

Coronavirus Aid Relief and Economic Security Act (CARES Act)



Overall General Program

Who is supported by the CARES Act?

- Individuals will receive direct benefits and you should consult with your financial advisors and CPA to understand your direct benefits.
- Small Businesses will be supported through two benefits
 - Tax benefits
 - SBA Loans to Support Payroll and Key Fixed Operating Costs

What is included within this important legislation?

- Total Funding Allocated to Support Small Businesses is \$377 Billion
 - The Paycheck Protection Program was allocated \$350 Billion (Zero Fees)
 - Emergency Economic Injury Grants allocated \$10 Billion

Our Program will cover the SBA Programs and we encourage you to reach out to your CPA and Financial Advisor for application of the additional components of the CARES Act.

The Paycheck Protection Program

What is the Program: The Paycheck Protection Program is administered by the United States Small Business Administration to support the following costs during an 8 week period beginning at loan closing.

Payroll Costs

Interest Payments
on Mortgages

Interest Payments
on business debt

Rent

Utility Costs

Electric, Gas, Water, Telephone, Internet, and Transportation

All or a portion of the loan will be forgiven if proceeds are used for these eligible expenses.

The Paycheck Protection Program

Key Details Related to SBA Eligibility:

- A covered loan will be originated and disbursed prior to June 30, 2020.
- Size Standard: 500 or Fewer Employees
- SBA Guaranty Fee: All SBA Fees are Waived
- Loan Origination Fees will be paid by the SBA to Bank.
- No Credit Elsewhere Requirement
- Personal Guaranty Requirement
- No Collateral required to secure the loan
- Program will assume all borrowers are impacted so no proof of impact is required.
- As a borrower you will be required to sign a “Good Faith Certificate”.

The Paycheck Protection Program

How do I calculate how much I can borrow?



Included Payroll Costs (2/15 to 6/30/2019)

- Salary, Wages Commission and Other related Compensation
- Payment of Cash Tips or equivalent
- Payment for vacation, parental, family, medical or sick leave
- Benefit payments required for the provisions of group health care benefits, including insurance premiums
- Payment of any retirement benefits
- Payment of state or local taxes paid on the compensation of the employee

These costs are in total for the prior year.

Excluded Payroll Costs (2/15 to 6/30/2019)

- Compensation of an individual employee in excess of annual salary of \$100,000 as prorated for the period
- Payroll Taxes, railroad retirement taxes, and income taxes.
- Any compensation paid to an employee whose primary residence is outside of the United States.
- Qualified sick leave wages when a credit is allowed under the Families First Coronavirus Response Act or qualified family leave wages when a credit is allowed.

The Paycheck Protection Program

The Loan Forgiveness Portion of the Program:

- A portion or the full amount of the loan shall be eligible for forgiveness without tax consequences.
- The total amount of eligible costs eligible for forgiveness will be those expenses incurred for the covered period; the 8 weeks following the loan closing date.
- Reduction in Forgiveness occurs based upon the following;
 - Employee head count must be equal to the employee count at loan origination.
 - If employee count is maintained total payroll must be maintained at 75% of covered payroll at the time of application for the loan from the Paycheck Protection Program

The Paycheck Protection Program

Retention of Employees:

Employee Retention will be tested looking at total number of employees at the time of the loan as compared to average number of employees during the 8 week covered period.

- Starting Employees Total: 10
- Average Number of Employees per Week greater than or equal to 10 to maintain 100% forgiveness

Salary Protection:

Salary protection will be tested by ensuring that all retained employees maintained 75% of salary at the time of loan application up to \$100,000

- Simple Example: If loan amount is based upon all 10 employees making \$10,000 per 8 week period, each employee must make at a minimum \$7,500 during the 8 week covered period.

The Paycheck Protection Program

How do I calculate the loan forgiveness?

Up to the amount of the principal balance will be forgiven based upon the total costs incurred by the business during the covered period.

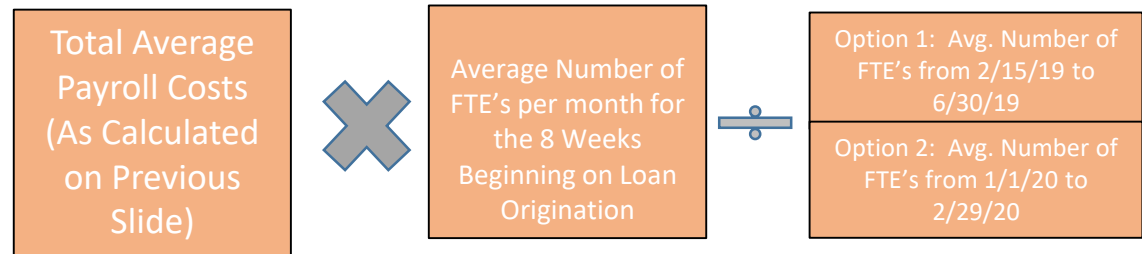
Costs Included in Forgiveness

- Payroll costs for the covered period as used to determine maximum loan amount.
- Interest on the mortgage or business debt incurred in the ordinary course of business.
- Rent on a leasing agreement
- Payments on Utilities
 - Electricity
 - Gas
 - Water
 - Telephone
 - Internet
 - Transportation

