



Keeping American Workers Paid and Employed Act

PAYROLL PROTECTION LOAN:

<u>Question</u>	<u>Answer</u>	<u>Comments</u>
Who is making the loans?	Banks and other financial institutions will make the loans.	The SBA is guaranteeing 100% of the loan.
How do I apply?	Contact your bank and ask if they are participating in the Payroll Protection Program.	
Who is eligible?	<ul style="list-style-type: none"> - Any US business (including public and private nonprofits, sole proprietors and independent contractors) that was operating on February 15, 2020 and had employees on payroll or paid independent contractors; and - Employs no more than 500. <p>Having alternative sources of funds is not disqualifying.</p>	<p>The SBA's affiliation rules do not apply in determining eligibility of a hospitality business or franchises</p> <p>Full and part-time employees count toward the total number of employees</p>
What is the maximum amount my business can borrow?	<ol style="list-style-type: none"> 1. Determine the average payroll costs incurred by the business during the 12 month period prior to the origination of the loan 2. Multiply this number by 2.5 3. The product is the maximum borrowing amount subject to a cap of \$10M 4. If the business previously received and ILED, it may be refinanced subject to the \$10M cap. 	<p>Payroll costs include the following:</p> <ul style="list-style-type: none"> -Wages and tips up to \$100,000 per annum per employee; -Vacation and sick leave; -Separation allowance; -Group Health Insurance Premiums; -Retirement Benefits; -State and Local Payroll Taxes;
How can I use the funds?	<p>You can use the funds to pay operating costs during the eight (8) week period following the origination of the loan.</p> <ul style="list-style-type: none"> - Payroll costs (as described above) - Mortgage interest -Rent - Utility payments - Interest on debt 	
Will the lender take a lien on the business assets?	No. All collateral requirements are waived.	
Will I need to provide a personal guaranty?	No. During the period from 2/15 to 6/30, the loans are non-recourse if the funds are used for permitted purposes.	



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What fees will be charged?	The SBA is waiving all fees associated with the loans. Lenders are receiving payment from the SBA equal to a percentage of the total loan amount.	Lenders will receive a fee of 5% of any loan less than \$350,000, 3% of a loan greater than \$350,000 and less than \$2,000,000, and 1% of loans not less than \$2,000,000
What portion of the loan will be forgiven?	<p>The amount forgiven equals the lenders reasonable expectation of what the business will spend on the following operating costs during the eight (8) week period following the loan date (the “covered period”):</p> <ul style="list-style-type: none"> - Payroll costs (as described above) - Mortgage interest - Rent - Utility payments <p>The forgiven amount will be reduced by:</p> <p>(a) the percentage obtained by dividing the number of employees during the covered period and the average number of employees during the period from February 15, 2019 and June 30, 2019 OR January 1, 2020 and February 29, 2020 and</p> <p>(b) the percentage by which compensation is reduced in excess of 25% during the covered period as compared to the most recent calendar quarter.</p>	Mortgage interest and rent obligations must have been incurred prior to February 15, 2020.
Will I be penalized if I have terminated or furloughed workers?	Not with respect to the forgiven amount provided that you rehire the employees and pay them during the covered period.	
Will I be taxed on the forgiven amount?	No. The forgiven amount is specifically excluded from gross income.	
What happens to any balance remaining after forgiveness?	The SBA will continue to guaranty the loan. Payments will be deferred for a period of at least 6 but nor more than 12 months. The maturity date will not exceed 10 years. The interest rate is capped at 4%.	
When will the loans be available?	It is not clear. The SBA is required to provide guidance and regulations regarding implementation of the Act within 30 days.	

*If you have any questions about the Coronavirus Aid, Relief & Economic Security Act (“CARE Act” or the foregoing summary of the Keeping American Workers Paid and Employed Act, please contact **Patrick C. Closson, Chair of McLane Middleton’s Corporate Department** or **Charla Bizios Stevens, Chair of McLane Middleton’s Employment Law Practice Group** by visiting McLane.com.*