



This document provides information relating to the SBA Payroll Protection Program (“PPP”) that was instituted in April 2020 pursuant to the Coronavirus Aid, Relief, and Economic Security (CARES) Act that was passed at the end of March 2020 by the U.S. federal government to help small businesses impacted by COVID-19. The information provided herein is based upon information provided by third parties, including the SBA. There may be discrepancies and is subject to change without notice.

<p>1. When can I start applying for a PPP loan?</p>
<ul style="list-style-type: none"> - Starting April 3, 2020, small businesses and sole proprietorships can apply for and receive loans to cover their payroll and other certain expenses through existing SBA lenders. - Starting April 10, 2020, independent contractors and self-employed individuals can apply for and receive loans to cover their payroll and other certain expenses through existing SBA lenders. - Check with your bank you are applying for the loan with as to when they are accepting applications. It may vary from institution to institution. Abacus Bank has started accepting applications.
<p>2. When does PPP Program expire?</p>
<p>June 30, 2020 or until the \$349 billion allocated for this program is exhausted.</p>
<p>3. Who can apply?</p>
<p>Small businesses, as well as nonprofits, veterans organizations, tribal business concerns, sole proprietorships, self-employed individuals, and independent contractors, in operation on February 15, 2020 and had employees for whom you paid salaries and payroll taxes and whose principal residences are in the U.S. Generally to be eligible to apply, the applicant must have 500 or fewer employees can apply. Businesses in certain industries can have more than 500 employees if they meet applicable SBA employee-based size standards for those industries. https://www.sba.gov/federal-contracting/contracting-guide/size-standards. Your bank may also have other restrictions regarding how can apply. To apply with Abacus Bank, you must be an Abacus current business accountholder, or the applicant’s principals have an Abacus banking relationship. Companies whose business is owning or investing in real estate are <u>not</u> eligible.</p> <p>Note1: For PPP, a tax-exempt nonprofit organization is as described in section 501(c)(3) of the Internal Revenue Code (IRC), a tax-exempt veterans organization is described in section 501(c)(19) of the IRC, and a Tribal business concern is as described in section 31(b)(2)(C) of the Small Business Act. Faith-based organizations are eligible to be borrowers under PPP, subject to the above – see https://www.sba.gov/sites/default/files/2020-04/SBA%20Faith-Based%20FAQ%20Final.pdf</p>
<p>4. What document will the borrower need to provide?</p>
<p>This will depend with your lender. For Abacus Bank, we will need a completed Paycheck Protection Program loan application form (SBA Form 2483), payroll records from 2019, records from one payroll period that covers 2/15/2020, and other forms. Your Abacus representative can provide you the application form, and Abacus document checklist. Abacus Bank is working on a checklist of documents required for applicants who are self-employed and independent contractors.</p>
<p>5. What certifications will the borrower need to provide?</p>
<p>The loan application form will contain all of the certifications required to be signed by the borrower, including</p> <ul style="list-style-type: none"> • Current economic uncertainty makes the loan necessary to support the business’s ongoing operations. • The funds will be used to retain workers and maintain payroll or to make mortgage, lease, and utility payments. • The borrower has not and will not receive another loan under this program.

- All the information provided in the 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.
- The borrower is not engaged in any activity that is illegal under federal, state or local law.

6. Could the borrower be ineligible even if he meets the eligibility requirements?

- The borrower engaged in any activity that is illegal under federal, state, or local law;
- The borrower is a household employer (individuals who employ household employees such as nannies or housekeepers);
Note: household employers are ineligible because they are not businesses.
- An owner of 20 percent or more of the equity of the applicant is incarcerated, on probation, on parole; presently subject to an indictment, criminal information, arraignment, or other means by which formal criminal charges are brought in any jurisdiction; or has been convicted of a felony within the last five years; or
- The borrower, or any business owned or controlled by the borrower or any of borrower's owners, has ever obtained a direct or guaranteed loan from SBA or any other Federal agency that is currently delinquent or has defaulted within the last seven years and caused a loss to the government.

7. What costs are eligible for payroll?

- Compensation (salary, wage, commission, or similar compensation, payment of cash tip or equivalent)
Note: cash tips or the equivalent will be identified based on employer records of past tips or, in the absence of such records, a reasonable, good-faith employer estimate of such tips.
- Payment for vacation, parental, family, medical, or sick leave
- Allowance for dismissal or separation
- Payment required for the provisions of group health care benefits, including insurance premiums
- Payment of any retirement benefit
- **Employer's share** of the state or local tax assessed on the compensation of employees
- For a sole proprietor or independent contractor: wages, commissions, income, or net earnings from self-employment, capped at \$100,000 on an annualized basis for each employee.

8. What costs are not eligible for payroll?

- **Employee/owner compensation over \$100,000**
- Taxes imposed or withheld under chapters 21, 22, and 24 of the IRS code.
- **Compensation of employees whose principal place of residence is outside of the U.S.**
- Qualified sick and family leave for which a credit is allowed.
- **Employee's share** of the state or local tax assessed on the compensation of employees.

9. What are allowable uses of loan proceeds?

- Payroll costs
- Costs related to the continuation of group health care benefits during periods of paid sick, medical, or family leave, and insurance premiums
- mortgage interest payments (but not mortgage prepayments or principal payments);
- Rent payments (including rent under a lease agreement)
- Utilities
- interest payments on any other debt obligations that were incurred before February 15, 2020;
- Refinancing an SBA EIDL loan made between January 31, 2020 and April 3, 2020.



Note: If you received an SBA EIDL loan from January 31, 2020 through April 3, 2020, you can apply for a PPP loan. If the borrower's EIDL loan was not used for payroll costs, it does not affect your eligibility for a PPP loan. If your EIDL loan proceeds from any advance up to \$10,000 on the EIDL loan will be deducted from the loan forgiveness amount on the PPP loan. If your EIDL loan was used for payroll costs, your PPP loan must be used to refinance your EIDL loan.

