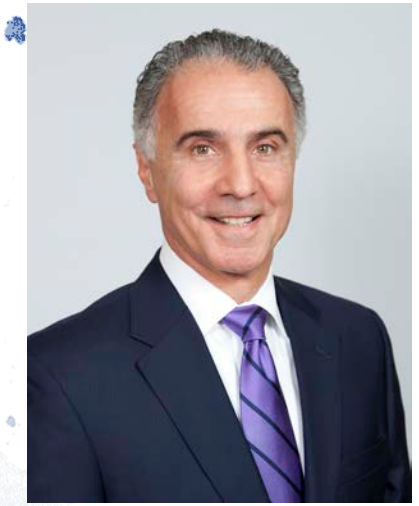
Paycheck Protection Program

A Roadmap & Strategies to Maximize Use

Presented by:

Introduction to Your Presenters



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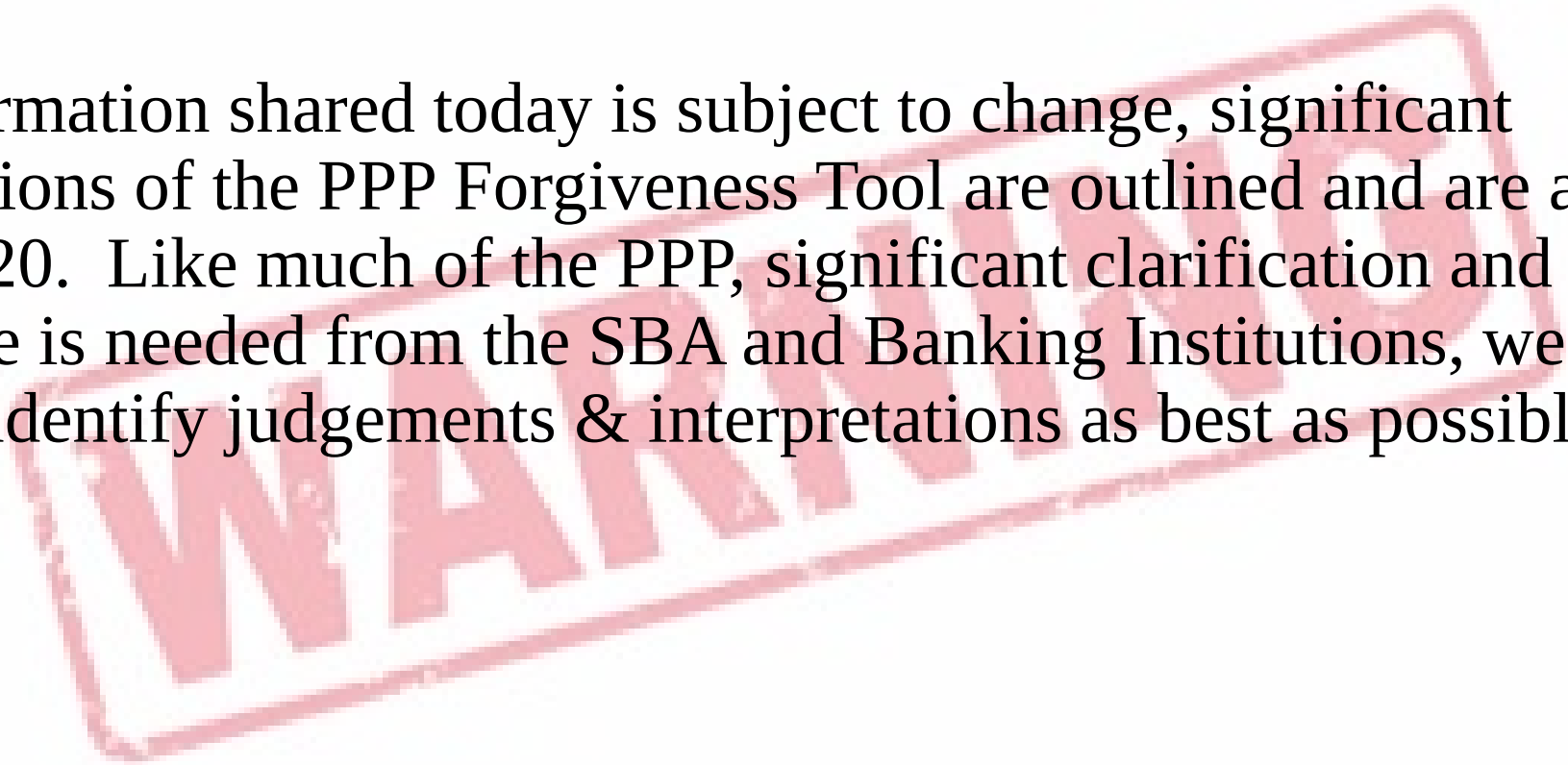
Today's Agenda

- Welcome
- DISCLAIMER
- PPP Program – Quick Summary & Overview
- **MAJOR** Recent Updates/Changes & Clarifications
- Accounting Recommendations
- Current FAQ
- Overview of Significant Assumptions
- Forgiveness Tool Walkthrough
- Tax Update
- Q&A – Advance Submissions & Q&A Chat

