

CARES ACT - PAYCHECK PROTECTION PROGRAM (“PPP”)

The following is a summary of the provisions that we believe will be important to you.

1. Eligibility. Businesses with less than 500 employees (in business on February 15, 2020).

Must certify the following (among other things):

- (a) that the uncertainty of current economic conditions makes the loan necessary to support ongoing operations; and
- (b) funds will be used to retain workers and maintain payroll or make mortgage payments, lease payments, and utility payments.

2. Loan Amount - Lesser of \$10 Million or 2.5 x 2019 average monthly “payroll costs.”

“Payroll costs” means:

- Salaries, wages, or commissions
- PTO
- Group health premiums
- Retirement Benefits
- State or local payroll taxes (not federal PR taxes)

The following are excluded from “Payroll costs.”

- Compensation *in excess* of \$100,000 (amount up to \$100,000 is included)
- Federal payroll taxes
- sick leave or family leave wages paid under the Families First Coronavirus Response Act (FFCRA)

3. Allowable Uses:

- Payroll costs
- Health care benefits (including PTO other than FFCRA leave)
- Mortgage interest
- Rent
- Utilities
- Interest on existing debts (debt incurred before 2/15/20).

4. Loan Forgiveness - Subject to the limitations described in 5 below, the loan will be forgiven to the extent the proceeds are used to pay the following expenses during the 8-week period *after the loan origination*:

- Payroll costs (compensation above \$100,000 excluded)
- Interest on mortgages
- Rent
- Utilities

5. Reduction of Forgiveness - Loan forgiveness is tied to continued employment. Amount forgiven reduced as follows:

- (a) Full-Time Equivalent Employees (“FTE”) - loan is forgiven based upon the ratio of the FTE headcount most favorable to Employer.

- 1. Average number of FTE per month during the 8-week period after loan original date divided by average number of FTE per month *from 2/15/2019 to 6/30/2019*.

2. Average number of FTE per month during the 8-week period after loan original date divided by average number of FTE per month *from 1/1/2020 to 2/29/2020*.
 - (b) Salary/Wages of Employees - Loan forgiveness is also reduced to the extent compensation for any individual making less than \$100,000 per year is reduced by more than 25%. The calendar quarter prior to the loan origination is compared to the 8-week period commencing on the loan origination.
- 6. Repayment of Unforgiven Amount** - Loan balance after loan forgiveness can be repaid over up to 10 years, at interest rate not more than 4%. Payment deferment for not less than 6 months and not more than 1 year.
- 7. Benefits of PPP:**
- No personal guaranty or collateral required
 - Loan forgiveness is not taxable
 - No loan fees
 - Doesn't matter if you available credit elsewhere
 - No prepayment penalty
 - Can still deduct payroll and interest expenses.