

PAYCHECK PROTECTION PROGRAM

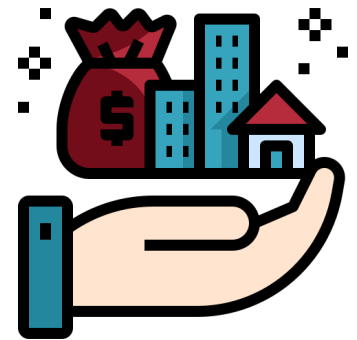
Coronavirus Emergency Loans: Fast Facts



The Coronavirus Aid, Relief and Economic Security (CARES) Act allocates \$350 billion to help small businesses keep workers employed amid the pandemic and economic downturn.

Known as the Paycheck Protection Program, the initiative provides 100% federally guaranteed loans to small businesses. These loans may be forgiven if borrowers maintain their payrolls during the crisis or restore their payrolls afterward.

Here's an overview of the program and what you need to know.



1

What is the

Paycheck Protection Program?

The Paycheck Protection Program is a loan from the Small Business Administration (SBA), disbursed by your bank, for the purpose of funding payroll, rent, utilities, or interest on mortgage/debt payments. The loan is eligible to be mostly, if not entirely, forgiven. The program is available until June 30, 2020.

2

Who is

eligible to apply?

You are eligible if you are:

- A Small business with fewer than 500 employees
- A Small business that otherwise meet the SBA's size standard
- A Non Profit "501(c)(3)" with fewer than 500 employees
- An individual who operates as a sole proprietor
- An individual who operates as an independent contractor
- An individual who is self-employed who regularly carries on any trade or business
- A Tribal business concern that meets the SBA size standard
- A Veterans Organization (501(c)(19) that meets the SBA size standard
- Anyone in the accommodation or food service sector (NAICS 72) that has multiple locations, but fewer than 500 employees at each location
- Franchises – affiliation rules have been waived for the time being

3

How much can I apply for?

Loans can be up to 2.5 x the borrower's average monthly payroll costs, not to exceed \$10 million.

1. Find total payroll costs from the last 12 months for employees.
2. Subtract compensation paid to employee in excess of annual salary of \$100,000 or any amounts paid to an independent contractor or sole proprietor in excess of \$100,000/year
3. Calculate average monthly payroll costs (Step 1 total / 12)
4. Multiply that x 2.5
5. Add the outstanding amount of an Economic Injury Disaster Loan made between 1/31/20 and 4/3/20 LESS the amount of any "advance" under EIDL COVID-19 (because it does not have to be repaid)

Do independent contractors count as employees for purposes of PPP loan calculations?

No, independent contractors have the ability to apply for a PPP loan on their own so they do not count for purposes of a borrower's PPP loan calculation.

4

What can the funds be used for?

- Payroll costs*
- Costs related to continuation of group health care benefits during periods of paid sick, medical, or family leave, and insurance premiums
- Employee salaries, commissions, or similar compensation
- Payments of interest on any mortgage obligation (does not include prepayment of or payment of principal)
- Rent
- Utilities
- Interest on any other debt obligation that was in place prior to February 15, 2020.
- Refinancing an SBA EIDL loan made between January 31, 2020 and April 3, 2020.

5

How can I apply?

Application documents are available on our website (midwestbank.com).

Please provide the following to your banker:

- A completed Paycheck Protection Program Application – available on our website
- Supporting Payroll Documentation showing how you arrived at your monthly average payroll
- Payroll Tax Filings (1065, 1120, W3 and/or 941)
- Tax Returns (2 years)

**E-signatures or E-consents have been authorized to be used on applications.*

As Part of your Application, you need to certify in good faith that:

- Your business was in operation on 2/15/2020
- Current economic uncertainty makes the loan necessary to support your ongoing operations
- You have not and will not receive another loan under this program
- You will provide to the lender documentation that verifies the number of full-time equivalent employees on payroll and the dollar amounts of payroll costs, covered mortgage interest payments, covered rent payment, and covered utilities for the 8 weeks after getting this loan.
- Loan forgiveness will be provided for the sum of documented payroll costs, covered mortgage interest payment, covered rent payments, and covered utilities. Due to likely high subscription, it is anticipated that not more than 25% of the forgiven amount may be for non-payroll costs.
- All the information you provided in your application and in all supporting documents and forms is true and accurate. Knowingly making a false statement to get a loan under this program is punishable by law.
- You acknowledge that the lender will calculate the eligible loan amount using the tax documents you submitted. You affirm the tax documents are identical to those you submitted to the IRS. And you also understand, acknowledge, and agree that the lender can share the tax information with the SBA's authorized representatives, including reps of the SBA Office of Inspector General, for the purpose of compliance with SBA Loan Program Requirements and all SBA reviews.

6

Can I apply for both the PPP & EIDL?

If you received an SBA EIDL Loan from January 31, 2020 through April 3, 2020, you can apply for a PPP loan.

If your EIDL loan was NOT USED for payroll costs, it DOES NOT affect your eligibility for a PPP Loan.