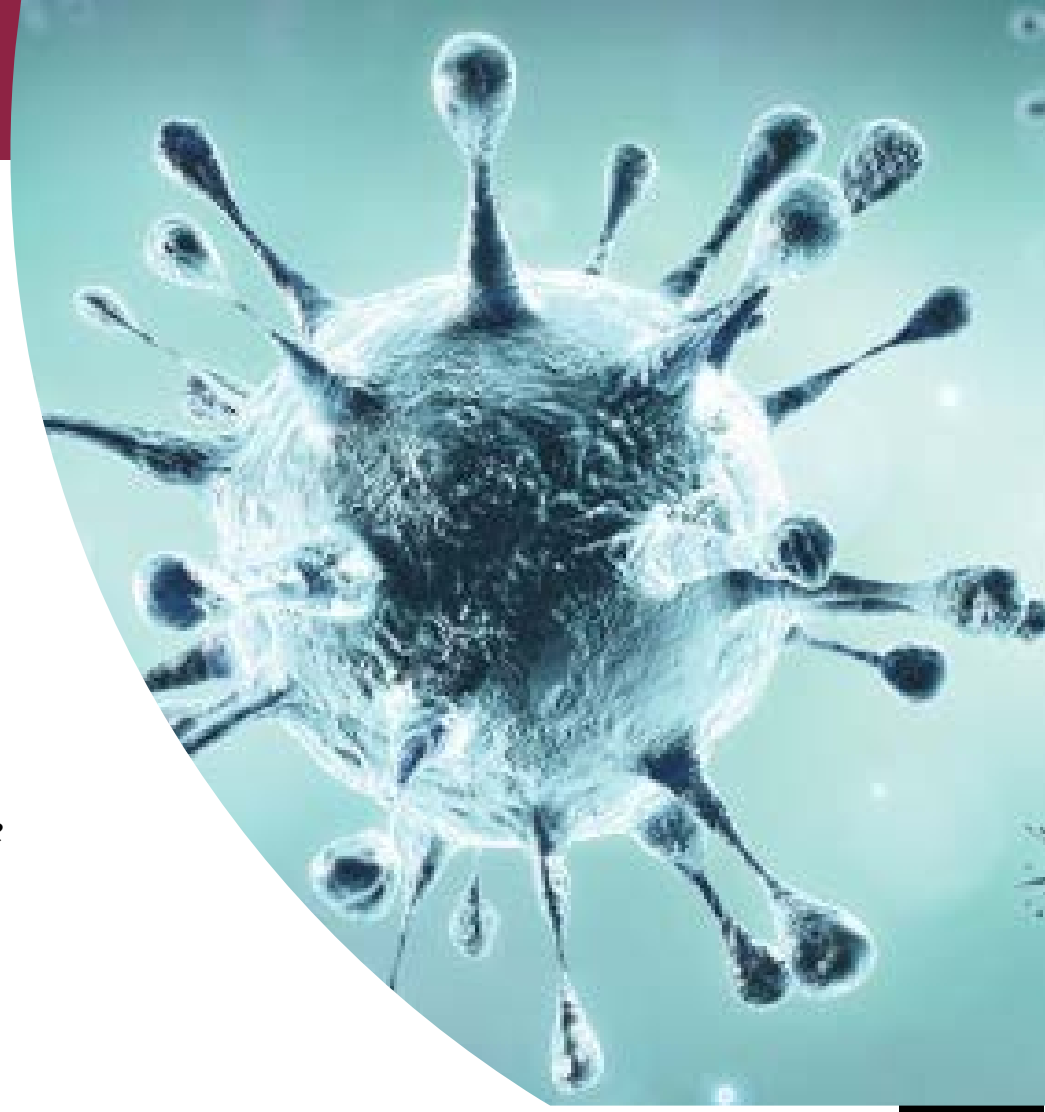
DISCLAIMER

- All information shared today is subject to change, significant assumptions of the PPP Forgiveness Tool are outlined and are as of 5/25/2020. Like much of the PPP, significant clarification and guidance is needed from the SBA and Banking Institutions, we have tried to identify judgements & interpretations as best as possible.



EVERYTHING MAY CHANGE!!!

Recent Headlines



- *“Now that over $500 billion of these loans have been approved, we’re really focused on the forgiveness phase, and the forgiveness phase could be 10 times more complex than the initial program,”*
- *“One of the biggest stumbling blocks is a requirement that businesses allocate 75 percent of the loan money to cover payroll costs, with only 25 percent allowed for rent, utilities and other overhead. That has become more difficult as the economic crisis from the virus drags on and as some businesses face a prolonged period of depressed sales, even once they reopen.”*
- *“The embattled small business lending program is running into a new set of challenges, one that threatens to saddle borrowers with huge debt loads, as banks begin the tricky task of proving the loans they extended actually met the government’s intention”*
- *“Bankers and borrowers are just now beginning to realize how complicated the program may turn out to be.”*

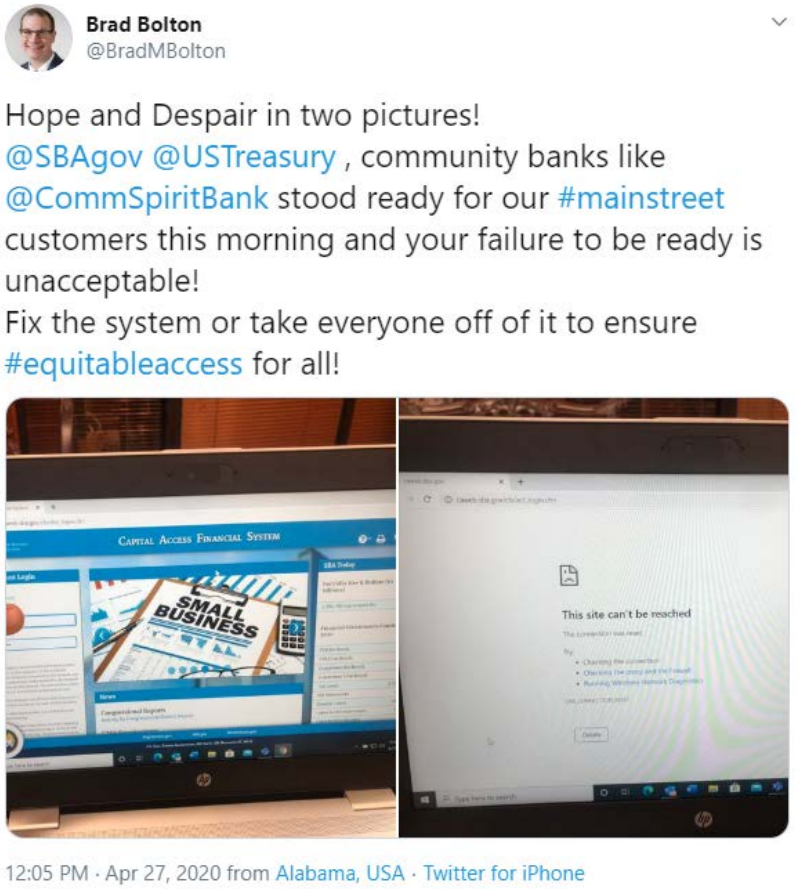
PPP Timeline

21 DAYS!!!

CARES ACT APPROVED → PPP APPLICATION ISSUED → CONFUSION → PPP APP CHANGED → PPP APP CHANGED AGAIN → FUNDS ISSUED → GUIDANCE ISSUED ON APP CALCULATION → MORE FUNDS ISSUED → MASS CONFUSION!!! → Forgiveness Application Released

- On Twitter, Brad Bolton; President & CEO of Community Spirit Bank, a lender in Red Bay, Ala., summarized his experience with two pictures and a caption. The S.B.A. *"had weeks to get this figured out, and here we are,"* Mr. Bolton said in an interview. *"It's a disaster."*

- Jill Castilla; CEO of a small community lender in Oklahoma, had 200 applications ready to submit on the first day the second round of funding was available. After six hours of trying, she was able to get only three processed. *"We serve truly tiny businesses, and many of them are in desperate circumstances," Ms. Castilla said. "We know that each hour that goes by means there's more money used up that won't be available to be allocated for loans in our community."*



SBA Funding Update

- Total Approved - $513 Billion
- Phase 1 Funding – Closed 4/16/2020:
  - Average Loan Size $206k – Approximately $22.3 Billion Allocated to New England
- Phase 2 Funding – Through 5/16/20 – Funds Still Available
  - Average Loan Size $118k – Approximately $26.4 Billion Allocated to New England

Summary of PPP Approved Lending

Loan Count	Approved Dollars	Lender Count
4,341,145	$513,271,137,359	5,496

Lender Size	Lender Count	Approved Loans	Approved Dollars	% of Amount
>$50 B in Assets	41	1,527,604	191,704,934,773	37%
$10 B to $50 B in Assets	93	679,898	99,930,243,092	19%
<$10 B in Assets	5,362	2,133,643	221,635,959,494	43%

Totals reflect both rounds of PPP funding and cancellations through the report date. Cancellations do include duplicative loans, loans not closed for any reason, and loans that have been paid off.

