



River City Bank

PRESENTS

The CARES Act Paycheck Protection Program

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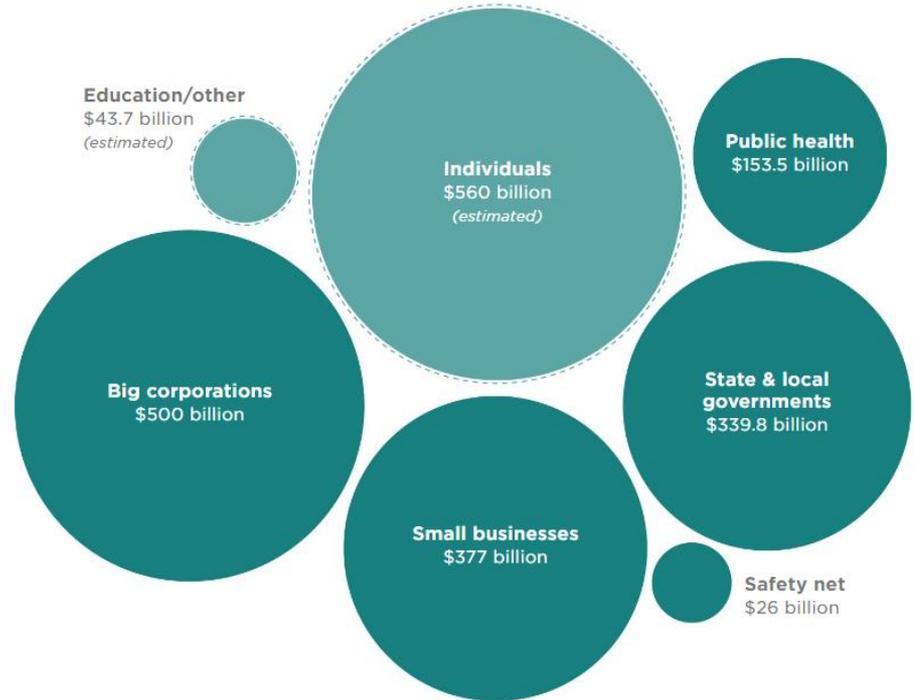
Bob Rubin - Boutin Jones

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The CARES Act- Support for Small Businesses

The CARES Act has expanded the SBA Section 7(a) Loan Program to administer the \$349 billion Paycheck Protection Program



Source: Estimates for third relief bill based on bill text, committee and administration numbers.

Credit: Audrey Carlsen/NPR

Paycheck Protection Program - Key Details

Eligibility

- Available to businesses of 500 or less employees (with some exceptions)

Amount

- Maximum loan amount up to \$10 million, or 2.5x average monthly “payroll costs.”

Approved Uses

- Payroll costs, rent, utilities, and mortgage interest.

Loan Forgiveness

- The loans are 100% forgivable provided funds are verifiably used only on approved uses, and at least 75% are used to fund payroll costs. The forgivable amount may be reduced by reductions in employee head count and wages

Availability

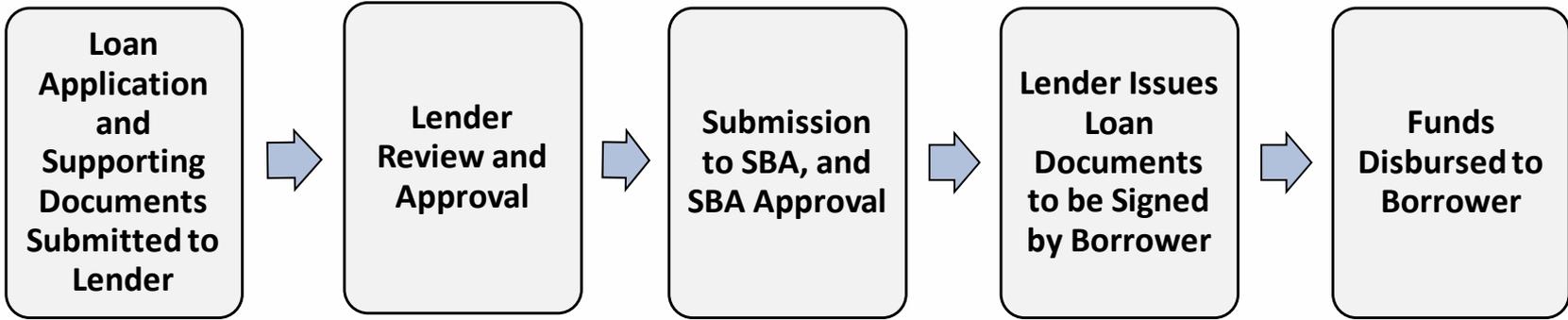
- The SBA is authorizing banks, credit unions, and other commercial lenders to make SBA loans and will provide a 100% guarantee.

