PAYCHECK PROTECTION PROGRAM – APPLICATION ACTION PLAN

The application for the Paycheck Protection Program is available and can be submitted beginning April 3rd.

PLP Perspective:

The program remains attractive – in fact the interest rate on any portion of the loan that is not forgivable is 0.5%, much lower than the 4% that was expected. We urge you to select a lending partner and apply as quickly as possible. Ultimately, your company must apply, but we are providing an action plan to support you and to ensure that you complete your application accurately and position the company for approval.

Action Plan (Do These Now):

- Choose a lending partner – as highlighted previously, this can be your current lender if they offer SBA loans, if not we suggest you select one of the lenders we recommended.

- Complete the PPP SBA 7(a) loan calculator worksheet by April 2nd to calculate your maximum loan amount (www.pacificlake.com/covid-19). Please contact Chris Hendriksen (chris.hendriksen@pacificlake.com) or Jack Bulmer (jack.bulmer@pacificlake.com) with any questions or if you want help completing the worksheet.

- Prepare a current cap table, including all classes of shares. Determine if any individual shareholder owns greater than 20% (this is required for the application).

- Gather information required for lenders, including payroll records, tax records/returns, calculation of payroll costs, and monthly financials for 2019 and LTM. They may request other information.

- Complete the SBA application by April 3rd (including certification from any shareholder that owns greater than 20%) and submit to lender.

Open Questions:

Will we be ineligible because of affiliation rules?

The guidance is not clear on this topic, and much has been written in the media about how PE-backed companies are excluded from the program. We are optimistic that search fund companies will not be excluded from the program given the minority ownership positions, and the lack of control based on ownership or board seats. The model is based on collaboration and support, not investor control, and the searcher(s) are typically the largest shareholder in the company.

At this point, the determination of “affiliation” is up to the lender, so we advise you to do a few things in the application process. Be honest, be concise and be prepared with documentation to move quickly.