SBA Approvals through 05/16/2020 2

Loan Size

Loan Size	Approved Loans	Approved Dollars	% of Count	% of Amount
$50K and Under	2,764,582	$51,887,290,078	63.7%	10.1%
>$50K - $100K	644,259	$45,907,851,290	14.8%	8.9%
>$100K - $150K	282,221	$34,556,740,347	6.5%	6.7%
>$150K - $350K	368,505	$82,842,933,567	8.5%	16.1%
>$350K - $1M	197,741	$112,599,464,898	4.6%	21.9%
>$1M - $2M	53,142	$73,630,589,334	1.2%	14.3%
>$2M - $5M	25,624	$76,215,389,190	0.6%	14.8%
>$5M	5,071	$35,630,878,655	0.1%	6.9%

*** Overall average loan size is: $118K.**

SBA Approvals through 05/16/2020 6

https://home.treasury.gov/system/files/136/SBA-Paycheck-Protection-Program-Loan-Report-Round2.pdf

Known Challenges & NEW GUIDANCE

- Eligibility Criteria – Guidance issued 5/13
- Application Question of Employees vs FTE Forgiveness Criteria – Guidance Issued 5/16
- Definition of FTE – Guidance Issued 5/16 & 5/22
- FTE Averages vs. Jobs Restored – Guidance Issued 5/16
- 75/25 Initial Guidance vs Current Requirement
- $600 Federal Unemployment Kicker – Guidance Issued 5/22
- Allowable vs Forgivable
- Forgiveness Application Process – Guidance Issued 5/16 &5/22
- Loan Conversion & Future Use
- Tax Implications?

Accounting Recommendations

- Open a separate bank account for traceability
  - Issue payments directly from account for allowable expenses (Rent, Utilities, Retirement Funding, etc.)
  - You don’t have to change payroll setup or other major automated transactions
    - Audit trail is key, if automated allowable payments are issued from operating accounts transfer **EXACT AMOUNTS** from PPP proceed account.
  - Retain all records for funds used and/or transferred (Invoice, Payroll Report, Lease Agreement, etc.)
  - If you have already mixed PPP proceeds with your operating account to avoid a liquidity challenge calculate the current net proceeds to transfer over to the separate account.
- If you have received EIDL funding as well, **DO NOT** use the two programs for the same purpose. EIDL can be used for general AP and other expenses excluded from PPP.

Accounting Recommendations

- For recording purposes:
  - Balance Sheet
    - Loan Proceeds – Debit to Cash PPP Account (New Account)
    - Credit to – Debt PPP (New Account – LT Liability)
  - P&L
    - Record expenses as normal
    - New Forgiveness Account (Below the line as Other Income)
      - Amortization Period – Subjective
      - Record Credit at end of forgiveness period

Sample Tracking

PPP Loan Forgivness Expense Tracking

Loan Amount	100,000
Funding date	5/1/2020
8 week ends	6/25/2020

Description	Vendor	Date	Amount	Gross Wages	Company Paid Only Health Insurance	Retirement	Building Rent	Other Rent	Mortgage Interest	Electric	Gas	Water	Telephone	Internet	Transportation
Payroll	Employees	5/1/2020	20,000.00	20,000.00											
Health Ins W\H	Employees	5/1/2020	(2,000.00)		(2,000.00)										
Rent	Landlord	5/1/2020	3,000.00				3,000.00								
Telephone	Phone Co	5/10/2020	650.00										650.00		
Electric	Electric Co	5/10/2020	900.00							900.00					
Payroll	Employees	5/8/2020	20,000.00	20,000.00											
Health Ins W\H	Employees	5/8/2020	(2,000.00)		(2,000.00)										
Internet	Company	5/15/2020	250.00											250.00	
Health Insur	Insur Co	5/15/2020			8,000.00										
Retirement match	Invest Co	5/20/2020	1,200.00			1,200.00									
Total			42,000.00	40,000.00	4,000.00	1,200.00	3,000.00	-	-	900.00	-	-	650.00	250.00	

Payroll costs	45,200.00
Payroll costs percentage needs to be > 75%	95.24%

Current FAQ

#	Questions	Comments
1	What happens if I don't spend all the funds?	Unspent funds are NOT forgivable. One option is to return/repay ASAP at the end of 8 weeks since there is no prepayment penalty. Another option is to keep the excess to use for future spending, but this would need to be repaid within 2 years. It is unclear if PPP funds can be used for other items beyond Allowable listed under Assumptions after the 8 week covered period.
2	When do I need to start spending the funds?	CARES Act says forgiveness will be an amount equal to the sum of the **"costs incurred and payments made during the covered period**." The PPP Loan Forgiveness Application published 5/16/20 defines two different covered periods: 1. Covered Period = 8 week period beginning on first day of loan disbursement. For example, if you receive your PPP funds on Mon 4/20, the first day of Covered Period is Mon 4/20 and the last day is Sun 6/14. 2. Alternative Payroll Covered Period = 8 week period beginning on first day of first pay period following the loan disbursement. For example, if you receive your PPP funds on Mon 4/20, and your first day of first pay period following the disbursement is Sun 4/26, then the first day of the Alternative Payroll Covered Period is Sun 4/26 and the last day is Sat 6/20. Borrower must make this election. The Loan Forgiveness Application says to enter Payroll Costs that are incurred or paid during Covered Period or Alternative Payroll Covered Period, and to enter payments for mortgage interest, rent and utilities during the Covered Period.
3	Can I spend funds on bonuses?	We advise against anything excessive, plus you are capped at $15,385 per person. Reasonable items such as hazardous pay would be acceptable. **Owner-employees are limited to $15,385 or 8 weeks of 2019 cash compensation, WHICHEVER IS LOWER.**
4	What is an FTE?	The Loan Forgiveness Application says for each employee, enter average number of hours paid per week, divide by 40, and round to nearest tenth. The maximum for each employee is capped at 1.0. A simplified method that assigns a 1.0 for employees who work 40 hours or more per week and 0.5 for employees who work fewer hours may be elected by the Borrower.
5	How do I calculate average number of FTE?	Use the average number of FTE for each pay period falling within a month
6	How do I get the loan forgiven?	To maximize forgiveness, you must: 1. Spend at least 75% on payroll costs and not more than 25% on other costs 2. Maintain FTE headcount 3. Maintain salaries/wages 4. Submit an application for forgiveness to your bank with documentation verifying the number of FTE on payroll and payrates for relevant periods, including payroll tax filings reported to IRS, state unemployment filings, cancelled checks, bills or other documents verifying mortgage interest, rent & utility payments The lender must issue a decison about forgiveness no later than 60 days after application was submitted.
7	Can I spend more than 75% on payroll costs?	Yes

