

Summary of the SBA 7(a) Paycheck Protection Program

March 28, 2020

The following table summarizes the material terms of the Paycheck Protection Program (“PPP”) added under Section 7(a) of the Small Business Act and administrated by the U.S. Small Business Administration (“SBA”), pursuant to the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”). The CARES Act was signed into law on March 27, 2020. Certain portions of the CARES Act are subject to further guidance by the SBA and *specific guidance will be issued by the US Dept. of Treasury, Farm Credit Administration, and other federal financial regulatory agencies related to delegating non-SBA licensed lenders to loan funds under the PPP.

Eligible Borrowers	<ul style="list-style-type: none"> • Any business that currently qualifies as a “small business concern” under existing SBA criteria. • Any business that otherwise fails SBA’s revenue tests but has 500 or fewer employees. • Non-profit businesses, sole proprietors, self-employed individuals. • Businesses in the hospitality and food service industries with a NAICS code beginning with 72 that have 500 employees or less per location.
Affiliation Requirements	<p>Affiliation rules generally continue to apply but are waived for:</p> <ul style="list-style-type: none"> • Businesses in the hospitality and food service industries with a NAICS code beginning with 72 that have 500 employees or less. • Businesses that are franchises and found within the SBA’s Franchise Directory, see https://www.sba.gov/sites/default/files/2020-03/FrnchsTbl_03232020_UPLOAD.pdf. • Businesses that receive financial assistance from a licensed Small Business Investment Company.
Available Lenders	Any lender licensed under the SBA’s business loan program, plus potentially others as approved by the SBA*.
Deadline to Close Loans	June 30, 2020
Maximum Amount	Lesser of \$10 million, or 2.5x trailing 12 months Payroll Costs (<i>see below for more detail on this calculation</i>).
Interest Rate	Capped at 4%. To be negotiated with lender.

Repayment Terms	10-year amortization. All principal and interest payments deferred for a minimum of 6 - 12 months (to be negotiated with lender). The principal portion of the loan (not interest) used for certain covered purposes may be forgiven (<i>see below for more details regarding forgiveness</i>).
SBA/Borrower Fees	Waived
Prepayment Fee	Waived
Collateral Requirement	Waived
Personal Guaranty Requirement	Waived
Requirement to Demonstrate Lack of Credit Available Elsewhere	Waived
Process and Window to Apply	Unknown at this time. The SBA is required to issue guidance within 30 days of the CARES Act's enactment. However, borrowers are required to certify in good faith that the uncertainty of economic conditions make it necessary to apply for the loan, that the loan proceeds will be used for permitted purposes, and have not used other SBA funds for the same purpose (<i>see below for the permitted purposes</i>).
Gather These Documents to Apply for PPP	<ul style="list-style-type: none"> • 2019 IRS Quarterly 940, 941 or 944 payroll tax reports • Last 12 months of payroll reports beginning with your last payroll date and going backwards 12 months <ul style="list-style-type: none"> ○ Payroll report must show the following for the time period above: <ul style="list-style-type: none"> ▪ Gross wages for each employee, including the officer(s) if paid W-2 wages, ▪ Paid time off for each employee, ▪ Vacation pay for each employee, ▪ Family medical leave pay for each employee, and ▪ State and Local taxes assessed on the employee's compensation for each employee. • 1099's for 2019 for independent contractors that would otherwise be an employee of your business. Do NOT include 1099's for services.

	<ul style="list-style-type: none"> • Documentation showing total of all health insurance premiums paid by the company owner under a group health plan. Include all employees and the company owners. • Document the sum of all retirement plan funding that was paid by the Company Owner (do not include funding that came from the employee’s out of their paycheck deferrals). <ul style="list-style-type: none"> ○ Include all employees, including company owners, and ○ 401K plans, Simple IRA, SEP IRA’s. <p>Additional, information that will be useful to have are:</p> <ul style="list-style-type: none"> • lease agreements, • mortgage statements that indicate mortgage interest amounts, and • utility statements.
<p>Permitted Uses of Loan Proceeds</p>	<p>Payment of the following expenses:</p> <ul style="list-style-type: none"> • Payroll Costs (<i>subject to limitations, see below</i>) • Mortgage interest (not principal) • Rent payments • Utilities (electric, gas, water, transportation,¹ telephone and internet) • Interest payments on pre-existing debt (not principal) <p>“Payroll Costs” include:</p> <ul style="list-style-type: none"> • Wages/salaries (up to \$100k/employee on an annualized basis; non-US employees excluded) • Paid leave • Separation/dismissal payments • Health care plan costs • Retiree benefits • Payroll taxes • Payments to independent contractors (up to \$100k/employee on an annualized basis)
<p>Maximum Loan Amount Calculation</p>	<p>2.5 times the average monthly Payroll Costs during the trailing twelve-month period² ending prior to the date of the loan. The calculation of Payroll Costs includes all costs identified above in the definition of Payroll Costs. Note that the formula does NOT</p>

¹ No specificity has been provided for what is included as a “transportation” utility cost (e.g. mileage reimbursement or company-provided mass transit passes/reimbursement, etc.).

