

Thrive Maine: Pandemic Recovery Business Forgivable Loan Program

How to Apply for Cycle 2

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PRESENTED BY:

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Q&A Transcript

General Program Questions

Q: What conditions would have to occur for the forgivable loan to become a payable loan?

A: To remain as a forgivable loan, the business will have to certify on an annual basis that it is still in operation and indicate the number of employees that it has. If the company closes within the four-year period of forgiveness, repayment will be required for the remaining time left until maturity.

Q: If we sell our business in the 4-year period of forgiveness (to a family member) how will forgiveness be affected?

A: If the business stays in Maine and remains in business, the forgiveness can be transferred.

Q: What documents are needed to be uploaded to the application? Or is the application all that is needed?

A: You will need to provide two forms of ID, your Unique Entity Identifier (UEI), income statement and profit and loss statement for 2019, 2020, 2021, and 2022, and 2019-2022 tax returns. The impact statement will also be uploaded as a document.

Q: Who submits their ID documents for the application? We are a nonprofit with no "owner."

A: For for-profit organizations, the owner of the business would be the individual whose ID documentation should be submitted. In this instance, we suggest the President or Chair of the Board of Directors be the individual who submits the documents.

Q: If I remember correctly in the first cycle, the amount you could apply for was tied to the amount of COVID-related loss. Has that changed for this cycle?

A: Yes, a business must still prove that they have a remaining COVID-related loss of at least \$10,000 to be eligible to apply; however, the loan amount requested is designated by a forward-looking plan and impact statement.

Q: When will a copy of the application questions be available?

A: Example applications with the questions are available on our website, FAMemaine.com/thrive in the How to Apply section.

Q: Are the Example Applications on your website businesses that were funded during the first cycle? I.e. are they considered successful applications?

A: No, these are made up businesses for illustration purposes only. They were created to show examples of what we are looking for in an application, and they can be used to help you visualize how to present your business and forward-looking plan.

Q: Why is the commercial fishing sector not included in the prioritized sector given the economic crisis they are in?

A: The prioritized sectors have been identified to be in alignment with Governor Mills' 10-year economic strategic plan.

Q: Claw back of unspent COVID funds is being discussed in debt ceiling talks. At what point are the funds we're talking about today considered "spent" (i.e. when they're allocated to businesses, or when the businesses spends them)?

A: They are considered "spent" when they are allocated to the business.

Q: If a business applied for a forgivable loan in round 1 but was not awarded and would like to apply again for the same loan in round 2, is there a way to confirm that the reason they weren't rewarded in round 1 due to the application process and not about the application itself?

A: You are welcome to reach out to discuss details of your cycle 1 application. However, the focus of the application is completely different. The first application cycle was about COVID loss, and the second cycle is focused on a strategic plan. Additionally, the first application cycle was awarded on a first-come, first-served basis; this cycle is not and is competitive. There will be differences in your application between the two cycles.

Application Portal – MaineLending.org

Q: Is the application portal the same one that was used in the first cycle? If we created an application before, can you still use the original username and password?

A: Yes, you can use the same username and password. Any information submitted in the first cycle will be pre-filled in the correlating questions in the application. There will be additional questions and data points that will need to be filled in.

Q: Does the portal allow for multiple users on the same organization account, or would I have to use the login info of someone else to access my organization's account?

A: The portal allows for one user per application, so, if you have multiple people that will need to work on the application, you will need to share login information.

Q: If you are replacing the person who submitted the first application, how can you log into the prepopulated application?

A: You will need to use the same username and password as the previous person in your organization. If you have access to the email address associated with the account and know your username, you can reset the password. If you don't have this information, you will need to start a new application.

Q: During the application process, am I able share the application-in-process with other members of my organization?

A: Sure! Each application has only one login so the login information would need to be shared with the other members of the organization in order for them to view the application digitally.

Q: Are there word or character limits on any of the questions? Will you specify font, font size, margins, and line space for the two pages allowed for the impact statement?

A: Some questions do have character limits, which are indicated on the questions within the application. The impact statement is limited to 2 pages. As a guideline, please use Times New Roman 12 point font size, single spaced, and one-inch margins.

Eligibility Criteria

Q: Will a small LLC with projections of 10-20 staff have a reasonable chance of receiving funding?

A: Yes; however, your chance of funding depends on your forward-looking plan.

Q: Are the FTE's today's numbers or pandemic numbers?

A: You will include today's FTE number.

Q: Does our non-profit organization qualify for a Thrive Maine forgivable loan assuming we meet other eligibility requirements?

A: Yes, nonprofits are eligible to apply.

