

Paycheck Protection Program (PPP) Overview

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Overview

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- Use of Funds Outside Forgivable Amounts



Paycheck Protection Program (PPP)

At a Glance

Paycheck Protection Program – General Overview

Provides loans for small businesses to maintain headcount during the crisis

Eligibility

- Small businesses up to 500 employees ([applies to Elements, Amazing Lash and Fitness Together](#))

Regulatory Streamlining

- Waives “no credit elsewhere” test
- No personal guarantee or collateral required

Maximum Loans

- Loans can be up to 2.5 times the borrower’s average monthly payroll costs, not to exceed \$10 million. Payroll costs exclude compensation amounts paid to individuals, in excess of \$100,000 a year

Requirement

- The employer certifies the loan will be primarily used to retain workers, maintain payroll, and pay interest, rent and utilities

Paycheck Protection Program – Loan Forgiveness Overview

Loan Forgiveness

- If business maintains payroll, this program allows for loan forgiveness equal to the portion spent during an 8-week period after the origination / funding date of the loan on:
 - Payroll costs
 - Interest payments (non-payroll cost)
 - Rent (non-payroll cost)
 - Utilities (non-payroll cost)
- No more than 25% of the loan can go towards non-payroll cost
- You will owe money when your loan is due if you use funds for anything other than the costs noted above. You will also owe money if you do not maintain your staff & payroll

Deferment

- Loan balances remaining after forgiveness will have a maximum maturity of 2 years and an interest rate of 1.0%
- Principle and interest payments deferred for six months
- Interest will continue to accrue on loans over the 6-month deferral



Key Considerations Following Funding of PPP Loans

Key Considerations Following Funding

Forgivable Uses of Funds and Timing

Forgivable Use of Funds

- Payroll costs
 - Cash compensation including tips
 - Benefits & 401(k)
 - State and Local Tax
 - Employee share of FICA
- Interest on mortgage obligations
- Rent, under lease agreements
- Utilities
- Reminder: No more than 25% of the loan can go toward non-payroll costs

Timing & Other Considerations

- Forgiveness period begins on loan origination / funding from lender and extends 8-weeks post funding
- SBA requires lender to fund loans within 10 days of approval
- “First Come, First Serve” basis

Understanding the Loan Forgiveness – Early Indication of What Congress’ is Trying to Solve for

You will owe money if you do not maintain your staff and payroll or use funds for non-authorized areas.

①

You will owe money when your loan is due if you use the funding for ANYTHING other than payroll costs, mortgage interest, rent, & utility payments over the 8 weeks after getting the loan

②

You will owe money if you do not maintain your staff and payroll.

- Reduction in Employees: Forgiveness will be reduced if you decrease your employee headcount
- Reduction in Payroll Levels: Forgiveness will also be reduced if you decrease salaries and wages by more than 25% for any employee that made less than \$100,000 annualized in 2019

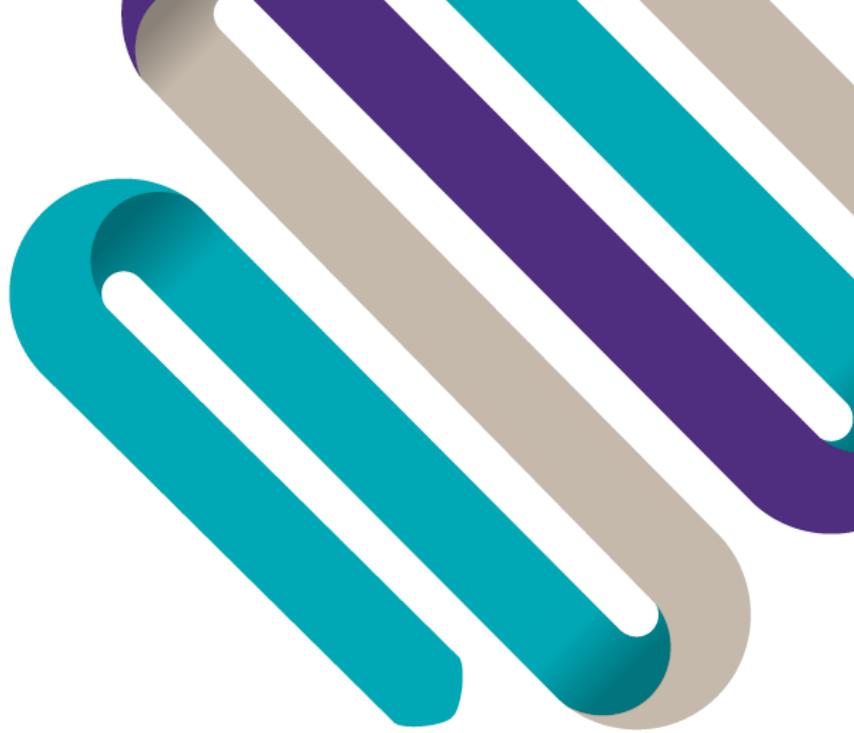
If staff and payroll levels are restored by June 30, forgiveness on condition will be granted

