

We hope this message finds you, your family and your team safe and healthy. As we enter week three of the Coronavirus pandemic, additional resources are being made available to assist small business owners, employees, individuals and families to bolster cash-on-hand, protect American jobs (Survive) and create access to the resources you will need once the current situation begins to abate (Thrive).

Following are important aspects of the third round of federal government aid related to COVID-19, which was signed into law on March 27, 2020.

The Coronavirus Aid, Relief and Economic Security Act ([CARES Act](#)) addresses economic impacts of, and otherwise responds to, the COVID-19 outbreak. The following provision provides cash flow support and aims to protect American jobs.

CARES Act – Division A – Title I: Keeping American Workers Paid and Employed Act.

This provision expands the eligibility criteria for borrowers to qualify for loans that are available through the U.S. Small Business Administration (SBA) by adding the [Paycheck Protection Loan Program \(PPP\)](#).

The PPP provides cash-flow assistance through federally-guaranteed loans up to a maximum of \$10 million to eligible businesses to retain employees through the COVID-19 crises by assisting in the payment of certain operational costs.

The PPP has many beneficial features, including **loan forgiveness of up to 8 weeks of payroll, rent and utilities** based on employee retention and salary levels with no SBA fees and at least six months of deferrals.

FORGIVABLE PAYCHECK PROTECTION LOANS – Submit Loan Applications beginning April 3rd, 2020

- i **Period Covered:** February 15, 2020 – June 30, 2020
- i **Loan Program Availability:** Through June 30, 2020
- i **Purpose:** To help businesses keep their workforce employed.
- i **Maximum Loan Amount:** \$10 million

1. Available Loan Amount – the LESSER of \$10 million or: $250\% \times$ average monthly payroll costs for 1 year prior to the date of the loan.
2. This amount is intended to cover 8 weeks of payroll expenses and any additional amounts for making payments towards debt obligations. (Seasonal business expenses will be measured using a 12-week period beginning February 15, 2019, or March 1, 2019, whichever the seasonal employer chooses).

How to APPLY

These loans are made by lenders (i.e. banks, credit unions, etc.) with delegated authority under the SBA7 (a) guarantee program. [PPP Application Form](#)

- i **Interest Rates:** 1.0% maximum
- i **Term:** 2 years
- i **Fees:** No borrower or lender fees payable to SBA
- i **Loan payment deferment:** First payment deferred for six months
- i **Prepayment Penalty:** None
- i **Collateral Requirement & Personal Guarantee:** None
- i **Eligible Businesses:** In addition to providing a good-faith certification (affirming the loan is needed to continue operations and that the funds will be used to retain workers and maintain payroll or make mortgage, lease and utility payments) businesses need to meet the following requirements:
 1. *A small business that employs 500 employees or fewer, or if your business is in an industry that has an employee-based size standard through SBA that is higher than 500 employees.*
 2. *If you are a restaurant, hotel, or a business that falls within the North American Industry Classification System (NAICS) code 72, "Accommodation and Food Services," and each of your locations has 500 employees or fewer, you are eligible.*
 3. *Tribal businesses, 501(c)(19) veteran organizations, and 501(c)(3) nonprofits, including religious organizations, will be eligible for the program. Nonprofit organizations are subject to SBA's affiliation standards.*
 4. *Independently owned franchises with under 500 employees, who are approved by SBA, are also eligible. Eligible franchises can be found through [SBA's Franchise Directory](#).*
 5. *Sole proprietors, independent contractors, gig economy workers, and self-employed individuals.*

How is the LOAN AMOUNT Determined?

Depending on your business's situation, the loan size will be calculated in different ways. **The maximum loan size is always \$10 million.**

- i If you were in business February 15, 2019 – June 30, 2019: Your max loan is equal to 250 percent of your average monthly payroll costs during that time period. If your business employs seasonal workers, you can opt to choose March 1, 2019 as your time period start date.
- i If you were not in business between February 15, 2019 – June 30, 2019: Your max loan is equal to 250 percent of your average monthly payroll costs between January 1, 2020 and February 29, 2020.

- i If you took out an [Economic Injury Disaster Loan \(EIDL\)](#) between February 15, 2020 and June 30, 2020 and you want to refinance that loan into a PPP loan, you would add the outstanding loan amount to the payroll sum.