Current FAQ

#	Questions	Comments
8	What if I spend less than 75% on payroll costs?	Interim Final Rule posted 4/2/20 says forgiveness will depend, in part, on total amount of Payroll Costs + Other (payments for mortgage interest, rent, utility) over the 8 weeks. But not more than 25% of the loan forgiveness amount may be attributable to non-payroll costs. The Loan Forgiveness Application shows the calculation steps in this order: 1. Add up PR Costs: cash compensation (capped at $15,385) + employer contrib for employee health insurance, employer contrib to employee retirement plans, employer state and local taxes assessed on employee compensation 2. List business mortgage interest payments 3. List business rent or lease payments 4. List business utility payments 5. Enter total Salary/Hourly Wage Reduction, if applicable (if you reduced any salaries/wages by more than 25% during the 8 weeks, did you restore them by 6/30/20?) 6. Sum (1) thru (5) 7. Enter FTE Reduction Quotient, if applicable A. Determine Average FTE for Covered Period or Alternative Payroll Covered Period B. Determine Average FTE for Borrower's chosen reference period: (i) 2/15/19-6/30/19 or (ii) 1/1/20-2/29/20 or (iii) for seasonal employers, either (i) or (ii) or another consecutive 12-week period between 5/1/19-9/15/19 C. Divide A by B to get FTE Reduction Quotient or enter 1 if FTE Safe Harbor is met (compare total average FTE between 2/15/20-4/26/20 to total FTE in the pay period inclusive of 2/15/20 --> if FTE decreased, then look at total FTE at 6/30/20 --> if FTE at 6/30/20 is greater than or equal to FTE at 2/15/20, then FTE Safe Harbor has been met) 8. Multiply (6) by (7) 9. Enter PPP Loan Amount 10. PR Cost 75% Requirement: Divide (1) by .75 11. Forgiveness Amount = the smallest of (8), (9) or (10) 12. If applicable, SBA will deduct EIDL Advance from Forgiveness Amount

Current FAQ

#	Questions	Comments
9	What does Maintain FTE headcount mean?	The goal of PPP was to maintain payroll. If during the 8 weeks, you have fewer FTE heads than you had previously, your forgiveness will be impacted. If the Borrower reduced FTE employee levels in the period beginning 2/15/20 and ending 4/26/20, but then restored FTE employee levels to at least the 2/15/20 level no later than 6/30/20, then Safe Harbor is met.
10	What does Maintain salaries/wages mean?	The goal of PPP was to maintain payroll. If during the 8 weeks, you cut salaries or wages by more than 25%, your forgiveness will be impacted. Forgiveness will be reduced by the amount of any reduction in total salary or wages of any employee during the 8 weeks that is in excess of 25% of the total salary or wages of the employee during the most recent full quarter during which the employee was covered before the 8 weeks. Employees who earn > $100K per year are excluded. In our file, we assumed Q1 2020 annualized pay, then compared to 8-week annualized pay. If you did not cut salaries or wages, then this analysis is not needed.
11	What if I re-hire by 6/30/20?	CARES Act says there is an exemption for re-hires: the amount of loan forgiveness shall be determined without regard to a reduction in FTE number or reduction in salary if not later than 6/30/20, the employer has eliminated the reduction in FTE number and reduction in salary. As long as you restore FTE number and salaries/wages by 6/30/20, then any previous negative impacts to forgiveness are erased.
12	What if I offer to re-hire someone but he/she turns me down because they earn more on unemployment right now?	This will not hurt your forgiveness. Employer must make a good faith, written offer of re-hire and document the employee's rejection. Employers and employees should be aware that employees who reject offers of re-employment may forfeit eligibility for continued unemployment compensation. There is a similar exception for employees who were fired for cause, voluntarily resigned or voluntarily requested and received a reduction in hours during the Covered Period or Alternative Payroll Covered Period.

Allowable & Forgivable Assumptions

Expenses	Allowable	Forgivable	Restriction	Comment
Payroll costs: salaries, wages, commissions, or similar compensation; cash tips or equivalent	Yes	Yes	Cannot > $100K on an annualized basis; principal place of residence is inside the US	Assume "similar compensation" includes bonus or hazard pay that is not excessive
Payroll costs: pmts for vacation, parental, family, medical or sick leave	Yes	Yes	Qualified sick or family leave wages for which a credit is allowed under FFCRA	
Payroll costs: allowance for dismissal or separation	Yes	Yes		
Payroll costs: pmts for group health care benefits, incl insur premiums	Yes	Yes	Employer portion only	
Payroll costs: pmts of any retirement benefits	Yes	Yes	Employer portion only to defined benefit or defined contribution plans	If profit sharing is normally done at YE, after profit is determined, then it does NOT seem reasonable to front load a contribution so payment is made during the 8 week period.
Payroll costs: state/local taxes assessed on compensation (i.e., unemployment)	Yes	Yes		
Payroll costs: for a sole proprietor or independent contractor, use Schedule C net profit	Yes	Yes	Cannot > $100K on an annualized basis	Payroll cost during 8 weeks is limited to 8/52 of 2019 Schedule C net profit (maximum would be $15,385 total / $3846 biweekly / $1923 weekly)
Other: pmts of interest on any mortgage obligation on real or personal property that existed at 2/15/20	Yes	Yes	No pmts of principal; no prepmts of interest	Examples: mortgage interest on a warehouse you bought for your business, or on vehicle you use in your business
Other: rent or lease payments for real or personal property under a lease agreement in force at 2/15/20	Yes	Yes		Examples: rent for a warehouse you using in your business, or a leased vehicle that you use in your business
Other: utilities (electricity, gas, water, transportation, telephone or internet) for which service existed at 2/15/20	Yes	Yes		Assume telephone includes cell phones
Other: interest on any other debt obligations incurred before the 8 week period	Yes	No		
Other: refinancing of an EIDL	Yes	No		Proceeds from any advance up to 10K on the EIDL loan will be deducted from the loan forgiveness amount on the PPP loan (SBA 4/2/20 IFR)

Unallowable & Non Forgivable

Expenses	Allowable	Forgivable
Payments to independent contractors/1099s	No	No
Payables or supplies	No	No
Back pay reimbursement	No	No
Advance pay	No	No
Professional services (IT, accounting, legal, etc.)	No	No
Real estate taxes	No	No
Personal property taxes	No	No
Capital leases	No	No
Equipment	No	No
Distributions/Draws	No	No
Owner loans	No	No
Refinancing debt	No	No
Worker's Compensation Insurance	No	No
Liability Insurance	No	No

Eligibility Guidance

- Total Loans < $2M considered qualified and in good faith
- Total Loans > $2M subject to review by the SBA and could be required to be repaid.
- Some additional guidance regarding franchise & affiliate divisions still needed.

- Question 47:
  - Safe Harbor repayment extension to 5/18/2020

As of May 13, 2020

46. **Question:** How will SBA review borrowers' required good-faith certification concerning the necessity of their loan request?

Answer: When submitting a PPP application, all borrowers must certify in good faith that "[c]urrent economic uncertainty makes this loan request necessary to support the ongoing operations of the Applicant." SBA, in consultation with the Department of the Treasury, has determined that the following safe harbor will apply to SBA's review of PPP loans with respect to this issue: Any borrower that, together with its affiliates,[20] received PPP loans with an original principal amount of less than $2 million will be deemed to have made the required certification concerning the necessity of the loan request in good faith.