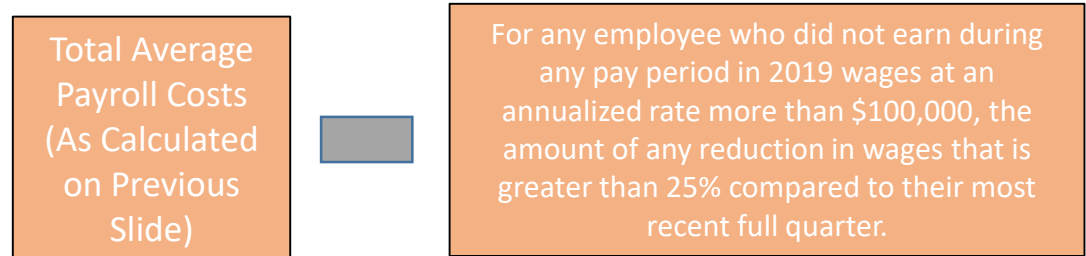
Possible Reduction in Forgiveness

The amount of the loan forgiveness is reduced if there is a reduction in the number of employees or a reduction of greater than 25% in wages.

Reduction Based on Reduction of Number of Employees



Reduction Based on Reduction in Salaries



The Paycheck Protection Program

Simple Recap:

- All veterinary hospitals with less than 500 total employees are eligible for a forgivable loan (Grant) up to 2.5x average monthly payroll.
- The loan proceeds must be utilized to pay for payroll, interest on mortgages and loans, rent obligations and utilities.
- The loan amount provided and the forgiveness will be based upon your IRS Tax Filings, and will include employees paid through tax filings including 1099 employees.
- The loan will be forgiven if you maintain employee count and salary level at 75% during the eight week period.
- Remember to track and document your eligible costs.

The Paycheck Protection Program

What is the Status of the Program :

- The Paycheck Payment Protection has been approved by Congress and Signed into law providing over \$377 Billion Dollars in Funds to Support Small Businesses During the Covid 19 Crisis.
- The administration and delivery of the program are currently being defined by the SBA and communicated to banks.-I got an update this morning and they will continue to be provided.
- We anticipate final clarification and banks to be prepared to execute and deliver funds in the coming weeks.
- In the meantime what can you do:
 - Work diligently to retain your employees and reach out to your banker to discuss interim solutions if needed.
 - Be prepared to apply for your PPP Loan.

The Paycheck Protection Program

What we believe you should be gathering as a participant :

- Creating an Excel Spreadsheet that includes an annualized payroll figure for each employee in your company from February 15, 2019 through June 30, 2019. Include the list of your employees in today-you will not be penalized if you furloughed someone and bring them back through the PPP program.
- Compile your IRS Payroll Filings for First and Second Quarter for 2019
- Complete the SBA Form 1919:
<https://www.sba.gov/sites/default/files/2018-03/SBA-1919.pdf>
- Complete the SBA Form 1920:
<https://www.sba.gov/sites/default/files/2017-10/Form%201920%20Fillable.pdf>

The Paycheck Protection Program

What could be part of forgiveness package :

- An excel spreadsheet that will track all wages, benefits and retirement contributions paid to employees, the interest portion of any mortgage or businesses indebtedness, and utilities during the covered 8 week period of February 15, 2020 to June 30, 2020.
- Documentation verifying the number of employees and pay rates on payroll have been maintained.
 - IRS Payroll Tax Filings and State Income
 - Payroll and Unemployment Insurance Filings
 - Documentation Supporting Payment of Payroll
- Documentation verifying payment on covered mortgage obligations, lease obligations and utilities.
 - Bank Statements or Cancelled Checks would be suggested

Emergency Economic Injury Grants (SBA Disaster Relief Loans)

- There are additional loans available to Small Business through the SBA Disaster Relief program that can be used for costs that are not eligible for the Payroll Protection Program. This loan program offers the following:
 - Loans up to \$2,000,000
 - Interest Rates between 2.75% to 3.75% with P&I deferral for up to 4 years
- The CARES Act has provided enhancements and additional benefits to this program including :
 - The approval will allow for a \$10,000 advance for anyone who applies for a loan through this program, even if they are ultimately decline.
 - It appears that if you had originally applied for this loan it can be refinanced into the Paycheck Protection Program so long as it is used for covered purposes.

What to Expect Moving Forward

- Existing Calico Clients:
 - You will be receiving a link from Calico to begin uploading the documents we anticipate being required to secure your Payment Protection Program Loan.
 - Please remember to join our Borrower Slack Community as we will be providing regular updates concerning these and other SBA programs during the Covid 19 break.
- Non-Calico Borrowers
 - Watch your E-Mail for Two key Pieces of Information
 - A Brief Questionnaire allowing us to be sure to share with you complete and accurate information as additional guidance is offered by the SBA.
 - Presentation along with a workbook that will allow you to calculate your maximum loan amount and concisely share your information to a lender.
 - E-Mail Questions to:
 - CAREShelp@calicofinancial.com