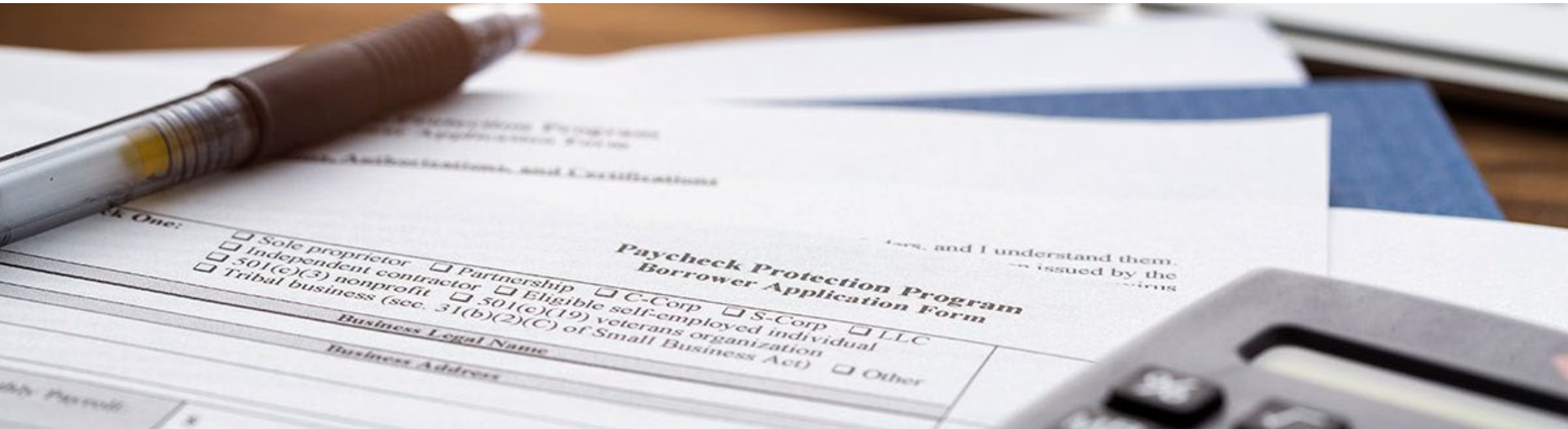




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CARES Act: PPP Updates and Forgiveness Calculations

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Gartner Zoom received a 4.69 out of 5 overall customer rating

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Q&A

You asked: 19:41
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Figure 1. Gartner Peer Insights "Voice of the Customer" Meeting Solutions Overall Ratings

Gartner Peer Insights "Voice of the Customer" Meeting Solutions Overall Ratings
As of January 31, 2018

Eligible Vendors	Gartner Peer Insights Customers' Choice	Gartner Magic Quadrant Position	Number of Reviews	Overall Customer Rating
Zoom Video Communications	customer's choice 2018	Leader	n=686	4.69
Highfive Technologies			n=30	4.40
Lifesize			n=30	4.40
LogMeIn	customer's choice 2018	Challenger	n=163	4.36
Teamviewer			n=42	4.33
BlueJeans Network	customer's choice 2018	Visionary	n=57	4.32
Google	customer's choice 2018	Challenger	n=131	4.27
Cisco	customer's choice 2018	Leader	n=380	4.21
Microsoft		Leader	n=293	4.16
Adobe		Challenger	n=72	4.14

Notes: Vendors with greater than 25 reviews on Gartner Peer Insights in the past one year as of January 31, 2018 are considered eligible vendors. Gartner Peer Insights Customers' Choice announced on February 13, 2018. Gartner Magic Quadrant for Meeting Solutions published on September 18, 2017. Number of reviews and ratings as of January 31, 2018. ©2018 Gartner Inc. All rights reserved.