If your EIDL loan WAS USED for payroll costs, your PPP loan MUST be used to refinance your EIDL Loan. Proceeds from any advance up to \$10,000 on the EIDL loan will be deducted from the loan forgiveness amount on the PPP Loan. The EIDL amount refinanced into the PPP will be considered when determining the portion of proceeds allocated to payroll costs (The 75% test)

7

How might my forgiveness amount be reduced?

A borrower is eligible for loan forgiveness equal to the amount the borrower spent on the following items during the 8-week period beginning on the date of the origination of the loan.

- Payroll Costs*
- Interest on their mortgage obligation
- Rent on a leasing agreement
- Payments on covered utilities* (gas, electricity, water, transportation, telephone, or internet)
- For borrowers with tipped employees, additional wages paid to those employees

Loan forgiveness cannot exceed principal amount of the loan.

75% of the forgiven amount must be used for payroll.

FAQ: *Do independent contractors count as employees for purposes of PPP loan forgiveness?*

No, independent contractors have the ability to apply for a PPP on their own so they do not count for purposes of a borrower's PPP loan forgiveness.

How might my forgiveness amount be reduced?

- If there is a reduction in the number of employees
- If there is a reduction of greater than 25% in wages paid to employees
- If your average # of Full Time Equivalent Employees in 2019 is higher than your average # of FTE Employees in 2020 – your forgiveness will be reduced by the percentage difference.
- The maximum any individual employee can be paid is \$100,000 annual salary at a prorated amount for the covered period
- If more than 25% of the amount eligible for forgiveness was allocated to non-payroll costs
- Misuse of funds (SBA will direct you to repay those amounts)

*Knowingly misusing funds will be subject to additional liability such as charges for fraud.

What if I bring back my employees or restore wages?

You have until June 30, 2020 to restore your full-time employment and salary levels for any changes made between 2/15/20 and 4/26/20.

8

What are the terms for this loan?

Payments will be deferred for 6 months from date of loan origination, but interest will continue to accrue.

Any loan balance not forgiven will be termed out for 2 years at 1.00%

Other terms:

- No credit elsewhere test required
- No personal guarantee required
- No collateral required
- No prepayment penalties

Definitions

Payroll Costs: use this definition to find payroll costs included in finding your loan maximum

Sum of payments of any compensation with respect to employees, including:

- Salary, wage, commission, or similar compensation
- Payment of cash tips or equivalent
- Payment for vacation, parental, family, medical or sick leave
- Allowance for dismissal or separation
- Payment of any retirement benefit
- Payment of state or local tax assessed on compensation of employees

Sum of payments of any compensation or income of a sole proprietor or independent contractor that is a wage, commission, income, net earnings from self-employment, or similar compensation

- Cannot exceed more than \$100,000 in 1 year – prorated for the covered period

Payroll costs DO NOT INCLUDE:

- Compensation of individual in excess of annual salary of \$100M, prorated for covered period
- Federal employment taxes imposed or withheld between February 15, 2020 and June 30, 2020, including the employee’s and employer’s share of FICA (Federal Insurance Contributions Act) and Railroad Retirement Act taxes, and income taxes required to be withheld from employees
- Any compensation to individuals who live outside of the US
 - Qualified sick and family leave wages for which a credit is allowed under sections 7001 & 7003 of the Families First Coronavirus Response Act



Average Monthly Payroll Calculation Annual Example

Dental Insurance.....	\$5,000
Health Insurance.....	\$50,000
Payroll taxes.....	\$100,000
Retirement Match.....	\$25,000
Wages.....	\$750,000
<i>Total Wages & Benefits</i>	
.....	\$930,000
<i>12 month average wages</i>	
.....	\$77,500
<i>12 month average x 2.5</i>	
.....	\$193,750

Definitions *continued*

How can I figure out my estimated loan amount for my business?

Non-Seasonal Employers:

2.5 X Average Monthly Payroll costs incurred during the year prior to the loan date

- Example: if a loan date is estimated to be April, track monthly payroll costs starting April 2019

Seasonal Employers:

2.5 X Average total monthly payments for payroll costs for the 12 week period beginning 2/15/19 or 3/1/19 (decided by the applicant) and ending 6/30/19

For businesses not operational in 2019:

2.5 X Average total monthly payroll costs incurred for January and February 2020

Employee: full time or part time employees

Covered mortgage obligation: any indebtedness or debt instrument incurred in the ordinary course of business that is a liability of the borrower, is a mortgage on real or personal property, was incurred before 2-15-20

Covered period of forgiveness: 8 week period beginning date of origination of a covered loan

Covered rent obligation: rent obligated under leasing agreement in force before 2-15-20

Covered utility payment: payment for electricity, gas, water, transportation, telephone, or internet access for which service began before 2-15-20

Expected forgiveness amount: amount of principal a lender reasonably expects a borrower to expend during the covered 8 week period on the sum of any payroll costs; payments of interest on any covered mortgage obligation, payments on covered rent obligation, covered utility payments

**WHAT'S
NEXT?**



For more guidance
and resources,
visit us online at

redstonebankco.com