Q: We are a non-profit organization and we are not particularly focused on growth and more on not closing down either completely or having to reduce our activities. Is there consideration for those non-profits who did not receive funds from the first cycle of Thrive Maine and are looking to survive? Or is there guidance on how to write this application?

A: There are other ways to strengthen your organization than to grow in size. We are also looking for improving service and efficiency. One way to apply would be to think about ways you can optimize what you're already doing. The goal of this funding, however, is to make impactful investments in the growth and strengthening of the Maine economy.

Q: What if staff are all 1099 not direct? Will this exclude my company from funding? Or severely/negatively impact my chances of receiving funding?

A: This does not exclude your company from funding, and it does not put your organization at a severe disadvantage.

Q: When does our standing with the state and federal taxes need to be fully filed? Does having an extension impact our ability to apply?

A: Extensions for 2022 taxes are fine. We will check each applicant with the Maine Revenue Service before offering a loan.

Q: Can a business qualify if they have outstanding sales tax due?

A: No. You would be in poor standing with the Maine Revenue Service and thus would not be eligible to receive a forgivable loan.

Q: If you have multiple LLC's that rollup for tax purposes to a holding company, can each LLC apply?

A: If each LLC has at least \$10,000 in remaining COVID-related loss and meets the other criteria, then each can apply. Each LLC will need its own Unique Entity Identifier (UEI) and financial documentation. One person can only receive \$500,000 in total across their company portfolio. This is triggered if one person owns 20% or more of an organization.

Q: For a construction project that is adding jobs - for employee count, do we include how many FTE we will have when the project is completed or how many we have now (which is zero because it is a new business that will open in the fall)?

A: If the business isn't yet incorporated, you are not eligible to apply. Organizations needed to be incorporated by 8/31/22. If you are already incorporated, you would put the FTE count as 0, as that is how many employees you have now (or 1, which is you or the applicant). Also, be clear on what your covid losses are, since you haven't open the business yet. Projected revenue losses do not qualify.

COVID-Related Negative Economic Impact

Q: For the calculation, it mentioned 2020 as the start time. When reviewing numbers and looking at loss is there a specific start month?

A: No, we will not require a specific starting month. The calculations can be determined by you but you must connect all claimed losses to the pandemic.

Q: Can you show the \$10k loss as only loss in sales even if net profit remained unchanged?

A: If you are showing loss in sales and not a reduction in net profit, you will need to explain why and how that is a true Covid loss. There are many legitimate, strategic (non-covid) reasons why that would happen to an organization's income statement.

Q: For nonprofits, is demonstrated losses of operating revenue and increases in costs sufficient? Or do all sources need to be included (i.e. investments, donor gifts, one time grants, etc.)?

A: Yes, operating revenue and increased costs are sufficient for nonprofits.

Q: Are the EBITDA forms we used in cycle 1 a good basis to explain and prove our losses?

A: You may use EBITDA to calculate the loss, but EBITDA is not required. You will need to write a narrative to explain the loss in the application.

Q: If you had losses in 1 year but the other years you didn't, do you subtract the positive income from the negative income year?

A: No, one year's loss is sufficient. You do not need to include gains in the calculation.

Q: Would you want invoices submitted? Example materials cost 2019 vs. materials cost 2021.

A: That would be great additional evidence if you have them!

Q: Are we using the tax returns as proof of the \$10,000 loss? If so, do we provide tax returns from each year? Or are we using financial statements?

A: You will need to write a narrative to explain the loss in the application. Additionally, tax returns from 2019-2022 and 2019-2023 year-to-date profit and loss and balance sheets are required to be submitted with your application. If your business was established later, then you will submit that tax returns and financial documentation for the years you have been in operation.

Q: If companies are eligible if they were founded less than a year ago - how is it that FAME won't consider projections for losses? If they are very well thought out and have a basis from market standards, should we even bother applying?

A: Our rule is that we do not consider projections. Across every application, it would be impossible to vet every industry and financial model to ensure that the projections are reasonable.

Q: What if the business was purchased during the pandemic (i.e. closed on business September 2021)? Can we still apply?

A: Yes, you may be eligible to apply. You will need to prove that you have not changed the business model compared to prior ownership.

Q: We're planning to use the added construction costs we experienced. Does that still work for our qualified pandemic loss?

A: Yes.

Q: Would labor costs apply due to pandemic?

A: Yes, increased labor costs can apply.

Q: Does the Employee Retention Tax Credit (ERTC) count as a pandemic-related funding that needs to be included in the calculation?

A: ERTC is not required to be considered when calculating outstanding pandemic loss.

Q: Is the USDA AIIP grant for equipment part of the pandemic funding from federal government that needs to be included in the calculation?

A: Yes.

Q: If the business has been a part of the Working Waterfront Access Protection Program funding is the business eligible to apply?