Source: Gartner Peer Insights (January 31, 2018)

Mean overall rating for eligible vendors in this specific market: 4.33



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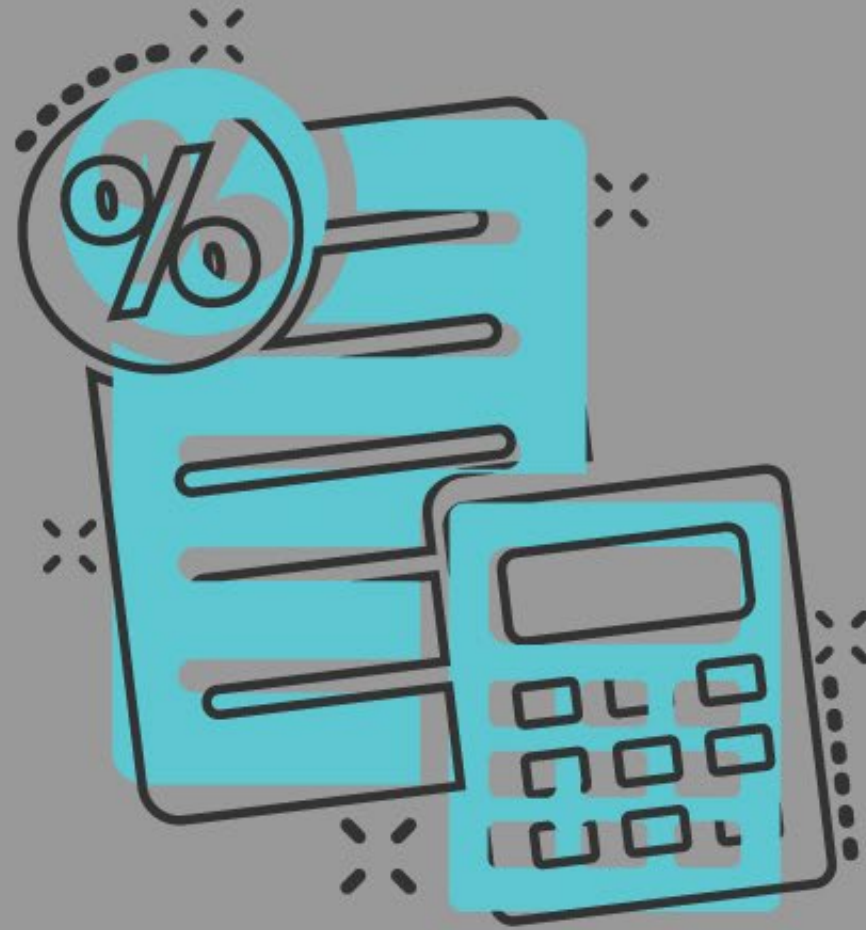


Tim McLaughlin

Agenda

- PPP Updates
- Loan Forgiveness Applications
- Questions & Answers





PPP Updates

Paycheck Protection Program (PPP)

Summary and General Information

- Created under the CARES Act – March 27, 2020
 - Borrowings based on 2.5 months of payroll costs
 - Goal: keep employees on payroll, cover certain overhead
- Paycheck Protection Program Flexibility Act of 2020 – June 5, 2020
- PPP Loans can be applied for until June 30, 2020 - \$100B+ is still available.

PPP Use of Loan Proceeds

- ↗ Payroll costs
- ↗ Interest
- ↗ Rent
- ↗ Utilities

All the above have specific definitions.

No changes to these definitions in recent updates.



PPP Forgiveness Amounts

Allowable Payroll Costs

- Salary, wages, commissions, or similar compensation
- Vacation, parental, family, medical, or sick leave
- Employer contributions for employee health insurance
- Employer contributions to employee retirement plans
- State unemployment insurance
- \$100,000 limit on annual payroll
- **Limitations on health/retirement benefits for owners**

PPP Forgiveness Amounts

Allowable Non-Payroll Costs

- Covered Mortgage Obligations
 - Interest on business mortgage obligations on real OR personal property
- Covered Rent Obligations
 - Rent or lease payments pursuant to lease agreements for real OR personal property
- Covered Utility Payments
 - Payments for the distribution of electricity, gas, water, transportation, telephone or internet access
- **Key Date: February 15, 2020**

PPP Recent Updates

➤ Paycheck Protection Program Flexibility Act of 2020 (PPP Flex)