SBA has determined that this safe harbor is appropriate because borrowers with loans below this threshold are generally less likely to have had access to adequate sources of liquidity in the current economic environment than borrowers that obtained larger loans. This safe harbor will also promote economic certainty as PPP borrowers with more limited resources endeavor to retain and rehire employees. In addition, given the large volume of PPP loans, this approach will enable SBA to conserve its finite audit resources and focus its reviews on larger loans, where the compliance effort may yield higher returns.

Importantly, borrowers with loans greater than $2 million that do not satisfy this safe harbor may still have an adequate basis for making the required good-faith certification, based on their individual circumstances in light of the language of the certification and SBA guidance. SBA has previously stated that all PPP loans in excess of $2 million, and other PPP loans as appropriate, will be subject to review by SBA for compliance with program requirements set forth in the PPP Interim Final Rules and in the Borrower Application Form. If SBA determines in the course of its review that a borrower lacked an adequate basis for the required certification concerning the necessity of the loan request, SBA will seek repayment of the outstanding PPP loan balance and will inform the lender that the borrower is not eligible for loan forgiveness. If the borrower repays the loan after receiving notification from SBA, SBA will not pursue administrative enforcement or referrals to other agencies based on its determination with respect to the certification concerning necessity of the loan request. SBA's determination concerning the certification regarding the necessity of the loan request will not affect SBA's loan guarantee.

Employment Guidance

- FTE Definition – 40 Hours
  - Paid hours capped at 40/40
  - Alternate Calc – 1 or 0.5 per person
  - Choice must remain consistent

Hours worked	Hours Calculation	Alternate Calculation
55	1	1
42	1	1
40	1	1
32	0.8	0.5
20	0.5	0.5
8	0.2	0.5
8	0.2	0.5
8	0.2	0.5
8	0.2	0.5
FTE	5.1	6

- Job Recovery - Safe Harbor
  - If ***all FTE equivalents*** are recovered by 6/30 the employment commitment is considered achieved and supersedes the Average FTE calculation
- Wage Reduction – Safe Harbor
  - Any reduction in wages greater than 25% and impacting employees with less than $100k compensation will decrease forgiveness eligibility
  - Reduction calculations are also subject to recovery clause to relieve penalty

Paycheck Protection Program
Loan Forgiveness Application

OMB Control Number 3245-0407
Expiration Date: 10/31/2020

Instructions for PPP Schedule A Worksheet

Complete the PPP Schedule A Worksheet or obtain an equivalent report from the Borrower's payroll system or payroll processor.

Table Instructions

Employee's Name: Separately list each employee. Do not include any independent contractors, owner-employees, self-employed individuals, or partners.

Employee Identifier: Enter the last four digits of each employee's Social Security Number.

Cash Compensation: Enter the sum of gross salary, gross wages, gross tips, gross commissions, paid leave (vacation, family, medical or sick leave, not including leave covered by the Families First Coronavirus Response Act), and allowances for dismissal or separation paid or incurred during the Covered Period or the Alternative Payroll Covered Period. For each individual employee, the total amount of cash compensation eligible for forgiveness may not exceed an annual salary of $100,000, as prorated for the Covered Period; therefore, do not enter more than $15,385 in Table 1 or Table 2 for any individual employee.

Average FTE: This calculates the average full-time equivalency (FTE) during the Covered Period or the Alternative Payroll Covered Period. For each employee, enter the average number of hours paid per week, divide by 40, and round the total to the nearest tenth. The maximum for each employee is capped at 1.0. A simplified method that assigns a 1.0 for employees who work 40 hours or more per week and 0.5 for employees who work fewer hours may be used at the election of the Borrower.

This calculation will be used to determine whether the Borrower's loan forgiveness amount must be reduced due to a statutory requirement concerning reductions in full-time equivalent employees. Borrowers are eligible for loan forgiveness for certain expenditures during the Covered Period or the Alternative Payroll Covered Period. However, the actual loan forgiveness amount that the Borrower will receive may be less, depending on whether the Borrower's average weekly number of FTE employees during the Covered Period or the Alternative Payroll Covered Period was less than during the Borrower's chosen reference period (*see* Instructions to PPP Schedule A, Line 11). The Borrower is exempt from such a reduction if the FTE Reduction Safe Harbor applies. See the FTE Reduction Safe Harbor instructions below.

Salary/Hourly Wage Reduction: This calculation will be used to determine whether the Borrower's loan forgiveness amount must be reduced due to a statutory requirement concerning reductions in employee salary and wages. Borrowers are eligible for loan forgiveness for certain expenditures during the Covered Period or the Alternative Payroll Covered Period. However, the actual amount of loan forgiveness the Borrower will receive may be less, depending on whether the salary or hourly wages of certain employees during the Covered Period or the Alternative Payroll Covered Period was less than during the period from January 1, 2020 to March 31, 2020. If the Borrower restored salary/hourly wage levels, the Borrower may be eligible for elimination of the Salary/Hourly Wage Reduction amount. Borrowers must complete this worksheet to determine whether to reduce the amount of loan forgiveness for which they are eligible. Complete the Salary/Hour Wage Reduction column only for employees whose salaries or hourly wages were reduced by more than 25% during the Covered Period or the Alternative Payroll Covered Period as compared to the period of January 1, 2020 through March 31, 2020. For each employee listed in Table 1, complete the following (using salary for salaried employees and hourly wage for hourly employees):

Step 1. Determine if pay was reduced more than 25%.
- a. Enter average annual salary or hourly wage during Covered Period or Alternative Payroll Covered Period: _____.
- b. Enter average annual salary or hourly wage between January 1, 2020 and March 31, 2020: _____.
- c. Divide the value entered in 1.a. by 1.b.: _____.
  If 1.c. is 0.75 or more, enter zero in the column above box 3 for that employee; otherwise proceed to Step 2.

Step 2. Determine if the Salary/Hourly Wage Reduction Safe Harbor is met.
- a. Enter the annual salary or hourly wage as of February 15, 2020: _____.
- b. Enter the average annual salary or hourly wage between February 15, 2020 and April 26, 2020: _____.
  If 2.b. is equal to or greater than 2.a., skip to Step 3. Otherwise, proceed to 2.c.
- c. Enter the average annual salary or hourly wage as of June 30, 2020: _____.
  If 2.c. is equal to or greater than 2.a., the Salary/Hourly Wage Reduction Safe Harbor has been met – enter zero in the column above box 3 for that employee. Otherwise proceed to Step 3.

Step 3. Determine the Salary/Hourly Wage Reduction.
- a. Multiply the amount entered in 1.b. by 0.75: _____.
- b. Subtract the amount entered in 1.a. from 3.a.: _____.

SBA Form 3508 (05/20)
Page 7

Updates On Employment Criteria & FTE Count

40. **Question:** Will a borrower's PPP loan forgiveness amount (pursuant to section 1106 of the CARES Act and SBA's implementing rules and guidance) be reduced if the borrower laid off an employee, offered to rehire the same employee, but the employee declined the offer?