A: Yes, you may be eligible to apply.

Q: Why would previous awards that covered pandemic expenses (i.e. PPP funding that covered paying for payroll during pandemic) be included in the calculation for applying for funds of a future investments in these companies?

A: These calculations are used to determine the amount of outstanding loss from the pandemic. The purpose of these federal funds is to strengthen after pandemic damage, and this is a federal regulation that there is outstanding pandemic damage.

Q: In the first cycle, you could apply because of loss in a specific year. Do you now combine all these dates?

A: You can use one year or a combination of 2020- August 2022. The remaining loss must be at least \$10,000. The loan request amount will correspond with your impact statement need.

Q: Can negative impact be illustrated by performance from prior and post pandemic periods? For example, compare 2021 Q1 results from the same period results from both 2021 and 2023?

A: Yes, comparing to actuals works, though only to prior periods. Comparing to periods after the “loss period” could involve improvements that you put into place that would not be an “apples to apples” comparison.

Q: If there is more significant loss (struggled to recover from the pandemic) that continues beyond August 2022, can it be included to support the narrative?

A: You can write about it, though there needs to be \$10k or more of loss between 2020 and August 2022.

Q: We’re a startup that was founded during the pandemic. We had significant delays in projects and revenue due to the pandemic. But, we do not have financial actuals to compare to. Does this mean we’re ineligible because we can’t definitively quantify our loss by comparing actuals with actuals?

A: The application will include a short narrative to input these details, along with more specifics. You will also attach the profit and loss and balance sheets for the time you have been in operation to the application. In your narrative, you should connect the qualitative to the quantitative in your financial documents. There is also an option to add other additional documents that support your narrative, if you feel it is necessary. Your application can also include description of the project delays.

Impact Statement and Use of Funds

Q: Can the expansion of employee benefits be part of the plan for the funding?

A: Yes, if you feel this is important to strengthening your business, you can include this. It will be scored as part of your plan and compared to other applicants.

Q: Can the funding be used for future employee hires?

A: Ideally, no. That is not sustainable funding for multiple years of the employee’s salary. If the plan is that the additional employee would create more revenue that would then sustain their own salary, that plan could be considered for funding, and you will need to describe this plan in the impact statement.

Q: Can the forgivable loan be used for physical facilities expansion?

A: Yes.

Q: What if we are putting the plan for growth in place now but funding it by borrowing - will it still be considered, or should we hold off until we apply for this program?

A: This would not be a qualifying project. Thrive Maine aims to fund strategic investments that wouldn't otherwise be made.

Q: If you are starting to act on your strategic plan by making capital investments now before receiving Thrive funds, will the use of the funds to reimburse the company for those capital investments be valid?

A: Reimbursement for funds already spent is not a qualifying project.

Q: Can your plan utilize several different strategies for diversifying income?

A: Yes!

Forgivable Loan Amounts and Application Scoring

Q: Are priority industries captured in the application field or stated in the impact statement?

A: Both. The industry is written in a field, as well as NAICS code. Additionally, the impact statement will describe the project, which could be in the prioritized areas.

Q: How do we determine how much of the forgivable loan we should apply for?

A: The loan amount request must align with the cost of implementing and completing your impact plan.

Q: Will the amount requested affect approval for funding? Is it possible that partial awards will be given?

A: No, the amount requested does not affect your score. It is possible that the loan amount awarded is less than the amount requested in your application. We will work to fund as many awards as possible and to the amounts requested that cover the critical needs for each of the impact plans. Superfluous amounts requested are likely to not be funded in order to assist more companies.

Q: What if we request more than you will allow? Will the whole application be thrown out or will it just be decreased to the amount allowed?

A: Forgivable loan amount requests should be between \$10,000 and \$500,000. The amount awarded may be less than the amount requested. Superfluous amounts requested are likely to not be funded in order to assist more companies. Thrive Maine aims to strengthen the Maine economy by providing funding to as many businesses as possible.

Q: How will you grade competing applications?

A: Each application will be scored for viability and economic impact, as described in the webinar.

Q: Is the funding tied to employee count? What if your number of employees decline because of reduction of services or outsourcing in the future during the period of its forgiveness?

A: Applicants will be compared to other like applicants for scoring of the application, which includes organization size designated by fulltime employee equivalent (FTE) count. On an annual basis the company will have to certify that the employment numbers remain consistent in comparison to those reported at the time of application. If the numbers change significantly downward there is a chance the annual forgiveness will not be granted.

Q: Will projects that have specific sustainability/environmental impacts be additive to our scoring?

A: No.

Q: How do you apply timing of when the application is filed as part of the scoring?

A: The submission time of the application does not impact scoring.