➤ SIGNIFICANT CHANGES TO THE PROGRAM

- Covered period extended from June 30th up to December 31st
- Forgiveness period is now 24 weeks vs. 8 weeks
- Requirement to spend on payroll costs is now 60% vs. 75%
- Revisions to FTE requirements and addition of safe harbors

PPP Recent Updates

- Release of Revised PPP Forgiveness Application – Form 3508 (06/16/20)
- New PPP Forgiveness Application Form 3508 EZ
- Both Forms include detailed instructions
- Release of a series of Interim Final Rules (IFRs) that clarify the Program – including new guidance June 22nd

PPP Recent Updates

PPP Flexibility Act of 2020 (PPP Flex)

- Covered period is now 24 weeks from the date of receiving loan proceeds; loans received before June 5th can elect to use the original 8-week covered period.
 - NOTE: This will expand the opportunity for loan forgiveness
- Requirement to spend loan proceeds on payroll costs is now 60% vs. 75%.
 - NOTE: It is clear that partial forgiveness is now available even if the 60% test is not met

PPP Recent Updates

PPP Flex – FTE Updates

- FTE = Full Time Equivalent
- Revisions to FTE requirements and expanded safe harbors
- Why are FTEs so important?
- **Because they determine how much forgiveness will be allowed!**

PPP Recent Updates

PPP Flex – FTE Updates

Forgiveness Amount = “Expected Forgiveness Amount” x FTE Ratio

- Expected Forgiveness Amount = \$ spent in the 8 or 24 week period on eligible costs
- FTE Ratio = Employment Test



PPP Recent Updates

FTE Updates

- FTEs are based on 40 hours per week.
- Hours worked divided by 40 rounded to the nearest tenth.
- The maximum FTE for an employee is 1.0
- This calculation will need to be done for:
 - The 8/24 week covered forgiveness period
 - The Reference Period of 2/15/19 – 6/30/19 **OR** 1/1/20 – 2/29/20
- Simplified FTE Method – assign 1.0 FTE for employee that works 40 hours or more and .5 FTE for employee that works <40 hours in a week.

PPP Recent Updates

FTE Ratio (the “FTE Reduction Quotient”)

Average FTEs “8 or 24 week period”

DIVIDED BY

FTEs in 2019 or 2020

2019: Average FTEs 2/15/19 – 6/30/19

or

2020: Average FTEs 1/1/2020 – 2/29/2020

PPP Recent Updates

FTE Safe Harbors

➤ On an overall basis –

- There is no reduction in loan forgiveness if you have not reduced the number of employees or the average paid hours of your employees between January 1, 2020 and the end of the 8 or 24 week Covered Period (PPP Schedule A).

➤ **If there was an FTE reduction** there are 2 Safe Harbors that may help you avoid reduced forgiveness.....

PPP Recent Updates

FTE Safe Harbors

➤ FTE Reduction Safe Harbor 1 (Form 3508 Instructions p. 5)

The Borrower is exempt from the reduction in loan forgiveness based on a reduction in FTE employees described above if the Borrower, in good faith, is able to document that it was unable to operate between February 15, 2020, and the end of the Covered Period at the same level of business activity as before February 15, 2020, due to compliance with requirements established or guidance issued between March 1, 2020 and December 31, 2020, by the Secretary of Health and Human Services, the Director of the Centers for Disease Control and Prevention, or the Occupational Safety and Health Administration, related to the maintenance of standards for sanitation, social distancing, or any other worker or customer safety requirement related to COVID-19.

PPP Recent Updates

FTE Safe Harbors

➤ FTE Reduction Safe Harbor 2 (Form 3508 Instructions p. 5)

The Borrower is exempt from the reduction in loan forgiveness based on a reduction in FTE employees described above if both of the following conditions are met: (a) the Borrower reduced its FTE employee levels in the period beginning February 15, 2020, and ending April 26, 2020; and (b) the Borrower then restored its FTE employee levels by not later than December 31, 2020 to its FTE employee levels in the Borrower's pay period that included February 15, 2020.

