



## WE ARE HERE FOR YOU

At CINC Capital, LLC the health and well-being of our customers, CINC family members, and communities is our top priority. We understand the concern and uncertainty you may be experiencing surrounding the coronavirus (COVID-19). We also understand that there may be instances where customers find themselves facing financial difficulties. We would like to help with providing information on how to get access to free capital.

### SBA's Paycheck Protection Program

On March 27, 2020, the President signed the CARES Act into law, which includes \$349 billion in relief for small businesses, known as the Payment Protection Program (PPP). Your Bank may be an SBA lender and can assist your business in accessing a PPP loan under the SBA's 7a program. If your Bank is not an SBA Lender, please contact us and we will assist you to find an SBA Lender.

#### PPP Overview

- Qualifying small businesses can apply for a PPP loan in an amount equal to 2.5x their average total monthly payroll costs (including salaries, wages, healthcare benefits, insurance premiums, retirement) during the preceding year up to a maximum of \$10 million
- Eligible borrowers include **any business concern with less than 500 employees. Independent contractors do not count as employees.**
- PPP loans can help your business cover certain expenses, including payroll, interest payments on your mortgage, rent, and other debt payment
- **Borrowers can apply to receive up to 100% loan forgiveness** for their payroll costs and debt payment
- **PPP loans are only available until June 30, 2020.**

Please review brief Q&A on the PPP.



**PLEASE NOTE: Although the Paycheck Protection Program was established as part of the CARES Act signed into law on March 27, 2020, the SBA and the United States Treasury have not yet adopted implementing regulations for administration of these new loans. This summary provides a basis overview of the PPP and preliminary guidance for businesses interested in applying for a PPP loan. This summary will be updated as additional guidance is published by the SBA.**

**QUESTION: What is the Paycheck Protection Program?**

**ANSWER:**

The Paycheck Protection Program (PPP) is a new loan program under section 7(a) of the Small Business Act.

- PPP Loans are 100% guaranteed by the SBA.
- Qualifying small businesses can apply for a PPP loan in an amount equal to 2.5x their average total monthly payroll costs during the preceding year up to a maximum of \$10 million.
- The first six (6) months of payments can be deferred; however, interest continues to accrue.
- Applicants can receive loan forgiveness for their payroll costs and debt payments if they maintain the same number of FTEs during the eight weeks following loan origination; the loan forgiveness is scaled down proportionally with any decrease in FTEs during such covered period or if any salaries are decreased during such period. 75% of the proceeds must go toward payroll costs for the loan to be forgiven.
- PPP loans are only available until June 30, 2020.

**QUESTION: Who is eligible to request a loan under the Paycheck Protection Program (PPP)?**

**ANSWER:**

- A small business with fewer than 500 employees
- A small business that otherwise meets the SBA's size standards
- All business entity types including sole proprietor
- A 501(c)(3) with fewer than 500 employees

**In addition, some special rules may make you eligible:**

- If you are operating as a franchise or receive financial assistance from an approved Small Business Investment Company the normal affiliation rules do not apply

**IMPORTANT:** The 500-employee threshold includes all employees (full-time or part-time). Does not include independent contractors.

**QUESTION: What are the Certifications requirements?**

**ANSWER:**

Applicants must have been in operation on February 15, 2020 and had employees for whom it paid salaries and payroll taxes or paid independent contractors, as reported on a Form 1099-MISC.

Current economic uncertainty makes this loan request to support the ongoing operations of the Applicant.

Funds will be used to retain workers and maintain payroll, or make mortgage payments, lease payment, and utility payments as specified under the Paycheck Protection Program Rule; I understand that if the funds are knowingly used for unauthorized purposes, the federal government may hold me legally liable, such as for charges of fraud.

Information provided in the application and the information provided in all supporting documents and forms is true and accurate in all material respects. I understand that knowingly making a false statement to obtain a guaranteed loan from SBA is punishable under the law, 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.

The Applicant will provide to the Lender documentation verifying the number of full-time equivalent employees on the Applicant's payroll as well as the dollar amounts of payroll costs, covered mortgage interest payments, covered rent payments, and covered utilities for the eight-week period following this loan.

I understand that loan forgiveness will be provided for the sum of documented payroll costs, covered mortgage interest payments, covered rent payments, and covered utilities, and not more than 25% of the forgiven amount may be for non-payroll costs.

During the period beginning on February 15, 2020 and ending on December 31, 2020, the Applicant will not receive another loan under the Paycheck Protection Program.

I acknowledge that the lender will confirm the eligible loan amount using required documents submitted. I understand, acknowledge and agree that the Lender can share any tax information that I have provided with SBA's authorized representatives of the SBA Office of Inspector General, for the purpose of compliance with SBA Loan Program Requirements and all SBA reviews.