Loan Structure- Key Details

Term	<ul style="list-style-type: none">• 2 Years
Interest Rate	<ul style="list-style-type: none">• 1.00%
Fees	<ul style="list-style-type: none">• None
Payment Deferral	<ul style="list-style-type: none">• Payments are deferred for 6 months, though interest will accrue during this period
Collateral	<ul style="list-style-type: none">• None
Personal Guarantee	<ul style="list-style-type: none">• None

How it Works

Accessing to the Program



Use of Funds and Loan Forgiveness



Eligibility

Eligible:

- A business with fewer than 500 employees
- A small business that otherwise meets the SBA's size standard ([Link](#))
- A 501(c)(3) with fewer than 500 employees
- An individual who operates as a sole proprietor
- An individual who operates as an independent contractor
- An individual who is self-employed who regularly carries on any trade or business
- A tribal business concern that meets the SBA size standard
- A 501(c)(19) Veterans Organization that meets the SBA size standard

Special Rules:

- If you are in the accommodation and food services sector (NAICS 72), the 500 employee rule is applied on a per-location basis
- If you are operating as a franchise, or receive financial assistance from an approved Small Business Investment Company, the normal SBA affiliation rules do not apply.

Maximum Loan Amount - Calculation Method for Employers



Included

- Salary, wages, commission, or similar compensation
- Payment of cash tip or equivalent
- Payment of vacation, parental, family, medical, or sick leave
- Allowance for dismissal or separation
- Health care benefits including insurance premiums
- Payment of retirement benefit
- Payment of state or local tax assessed on compensation of employees

Not Included

- Compensation of an individual employee in excess of an annual salary of \$100K
- Payment of cash tip or equivalent
- Any compensation of an employee whose principal residence is outside of the US
- Qualified sick leave or family leave wages for which a credit is allowed under the Families First Coronavirus Response Act

Note: If an applicant received and is refinancing a Economic Injury Disaster Loan (EIDL), they would add the outstanding amount of the EIDL made between 1/31/2020 and 4/3/2020, less the amount of any advance under the EIDL, to the maximum loan amount.

Loan Forgiveness - Approved Uses

Payroll Costs

- Employee salaries, commissions, or similar compensation
- Group health care benefits

Rent

- Applicable to lease agreements in place before Feb. 15, 2020

Utilities

- For service which began before Feb. 15, 2020

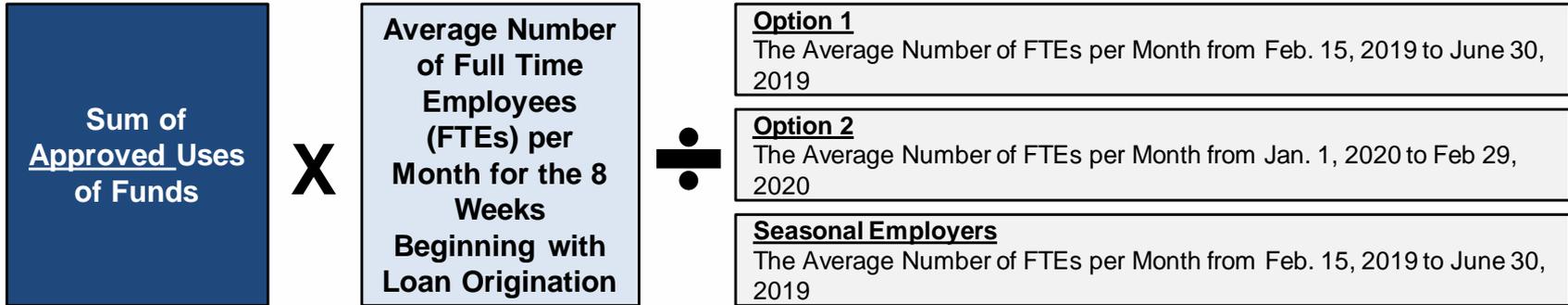
Interest

- Payments of interest on any mortgage obligation incurred before Feb. 15, 2020*
- Does not include payment or prepayment of principal

