

CARES ACT PAYCHECK PROTECTION PROGRAM

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SMALL BUSINESS LOAN PROVISIONS

- Coronavirus Aid, Relief and Economic Security (CARES) Act
 - Paycheck Protection Program
 - \$349 Billion
 - Loans made through June 30, 2020
 - Applications for small businesses and sole proprietorships began on April 3, 2020 through existing SBA lenders
 - Starting April 10, 2020, independent contractors and self-employed individuals can apply for and receive loans through existing SBA lenders.
 - Other lenders will be available as they are approved.

MINIMAL ELIGIBILITY

- Any business, nonprofit, veteran organization, sole proprietorship, self-employed individual, independent contractor;
- Operational on February 15, 2020;
- Paid salaries and payroll taxes; and
- Has no more than 500 employees.
- Borrowers will be required to make a good-faith certification that the loan is necessary due to economic conditions caused by COVID-19 and that it will use the funds to retain workers and maintain payroll, lease and utility payments.

THE LOAN

- Lenders will not require
 - Application fees;
 - Closing costs;
 - Collateral; or
 - Personal guarantees.
- Maximum interest rate = %4 First six months' payments (principal and interest) deferred (however, interest will accrue).
- Lenders not expected to perform credit analysis.
- Loans 100% guaranteed by the SBA.
- Due in 2 years (maximum 10 year loan)
- No Prepayment Penalties or Fees.

MAXIMUM LOAN AMOUNT

- Two months of average monthly payroll costs from the last year plus an additional 25%.
 - Based on a 12-month look back from the date of the loan.
 - Not more than \$10 million.

PERMITTED USES OF THE LOAN

- Payroll costs
- Benefits
- Interest on Mortgage Obligations, incurred before 2/15/2020
- Rent, under lease agreements in force before 2/15/2020
- Utilities, for which service began before 2/15/2020

PAYROLL COSTS

➤ Payroll Costs include:

- Salary, wages, commissions or tips
- Employee Benefits: paid leave, group healthcare premiums, retirement benefits
- State and Local Taxes assessed on compensation
- For a Sole Proprietor or Independent Contractor: wages, commissions, income, or net earnings from self-employment.

➤ Payroll costs will be capped at \$100,000 annualized for each employee.

LOAN FORGIVENESS

- Payroll costs, mortgage interest, rent and utility payments over the 8 weeks after getting the loan qualify for forgiveness.
- Due to likely high subscription, it is anticipated that no more than 25% of the forgiven amount may be for non-payroll costs.
- Loan forgiveness will be reduced under two scenarios:

LOAN FORGIVENESS REDUCTION

1. Forgiveness will be proportionately reduced by the average number of full-time equivalent employees (calculated by the average number of full-time equivalent employees for each pay period falling within a month) per month in the two months after the loan is made compared against, either:
 - a. The average number of FTE employees per month between February 15, 2019 – June 30, 2019; or
 - b. The average number of FTE employees per month between January 1, 2020 – February 29, 2020.

The borrower has discretion to determine which figure is used.

LOAN FORGIVENESS REDUCTION

2. Forgiveness will be reduced by the amount of any reduction in pay of any employee in the two months after the loan is made that is in excess of 25% of the employee's total compensation during the most recent full quarter before the loan was made.

Rehire Exception: Borrowers that rehire previously laid-off workers or restore them to their former pay rate by June 30, 2020, will still qualify and not be penalized for having a reduced payroll during the loan period.

CERTIFICATIONS

- Current economic uncertainty makes the loan necessary to support your ongoing operations.
- The funds will be used to retain workers and maintain payroll or to make mortgage, lease, and utility payments.
- You have not and will not receive another loan under this program
- You will provide the lender documentation that verifies the number of full-time equivalent employees on payroll and the dollar amounts of payroll costs, mortgage interest, rent, and utility payments for the eight weeks after getting the loan.
- All information you provide 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 that 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 for purposes of compliance with the SBA Loan Program Requirements and all SBA reviews.

RESOURCES

PPP Information Sheet

<https://home.treasury.gov/system/files/136/PPP%20Borrower%20Information%20Fact%20Sheet.pdf>

Sample Application Form

<https://www.sba.gov/sites/default/files/2020-03/Borrower%20Paycheck%20Protection%20Program%20Application.pdf>

Q&A for Faith-Based Organizations

<https://www.sba.gov/sites/default/files/2020-04/SBA%20Faith-Based%20FAQ%20Final.pdf>

?QUESTIONS?

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