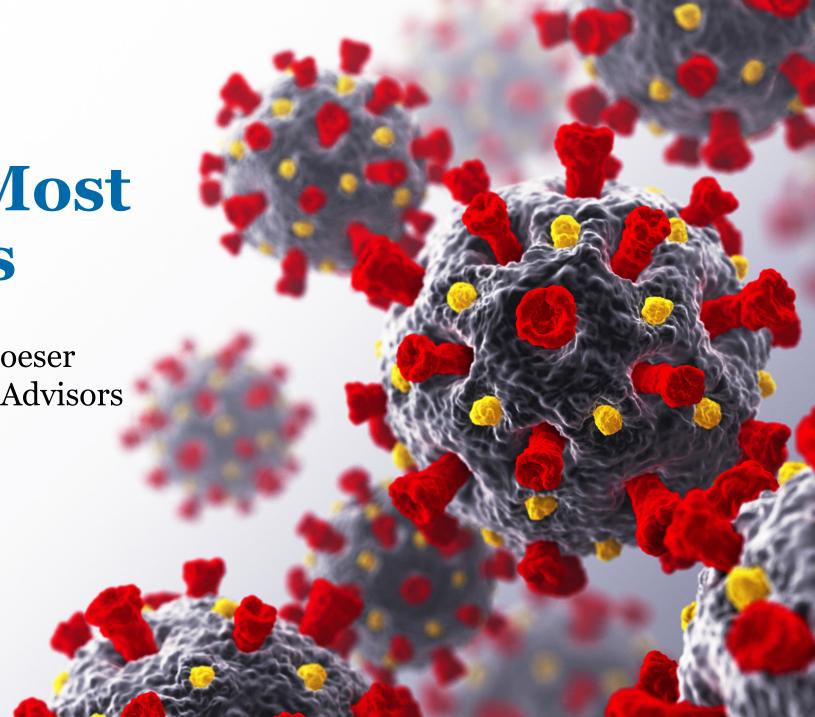
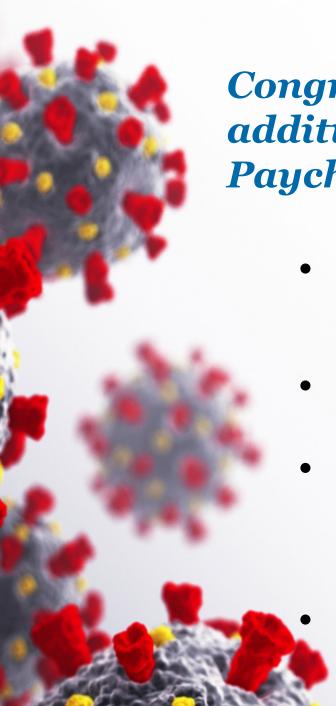
### Making the Most of SBA Loans

Presented by:

Ivan Golden, Partner, Hahn Loeser Suhas Shah, Partner, Intyllus Advisors







# Congress appropriates an additional \$310 billion to the Paycheck Protection Program

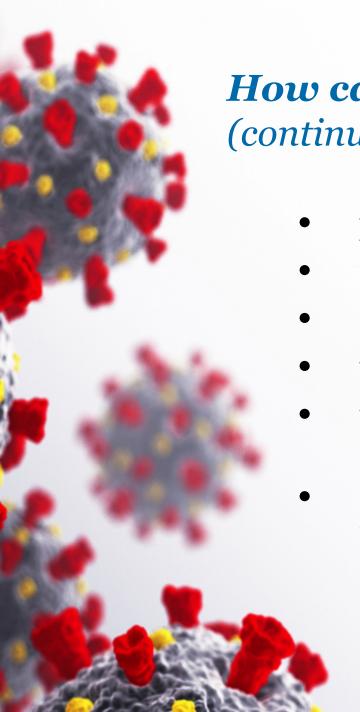


- Congress approved an additional \$310 billion appropriation to the Paycheck Protection Program fund on April 23, 2020.
- The additional funding should allow the application and approval process to reopen.
- \$60 billion of the \$310 billion total is set aside for lending through smaller institutions like community banks, credit unions, and community development financial institutions.
  - The substantive rules of the PPP loan program have not changed.





