com/programs/small-business-services>
- **(800) 659-2955**
customer service center

[Access approved lender list](#)

SMALL BUSINESS DEBT RELIEF PROGRAMS





ELIGIBLE SBA LOANS

SMALL BUSINESS DEBT RELIEF PROGRAM

This program will provide immediate relief to small businesses with non-disaster SBA loans. SBA will cover all loan payments on these SBA loans, including principal, interest and fees for six months.

- ✓ 7(a) loan not made under the Payment Protection Program
- ✓ 504 loans
- ✓ Microloans

Borrowers may separately apply for and take out a PPP loan, but debt relief under this program will not apply to a PPP loan.



AVAILABLE LOAN TERMS

SMALL BUSINESS DEBT RELIEF PROGRAM

7(a) LOAN

- Up to \$5M
- Access to versatile financing
- Provide short- or long-term working capital
- Banks share a portion of the risk

504 LOAN

- Up to \$5.5M
- Long-term fixed rate financing
- Purchase real estate, buildings or machinery

MICROLOAN

- Up to \$500,000
- Used to start and expand
- Delivered through mission-based lenders

A man with a beard, wearing a red and blue plaid shirt and a white apron, is smiling and holding a wooden sign. The sign is made of several horizontal planks and has the words "We're OPEN" written on it. "We're" is in a cursive script, and "OPEN" is in large, bold, red capital letters. The background is a blurred interior of a shop or restaurant.

COVID-19 OPERATIONAL CONSIDERATIONS



A vertical photograph on the left side of the slide shows a person standing on a rocky cliff, looking out over a city at sunset. The sky is a mix of orange, yellow, and blue, and the city lights are visible in the distance.

OPERATIONAL IMPLICATIONS

BUSINESS LEADERSHIP STRATEGIES

- **Know your role and communicate** factually, consistently and candidly with employees and customers
- **Get in the right frame of mind** and work out scenarios including liquidity, revenue, and costs
- **Get your back office "house" in order** having key documents and information available will be key
- **Review and adjust customer policies as necessary** e.g., refund vs. credits / disconnections vs. suspension of accounts
- **Contact lenders/banks and key vendors** – determine what their positions are currently
- **Contact your insurance provider(s) and understand your coverage** e.g., business interruption



PLAN TO SURVIVE & THRIVE

EMPLOYMENT & LABOR

- Remember – this too shall pass
- Look for new opportunities
- Consider alternatives to layoffs
- Redeploy your workforce
- Get to know the new laws and benefits
- Make changes to your benefits laws and policies

FFCRA & CARES

MAJOR CONCEPTS FOR EMPLOYMENT & LABOR

- Employers who keep employees get federal help
- Enhanced benefits for employees are relatively narrow





SICK PAY FULL RATE

\$511/\$5,110 CAP

Employee

1. is subject to a coronavirus quarantine or isolation order;
2. has been advised by a health care provider to self-quarantine due to coronavirus concerns; or
3. is experiencing coronavirus symptoms **and** is seeking a medical diagnosis



SICK PAY 2/3 RATE

\$200/\$2,000 CAP

Employee

4. is caring for an individual subject to quarantine order or self-quarantine restrictions;
- 5. is caring for a child whose school or childcare is closed or unavailable due to coronavirus;**
6. is experiencing any other substantially similar condition specified by the Secretary of Health and Human Services.



EXTENDED FMLA

EMPLOYMENT & LABOR

- Up to **12 weeks** of FMLA leave for employees who have been on the job for at least 30 days and who are **unable to work because they have to care for a minor child** if the child's school or place of care has been closed, or if the child care provider of that child is unavailable due to a coronavirus emergency.
- The first 10 days of leave can be unpaid. Employees may use accrued vacation days or other available paid leave to cover those days.
- For subsequent days, workers are entitled to two-thirds of their normal pay rate, capped at \$200 per day and \$10,000 total



CONTINGENCY PLANNING

EMPLOYMENT & LABOR

It's not too late...

- Work from home policies (germ protection)
- Safe work practices
- Privacy issues
- New EFLMA/EPSSL policies
- Workers compensation and opt-out forms

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WORKPLACE SAFETY & UNEMPLOYMENT BENEFITS

EMPLOYMENT & LABOR LAWS

- Workplace safety issues for your business in light of COVID-19
- New changes to Unemployment Benefits



NEW CHALLENGES

REAL ESTATE

Real estate is typically the **second largest** business expense

TENANTS

- Decrease in revenue
- Layoffs, downsizing
- Loss of production
- Uncertain future
- Access to capital
- Credit worthiness concerns

LANDLORDS

- Downsizing / seeking relief
- Access to capital
- Commercial real estate values
- Downward pressure on rent
- Debt service
- Potential negative PR

IMMEDIATE RENTAL RELIEF OPTIONS

REAL ESTATE

- Deferred rent
- Short-term rental relief
- Blend and extend lease extension
- Propose to pay only CAM / operating expenses
- Vet alternative options
- Demonstrate concern to landlord
- Explore relief programs
- Propose alternative payment plans
- Discuss with attorney



STAY PREPARED

REAL ESTATE



Keep financials **updated**
and **in order**



Consult with professionals
and **understand your lease**



Put requests **in writing** and
don't be impulsive

A photograph of a man with a beard, wearing a red and blue plaid shirt, holding a weathered wooden sign. The sign has the word 'OPEN' in large red letters and 'WE'RE' in smaller black letters above it. The background is a blurred interior of a shop or restaurant.

