

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 retain 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 lose.
- 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 details to follow
- 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? Logically no more than the 2 year loan period, as amortized
- 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:

- 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