Eligible Payroll Costs:

1. For Employers: The sum of compensation payments to employees

- i Salary, wage, commission, or similar compensation;
- i Payment of cash tips or equivalent;
- i Payment for vacation, parental, family, medical, or sick leave;
- i Allowance for dismissal or separation;
- i Payment required for group health care benefits, including insurance premiums, payment of any retirement benefit; and
- i Payment of state or local tax assessed on the compensation of the employee

2. For Sole Proprietors, Independent Contractors, and Self-Employed Individuals:

The sum of payments of any compensation to or income of a sole proprietor or independent contractor (wage, commission, income) net earnings from self-employment, or similar compensation that is not more than \$100,000 per year, as prorated for the covered period.

Note: Ineligible Payroll Cost:

- i Compensation of an individual employee in excess of an annual salary of \$100,000, as prorated for the period February 15, to June 30, 2020;
- i Payroll taxes, railroad retirement taxes, and income taxes;
- i Any compensation of an employee whose principal place of residence is outside of the United States; and
- i Families First Coronavirus Response Act. Qualified sick leave wages for which a credit is allowed under section 7001 of the Families First Coronavirus Response Act (Public Law 116– 5 127); or qualified family leave wages for which a credit is allowed under section 7003 of the [Families First Coronavirus Response Act](#).

TAX-FREE Loan Forgiveness available:

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. *(Due to likely high subscription, it is anticipated that not more than 25% of the forgiveness amount will be for non-payroll costs).*

- i Payroll costs (using the same definition of payroll costs used to determine loan eligibility)
- i Interest on the mortgage obligation incurred in the ordinary course of business

- i Rent on a leasing agreement
- i Payments on utilities (electricity, gas, water, transportation, telephone, or internet)
- i For borrowers with tipped employees, additional wages paid to those employees
- i The loan forgiveness cannot exceed the principal

How could the forgiveness be reduced?

The amount of loan forgiveness calculated above is reduced if there is a reduction in the number of employees or a reduction of greater than 25% in wages paid to employees. A great bonus is that the amount of loan forgiveness is not included as income as normally prescribed by the IRC Code.

Example:

B-Week Historical Average Monthly Payroll	Loan Amount (250% of Payroll)	Actual B-Week Monthly Payroll Average	Retained 70% of Staff Forgiveness Percentage
\$ 20,000	\$ 50,000	\$ 14,000	70%
B-Week Allowable Expenses			
	Total 8 Weeks Expenses	Forgiveness Calculation (70%)	
Payroll (\$20K/mo)	\$ 28,000	\$ 19,600	
Rent (\$5K/mo)	\$ 10,000	\$ 7,000	
Utilities (\$1,500/mo)	\$ 3,000	\$ 2,100	
Mortgage Interest (\$250/mo)	\$ 500	\$ 350	
Total Allowable Expenses	\$ 41,500	\$ 29,050	58%

Source: Apollo's Capital

B-Week Historical Average Monthly Payroll	Loan Amount (250% of Payroll)	Actual B-Week Average Monthly Payroll	Retained 100% of staff; Forgiveness Percentage
\$ 20,000	\$ 50,000	\$ 20,000	100%
B-Week Allowable Expenses			
		Forgiveness Calculation	
Payroll	\$ 40,000	\$ 40,000	
Rent	\$ 10,000	\$ 10,000	
Utilities	\$ 3,000	\$ 3,000	
Mortgage Interest	\$ 500	\$ 500	
Total Allowable Expenses	\$ 53,500	\$ 53,500	107%

Source: Apollo's Capital

What if I bring back employees or restore wages? Reductions in employment or wages that occur during the period beginning on February 15, 2020, and ending 30 days after enactment of the CARES Act, (as compared to February 15, 2020) shall not reduce the amount of loan forgiveness IF by June 30, 2020 the borrower eliminates the reduction in employees or reduction in wages.

SBA 7(a) Express Loan Limit Increase: The PPP increases the maximum loan amount on the SBA7(a) Express loan program from \$350,000 to \$1 million, with a prospective repeal date of Jan. 1, 2021.

Can I apply for PPP and [Economic Injury Disaster Loans \(EIDL\)](#)? Yes, whether you've already received an EIDL unrelated to COVID-19 or you receive a COVID19 related EIDL and/or Emergency Grant between January 31, 2020 and June 30, 2020, you may also apply for a PPP loan. If you ultimately

receive a PPP loan or refinance an EIDL into a PPP loan, any advance amount received under the Emergency Economic Injury Grant Program would be subtracted from the amount forgiven in the PPP.

What do I do next? Complete the [PPP Loan Application](#) and contact your lender to let them know you are interested in securing this financial resource.

Assay's mission is to empower business owners to achieve their destiny. During this global crisis we are providing tools to help businesses navigate and SURVIVE these unprecedented times while also preparing to THRIVE.

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