Answer: No. As an exercise of the Administrator's and the Secretary's authority under Section 1106(d)(6) of the CARES Act to prescribe regulations granting de minimis exemptions from the Act's limits on loan forgiveness, SBA and Treasury intend to issue an interim final rule excluding laid-off employees whom the borrower offered to rehire (for the same salary/wages and same number of hours) from the CARES Act's loan forgiveness reduction calculation. The interim final rule will specify that, to qualify for this exception, the borrower must have made a good faith, written offer of rehire, and the employee's rejection of that offer must be documented by the borrower. Employees and employers should be aware that employees who reject offers of re-employment may forfeit eligibility for continued unemployment compensation.

- *Retain offers of employment for Employer's record.*
- *Unemployment Benefits – Subject to reasoning for declining to return*
- *We Recommend reaching out to an Employment Lawyer if this is a significant factor in your business.*

https://home.treasury.gov/policy-issues/cares/assistance-for-small-businesses

5/22 Update on Job Recovery

a. *Will a borrower's loan forgiveness amount be reduced if the borrower laid-off or reduced the hours of an employee, then offered to rehire the same employee for the same salary and same number of hours, or restore the reduction in hours, but the employee declined the offer?*

No. Employees whom the borrower offered to rehire are generally exempt from the CARES Act's loan forgiveness reduction calculation. This exemption is also available if a borrower previously reduced the hours of an employee and offered to restore the employee's hours at the same salary or wages. Specifically, in calculating the loan forgiveness amount, a borrower may exclude any reduction in full-time equivalent employee headcount that is attributable to an individual employee if:

i. the borrower made a good faith, written offer to rehire such employee (or, if applicable, restore the reduced hours of such employee) during the covered period or the alternative payroll covered period;

ii. the offer was for the same salary or wages and same number of hours as earned by such employee in the last pay period prior to the separation or reduction in hours;

iii. the offer was rejected by such employee;

iv. the borrower has maintained records documenting the offer and its rejection; and

v. the borrower informed the applicable state unemployment insurance office of such employee's rejected offer of reemployment within 30 days of the employee's rejection of the offer.[4]

[4] Further information regarding how borrowers will report information concerning rejected rehire offers to state unemployment insurance offices will be provided on SBA's website.

Forgiveness Application

Paycheck Protection Program
Loan Forgiveness Application

OMB Control Number 3245-0407
Expiration Date: 10/31/2020

PPP Loan Forgiveness Calculation Form

Business Legal Name ("Borrower")	DBA or Tradename, if applicable
Business Address	**Business TIN (EIN, SSN)** / **Business Phone**
	( ) -
	Primary Contact / **E-mail Address**

SBA PPP Loan Number: _____ **Lender PPP Loan Number:** _____

PPP Loan Amount: _____ **PPP Loan Disbursement Date:** _____

Employees at Time of Loan Application: _____

Employees at Time of Forgiveness Application: _____

EIDL Advance Amount: _____ **EIDL Application Number:** _____

Payroll Schedule: The frequency with which payroll is paid to employees is:

☐ **Weekly** ☐ **Biweekly** (every other week) ☐ **Twice a month** ☐ **Monthly** ☐ **Other** _____

Covered Period: _____ to _____

Alternative Payroll Covered Period, if applicable: _____ to _____

If Borrower (together with affiliates, if applicable) received PPP loans in excess of $2 million, check here: ☐

Forgiveness Amount Calculation:

Payroll and Nonpayroll Costs
Line 1. Payroll Costs (enter the amount from PPP Schedule A, line 10): _____
Line 2. Business Mortgage Interest Payments: _____
Line 3. Business Rent or Lease Payments: _____
Line 4. Business Utility Payments: _____

Adjustments for Full-Time Equivalency (FTE) and Salary/Hourly Wage Reductions
Line 5. Total Salary/Hourly Wage Reduction (enter the amount from PPP Schedule A, line 3): _____
Line 6. Add the amounts on lines 1, 2, 3, and 4, then subtract the amount entered in line 5: _____
Line 7. FTE Reduction Quotient (enter the number from PPP Schedule A, line 13): _____

Potential Forgiveness Amounts
Line 8. Modified Total (multiply line 6 by line 7): _____
Line 9. PPP Loan Amount: _____
Line 10. Payroll Cost 75% Requirement (divide line 1 by 0.75): _____

Forgiveness Amount
Line 11. Forgiveness Amount (enter the smallest of lines 8, 9, and 10): _____

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Paycheck Protection Program
Loan Forgiveness Application

OMB Control Number 3245-0407
Expiration Date: 10/31/2020

By Signing Below, You Make the Following Representations and Certifications on Behalf of the Borrower:

The authorized representative of the Borrower certifies to all of the below by **initialing** next to each one.

____ The dollar amount for which forgiveness is requested:
- was used to pay costs that are eligible for forgiveness (payroll costs to retain employees; business mortgage interest payments; business rent or lease payments; or business utility payments);
- includes all applicable reductions due to decreases in the number of full-time equivalent employees and salary/hourly wage reductions;
- does not include nonpayroll costs in excess of 25% of the amount requested; and
- does not exceed eight weeks' worth of 2019 compensation for any owner-employee or self-employed individual/general partner, capped at $15,385 per individual.

____ I understand that if the funds were knowingly used for unauthorized purposes, the federal government may pursue recovery of loan amounts and/or civil or criminal fraud charges.

____ The Borrower has accurately verified the payments for the eligible payroll and nonpayroll costs for which the Borrower is requesting forgiveness.

____ I have submitted to the Lender the required documentation verifying payroll costs, the existence of obligations and service (as applicable) prior to February 15, 2020, and eligible business mortgage interest payments, business rent or lease payments, and business utility payments.

____ The information provided in this application and the information provided in all supporting documents and forms is true and correct in all material respects. I understand that knowingly making a false statement to obtain forgiveness of an SBA-guaranteed loan is punishable under the law, including 18 USC 1001 and 3571 by imprisonment of not more than five years and/or a fine of up to $250,000; under 15 USC 645 by imprisonment of not more than two years and/or a fine of not more than $5,000; and, if submitted to a Federally insured institution, under 18 USC 1014 by imprisonment of not more than thirty years and/or a fine of not more than $1,000,000.

____ The tax documents I have submitted to the Lender are consistent with those the Borrower has submitted/will submit to the IRS and/or state tax or workforce agency. I also understand, acknowledge, and agree that the Lender can share the tax information with SBA's authorized representatives, including authorized representatives of the SBA Office of Inspector General, for the purpose of ensuring compliance with PPP requirements and all SBA reviews.

____ I understand, acknowledge, and agree that SBA may request additional information for the purposes of evaluating the Borrower's eligibility for the PPP loan and for loan forgiveness, and that the Borrower's failure to provide information requested by SBA may result in a determination that the Borrower was ineligible for the PPP loan or a denial of the Borrower's loan forgiveness application.

The Borrower's eligibility for loan forgiveness will be evaluated in accordance with the PPP regulations and guidance issued by SBA through the date of this application. SBA may direct a lender to disapprove the Borrower's loan forgiveness application if SBA determines that the Borrower was ineligible for the PPP loan.