² For seasonal businesses, the period will be the 12-week period from February 15, 2019 to June 30, 2019, in lieu of the 12-month period. For business not yet in operation during the period from February 15, 2019 to June 30, 2019, the period measured will be January 1, 2020 to February 29, 2020.

	include factoring in mortgage, rent or utility costs, even though these are permitted expenses to be paid with the loan proceeds.
Forgiveness of Loan	All or a portion of the loan principal amount (but not interest) may be forgiven later in 2020. The amount forgiven will be limited to loan proceeds spent on certain items during an 8-week period commencing with the loan origination date (the “ 8-Week Period ”), and the amount forgiven will be subject to potential reduction in connection with certain reductions in staffing or salary levels (see below for more detail). Any portion of the loan that is not forgiven by December 31, 2020 will remain outstanding and amortize over a 10-year period (with details of the repayment schedule to be determined with the lender). The amount of the loan forgiven will NOT need to be reflected as cancellation of indebtedness (COD) income for federal income tax purposes.
Amount Eligible for Forgiveness	<p>The amount of principal eligible for forgiveness will be the portion of the loan proceeds used in the 8-Week Period on the following expenses:</p> <ul style="list-style-type: none"> • Payroll Costs (note definition above, including limit on wages/salaries above \$100k on an annualized basis) • Interest payments on mortgages in existence prior to February 15, 2020 (no principal payments) • Rent payments on leases in existence prior to February 15, 2020 • Utility (electric, gas, water, transportation,³ telephone and internet) payments where service was in place prior to February 15, 2020 <p><i>NOTE: The uses that may be forgiven are narrower than the permitted use of the loan. Not all permitted uses will be eligible for forgiveness.</i></p>
Potential Reduction in Forgiveness for Employee Headcount Reduction	<p>The amount of loan proceeds eligible for forgiveness will be reduced to the extent of the aggregate reduction in full-time employee equivalents during the 8-Week Period.</p> <p>The reduction will be measured by comparing the average monthly number of full-time equivalent employees (“FTEs”) of the borrower during the 8-Week Period to a “baseline average” that is the average monthly number of FTEs during one of two periods:</p>

³ No specificity has been provided for what is included as a “transportation” utility cost (e.g. mileage reimbursement or company-provided mass transit passes/reimbursement, etc.).

	<ul style="list-style-type: none"> • February 15, 2019 to June 30, 2019, or • January 1, 2020 to February 29, 2020 <p>The borrower is allowed to choose which baseline period will be used. The amount of the loan eligible for forgiveness will be reduced by the ratio of the 8-Week Period average to the selected baseline average (i.e. $\frac{8\text{-week average}}{\text{Baseline average}}$).</p> <p>In each of these periods, the average number of FTEs per month will be determined by calculating the number of FTEs during each of the borrower’s payroll periods during the applicable period (thus borrowers need to review each payroll period, not just monthly summaries).</p> <p>FTEs include each employee that worked 30 hours or more per week in the given payroll period, <i>plus</i> a number equal to (i) the aggregate number of hours recorded by part-time employees (i.e. those with less than 30 hours in the week) during the payroll period, divided by (ii) 40 hours for each week included in the payroll period.</p> <p><i>Example: If a borrower has biweekly payroll periods, and during a specific period had 10 employees that worked 30 or more hours each week during that period, and had 4 part-time employees that each worked 20 hours per week (40 hours each over the payroll period), then the borrower had 12 FTEs for that payroll period (10 + (160 part-time hours ÷ 80 hours).</i></p>
<p>Potential Reduction in Forgiveness for Employee Compensation Reduction</p>	<p>The amount of loan proceeds eligible for forgiveness will be reduced, dollar for dollar, to the extent certain employees receive a reduction of wages/salary of 25% or more.</p> <ul style="list-style-type: none"> • The baseline wages/salary to measure against for the 25% reduction will be the total wages/salary of the employee during the most recent full fiscal quarter before the 8-Week Period (e.g. if the loan originates in May 2020, the quarter ending March 31, 2020 will be used to measure any wage/salary reduction). • Reduction must have occurred during the 8-Week Period. • Employees that received wages/salary in any single pay period in 2019 that, when annualized, exceeds \$100,000, are excluded from this measurement. <i>NOTE: Guidance is not available to determine if a single large pay period (e.g. with a lump sum bonus payment for the prior year) will be excluded for purposes of this test.</i>

<p>Exemptions for Reinstatement of Employees or Wages</p>	<p>If a borrower reduces FTEs or wages/salaries during the period from February 15, 2020 until 30 days after enactment of the CARE Act, the borrower may avoid the impact of these changes in the reduction formulas above if the borrower reverses or eliminates the reduction(s) on or before June 30, 2020, by rehiring for those eliminated positions due to COVID – 19.</p>
<p>Process for Applying for Forgiveness</p>	<p>Borrowers must apply to their respective lenders for forgiveness of the loan and with the application borrowers must include documentation of the loan proceeds being used for the purposes included in the calculation of the amount eligible for forgiveness, including state and federal payroll tax reports, unemployment insurance filings, receipts, bank transcripts, cancelled checks or other evidence showing how funds were used. Forgiveness cannot be granted without this documentation. The applicable lender must make a determination on the application within 60 days of the borrower making its application.</p>