

# COVID-19 WORKING CAPITAL ACCESS

Program Guidelines | March 2020



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## Section I – General

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### A. Introduction

The COVID-19 Working Capital Access (CWCA) Program is administered by the Pennsylvania Industrial Development Authority (PIDA) and provides critical working capital financing to small businesses located within the Commonwealth that are adversely impacted by the COVID-19 outbreak.

All CWCA loan applications must be submitted through a Certified Economic Development Organization (CEDO). For the list of CEDO's operating within Pennsylvania, please refer to [www.dced.pa.gov/CWCA](http://www.dced.pa.gov/CWCA).

### B. Eligible Businesses

An eligible small business enterprise is a for-profit corporation, limited liability company, partnership, proprietorship or other legal business entity located in the Commonwealth of Pennsylvania and having 100 or fewer full-time employees worldwide at the time of submission of the application. For purposes of this program a **retail / service enterprise** is defined as a for-profit business entity that is involved in the business-to-business service, business-to-public service, mercantile, commercial, or point of sale retail sectors. An **agricultural producer** is defined as a business involved in the management and use of a normal agricultural operation for the production of a farm commodity. A "farm commodity" is any Pennsylvania-grown agricultural, horticultural, aquacultural, vegetable, fruit, and floricultural product of the soil, livestock and meats, wools, hides, furs, poultry, eggs, dairy products, nuts, mushrooms, honey products and forest products.

### C. Eligible Costs

1. Working capital, which for purposes of this program is considered capital used by a small business for operations, excluding fixed assets and production machinery and equipment.
2. Any eligible working capital cost, as defined above, incurred by the eligible business enterprise three (3) months prior to submission of the loan application will count as an eligible cost toward either the loan amount or, if applicable, the matching investment requirement. Retail / service enterprises are able to incur eligible working capital costs up to six (6) months prior to submission of the loan application. Please note that evidence of eligible working capital costs incurred equal to the amount of the total project cost will be required prior to the loan being disbursed.

### D. Ineligible Activities

Projects relating to any of the following activities are not eligible:

1. Providing funds, directly or indirectly, for payment whether as loan repayment, dividend distribution, return of capital, loans, or otherwise to owners, partners or shareholders of the business enterprise, except as ordinary compensation for services rendered.
2. Finance a project located outside the geographic boundaries of this Commonwealth.

## E. Restrictions

1. **Taxes Current.** The borrower and its principals must be current in payment of all applicable federal, state and local taxes unless they have entered into a workout agreement satisfactory to the respective taxing authority and are fully in compliance with the terms of that agreement.
2. **Conflicts of Interest.** The borrower and its principals and managerial officers must disclose any potential conflicts of interest with any officials or employees of the department or any officers or employees of the CEDO which is submitting an application on behalf of the borrower.

## F. Loan Amounts, Matching Investment, Job-Requirements

1. The maximum loan amount is \$100,000.
2. No match is required except for **retail / service enterprises** in which case the CWCA program is able to finance 50% of eligible working capital costs up to \$100,000.
3. There are no job retention / creation requirements.

## G. Interest Rates and Terms

1. **Interest Rate** – The interest rate will be set by the PIDA Board.
2. **Terms** – Loan terms are three years with a 12-year amortization. In addition, 1) no payments will be due and payable during the first year, 2) principal and if applicable, interest payments will be due monthly for years two and three, and 3) A balloon payment will be due and payable at the end of the third year.

## H. Collateral

1. The loan shall be secured by a blanket lien on all business assets currently owned or acquired in the future at the highest lien position available.

## I. Guarantees

1. The loan shall be guaranteed by any individual or entity with a 20% or greater ownership interest in the eligible business enterprise.

## J. Debt Service Requirement

1. The overall debt service coverage ratio should be at least 1:1 or better.

## Section II – The Application Process

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### A. Supplemental Application Information

In addition to the Electronic Single Application for Assistance (ESA), the CEDO should include the following items when applying for a CWCA loan. All items should be attached electronically to the ESA submission:

1. A project narrative including the following information: (a) amount of the loan request (b) a brief description indicating whether or not the applicant business temporarily closed operations due to COVID-19 and if so, the date the closure started as well as the date operations resumed, if applicable (c) a brief description of the adverse financial impact caused to date by COVID-19 and (d) a brief description for how the working capital loan proceeds will be used to finance the business operations.
2. A Company Profile Sheet [Exhibit A] *should be downloaded, completed, and attached to the ESA submission.*
3. A signed W-9 form for any individual or entity serving as a **Borrower** or **Co-Borrower**.
4. A signed Certification Sheet for the applicant company(s) and each principal or entity with 20% or more ownership [Exhibit B] should be downloaded, completed, and attached to the ESA submission.
5. An individual credit report less than six months old for any individual with 20% or more ownership in the operating entity and if applicable, the project real estate being financed.
6. For businesses with an operating history of one year or more, if available, the most recent year end accountant prepared financial statements or the most recent filed tax return.
7. For businesses with less than a year operating history, the most recent available management prepared financial statements.
8. Debt Schedule [Exhibit C] outlining all existing debts of the operating entity. This form is not required if accountant prepared financials are provided and include a detailed debt schedule. The Debt Schedule *should be downloaded, completed, and attached to the ESA submission.*
9. Cash Flow Analysis Statement [Exhibit D] demonstrating the debt service coverage ratio for the loan request. The Cash Flow Analysis Statement *should be downloaded, completed, and attached to the ESA submission.*
10. Signed and Dated Personal Financial Statement [Exhibit E] no less than 12 months old for all individuals with 20% or greater ownership in the eligible business enterprise. The Personal Financial Statement should be downloaded, completed, and attached to the ESA submission.
11. The most recent year of financial statements for any entity other than an individual with 20% or more ownership in the eligible business enterprise.

## **B. Application Submission**

1. All applications for CWCA financing must be submitted through a CEDO. A list of CEDOs and the area each organization serves can be found at [www.dced.pa.gov/CWCA](http://www.dced.pa.gov/CWCA).
2. The loan application must be approved by the CEDO prior to submission.
3. CEDOs should submit the DCED Single Application for Assistance electronically at [www.esa.dced.state.pa.us](http://www.esa.dced.state.pa.us) and upload all above supplemental information outlined in Section II, A. above as part of the electronic submission.

## **C. Review, Approval, and Closing Process**

1. Upon receipt of an application, a review will be completed by program staff. Additional information, if needed, generally will be obtained via telephone or email.
2. If all eligibility requirements are met, the loan application shall be approved.
3. Upon approval, a commitment letter will either be mailed or emailed to the CEDO outlining the terms and conditions of the loan. The commitment letter must be executed and returned within 60 days of receipt.
4. Any material changes in the application, collateral or terms must be reviewed and approved by the CEDO and program staff.
5. A closing will occur once the terms and conditions of the loan and all closing requirements are satisfied.

## **D. Limitations and Penalties**

1. Any material misrepresentation in any application or misuse of loan funds for ineligible activities may be cause for rejection of an application or calling a CWCA loan in default. In addition, the matter may be referred to the appropriate authorities for criminal investigation.
2. Upon reasonable request of program staff or the CEDO, the borrower shall permit duly authorized employees of the Commonwealth or the CEDO to inspect the facility, books and records of the borrower and liable parties.

## **E. Contact Information**

1. Any questions regarding eligibility or application requirements should be directed to:

Phone: (717) 783-5046

Email: [ra-cwcainfo@pa.gov](mailto:ra-cwcainfo@pa.gov)