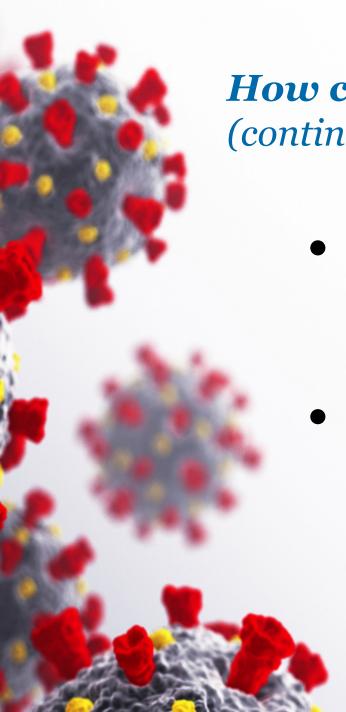
How can PPP loan funds be used?



#### How can PPP loan funds be used? (continued)



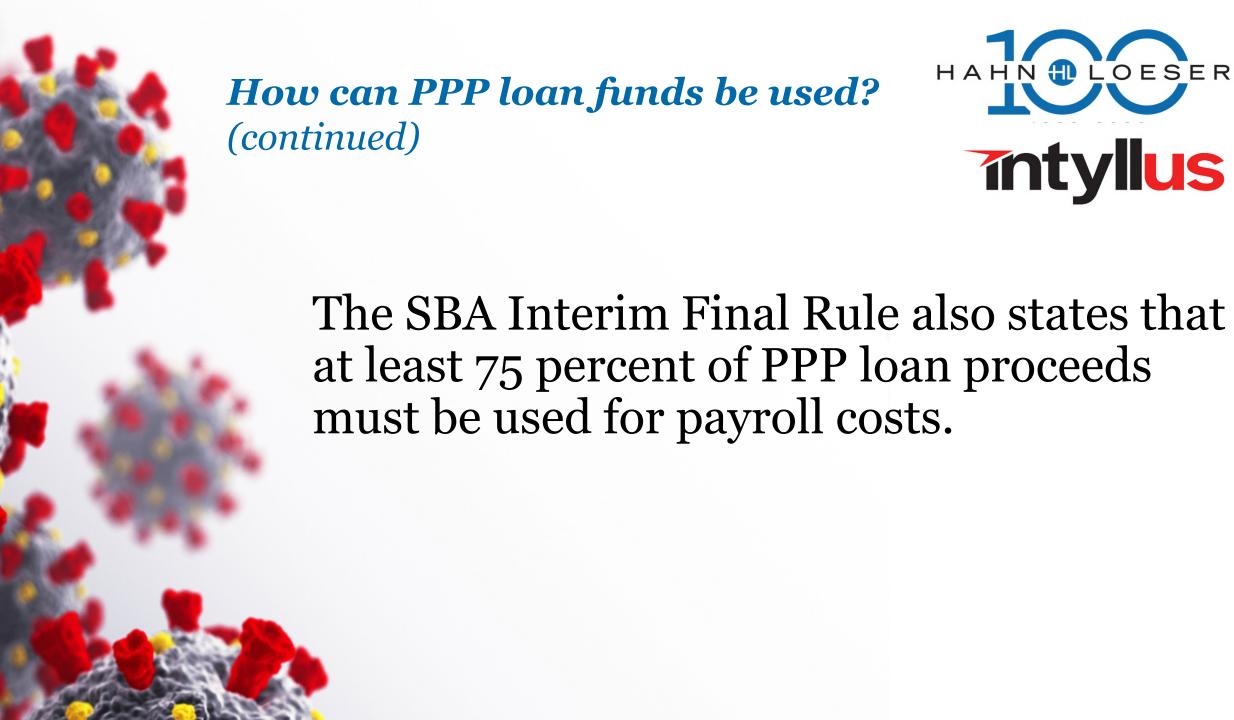
- payroll costs;
- mortgage interest;
- rent payments;
- utility payments;
- interest payments on other debt obligations incurred before February 15, 2020; and
- refinancing an SBA Economic Injury Disaster Loan ("EIDL") made between January 31, 2020 and April 3, 2020.
  - If an EIDL was used for payroll costs, the PPP loan must be used to refinance the EIDL loan, since the SBA does not allow borrowers to take out multiple loans for the same expenses.

