



## COVID-19 Small Business Relief

### Part I: Connecticut Recovery Bridge Loan Program

**\*\*\*The DECD has announced that as of 6:00PM on March 27, 2020 it will stop accepting applications for the Connecticut Recovery Bridge Loan Program due to high demand. We will continue to provide updates in the event that the application process is reopened by the DECD or other changes are made to the Program.\*\*\***

#### Program Overview

Effective as of March 25, 2020 the Department of Economic and Community Development (“DECD”) and Connecticut Innovations, Inc. (“CII”) have launched the Connecticut Recovery Bridge Loan Program (the “Program”) to provide emergency cash flow relief to small businesses and nonprofits. The overall funding commitment for this Program was originally \$25 million, but has been increased to a total of \$50 million. The Program will consist of no-interest loans of up to \$75,000 or 3 months of operating expenses (whichever is lower).

Additional Program details:

- Funding will be provided on a **first-come, first-served**
- Generally speaking, qualifying businesses will be those with 100 or fewer employees, but please see additional **eligibility** information below.
- There is no job creation requirement for funding through the Program.
- The Program is designed to assist businesses through their working capital needs due to COVID-19. As such, programmatic funding may be used to help pay company salaries.
  - Credit card debt in the company’s name and accounts payable could be considered for funding if it is not more than 25% of the request.
- There is no application fee; however, approved applicants will be responsible for payment of DECD’s legal costs incurred in preparation of contract documents.
- The Program is being administered by DECD, and CII will be providing administrative and underwriting support based on a memorandum of understanding (MOU) between the two agencies.

#### Eligibility

To be considered for this Program, your business or nonprofit must:

- Have no more than 100 employees;
- Be in good standing with the Department of Revenue Services (“DRS”) & DECD;
- Have been profitable prior to March 10, 2020— with no adverse personal credit reports 60 days past due the past six months; and
- Not be involved in real estate, multi-level marketing, adult entertainment, cannabis or firearms; nor be a state elected public official or state employee.

#### Terms & Conditions

The Program contains the following terms and conditions:

- Loan maximum of (a) \$75,000 or (b) three months operating expenses, whichever is less
- 0% interest rate
- 12-month term, with 6-month extension available per request
- Freely pre-payable
- Working capital loan
- Personal guarantee and credit score required

## **How to Apply**

Applicants must apply for the Program by submitting an application through DECD's website:

<https://portal.ct.gov/DECD/Content/Coronavirus-Business-Recovery/Emergency-Bridge-Loan-Application-Form>

The following information will also be required of applicants:

- Project Financing Plan & Budget
- 2019 Income Statement (or) Profit and Loss Statement
- Internal Financial Statements (YTD)
- 3-month projected cash flow, demonstrating need
- Summary of adverse economic impact resulting from COVID-19
- Recent credit score report
- Applicant Structure Documents
- Personal Financial Statement
- Ownership Breakdown
- DRS Letter of Good Standing

## **Frequently Asked Questions (FAQ)**

Answers to frequently asked questions can be found here: <https://portal.ct.gov/DECD/Content/Coronavirus-Business-Recovery/CT-Recovery-Bridge-Loan-Program/FAQ>

Additionally, for more information, please visit the Program's homepage on DECD's website:

<https://portal.ct.gov/DECD/Content/Coronavirus-Business-Recovery/CT-Recovery-Bridge-Loan-Program>

Interested business can also contact the Express Hotline at (860) 500-2333 or via email at [decductrecovery@ct.gov](mailto:decductrecovery@ct.gov).

## **Part II: The CARES Act Paycheck Protection Program**

### **Legislation Overview**

On March 25, 2020, members of Congress announced that they had reached a bipartisan agreement on the general terms of an economic stimulus package known as the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"). Later that evening, the Senate voted 96-0 to approve the CARES Act sending it back to the House of Representatives where the bill was approved on March 27, 2020. **Please note, the CARES Act is only a proposed bill and has not been signed into law by the President.**

### **Paycheck Protection Program**

The CARES Act expands funding available to U.S. small businesses through the addition of the Paycheck Protection Program to the Small Business Administration Section 7(a) loan program.

