

FARRIS BOBANGO

ATTORNEYS AT LAW

The Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) expands the availability of loans under section 7(a) of the Small Business Act to include the Paycheck Protection Program (“PPP”). The CARES Act provides additional funding for the Small Business Association (“SBA”) loans and increases the availability of the loans to businesses who previously did not qualify. A loan under the PPP can be converted to a grant through a loan forgiveness provision for the amount used for payroll and other covered costs.

Section 1102: Paycheck Protection Program	
Threshold Requirements	<ol style="list-style-type: none"> 1. Was the business in operation on February 15, 2020? 2. Did the business have employees for whom they paid salaries and payroll taxes (or independent contractors)? 3. Has the business been negatively impacted by Covid-19? → If your answer is yes to all 3 questions, then the threshold requirements are met.
Eligible Businesses	<ul style="list-style-type: none"> • Businesses, nonprofit organizations, veterans organizations, or Tribal organizations with not more than 500 employees or the SBA applicable size standard for the industry • Sole proprietors, independent contractors, and self-employed individuals • Employees determined per location for NAICS code beginning with 72 (i.e., restaurants, hotels, bars): This exception to the cap of 500 employee rule applies if the business <ol style="list-style-type: none"> 1. Has more than 1 physical location, 2. Does not have more than 500 employees per physical location, and 3. Is assigned a NAICS code beginning with 72.
Waiver of Affiliation	Affiliation rules are waived for: <ul style="list-style-type: none"> • Any business that has a NAICS code beginning with 72 • Franchiser that is assigned a franchise ID by the SBA • Any business receiving financial assistance from an SBIC
Covered Loan Period	February 15, 2020 to June 30, 2020
Maximum Loan Amount	\$10,000,000
Loan Amount Calculation	250% of an employer’s average monthly Payroll Costs (defined below) Plus the outstanding balance from a disaster loan made pursuant to Small Business Act section (7)(b)(2) received between January 31, 2020 and March 27, 2020

Payroll Costs Defined	<p>The sum of compensation to employees that is:</p> <ul style="list-style-type: none"> • Salary, wage, or similar compensation • Cash tip • Payment for vacation, parental, family, medical, or sick leave • Allowance for dismissal or separation • Healthcare benefits, including insurance premiums • Payment of retirement benefits • Payment of state and local tax on the compensation of employees <p>Costs that are NOT eligible as payroll costs:</p> <ul style="list-style-type: none"> • Employee compensation in excess of \$100,000 • Taxes imposed under Internal Revenue Code 21 (Federal Insurance Contribution Act), 22 (Railroad Tax), and 23 (Federal Unemployment Tax) • Any compensation of an employee whose principal place of residence is outside of the United States • Qualified sick leave wages for which a credit is allowed under section 7001 of the Families First Coronavirus Response Act
Allowable Uses of Loan Proceeds	<ul style="list-style-type: none"> • Payroll costs • Healthcare benefits during periods of paid sick, medical, or family leave • Health insurance premiums • Employee salaries, commissions, or similar compensation • Payments of mortgage interest • Rent (including under a lease agreement) • Utilities • Interest on any debt obligation incurred before February 15, 2020
Interest Rate	Not to exceed 4%
Collateral	No required collateral
Guarantees	Government guarantees 100% of loans made through December 31, 2020 No personal guarantees
Fee Waiver	No origination fee No application fee
Prepayment Penalty	No prepayment penalty
Maturity Schedule	10 years (from date of loan forgiveness application for amount of loan that is not forgiven)

<p>Borrower Certifications</p>	<p>In the PPP loan application, the business must make a good faith certification that:</p> <ol style="list-style-type: none"> 1. The loan is necessary to support ongoing operations during the current uncertain economic conditions; 2. Funds will be used to retain workers and maintain payroll or make mortgage payments, lease payments, and utility payments; 3. The business does not have duplicative applications for the same purpose and same amount as the PPP loan; and 4. During the period from February 15, 2020 to December 31, 2020, the business has not received funds for the same purpose and same amount as the PPP loan
<p>Loan Forgiveness Amount</p>	<p>Sum of:</p> <ul style="list-style-type: none"> • Payroll costs • Interest on any covered mortgage • Covered rent payment • Covered utility payments <p>To be considered in the forgiveness amount, the payments must occur during the 8-week period beginning on the date of origination of the PPP loan.</p>
<p>Initial Steps</p>	<p>The CARES Act was passed on March 27, 2020 and as of March 28, 2020 an application has not been provided. Current SBA loan applications can be used as a guide for the information businesses can begin to be gathering to complete the application for a PPP loan.</p> <p>To begin preparing, obtain Employee Earnings Reports for the last 12 months. Payroll companies (if you use this type of service i.e. Paychex or ADP) have the ability to generate this report.</p> <p>Information needed:</p> <ul style="list-style-type: none"> • Gross wages paid to each employee for the last 12 months • Any paid time off and vacation, family, and medical leave pay • Any state and local taxes for compensation of employees • Health insurance, including all premiums paid for employees for the last 12 months

For More Information, Contact:

John A. Bobango
JAB@farris-law.com
901-259-7100

Mary Lauren Stewart
MLBS@farris-law.com
901-259-7100