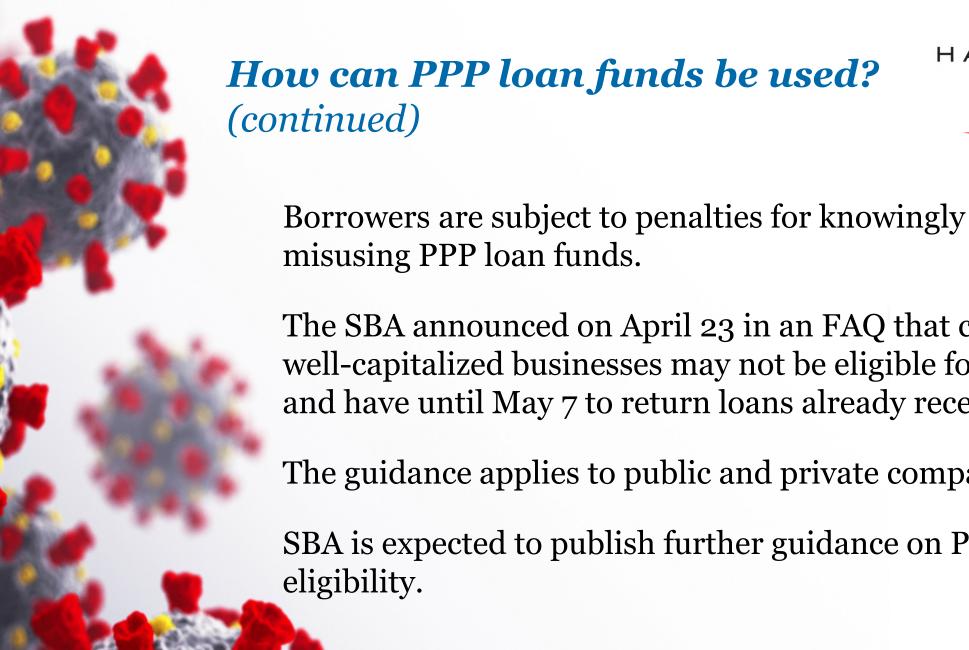


How can PPP loan funds be used? (continued)



- The CARES Act suggested that PPP loan proceeds could be used for other purposes.
- However, an SBA Interim Final Rule and the Borrower Application Form provide that PPP loan funds may be used only for the above purposes.







The SBA announced on April 23 in an FAQ that certain well-capitalized businesses may not be eligible for loans and have until May 7 to return loans already received.

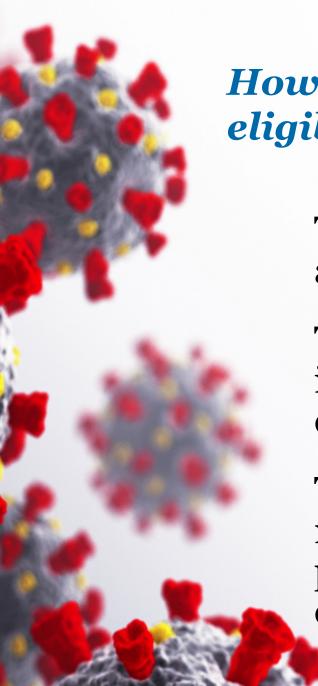
The guidance applies to public and private companies.

SBA is expected to publish further guidance on PPP loan





How much of my PPP loan is eligible for forgiveness?