PPP Forgiveness Provisions

FTE Reduction Safe Harbor 2

- FTE Reduction Safe Harbor 2 allows a borrower to avoid reduction in forgiveness caused by reduction in FTEs if:
- The borrower reduced its FTEs between 2/15/20 and 4/26/20 **AND**
 - The borrower restores its FTEs (by the earlier of the forgiveness application submission and 12/31/20) to the FTEs during the pay period that includes 2/15/20.

PPP Recent Updates

FTE Safe Harbors

➤ FTE Reduction Safe Harbor 2 (Form 3508 p. 4)

FTE Reduction Safe Harbor 2:

- Step 1. Enter the borrower's total average FTE between February 15, 2020 and April 26, 2020. Follow the same method that was used to calculate Average FTE in the PPP Schedule A Worksheet Tables. Sum across all employees and enter:
_____.
- Step 2. Enter the borrower's total FTE in the Borrower's pay period inclusive of February 15, 2020. Follow the same method that was used in step 1: _____.
- Step 3. If the entry for step 2 is greater than step 1, proceed to step 4. Otherwise, FTE Reduction Safe Harbor 2 is not applicable and the Borrower must complete line 13 of PPP Schedule A by dividing line 12 by line 11 of that schedule.
- Step 4. Enter the borrower's total FTE as of the earlier of December 31, 2020, and the date this application is submitted: _____.
- Step 5. If the entry for step 4 is greater than or equal to step 2, enter 1.0 on line 13 of PPP Schedule A; the FTE Reduction Safe Harbor 2 has been satisfied. Otherwise, FTE Reduction Safe Harbor 2 does not apply and the Borrower must complete line 13 of PPP Schedule A by dividing line 12 by line 11 of that schedule.

PPP Recent Updates

FTE Other Exceptions

➤ **Even if you do not qualify for one of the FTE Reduction Safe Harbors there are still exceptions that allow add backs to your FTEs on the Forgiveness Application.**



Paycheck Protection Program
Loan Forgiveness Application Revised June 16, 2020

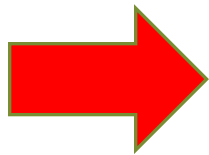
OMB Control Number 3245-0407
Expiration Date: 10/31/2020

PPP Schedule A Worksheet

Table 1: List employees who:

- Were employed by the Borrower at any point during the Covered Period or the Alternative Payroll Covered Period whose principal place of residence is in the United States; and
- Received compensation from the Borrower at an annualized rate of less than or equal to \$100,000 for all pay periods in 2019 or were not employed by the Borrower at any point in 2019.

Employee's Name	Employee Identifier	Cash Compensation	Average FTE	Salary / Hourly Wage Reduction
FTE Reduction Exceptions:				
Totals:		Box 1	Box 2	Box 3



PPP Recent Updates

FTE Other Exceptions

➤ Other exceptions:

FTE Reduction Exceptions: Indicate the FTE of (1) any positions for which the Borrower made a good-faith, written offer to rehire an individual who was an employee on February 15, 2020 and the Borrower was unable to hire similarly qualified employees for unfilled positions on or before December 31, 2020; (2) any positions for which the Borrower made a good-faith, written offer to restore any reduction in hours, at the same salary or wages, during the Covered Period or the Alternative Covered Period and the employee rejected the offer, and (3) any employees who during the Covered Period or the Alternative Payroll Covered Period (a) were fired for cause, (b) voluntarily resigned, or (c) voluntarily requested and received a reduction of their hours. In all of these cases, include these FTEs on this line only if the position was not filled by a new employee. Any FTE reductions in these cases do not reduce the Borrower's loan forgiveness.