_____ Date: _____
Signature of Authorized Representative of Borrower

_____ Title: _____
Print Name

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PPP Schedule A

PPP Schedule A Worksheet, Table 1 Totals

Line 1. Enter Cash Compensation (Box 1) from PPP Schedule A Worksheet, Table 1: _____

Line 2. Enter Average FTE (Box 2) from PPP Schedule A Worksheet, Table 1: _____

Line 3. Enter Salary/Hourly Wage Reduction (Box 3) from PPP Schedule A Worksheet, Table 1: _____
If the average annual salary or hourly wage for each employee listed on the PPP Schedule A Worksheet, Table 1 during the Covered Period or the Alternative Payroll Covered Period was at least 75% of such employee's average annual salary or hourly wage between January 1, 2020 and March 31, 2020, check here ☐ and enter **0** on line 3.

PPP Schedule A Worksheet, Table 2 Totals

Line 4. Enter Cash Compensation (Box 4) from PPP Schedule A Worksheet, Table 2: _____

Line 5. Enter Average FTE (Box 5) from PPP Schedule A Worksheet, Table 2: _____

Non-Cash Compensation Payroll Costs During the Covered Period or the Alternative Payroll Covered Period

Line 6. Total amount paid by Borrower for employer contributions for employee health insurance: _____

Line 7. Total amount paid by Borrower for employer contributions to employee retirement plans: _____

Line 8. Total amount paid by Borrower for employer state and local taxes assessed on employee compensation: _____

Compensation to Owners

Line 9. Total amount paid to owner-employees/self-employed individual/general partners: _____
This amount may not be included in PPP Schedule A Worksheet, Table 1 or 2. If there is more than one individual included, attach a separate table that lists the names of and payments to each.

Total Payroll Costs

Line 10. Payroll Costs (add lines 1, 4, 6, 7, 8, and 9): _____

Full-Time Equivalency (FTE) Reduction Calculation
If you have not reduced the number of employees or the average paid hours of your employees between January 1, 2020 and the end of the Covered Period, check here ☐, skip lines 11 and 12 and enter **1.0** on line 13.

Line 11. Average FTE during the Borrower's chosen reference period: _____

Line 12. Total Average FTE (add lines 2 and 5): _____

Line 13. FTE Reduction Quotient (divide line 12 by line 11) or enter 1.0 if FTE Safe Harbor is met: _____

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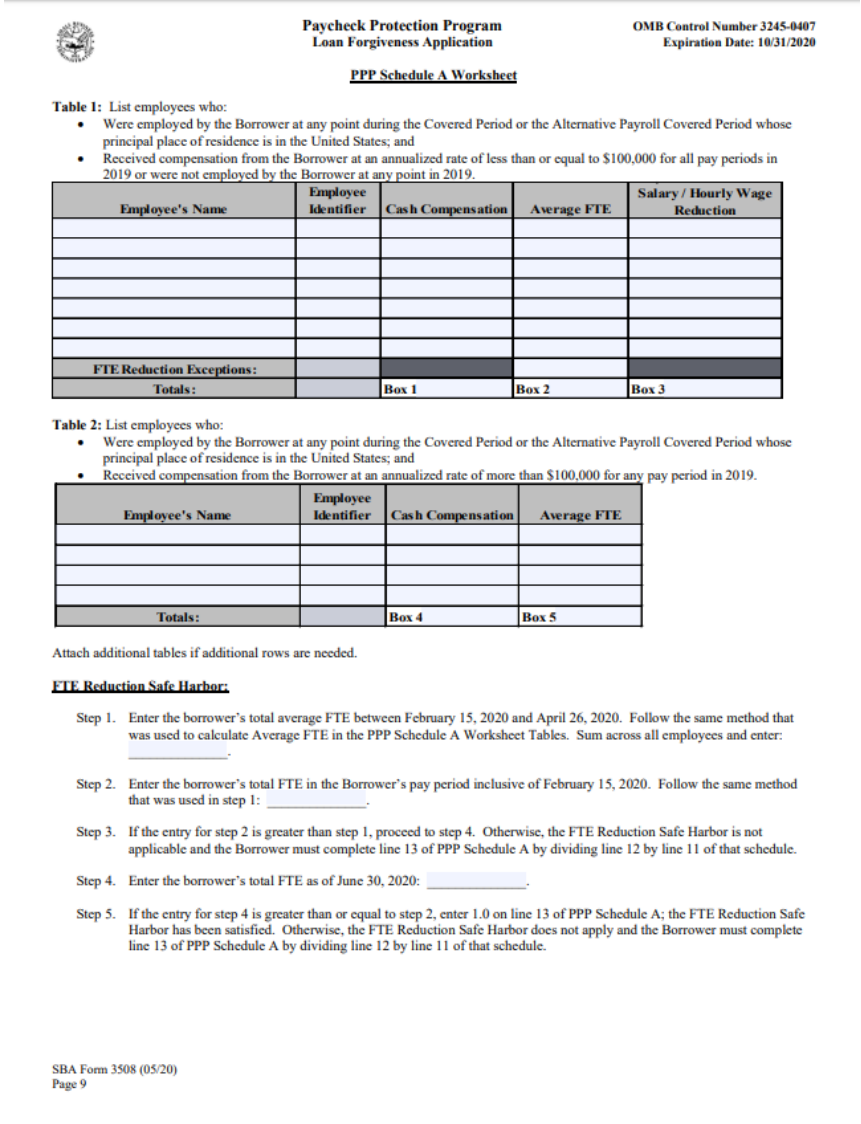
Forgiveness Application – Schedule A

- Table 1 – Employment Data - Comp < $100k
  - Employee Name, ID, Comp & FTE equivalency
  - Wage Reduction – If Applicable
- Table 2 – Employment Data – Comp > $100k
  - Employee Name, ID, Comp & FTE Equivalency
  - Salary reduction does not apply to these employees.
- FTE Safe Harbor
  - Go/No Go on satisfying recovered jobs and eliminating FTE forgiveness reductions



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PPP Schedule A Worksheet

Table 1: List employees who:

- Were employed by the Borrower at any point during the Covered Period or the Alternative Payroll Covered Period whose principal place of residence is in the United States; and
- Received compensation from the Borrower at an annualized rate of less than or equal to $100,000 for all pay periods in 2019 or were not employed by the Borrower at any point in 2019.

Employee's Name	Employee Identifier	Cash Compensation	Average FTE	Salary / Hourly Wage Reduction
FTE Reduction Exceptions:				
Totals:		Box 1	Box 2	Box 3

Table 2: List employees who:

- Were employed by the Borrower at any point during the Covered Period or the Alternative Payroll Covered Period whose principal place of residence is in the United States; and
- Received compensation from the Borrower at an annualized rate of more than $100,000 for any pay period in 2019.

Employee's Name	Employee Identifier	Cash Compensation	Average FTE
Totals:		Box 4	Box 5

Attach additional tables if additional rows are needed.

FTE Reduction Safe Harbor:

Step 1. Enter the borrower's total average FTE between February 15, 2020 and April 26, 2020. Follow the same method that was used to calculate Average FTE in the PPP Schedule A Worksheet Tables. Sum across all employees and enter: _____.