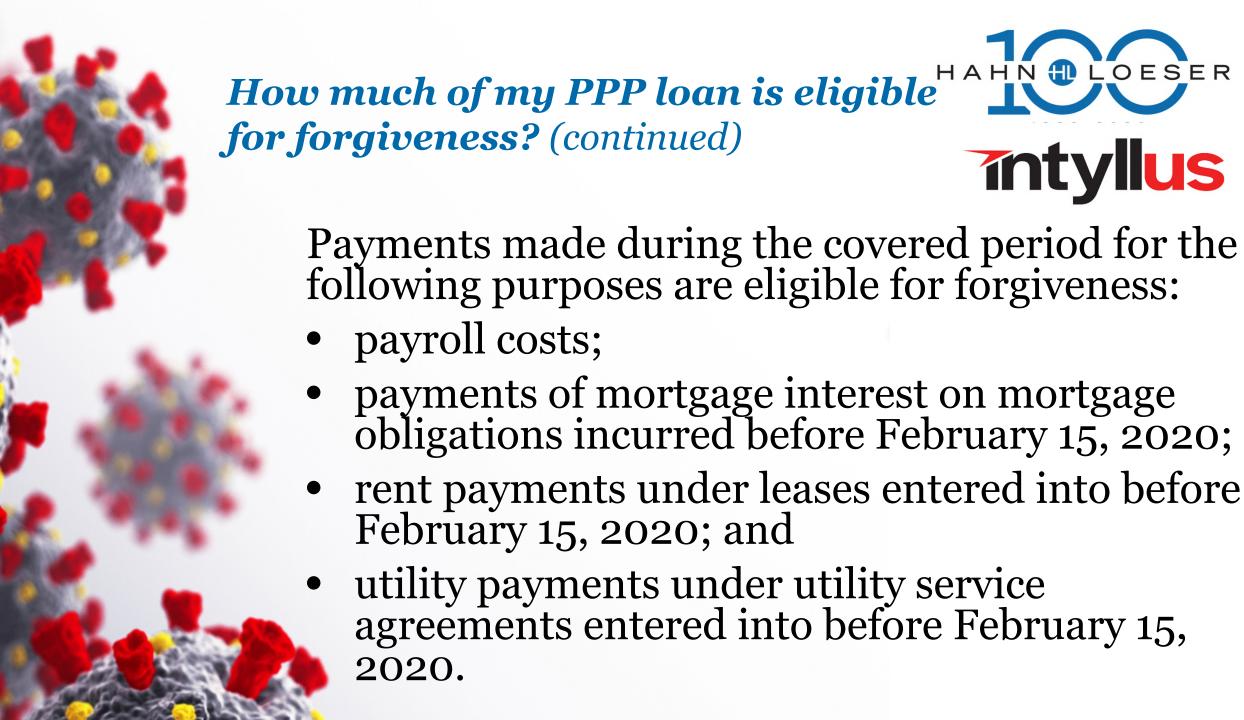
### How much of my PPP loan is eligible for forgiveness?

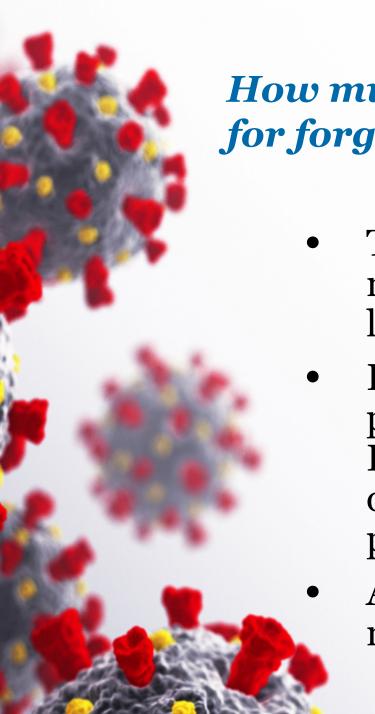


The entire principal amount of a PPP loan and accrued interest is eligible for forgiveness.

The amount forgiven will be excluded from gross income (i.e., borrowers will not have cancelation-of-debt income).

The actual amount of forgiveness depends on how much the borrower spends during the 8-week period beginning on the date of the loan disbursement (the "covered period").





