

BOD President PPP Loan Summary

Talking points for Thursday, April 24, 2025, BOD Meeting

New Business Update:

In December 2024, the Department of Justice (DOJ) notified LMOA that it was investigating a potential violation of the False Claims Act (31 U.S.C. § 3729). The DOJ's findings indicated that LMOA was not eligible for the Paycheck Protection Program (PPP) loan approved and disbursed by the SBA in April 2020. As a result, LMOA was ineligible for the forgiveness of the loan, approved by the SBA in May 2021. In their communication, the DOJ offered LMOA the option to resolve the issue before any potential litigation.

In February 2025, LMOA's insurance provider assigned the association an attorney. The attorney responded to the DOJ, asking the SBA for understanding and leniency, believing the SBA might consider being estopped. He explained that at the start of the pandemic, the former LMOA Board faced uncertainty regarding staff layoffs and member dues. They believed applying for a loan as a precaution was their fiduciary responsibility. Initial guidelines were unclear and frequently changed, complicating the process. LMOA believed it was eligible and trusted that the bank and SBA would properly vet the LMOA application. It was also confident that it used the funds according to CARES Act guidelines, avoiding layoffs and maintaining payroll and operations.

In March 2025, the DOJ sought more information on how the loan funds were utilized, still asserting that LMOA seemed to have violated the False Claims Act.

In April 2025, LMOA's Assigned Attorney provided the DOJ with the requested information. He also acknowledged that LMOA's 501(c) (4) nonprofit status disqualified it from the PPP Loan and Forgiveness and proposed to repay \$681,200, which reflects the original loan sum of \$646,843 plus 1% interest, as per the repayment terms.

In the same month, the DOJ responded, claiming LMOA appeared to have violated the False Claims Act. It indicated it could ask for double or triple the loan amount as repayment.

And so we conclude:

Research shows that the DOJ settlements typically range between 1.2 and 1.5 times the initial loan amount. LMOA continues to work with our insurance and attorneys as negotiations with the DOJ proceed. The LMOA Board must prepare itself to act immediately to possible outcomes. This involves finalizing a BOD Proposal for Membership Approval at the Annual Meeting to allow the repayment of the loan using the Emergency Reserve Account (ERA). The resolution of this matter will be determined through negotiations or by pursuing this in court, to be decided later. The Board of Directors is dedicated to responsibly resolving this matter and minimizing impacts to its Members.