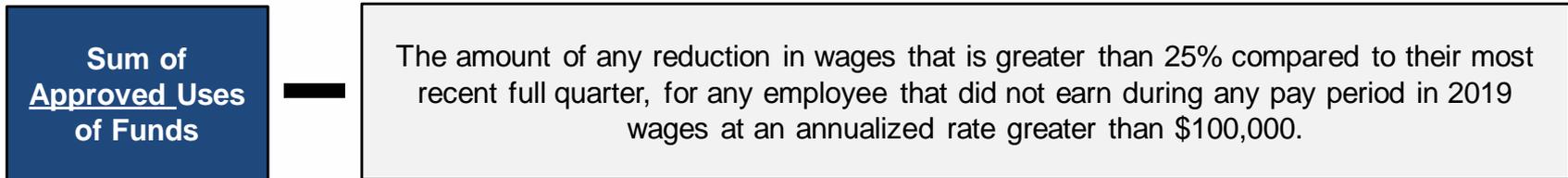
The loan is 100% forgivable, provided (i) the funds are used on these approved uses during the 8 week period immediately after origination of the loan, (ii) applicable employee and salary retention requirements are met, and (iii) at least 75% of funds are used on payroll costs.

Loan Forgiveness- Reduction Calculation Method

Reduction in forgivable amount based on reduction in number of employees:



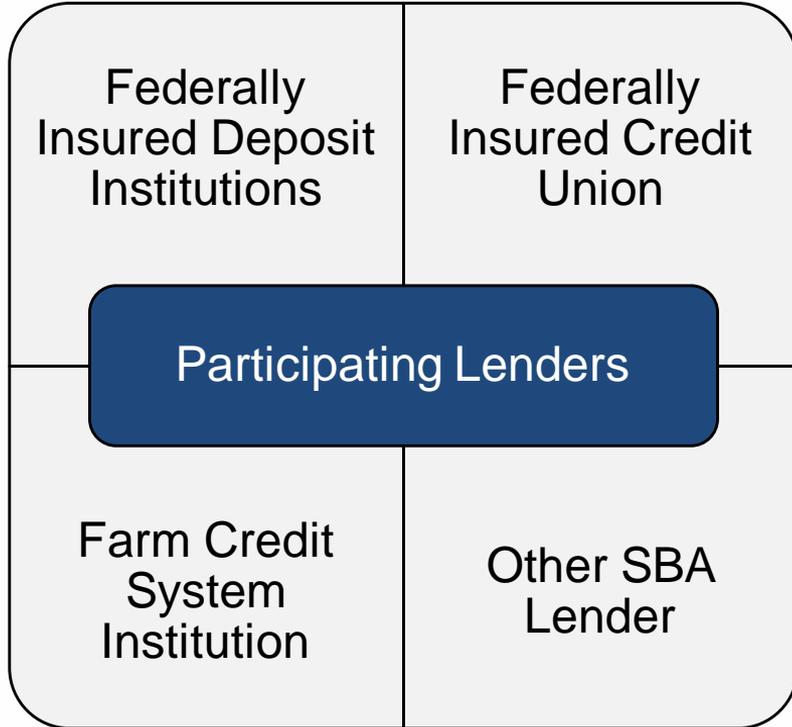
Reduction in forgivable amount based on reduction in salaries:



Note: Reductions in employment or wages that occur during the period beginning on Feb. 15 2020, and ending 30 days after enactment of the CARES Act shall not reduce the amount of loan forgiveness IF the Borrower eliminates the reduction in employees or reduction in wages by June 30, 2020.

Where to Apply

You may apply for the program at any of the following:



Contact Your Bank!

Be aware that many banks have limited or delayed program launches due to:

- (i) Extremely high demand for access to the program,
- (ii) Problems with the SBA electronic application system expansion,
- (iii) Contradictory guidance from the SBA relative to the language of the CARES Act, and
- (iv) Lack of bank resources to process the large volume of requests.