PPP Forgiveness Provisions

Other FTE Issues

➤ FTE reductions during the covered period are added back if an employee:

- Was fired for cause,
- Voluntarily resigned or
- Voluntarily requested and received a reduction of their hours

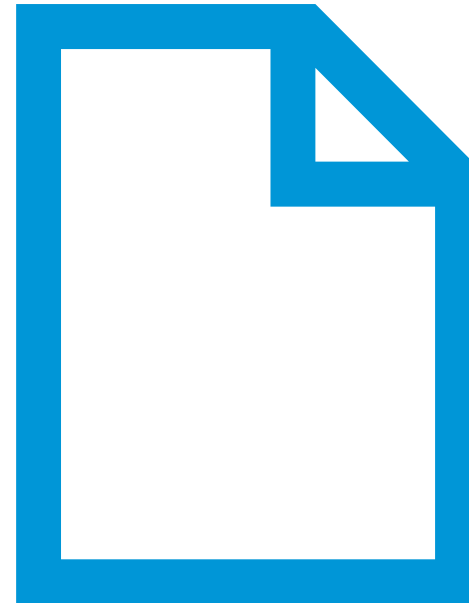
OR

➤ If a borrower made a good-faith, written offer to rehire an employee or restore reduced hours which was rejected by the employee.

PPP Recent Updates

Loan Forgiveness Applications

- **NEW** SBA Form 3508 EZ
 - Application, Instructions
- Updated SBA Form 3508
 - Application, Instructions, Worksheets



PPP Recent Updates

SBA Form 3508 EZ

- SBA Form 3508 EZ – released June 16th. See Form 3508 EZ instructions for SPECIFIC eligibility to use this form.
- Streamlined form can be used by:
 - Borrowers who are self-employed individuals, independent contractors or sole proprietors who had no employees at the time of the loan application and did not include employee salaries in the loan application.

PPP Recent Updates

SBA Form 3508 EZ

- Streamlined form can be used by borrowers:
- That did not have salary/hourly wage reductions >25% **AND**
 - Did not reduce the number of employees **or** the average paid hours of employees between 1/1/2020 and the end of the Covered Period.

PPP Recent Updates

SBA Form 3508 EZ

➤ Streamlined form can be used by borrowers:

- That did not have salary/hourly wage reductions >25% **AND**
- Was unable to operate during the Covered Period at the same level of business activity as before 2/15/20 due to compliance with guideline issued 3/1/20 and after issued by HHS, CDC or OSHA related to COVID-19

PPP Recent Updates

SBA Form 3508 EZ

- Special Note to Self employed borrowers with no employees:
- The expansion of the covered period to 24 weeks will mean **100% forgiveness** if you do not elect to use the 8-week period (subject to EIDL Advance Grant)
 - This is due to the fact your loan amount was based on 2.5 months of 2019 income (capped at \$20,833) and your forgiveness will have the same cap.
 - Minimal reporting requirements

PPP Recent Updates

SBA Form 3508 EZ

➤ SBA Form 3508 EZ

- One-page form
- No payroll tables need to be completed
- Minimal (if any) FTE computations required
- Documentation of payroll costs and non-payroll costs is still required (if applicable)

PPP Recent Updates

SBA Form 3508 Revised June 16, 2020

- SBA Form 3508 Loan Forgiveness Application
 - PPP Loan Forgiveness Calculation Form
 - PPP Schedule A
 - PPP Schedule A Worksheet (Supports Schedule A)
 - PPP Borrower Demographic Information Form (Optional)

- Lenders may use an electronic application form



PPP Forgiveness Provisions

8 or 24 Week Covered Period

Forgiveness provision:

- Applies to the use of loan proceeds for allowed expenses during the **8 or 24 week covered period** starting from the date of the disbursement of loan proceeds.
- Borrowers with loans dated before 6/5/20 can elect an 8-week period; otherwise it is a 24-week period
- The expenses in the covered period are the “Expected Forgiveness Amount.”

PPP Forgiveness Provisions

Alternative Payroll Covered Period

- For Payroll Costs only the SBA will allow borrowers to select an alternative 8 or 24 week period –
- The period begins on the first day of the first pay period following receipt of loan proceeds.
- For example (8-week period) – loan proceeds received Monday 4/20/20; the 1st day of the next pay period is Sunday 4/26/20; the borrower can start the 8-week payroll period on Sunday 4/26/20 and end on Saturday 6/20/20.
- **To use this alternative you must be on a weekly or bi-weekly payroll schedule (not monthly or twice/month)**

PPP Forgiveness Provisions

Timing of payments – Accrual or Cash Basis??

