



Pennsylvania COVID-19 Working Capital Access Program

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What is the Pennsylvania Working Capital Access Program? The Pennsylvania Working Capital Access Program (“CWCA”) is a loan program administered by the Pennsylvania Industrial Development Authority (“PIDA”), which offers working capital loans of up to \$100,000 to support small businesses located in the Commonwealth of Pennsylvania that are adversely affected by COVID-19.

What businesses are eligible? Eligible small business enterprises are for-profit corporations, limited liability companies, partnerships, proprietorships, or other legal business entities located in the Commonwealth of Pennsylvania and having 100 or fewer full-time employees worldwide at the time of submission of the application.

What can I use the money for? You can use the CWCA Loan for working capital, which, for the purposes of this program, is considered capital used by a small business for operations, excluding fixed assets and production machinery and equipment. You cannot use the loan for projects outside of Pennsylvania, repayment of other loans, dividend distribution, return of capital, or loans to partners or shareholders (except for ordinary compensation for services rendered).

How much can I borrow? For most eligible businesses, the lesser of the business’s prior three months working capital, or \$100,000. For retail and service companies, the lesser of 50% of the prior six months working capital, or \$100,000.

What are the terms? The terms of a CWCA Loan are:

- Interest rate of 0% for all businesses other than agricultural producers. Interest rate for agricultural producers is 2%.
- Term of up to 3 years, with a 12-year amortization schedule. In addition, no payments are due during the first year, principal and interest (if applicable) will be due monthly in the second and third years, and a balloon payment will be due at the end of the third year.
- Loan will be secured by a blanket lien on all business assets of the borrower, in the highest lien position available.
- Personal guaranties of all owners having a 20% or greater ownership interest in the borrower company will be required.
- Required debt service coverage ratio of 1.0 : 1.0.

Do I need to be able to demonstrate ability to repay the loan? You will need to show at least breakeven performance for the business for the prior year, acceptable personal credit history of the guarantors, and historical cash flow adequate to pay the company's obligations.

Are there any other requirements? The borrower and its principals must be current in the payment of all taxes (or current in the payment of any workout agreement for tax payments), and must disclose any potential conflicts of interest with any employees or officials of PA DCED, PIDA, or the Economic Development Agency ("CEDO") submitting the application. There are no job retention or job creation requirements for a CWCA loan.

How do I apply? Applications are to be made through your local Certified Economic Development Agency ("CEDO"). You can find your CEDO at <https://dced.pa.gov/cedo/>. You will need to submit, among other things, a project information summary, company profile, signed W-9 form, a business entity certification, the most recent year's audited financial statements and tax returns for the business, a debt schedule, and personal financial statements of the guarantors. You should contact your CEDO, or visit <https://dced.pa.gov/programs/covid-19-working-capital-access-program-cwca/>, to obtain the necessary forms.

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Please contact Jason J. Herron, Esquire at jherron@wispearl.com or (610) 825-8400 for more information on how we can help you today with your business.

This article represents our best effort to assemble accurate information on an accelerated basis. However, the subject is complex, and many details have been summarized or omitted in the interest of focusing on key points. In addition, the law and the guidance issued by the government is constantly changing. You should not rely on the accuracy or completeness of this information for your business and personal decisions but, rather, should seek updated, personalized legal advice as needed.

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