Application Process - What You Will Need

Existing Bank Customer

- Completed and Signed SBA Paycheck Protection Program Application - SBA Form 2483 (04/20)
- Supporting Payroll Documentation for the Period Used to Calculate Applicable Average Monthly Payroll, this may include:
 - Third Party Payroll and Benefit Reports
 - Tax Reporting Documents
 - Detailed Payroll Data

New Bank Customer

- Signed Application Form and Payroll Documentation (Same as for existing bank customers).
- Entity Documents
- New Customer Information Consistent with Regulation and Bank Policy
- Certificate of Beneficial Ownership and Copies of IDs of Relevant Individuals
- Most Recent Federal Tax Return (May Be Required)
- Likely: Annual Financial Statements (May Be Required)

Certifications- What you will need to certify access the program

Summary of Key Points

- Your business was in operation on Feb. 15, 2020 and had employees for whom it paid salaries and payroll taxes.
- 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. If the funds are knowingly used for unauthorized purposes, you may be held legally liable by the federal government.
- You have not and will not receive another loan under this program.
- You will provide to the lender documentation that verifies the number of full-time employees on payroll and the dollar amounts of payroll costs, covered mortgage interest payments, and covered utilities for the eight weeks after getting this loan.
- All the information in your application and all supporting documents and forms is true and accurate. Knowingly making a making a false statement to get a loan under this program is punishable by law.

Status Update -Trouble with Program Rollout

Key Issues

- Inconsistent guidance on eligibility requirements and affiliation rules.
- Inconsistent guidance on average monthly payroll calculation and tax withholding.
- SBA E-Tran System for application submission has been inaccessible to many lenders.
- BSA-AML regulations make new customer onboarding process cumbersome for banks.
- Fear of not getting access has led to anger and frustration among small business owners and their banks.

Contradictory Guidance - What should you rely on?

Examples

Legislation

“(AA) the average total monthly payments by the applicant for payroll costs incurred during the 1-year period before the date on which the loan is made, except that, in the case of

“(II) shall not include—

“(bb) taxes imposed or withheld under chapters 21, 22, or 24 of the Internal Revenue Code of 1986 during the covered period;

Application and Final Guidance

For purposes of calculating “Average Monthly Payroll,” most Applicants will use the average monthly payroll for 2019, excluding costs over \$100,000 on an annualized basis for each employee. For seasonal businesses, the Applicant may elect to instead use average monthly payroll for the time period between February 15, 2019 and June 30, 2019, excluding costs over \$100,000 on an annualized basis for each employee. For new businesses, average monthly payroll may be calculated using the time period from January 1, 2020 to February 29, 2020, excluding costs over \$100,000 on an annualized basis for each employee.

- iii. Federal employment taxes imposed or withheld between February 15, 2020 and June 30, 2020, including the employee’s and employer’s share of FICA (Federal Insurance Contributions Act) and Railroad Retirement Act taxes, and income taxes required to be withheld from employees; and

While awaiting final guidance, banks are taking different approaches. In many cases, the burden of interpretation is falling onto the small businesses applying for the loan.

Take advantage of ability to delay payment of employer share of social security tax.

- The Cares Act allows employers to defer payment of the employer share (6.2%) of the social security tax it would otherwise be responsible for paying in 2020, effective for payments due after March 27, 2020. Fifty percent of the deferred payroll taxes are due on December 31, 2021, and the remaining amounts are due on December 31, 2022. No interest or penalties. No deferral if taxpayer get PPP loan forgiveness.

Take Advantage of Employee Retention Payroll Tax

- This credit is available for businesses that do not get a PPP loan whose operations were fully or partially suspended due to the COVID-19 pandemic. For employers with 100 or fewer full-time employees, all employee wages qualify for the credit. The credit is capped at 50% of the first \$10,000 of compensation, including health benefits, paid to the employee. The provision is effective for wages paid or incurred from March 13, 2020 through December 31, 2020

Modifications for Net Operating Losses (“NOL”)

- Section 2303, among other things, allows NOLs arising in 2018, 2019, and 2020 to be carried back five years. File a claim for refund carrying back any 2018 NOL. File a request for a tentative allowance by December 31 to carry back a 2019 loss and obtain a “quick refund.”

FFCRA Emergency Sick Leave Credit

- While DOL has made it clear that employees who are prohibited from coming to work based upon the Governor's Order and who cannot work from home are entitled to 10 days of emergency sick leave with a maximum amount of \$511 per day, IRS has not made it clear that employers are entitled to the ESL credit. This is the current IRS guidance: "Qualified sick leave wages are wages that the FFCRA requires an employer to pay to an employee who is unable to work or telework because of either the employee's personal health status (that is, the employee is under COVID-19 quarantine or self-quarantine or has COVID-19 symptoms and is seeking a medical diagnosis) or the employee's need to care for others (that is, the employee is caring for someone with COVID-19 or for a child whose school or place of care is closed or child care provider is unavailable)."

Q&A

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