Step 2. Enter the borrower's total FTE in the Borrower's pay period inclusive of February 15, 2020. Follow the same method that was used in step 1: _____.

Step 3. If the entry for step 2 is greater than step 1, proceed to step 4. Otherwise, the FTE Reduction Safe Harbor is not applicable and the Borrower must complete line 13 of PPP Schedule A by dividing line 12 by line 11 of that schedule.

Step 4. Enter the borrower's total FTE as of June 30, 2020: _____.

Step 5. If the entry for step 4 is greater than or equal to step 2, enter 1.0 on line 13 of PPP Schedule A; the FTE Reduction Safe Harbor has been satisfied. Otherwise, the FTE Reduction Safe Harbor does not apply and the Borrower must complete line 13 of PPP Schedule A by dividing line 12 by line 11 of that schedule.

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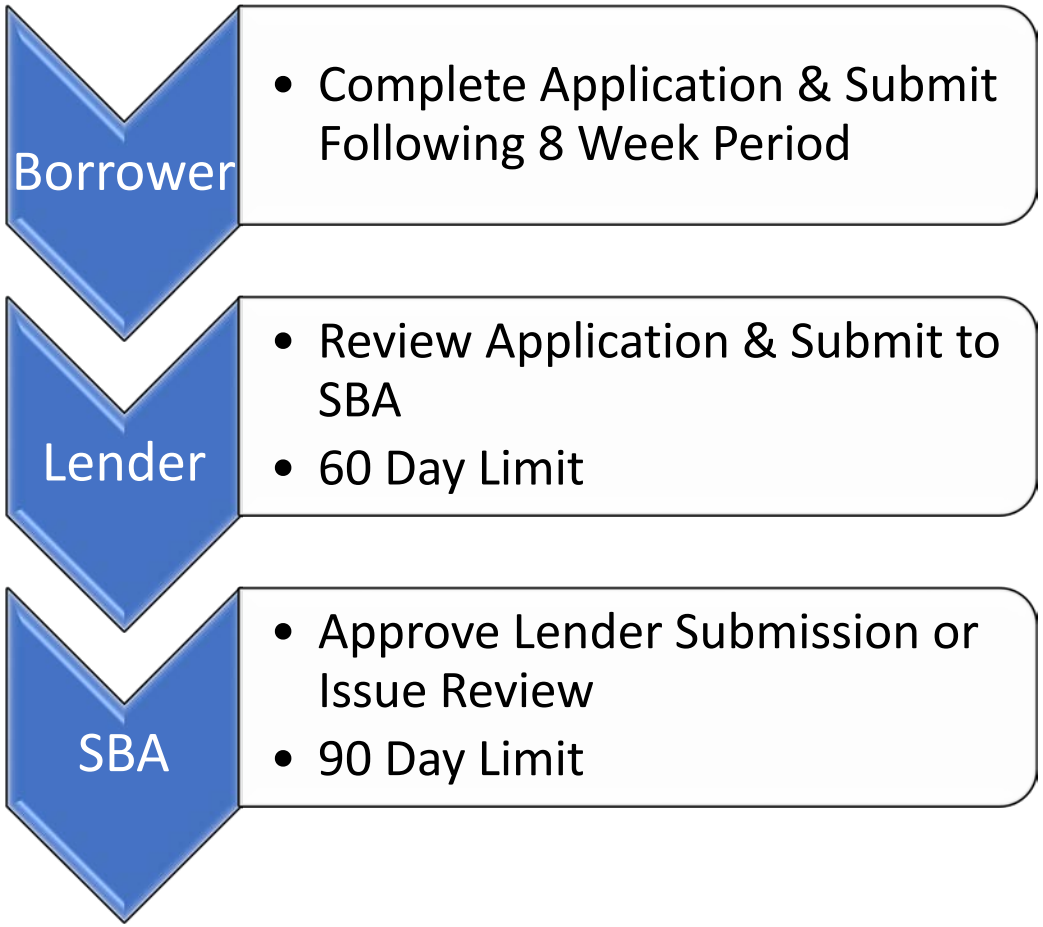
Forgiveness Application Submission



- The Loan Forgiveness Process for Lenders
- For all PPP Loan Forgiveness Applications, each lender shall:
  - Confirm receipt of the borrower certifications contained in the Loan Forgiveness Application Form.
  - Confirm receipt of the documentation borrowers must submit to aid in verifying payroll and nonpayroll costs, as specified in the instructions to the Loan Forgiveness Application Form.
  - Confirm the borrower's calculations on the borrower's Loan Forgiveness Application, including the dollar amount of the (A) Cash Compensation, Non-Cash Compensation, and Compensation to Owners claimed on Lines 1, 4, 6, 7, 8, and 9 on PPP Schedule A and (B) Business Mortgage Interest Payments, Business Rent or Lease Payments, and Business Utility Payments claimed on Lines 2, 3, and 4 on the PPP Loan Forgiveness Calculation Form, by reviewing the documentation submitted with the Loan Forgiveness Application.
  - Confirm that the borrower made the calculation on Line 10 of the Loan Forgiveness Calculation Form correctly, by dividing the borrower's Eligible Payroll Costs claimed on Line 1 by 0.75.

S&G Forgiveness Tool Demo

Presented by: Angela Diette

Tax Update

- Grassley, Wyden, along with Sen. John Cornyn, R-Texas, Marco Rubio, R-Fla., and Tom Carper, D-Del., introduced the Small Business Expense Protection Act, which would clarify the PPP so small businesses could still deduct the expenses they have paid with a forgiven PPP loan from their taxes. Under the bill, the receipt and forgiveness of coronavirus assistance through the PPP would not affect the deductibility of ordinary business expenses.

  "When we developed and passed the Paycheck Protection Program, our intent was clearly to make sure small businesses had the liquidity and the help they needed to get through these difficult times," Grassley said in a statement. "Unfortunately, Treasury and the IRS interpreted the law in a way that's preventing businesses from deducting expenses associated with PPP loans. That's just the opposite of what we intended and should be fixed. This bill will do just that."

  He and the other senators noted that the goal of the PPP was to maximize small businesses' ability to maintain liquidity, retain their employees and recover from the pandemic as soon as possible.

  "It is clear that Congress intended to allow a full deduction for PPP related expenses," said the letter. "This important legislation helps ensure that small business taxpayers affected by the ongoing pandemic will receive the full intended benefits of the CARES Act."

Open Discussion Points in Washington

- Definition of “Harm” in regards for eligibility
- Cash vs. Accrual tracking
- Extension of 8 week time period
- Loan terms, repayment schedule
- 75/25 split requirements
- Open Taxation Discussion

Q&A

Useful Links

- Coronavirus Resource Center
  - www.sgllp.com/corona-virus
- Treasury Website
  - PPP Forgiveness Application:
    - https://home.treasury.gov/system/files/136/3245-0407-SBA-Form-3508-PPP-Forgiveness-Application.pdf
  - Treasury FAQ:
    - https://home.treasury.gov/system/files/136/Paycheck-Protection-Program-Frequently-Asked-Questions.pdf

THANK YOU!

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Please reach out to us if you have any open questions.

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