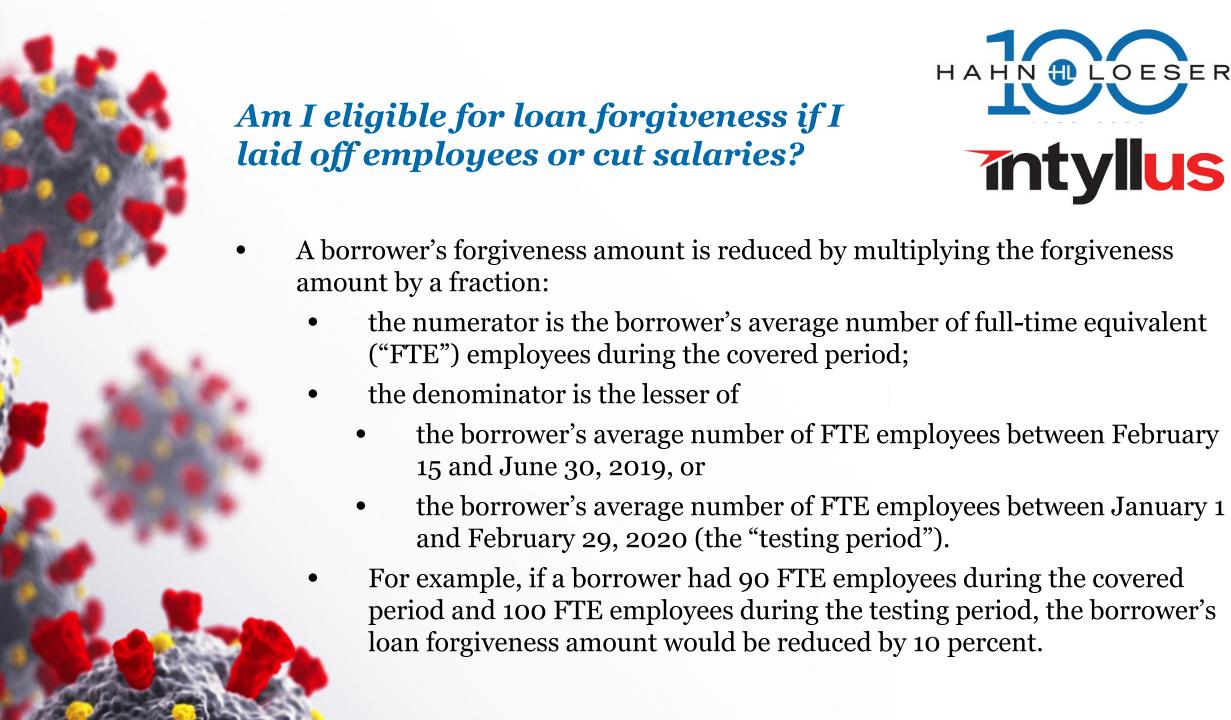
## How much of my PPP loan is eligible for forgiveness? (continued)

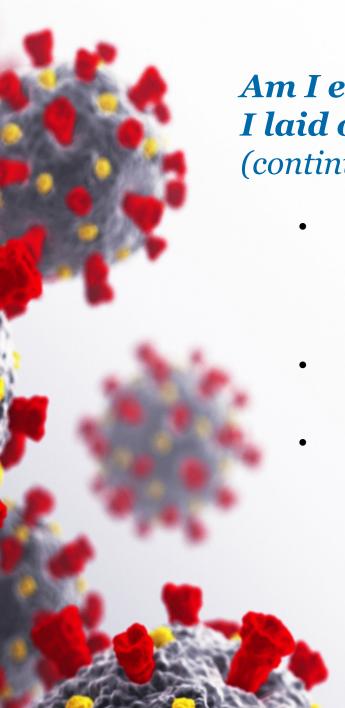
- The list of items that qualify for forgiveness is narrower than the list of permissible uses of PPP loan proceeds.
- For example, PPP loan proceeds may be used to pay rent with respect to a lease entered into after February 15, 2020 or to make interest payments on other debt; however, such uses of PPP loan proceeds are NOT eligible for forgiveness.
- At least 75 percent of the forgiveness amount must consist of eligible payroll costs.





Am I eligible for loan forgiveness if I laid off employees or cut salaries?