COVID-19 MITIGATING BUSINESS RISK





INITIATE A PLAN

MITIGATION MEASURES

- 1. Contact your bank** immediately with an update on your current status and funding needs
- 2. Prepare a plan** to preserve your business and leverage loans to minimize layoffs
- 3. Communicate** with your landlord or building owner your business needs

LEVERAGE ACA'S PROGRAMS

MITIGATION MEASURES



SMALL BUSINESS

Navigating SBA & SBDC

Local banking contacts

Latest Developments



WORKFORCE

Employer liaison

Cross-walking employees

Consult on federal funding for training



ARIZONA MEP

Matching manufacturing with COVID-19 needs.

Emergency Planning consults



TRANSLATE SKILLS & TRAINING

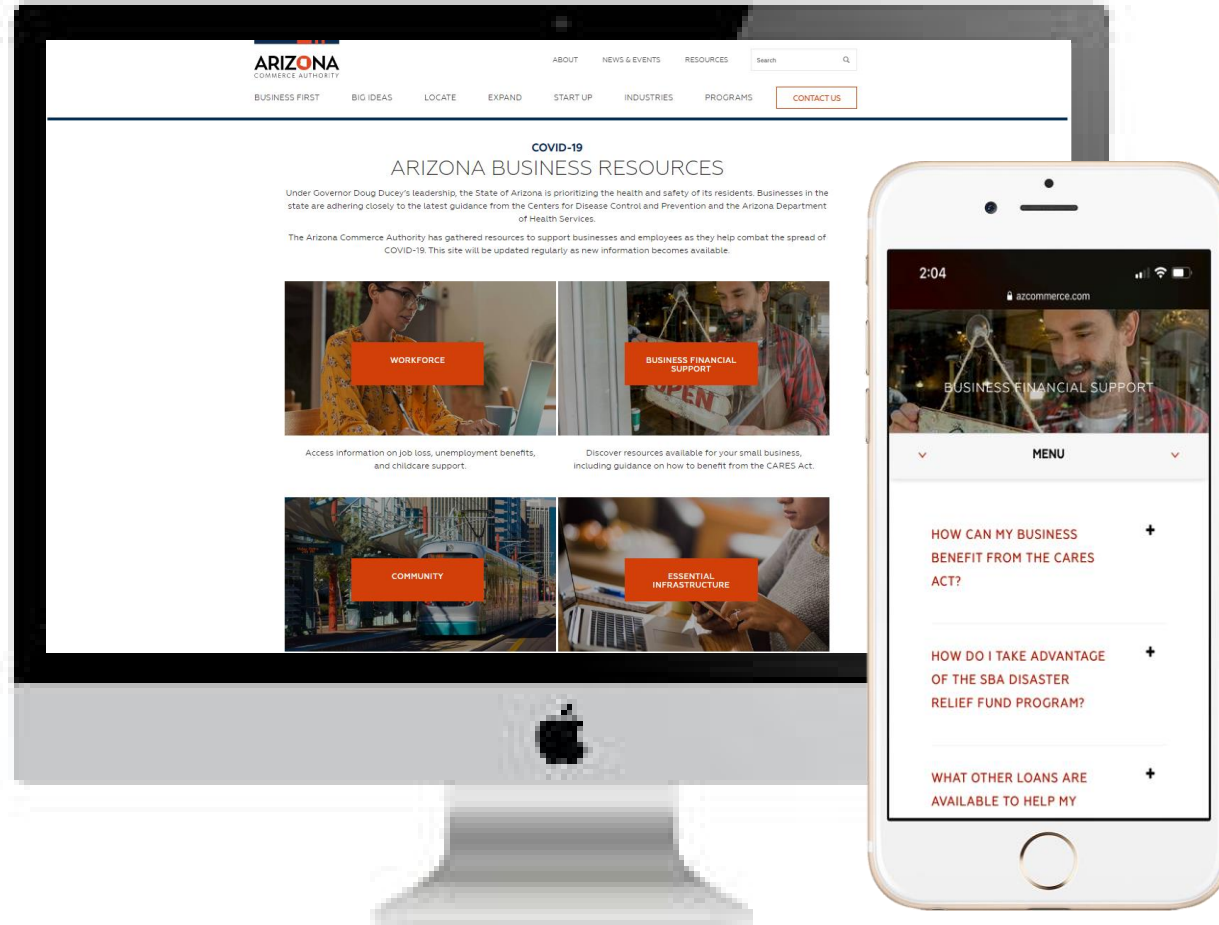
MITIGATING BUSINESS RISK



- Rapid response and layoff aversion services for employers
- Upskilling and training programs into high-demand industries such as IT, Health Care, Advanced Business Services with valuable certifications
- Displaced workers skill translation into industries immediately hiring like Health Care and Logistics

STAY INFORMED

MITIGATION MEASURES



AZcommerce.com/COVID-19



THANK YOU
PLEASE TEXT QUESTIONS