### **Borrowers**

The Paycheck Protection Program is a \$349,000,000,000 lending program available to an expanded group of borrowers from February 15, 2020 until June 30, 2020 (the "Covered Period"):

- Employers with 500 or fewer employees including for-profit entities, non-profit entities, and Tribal businesses
- Sole proprietorships
- Independent contractors
- Accommodation and food service establishments employing fewer than 500 employees per physical location

### **Maximum Borrowing Amount**

Under the Paycheck Protection Program, borrowers may receive a loan in an amount equal to the lesser of:

Average monthly payroll costs multiplied by 2.5 **or** \$10,000,000.

### **Permitted Uses of Paycheck Protection Program Loan Proceeds**

Paycheck Protection Program loans may be used by borrowers for:

1. payroll costs (excluding annual compensation of an individual employee in excess of \$100,000);
2. costs related to the continuation of group health care benefits during periods of paid sick, medical, or family leave, and insurance premiums;
3. employee salaries, commissions, or similar compensations;
4. payments of interest on any mortgage obligation (excluding prepayment of interest);
5. rent;
6. utilities; and
7. interest on any other debt obligations incurred prior to Covered Period.

## **Personal Guarantee and Collateral Requirements**

Paycheck Protection Program loans made during the Covered Period will not require a personal guarantee or collateral.

## **Deferred Payments**

Paycheck Protection Program loans made during the Covered Period will have payments of principal and interest deferred automatically for a minimum of six months.

## **Interest Rate and Term**

Paycheck Protection Program loans will have a maximum interest rate of 4% and a maximum term of 10 years.

## **Paycheck Protection Program Loan Forgiveness**

### **General**

Recipients of Paycheck Protection Program loans made during the Covered Period may be eligible to have a portion of the loan forgiven equal to the sum of the following costs incurred during the eight week period following loan disbursement:

1. payroll costs;
2. payments of interest on any mortgage obligation (excluding prepayment of interest);
3. payment on any rent obligation; and
4. utility payments.

### **Loan Forgiveness Reductions**

The loan forgiveness of the CARES Act outlined above will be reduced if the borrower makes meaningful reductions in employee wages (in excess of 25% for any employee) or reduces the number of full-time equivalent employees during the Covered Period. Borrowers will not be penalized for workers that were laid off after February 15, 2020 but before thirty days following the effective date of the CARES Act and rehired or replaced on or before June 30, 2020. In addition, Borrowers will not be penalized for salary reductions made after February 15, 2020 but before thirty days following the effective date of the CARES Act provided that the borrower has eliminated the reduction for such employees on or before June 30, 2020.

**Please feel free to contact the following individuals at Updike, Kelly & Spellacy, P.C. with any questions or to inquire as to representation related to these topics.**

Attorney Robert J. Martino is the Chair of Updike, Kelly & Spellacy's Commercial Lending & Banking Practice Group. Attorney Martino focuses his practice on the representation of banks, commercial finance companies and other financial institutions in all aspects of commercial lending. Attorney Martino may be reached at [rmartino@uks.com](mailto:rmartino@uks.com) or at (860) 548-2658.

Attorney John F. (Jef) Wolter is a member of the Firm's Commercial Lending & Banking Practice Group. In the commercial finance area, Attorney Wolter concentrates in the transactional representation of banks, financial institutions, and small business investment companies. Attorney Wolter may be reached at [jwolter@uks.com](mailto:jwolter@uks.com) or at (860) 548-2645.

Attorney John J. Alissi, currently serving as the Firm's President, is a member of the Firm's Commercial Lending & Banking Practice Group. Attorney Alissi represents commercial banks, finance companies and other debt and equity providers in all aspects of commercial lending. Attorney Alissi may be reached at [jalissi@uks.com](mailto:jalissi@uks.com) or at (860) 548-2619.

Attorney Daniel P. Ryan is a member of the Firm's Commercial Lending & Banking Practice Group. Attorney Ryan concentrates in the transactional representation of banks, financial institutions, and small business investment companies. Attorney Ryan may be reached at [dryan@uks.com](mailto:dryan@uks.com) or at (860) 548 2611.

Updike, Kelly & Spellacy, PC would like to thank associates Michael J. Paciorek and C. Zack Hyde for their contributions to this article.