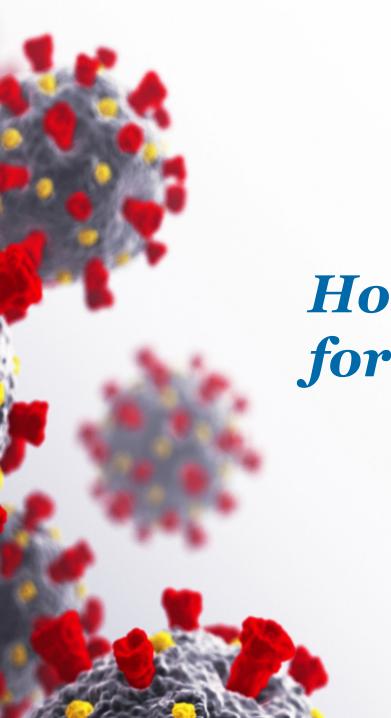




Am I eligible for loan forgiveness if I laid off employees or cut salaries? (continued)



- A borrower's forgiveness amount also is reduced by the amount of any reduction in salary or wages paid to any employee who earned \$100,000 or less, on an annualized basis, during each pay period of 2019, to the extent such reduction exceeds 25 percent of the total salary and wages paid to such person during the last full quarter.
- That language of the statute seems to be clearly wrong, but we are awaiting guidance from the SBA on how to apply the salary reduction provision.
- The amount of loan forgiveness due to a reduction in FTE employees or a reduction in payroll is not reduced in the following circumstance:
  - The borrower reduced its average number of FTE employees, or reduced the salaries of employees earning \$100,000 or less by more than 25 percent, between February 15 and April 26, 2020, and
  - such reductions are eliminated on or before June 30, 2020.





How do I apply for loan forgiveness?



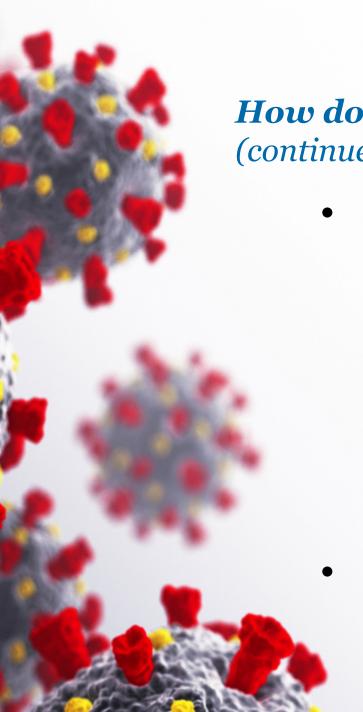


#### How do I apply for loan forgiveness?

A borrower seeking forgiveness of a PPP loan must submit an application to the lender that includes:

- documentation verifying the number of FTE employees on payroll and pay rates for the covered period, including
  - payroll tax filings reported to the IRS (i.e., Forms 941);
    and
  - state income, payroll, and unemployment insurance filings.

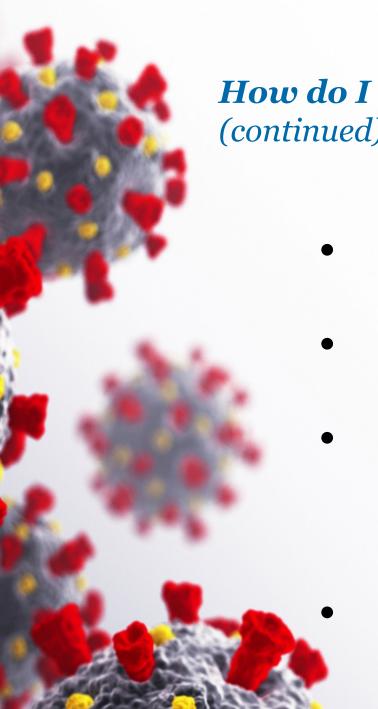
Documentation including canceled checks, payment receipts, transcripts of accounts, or other documents verifying payments on covered mortgage obligations, covered lease obligations, and covered utility payments;





How do I apply for loan forgiveness? (continued)