- Rehiring of Employees: You have until June 30, 2020 to restore your employment and salary levels for any changes made between February 15, 2020 and April 26, 2020

Understanding the Loan Forgiveness – Early Indication of What Congress’ is Trying to Solve for

- The Reduction in Employees can be avoided if by June 30, 2020 the reduction in your total employees for the period between February 15, 2020 and April 26, 2020 has been restored; *and/or*
- Reduction in Payroll Levels can be avoided if by June 30, 2020 you have restored employees to the same wages/salary they were earning as of February 15, 2020
- The rehiring of employees is meant to motivate companies to use loan proceeds to restore headcount and wage levels. If you do both, then the full loan amount can be forgiven

Paycheck Protection Program
Frequently Asked Questions



Paycheck Protection Program - Frequently Asked Questions

Forgiveness

- Q: Do I have to re-hire the exact same employees from the pre-February 15 period?
- Q: Can I pay my employees more to take advantage of the forgiveness?
- Q: What types of payroll costs are eligible for forgiveness

Payroll Costs:

- Q: What if payment on the last two weeks of the 8-week period falls outside the 8-week period, will it be counted as payroll costs?
- Q: Do the funds have to be paid out equally over the eight weeks or can there be larger payouts towards the end or final week? What about employment bonuses or hiring bonuses?
- Q: After the 8-week period is over, if I have given my team a raise to maximize loan forgiveness, can I reduce their wages back to their original level?

Paycheck Protection Program - Frequently Asked Question

Job Responsibilities & Operational Considerations

- Q: Do I have to bring employees back with the same job responsibilities?
- Q: When should I hire back my team? Do I need to hire them back the same week as funding or can I wait a few weeks?



Documenting Funds to Achieve Forgiveness from Lender

Documenting Use of Funds to Achieve Forgiveness

- While requirements are still being finalized, it is reasonable to believe your lender will request the following documentation to achieve forgiveness

- Support of Employee Count and Payroll Levels
 - Number of employees on payroll and pay rates for the periods seeking forgiveness
- Support of Payroll Costs
 - Payroll records (similar to what was provided to determine your loan amount)
 - Payroll tax filings reported to the Internal Revenue Service
 - State income, payroll, and unemployment insurance filings and records
- Support of Rent, Utilities and Interest Payments
 - Cancelled checks, payment receipts, or other documents verifying payments
- Other
 - Signed certifications funds and forgiveness documentation presented true and correct
 - Any other documentation the SBA determines necessary.
- Timing
 - Lender to provide approval of forgiveness within 60 days following submission of docs

Certifications by the Borrower

- Funds will be used to retain workers and maintain payroll or make interest, rent & utility payments; if funds knowingly used for unauthorized purposes, government may hold you legally liable
- Documentation verifying # of full-time equivalent employees on payroll as well as dollar amounts of payroll costs, interest, rent & utilities for 8-week period following loan will be provided to lender
- Loan forgiveness provided for payroll costs, covered mortgage interest payments, covered rent payments & covered utilities. Not more than 25% of forgiven amount may be for non-payroll costs
- Certify the information provided is true and accurate in all material respects
- Acknowledge current economic uncertainty makes loan request necessary to support ongoing operations of the Applicant. Borrowers must make certification in good faith, taking into account current business activity & ability to access other sources of liquidity

Other Considerations

Use of Funds Outside Forgivable Amounts

If Portions of PPP Loan are Not Forgiven, Options Do Exist

- You can pay back the loan with no prepayment penalty and avoid future principle and interest payments
- Borrowers will not have to make any interest payments for six months following disbursement
- Unforgivable portions of the debt can be held at very low interest rates (1.0% over a two-year term)

Misuse of Funds

- Transparency & Accountability built into the CARES Act
- Naming & Shaming

Recap

Quick Overview of PPP

- Additional guidance is still need from the SBA to memorialize these initial indications
- Loans can be up to 2.5 times the borrower's average monthly payroll costs; 2-year term at 1% interest
- Loan forgivable if used on payroll costs, interest, rent, and utilities payments

Loan Forgiveness

- No more than 25% of the loan can go toward non-payroll cost
- Loan forgiveness is a two-part test; borrower will owe money if the following occurs:
 - Funds are not used on payroll costs, interest, rent, and utilities payments
 - Employee counts are reduced and / or wage rates are reduced by >25% on a per employee basis
 - If staff and payroll levels are restored by June 30, forgiveness on condition test will be granted

Other Considerations

- Document expenses eligible for loan forgiveness and be prepared to submit to lender after 8-week period
- Be prepared to ensure certifications are met
- If portions of PPP loan are not forgiven, options do exist