Forgiveness Optimizer Cash Flow Webinar Part I- The Math Assumptions:	4.15.2	0				Color co	de	alert, rea user to fi caution			bottom overid					
This is a quick estimator tool that by it's	ess Calc	ulator on	our webs	site	Borrow	ers should	l use the f	full Forgiv	eness Cal	culator to c	<mark>letermine actual forgi</mark> veness.					
Intended for businesses classified as non	-essent	tial and subst	antially shut	down, excep	ot for per	haps eme	ergency se	ervices and	d essentia	als with de	eclining b	usiness. le	evels			
Assume all laid off workers are covered b	oy Ohio	unemploym	ent plus enh	anced benefi	t of \$600	per wee	k.	They cou	uld see a	pay cut if	you pay t	hem to st	ay home.			
Assumes no pay cuts were made- all classes of employees are hired back at same rate of pay- if not further adjustments are needed to this estimator																
			Planned payroll and benefits per we								r week of Forgiveness Period:					
	# of	Estimated			FTE	1	2	3	4	5	6	7	8	Total		
Compensation Ranges	FTE's	Comp/yr	Total	Rehire rate	Rehire	4/15/20	4/22/20	4/29/20	5/6/20	5/13/20	5/20/20	5/27/20	6/3/20			
1 Officer compensation <100K	3	100,000	300,000	100% wk 1	100%	6,635	6,635	6,635	6,635	6,635	6,635	6,635	6,635	53,077	50,000 4.333333	
2 Highly Skilled- must protect	8	80,000	640,000	100% wk 2	100%	14,154	14,154	14,154	14,154	14,154	14,154	14,154	14,154	113,231	106,667	
3 Extremely Good - want to protect	9	55,000	495,000	100% wk 3	100%	10,947	10,947	10,947	10,947	10,947	10,947	10,947	10,947	87,577	82,500	
4 Last Call - better off on unemployment	15	30,000	450,000	as needed	Row 26	1,990	2,986	3,981	4,976	4,976	4,976	4,976	4,976	33,837	75,000	
5 Remaining workforce	50	45,000	2,250,000	as needed	Row 26	9,952	14,928	19,904	24,880	24,880	24,880	24,880	24,880	169,183	375,000	
Total	85	-	4,135,000												Weekly Avg.	
Average compensation per Week				Total		43,678	49,649	55,620	61,591	61,591	61,591	61,591	61,591	456,904	57,113	
													·		62% Rough est. of FTE reten	tion
Plus: Other Benefit Costs			15%													
Other Loan Forgiveness Costs	Max	25% of Pay	25%			14,559	16,550	18,540	20,530	20,530	20,530	20,530	20,530	152,301	Cannot exceed actual costs	
Forgiveness											Max	imum for	giveness	609,205		
-												Retentior		62%	Rough estimate- see note 12!!	
Assume Shelter Order Lifted By			05/01/20		Now						Net	Forgiven	ess	380,477	38% Forgiven	_
Assume ramp up of production %		Weekly incr	eases by	10%	10%	20%	30%	40%	50%	50%	50%	50%	50%			
Loan Origination Date			04/15/20			*****	******	* Product	ivity Assu	umption- r	not neces	sarily sale	S******	610,200	Working Capital Preserved	
Mandatory rehire date to avoid proration	n of for	giveness	06/30/20			Assume	es you'll re	hire cate							<u> </u>	
		0					•									
Payroll Compensation			861,458													
Less: Estimated Withholding		> see note:	-													
Plus: Other Benefit Costs			129,219													
Max Loan Amount		-	990,677													
Enter actual loan request- reasonableness check: 1,000,000																
		=	,,													

## **Part II- Subjective Considerations**

## Other considerations/questions/assumptions

- 1 Critical to determine if receipt of PPP funds can be delayed until the optimum time closer to lifting of Shelter order and estimated date of business recovery, ask banker immediately
- 2 Consider hiring highly skilled-must retainer workers to protect them from poaching by other employers, some of which are classified essential
- 3 Other than "Highly Skilled- Must Protect--under what circumstances would it make sense to consume PPP funds to pay workers to stay home?
  - Possibility 1- if enhanced unemployment is not enough and we risk they may take another job with an essential employer
  - Possibility 2- you may have key employees that are you leaders when it comes to work ethic, setting the pace or just great examples that you can't afford to loose.
- 4 Determine if your primary objective is to cover a high percentage of other costs and preserve working capital, versus maximize loan forgiveness?
- 5 Should you declare an across the board salary and wage reduction to conserve funds for those rehired. Cuts up to 25% do not affect forgiveness
- 6 Don't forget to incorporate these projections into your company wide cash flow projections, AGP's Covid 19 Team can assist.
- 7 Since the forgiveness is non taxable income, and Co. will get a deduction for the payroll paid, Co. may have a net operating loss it can carry back 5 years to recoup taxes paid in prior years.
- 8 You will be required to retain the documentation to support forgiveness
- 9 Consider OSHA requirements re COVID safety, possibly consult with legal counsel, take prudent measures, masks, eye protection, gloves, training
- 10 Note: We hear loan proceeds cannot be deposited to a sweep arrangement- may need new checking account asap.
- 11 To be eligible for forgiveness costs must be both incurred and PAID during the 8 week period. Watch pay dates. Consider moving forward if needed.
- 12 Note: The retention adjustment in cell Q23 can be eliminated if you rehire to mandated levels by June 30,2020. There is currently no requirement to retain the rehired employees but we are concerned that this will be changed with regulations so there is risk to rely on this provision.

13 Note: The employer share of FICA for workers paid but not working is not an eligible expense for forgiveness so the employer will incur this expense if it chooses to rehire workers not needed yet. Part III common questions

- 1 How long can I use Unforgiven funds to pay payroll and other qualified costs beyond the 8 week period?
- 2 Can I give partial bonus pay to employees who remain loyal once the Shelter order is removed and count that toward forgiveness if paid prior to June 30,2020?
- 3 Can I use the PPP funds directly or indirectly to cover bad debts that are likely to arise from the Shelter order?
- 4 What documentation will the borrower need to produce to show they PPP funds were use for qualified expenses. Can AGP offer Agreed Upon Procedures Audits
- 5 How long must we retain employees on payroll that are hired by 6-30 to avoid reduction in the forgiveness calc? No guidance yet. Stay tuned.

## Specific rules that companies may ask about

- 1 Can an application be amended if we discover an error, e.g. We don't know? May be bank by bank answer?
- 2 Definition of FTE by hours Use IRS rule= 30 or more hours per week(or 130/mo.) = 1 FTE What is SBA rule? Not sure today
- FTE Rule: 8 week period compared to choice of 1.) 2/15/19-6/30/19 OR 2.) 1/1/20-2/29/20. Per the CARES Act the choice is the election of the borrower.
- 3 How to determine 25% salary reduction- is it total payroll or per person reductions? Answer= per person.

For any employee who receives salary or wage at an annualized rate less than \$100k - if any individual employee salary or wage declines by over 25% (exclusive of bonuses or commissions) compared to last full qua Then the loan forgiveness is reduced by that dollar amount - for example:

details to follow

Logically no more than the 2 year loan period, as amortized

- 1.) Employee earning \$40k annually if wage is reduced by \$12k during 8 week period on an annualized basis the loan forgiveness is reduced by \$1,846 (\$12k/52 weeks \* 8 week period)
- 2.) Employee earning \$18/hr. if hrly rate is reduced by \$5/hr. during 8 week period the loan forgiveness is reduced by \$5/hr. worked in 8 week period