➤ **Payroll costs** are eligible for forgiveness if they are paid or incurred during the 8 or 24 week covered period

- Payroll costs are considered **paid** on the date paychecks are delivered or direct deposits made.
- Payroll costs are considered **incurred** on the day that the employee's pay is earned.
- Payroll costs incurred but not paid during the last pay period of the covered period are eligible for forgiveness if paid on or before the next regular payroll date.

PPP Recent Updates

Payroll Limitations

- Eligible payroll costs are limited based upon a \$100,000 annual wage/salary cap
 - Limitation for the 8-week period is \$15,385 ($\$100,000 / 52 \times 8$)
 - Limitation for the 24-week period is \$46,154 ($\$100,000 / 52 \times 24$)
- Eligible payroll costs for **owners** is further limited:
 - 8-week period - \$15,385 ($\$100,000 / 52 \times 8$)
 - 24-week period - \$20,833 ($\$100,000 / 12 \times 2.5$)
 - ***These limits include retirement and health insurance contributions***

PPP Forgiveness Provisions

Timing of payments – Accrual or Cash Basis??

- **Non-Payroll costs** must be *paid* during the 8 or 24 week covered period **OR** *incurred* during the 8 or 24 week covered period and paid before the next regular billing date, even if the billing date is after the 8 or 24 week covered period.
- Count non-payroll costs that were both paid and incurred only once.

PPP Forgiveness Provisions

Summary of Key Points

- Must spend at least 60% of loan proceeds on payroll costs
- Forgiveness amount is reduced by
 - Reduction in FTEs
 - Reduction in employee pay rates/wages
 - **Any EIDL Advance Grants received**



PPP Forgiveness Provisions

Overall Forgiveness Limits

➤ Forgiveness is limited to the smallest of the following:

- Eligible Net Payroll & Nonpayroll Costs x FTE Reduction Quotient
- PPP Loan Amount
- Payroll Cost 60% Requirement (Payroll Costs / .60)



Documents that Each Borrower Must Submit with its PPP Loan Forgiveness Application

PPP Loan Forgiveness Calculation Form

PPP Schedule A

Payroll: Documentation verifying the eligible cash compensation and non-cash benefit payments from the Covered Period or the Alternative Payroll Covered Period consisting of each of the following:

- a. Bank account statements or third-party payroll service provider reports documenting the amount of cash compensation paid to employees.
- b. Tax forms (or equivalent third-party payroll service provider reports) for the periods that overlap with the Covered Period or the Alternative Payroll Covered Period:
 - i. Payroll tax filings reported, or that will be reported, to the IRS (typically, Form 941); and
 - ii. State quarterly business and individual employee wage reporting and unemployment insurance tax filings reported, or that will be reported, to the relevant state.
- c. Payment receipts, cancelled checks, or account statements documenting the amount of any employer contributions to employee health insurance and retirement plans that the Borrower included in the forgiveness amount (PPP Schedule A, lines (6) and (7)).

FTE: Documentation showing (at the election of the Borrower):

- a. the average number of FTE employees on payroll per week employed by the Borrower between February 15, 2019 and June 30, 2019;
- b. the average number of FTE employees on payroll per week employed by the Borrower between January 1, 2020 and February 29, 2020; or
- c. in the case of a seasonal employer, the average number of FTE employees on payroll per week employed by the Borrower between February 15, 2019 and June 30, 2019; between January 1, 2020 and February 29, 2020; or any consecutive 12-week period between May 1, 2019 and September 15, 2019.

The selected time period must be the same time period selected for purposes of completing PPP Schedule A, line 11. Documents may include payroll tax filings reported, or that will be reported, to the IRS (typically, Form 941) and state quarterly business and individual employee wage reporting and unemployment insurance tax filings reported, or that will be reported, to the relevant state. Documents submitted may cover periods longer than the specific time period.

Nonpayroll: Documentation verifying existence of the obligations/services prior to February 15, 2020 and eligible payments from the Covered Period.