10. Can the borrower get more than one PPP loan?

No, each borrower is limited to one PPP loan. Each loan will be registered under the borrower's Taxpayer Identification Number at SBA to prevent multiple loans to the same entity.

11. Can the bank grant a PPP loan if the borrower also apply for the temporary Emergency Economic Injury Grants and the Small Business Debt Relief program?

Emergency Economic Injury Grant and Economic Injury Disaster Loan (EIDL) recipients and those who receive loan payment relief through the Small Business Debt Relief Program may apply for and take out a PPP loan as long as there is no duplication in the uses of funds. Please see Q&A # 9, paragraph (vii) for details.

12. How the loan size determined?

Loans can be for up to two months of the average monthly payroll costs plus an additional 25% of that amount (**250% of the average monthly payroll**). That amount is subject to a \$10 million cap. If the borrower is a seasonal or new business, he will use different applicable time periods for the calculation. Payroll costs will be capped at \$100,000 annualized for each employee.

Note1: For purposes of calculating "Average Monthly Payroll", Abacus Bank will use the average monthly payroll for 2019, excluding annualized compensation paid over \$100,000 for each employee. For seasonal businesses, the borrower may choose instead use average monthly payroll for the time period between February 15, 2019 and June 30, 2019, excluding annualized compensation paid over \$100,000 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 annualized compensation over \$100,000 for each employee.

13. How is the **forgiveness amount** calculated?

Forgiveness on a covered loan is equal to the sum of the payroll costs incurred plus expenses relating to mortgage obligations (interest only), rent and utilities, during the covered 8 week period (excluding compensation over \$100,000):

- Payroll costs must be at least 75% of the loan amount.
- Payments made for interest on mortgage, rent and utilities **cannot** make up more than 25% of the loan amount.
- If the loan proceeds are used to refinance the EIDL, add the outstanding amount of an Economic Injury Disaster Loan (EIDL) made between January 31, 2020 and April 3, 2020, less the amount of any "advance" of EIDL. Please see Q&A # 9, paragraph (vii) for details.

Note: The borrower will owe money if he does not maintain his staff and payroll. The loan forgiveness will be reduced:

- If the borrower decrease its full-time employee headcount.



- If the borrower decrease salaries and wages by more than 25% for any employee that made less than \$100,000 annualized in 2019.
- If the borrower has until June 30, 2020 to restore its full-time employment and salary levels for any changes made between February 15, 2020 and April 26, 2020.

14. Can a business rehire the employees that I laid off after February 15th?

Yes. A business has until June 30, 2020 to re-hire employees and/or restore employees' salaries for any downward adjustments made between February 15, 2020 and April 26, 2020.

15. How and when does the borrower request loan forgiveness?

The borrower will submit the forgiveness request to its lender. Each lender may have different requirements for documentation such as supporting records, including cancelled checks, payment receipts, transcripts of accounts, or other documents to support the loan forgiveness post loan funding date, including payments on covered mortgage obligations, covered lease obligations, covered utility payments, rental agreements/loan documents showing obligations existed prior to 2/15/2020, and payroll registers for all periods in the covered loan period (8 weeks from loan funding date). If your lender is Abacus Bank, your Abacus representative will let you know what documents are required to be submitted.

The borrower can request for forgiveness as early as the end of the 7th week of the loan term.

16. When will the lender determine if the loan is forgiven?

Generally, a lender needs to determine whether a loan is forgiven within 60 days of the request for forgiveness.

17. What happens if PPP loan funds are misused?

If the borrower uses PPP funds for unauthorized purposes, SBA will direct the borrower to repay those amounts. If the borrower knowingly uses the funds for unauthorized purposes, he will be subject to additional liability such as charges for fraud. If one of borrower's shareholders, members, or partners uses PPP funds for unauthorized purposes, SBA will have recourse against the shareholder, member, or partner for the unauthorized use.

18. When is the loan due?

The term of the loan is 2 years. The borrower can defer loan payments for up to 6 months. (Interest will accrue.) We believe that the loan will be paid off on an amortizing basis, over an 18 month period; but we are still waiting for clarification from SBA on this point.

19. Is there any fee or prepayment penalty if the borrower pays his loan earlier than 2 years?

No. There are no prepayment penalties or fees.

20. Does the borrower need to pledge any collateral for these loans or personal guarantee?

No collateral or personal guaranty is required.

21. What is the interest rate?

1.00% fixed rate.



22. What happens if the loan, or a portion of the loan is not forgiven?
That portion which is not forgiven will continue as a loan under the same terms as before.
23. What penalties for making a false statement to obtain a guaranteed loan from SBA
Including under 18 USC 1001 and 3571 by imprisonment of not more than five years and/or a fine of up to \$250,000; under 15 USC 645 by imprisonment of not more than two years and/or a fine of not more than \$5,000; and, if submitted to a federally insured institution, under 18 USC 1014 by imprisonment of not more than thirty years and/or a fine of not more than \$1,000,000.
24. What happens if I misuse the funds from my PPP loan?
The SBA will direct the borrower to repay those amounts misused. If the borrower knowingly misused the funds, they will be subject to additional liability such as charges for fraud.
25. Where can I get more information?
See SBA's website - https://www.sba.gov/funding-programs/loans/coronavirus-relief-options/paycheck-protection-program-ppp See The Independent Community Bankers' of America website - https://www.icba.org/advocacy/industry-issues/lending/small-business-lending/community-bank-covid-19-faqs/?utm_source=informz&utm_medium=email&utm_campaign=informz&zs=njOgU&zl=WvI32

