CARES Act:

Small Business Interruption Loans EIDL and PPP overview

CARES Act Summary - April 15, 2020

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This is Hard

Brand New Legislation

- Passed into law 18 days ago
- Moving Target
 - · Rules and Clarification keep changing
- \$350,000,000,000 of funding available
 - Massive amount of money to be loaned before June 30, 2020
- · Each Bank is different
 - Interpretation of changing rules
 - · How much they can loan
- The initial funds are about out.....

Programs Available

- EIDL Loans (Economic Injury Disaster Loan)
 - Available much quicker??
 - Apply directly to SBA (sba.gov)
 - \$10k payment within "days"
 - 10 year Loan @4% Interest
 - · Apply via SBA.gov NOW.
 - May be allowed to "fold into" PPP Loans
- PPP Loans (Forgivable Payroll Protection Prog)
 - Forgivable Loan for Payroll Costs, benefits, rent, interest portion of mortgage, utilities

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Who is eligible for PPP loans

- For profit companies
- Not for profit entities
- Adversely impacted by COVID-19
 - Supply chain disruptions, staffing challenges, decrease in sales
- <500 employees
- Business in operation on February 15, 2020
- Had employees for whom the business paid salaries and payroll taxes or 1099 Indep. Contractors
- Sole proprietors and Independent Contractors also eligible (can't apply until April 10)

PPP Loans How Much <u>Can I Bo</u>rrow

- Maximum of 2.5 X Average Monthly Payments of
 - Timeframe for calculation is bank specific
 - Some are 2019
 - Some are 12 months prior to loan app.
 - Payroll Costs defined as:
 - W2 Payroll Costs +
 - Guaranteed Payments, Self Employed Income for Owners (Partnership LLC structure) +
 - Group Health Care costs paid by company +
 - · Retirement Benefits paid by company
 - Payroll costs excluded
 - Comp. above \$100k for employees
 - Payroll taxes (Employer and Employee FICA)
 - · Timeframe is bank specific
 - Qualified Sick Leave that qualify for other Coronavirus Acts
 - Adjustment for previous EIDL loan participation
- Maximum of \$10,000,000
- · Banks may have other limitations
 - Chase, Wells Fargo Example(s)

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What Can I Use the Money For

- 2 months of business expenses including:
 - · Payroll including sick leave, medical or family leave
 - Group Health Care Benefits during medical/family leave
 - Rent
 - Utilities
 - Interest portion of other mortgage payments incurred before Feb 15, 2020

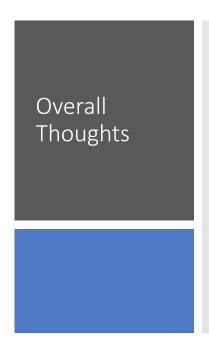
Loan Forgiveness

- Forgiveness in an amount equal to the cost of maintaining payroll continuity for 8 weeks from loan origination
 - Total payroll costs during the 8 weeks X 75%
- The Treasury Dept anticipates less than 25% forgiveness for:
 - Rent
 - Utilities
 - Additional wages paid to tipped employees
- · Forgiveness is reduced if:
 - Full Time Employee reduction during the covered period (March June)
 - *Compensation is reduced by more than 25%
 - Previous Quarter vs March June timeframe
- Loan Forgiveness is not taxed!!
- Unforgiven portion of loan converts to 2 year loan at 1% interest

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Forgiveness Strategy

- Loan is forgiven if you don't change payroll or
- By June 30, 2020:
 - Company brings employees back
 - · Company restores wages
- Wage Reduction may make sense:
 - Lower wages during the crisis to extend companies cash and keep more employees working
 - Increase wages by June 30
- Layoff's with intent to bring employees back
 - Lower cash flow during crisis and bring back as business ramps up
 - Ideally by June 30



- 1. Start with the banks
 - 1. Each Bank is interpreting differently
 - 2. Each bank has their own calc/forms/etc
- 2. Evaluate salary reductions in combination with Loan(s) to buy the business more time to evaluate long term impact to business
- 3. Evaluate layoff's in combination with Loan(s) to buy the business more time to evaluate long term impact to the business

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