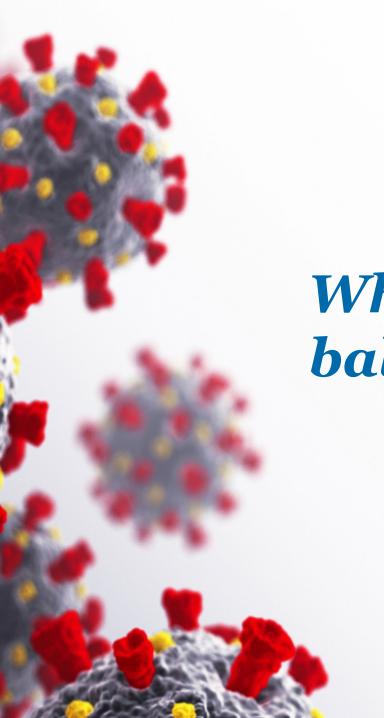
- Certification from an authorized representative of the borrower that:
  - The documentation presented is true and correct; and
  - The amount for which forgiveness is requested was used to retain employees, make interest payments on covered mortgages, make payment on covered rent obligations, or make covered utility payments; and
- Any other documentation required by the SBA Administrator or the lender.



How do I apply for loan forgiveness? (continued)

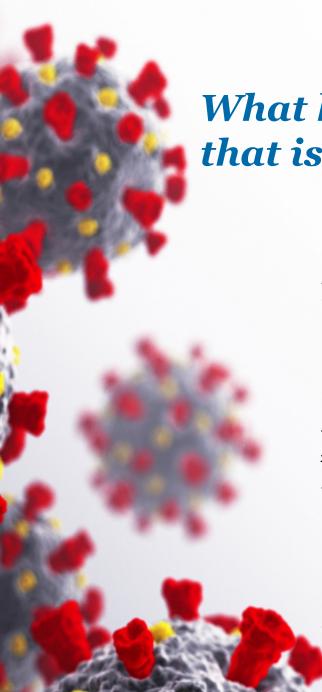


- Lenders who receive an application for loan forgiveness must issue a decision within 60 days.
- There is no statutory deadline for borrowers to submit a loan forgiveness application.
- However, borrowers generally should apply as soon as possible to ensure the application is timely approved and that no necessary documentation is missing.
  - All PPP loans in excess of \$2 million will be reviewed before forgiveness is approved.





What happens to any loan balance that is not forgiven?



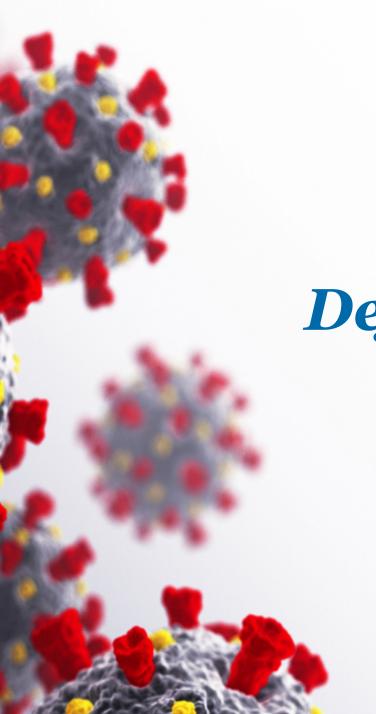


#### What happens to any loan balance that is not forgiven?

PPP loan proceeds that do not qualify for forgiveness must be repaid over two years at 1.0% interest.

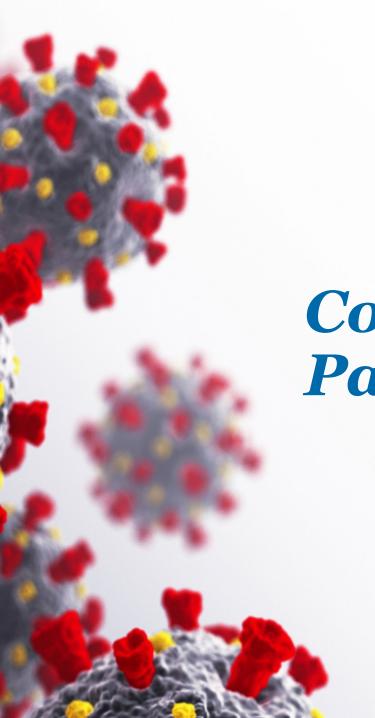
Borrowers are not required to make any payment of principal or interest for six months from the date of the loan disbursement.

Interest will continue to accrue during the six-month deferral period on any loan balance that is not forgiven.





Definition of Compensation





Concept of Incurred and Payments made







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