- a. Business mortgage interest payments: Copy of lender amortization schedule and receipts or cancelled checks verifying eligible payments from the Covered Period; or lender account statements from February 2020 and the months of the Covered Period through one month after the end of the Covered Period verifying interest amounts and eligible payments.
- b. Business rent or lease payments: Copy of current lease agreement and receipts or cancelled checks verifying eligible payments from the Covered Period; or lessor account statements from February 2020 and from the Covered Period through one month after the end of the Covered Period verifying eligible payments.
- c. Business utility payments: Copy of invoices from February 2020 and those paid during the Covered Period and receipts, cancelled checks, or account statements verifying those eligible payments.

Documents that Each Borrower Must Maintain but is Not Required to Submit

PPP Schedule A Worksheet or its equivalent and the following:

- a. Documentation supporting the listing of each individual employee in PPP Schedule A Worksheet Table 1, including the "Salary/Hourly Wage Reduction" calculation, if necessary.
- b. Documentation supporting the listing of each individual employee in PPP Schedule A Worksheet Table 2; specifically, that each listed employee received during any single pay period in 2019 compensation at an annualized rate of more than \$100,000.
- c. Documentation regarding any employee job offers and refusals, refusals to accept restoration of reductions in hours, firings for cause, voluntary resignations, written requests by any employee for reductions in work schedule, and any inability to hire similarly qualified employees for unfilled positions on or before December 31, 2020.
- d. Documentation supporting the certification, if applicable, that the Borrower was unable to operate between February 15, 2020, and the end of the Covered Period at the same level of business activity as before February 15, 2020 due to compliance with requirements established or guidance issued between March 1, 2020 and December 31, 2020 by the Secretary of Health and Human Services, the Director of the Centers for Disease Control and Prevention, or the Occupational Safety and Health Administration, related to the maintenance of standards of sanitation, social distancing, or any other work or customer safety requirement related to COVID-19. This documentation must include copies of the applicable requirements for each borrower location and relevant borrower financial records.
- e. Documentation supporting the PPP Schedule A Worksheet "FTE Reduction Safe Harbor 2."

PPP Documentation

The new guidance provides a detailed list of documentation required to be provide to apply for loan forgiveness

PPP Forgiveness Provisions

Documentation – SEE PAGE 6 of Instructions

- Payroll support – 3rd party payroll reports, federal payroll tax forms, state wage and unemployment filings. You will also need to complete Employee Payroll schedules (Table 1 and Table 2).
- FTE calculation support.
- Cancelled checks or account statements documenting contributions to employee health and retirement plans.
- Interest – lender amortization schedules, receipts, cancelled checks, account statements for February 2020 and the covered period.

PPP Forgiveness Provisions

Documentation (continued)

- Rent – lease agreements, receipts or cancelled checks, lessor account statements for February 2020 and the covered period.
- Utilities – invoices, receipts, cancelled checks, account statements for February 2020 and the covered period.
- FTE calculation documentation

PPP Forgiveness Provisions

Timing

- You can apply for forgiveness at any time prior to the loan maturity including before the end of the 24-week covered period.
- Lenders have 60 days from receipt of a complete application to issue a decision to the SBA
- The SBA has 90 days to review



PPP Loan Balances

What happens to loan balance not forgiven?

- Balance is a term loan with monthly payments:
 - For loans made before June 5th the maturity is 2 years (however borrower and lender can mutually agree to extend to 5 years)
 - For loans made after June 5th the maturity is 5 years
- Interest at 1%
- Payments start after SBA approves/denies forgiveness



PPP Recent Updates

Forms & Instructions

➤ Where can I find the forms and instructions?

- <https://home.treasury.gov/>



PPP Recent Updates

- We expect further guidance will continue to be released as the first group of borrowers start to make forgiveness applications. That guidance may be significant based upon the changes that have been made in the last 60 days.
- Keep an eye out for information from your payroll processing provider. Many have started to release tools that will assist in the payroll and FTE calculations.

Questions?

Thank You

Thank you for your attendance at today's program.

For more information regarding the topics discussed today,
please feel free to contact us at:

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