**QUESTION: What is the maximum loan amount available under the PPP?**

**ANSWER:**

*The maximum loan amount is the lesser of:*

- 2.5 x the borrower’s average total monthly payroll costs (see next question for definition of payroll costs) incurred for the 1 year before the loan is made (for seasonal employers, the 12-week period beginning February 15, 2019 or, at the election of the borrower, March 1, 2019 through June 30, 2019).

- **If you were not in business during the period beginning February 20, 2019 and ending June 30, 2019**, the maximum loan amount is 2.5 x the borrower’s average total monthly payroll costs incurred beginning on January 1, 2020 and ending on February 29, 2020.

*Or*     • \$10 million.

**QUESTION: What constitutes “payroll costs”?**

**ANSWER:**

- Payroll costs include:

- o Salary, wages, and commissions (employees must have principal place of residence in the US)
- o Payment of cash tips
- o Payment of vacation, parental, family, medical, or sick leave
- o Allowance for dismissal or separation (severance)
- o Group healthcare benefits, including insurance premiums
- o Retirement benefits
- o State and local taxes on employee compensation
- o Independent contractor or sole proprietor, wage, commissions, income, or net earnings from self-employment or similar compensation

- Payroll costs exclude:

- o Compensation of an individual employee in excess of an annual salary of \$100,000, as prorated for the period from February 15, 2020 to June 30, 2020
- o Federal employment taxes imposed or withheld between February 15, 2020 and June 30, 2020, including the employee’s and employer’s share of FICA and Railroad Retirement Act taxes, and income taxes required to be withheld from employees
- o Compensation of employees whose principal place of residence is outside of the U.S.
- o Qualified sick leave and family leave wages for which a credit is allowed under sections 7001 and 7003 of the Families First Coronavirus Response Act (Public Law 116-127)

**Here is an example of the Loan Amount Calculation:**

| Payroll Costs          | Mar-19     | 19-Apr            | May-19    | Jun-19     | Jul-19    | Aug-19    | Sep-19    | Oct-19    | Nov-19    | Dec-19    | Jan-20    | Feb-20    | Total Annual Payroll |
|------------------------|------------|-------------------|-----------|------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|----------------------|
| Total Payroll          | \$ 125,000 | \$ 124,500        | \$123,000 | \$ 124,500 | \$124,400 | \$125,000 | \$125,500 | \$125,600 | \$125,400 | \$127,000 | \$125,000 | \$125,100 | \$ 1,500,000         |
| Average Annual Payroll | \$ 125,000 | Multiplied by 2.5 | =         | \$ 312,500 |           |           |           |           |           |           |           |           |                      |

**QUESTION: What can a PPP loan be used for?**

**ANSWER:**

- o Payroll costs (75% of the loan must be used for payroll costs to be forgiven)
- o Payment of interest on mortgage obligations
- o Rent
- o Utilities payments (electricity, gas, water, internet, telephone and transportation)
- o Interest on any other debt obligation incurred before February 15, 2020
- o If you use the loan for other purposes, that portion of the loan will not be forgiven

**QUESTION: Can a PPP loan be forgiven?**

**ANSWER:**

- **Yes – borrowers are eligible to have their loans forgiven.**
- The amount of forgiveness shall be the sum of following costs incurred and payments made during the eight weeks following loan origination:
  - o Payroll costs. (75% of the loan must be used for payroll costs)
  - o Interest payments (but not principal) on any mortgage obligation incurred before February 15, 2020.
  - o Rent payments on leases dated before February 15, 2020
  - o Utility payments under service agreements dated before February 15, 2020
- The amount of loan forgiveness calculated above is reduced if there is a reduction in the number of employees or a reduction of greater than 25% in wages paid to employees during the eight-week period beginning on the loan origination date.
- Reductions in employment or wages that occur during the period between February 15, 2020 and April 15, 2020 shall not reduce the amount of loan forgiveness IF the borrower eliminates the reduction in employees or reduction in wages by June 30, 2020.

**QUESTION: What are the loan terms?**

**ANSWER:**

- Interest rate 1.0%
- No Prepayment penalty or fees
- No payments for the first six (6) months (interest continues to accrue)
- The loan has a term of 2 years
- Nonrecourse – The SBA will have no resource against any individual, shareholder, member, or partner of a borrower for non-payment of a covered loan, except to the extent such loan is used for an unauthorized purpose.

**Question: What Can I Do Now To Prepare?**

**ANSWER:**

**Although SBA must still issue implementing regulations before the Banks can begin accepting applications and processing loan requests, you can get an early start on the possible paperwork needed by gathering the following documentation:**

- Your most recent payroll file and payroll tax filings
- Documentation evidencing your 2019 “payroll costs” (SEE PAGE 4)
- If seasonal, payroll costs for the 12-week period starting February 15, 2019 or the period from March 1, 2019 to June 30, 2019
  - If your company was not in business between February 15, 2019 and June 30, 2019, payroll costs from January 1, 2020 to February 29, 2020
  - If your company was not in business between February 15, 2019 and June 30, 2019, payroll costs from January 1, 2020 to February 29, 2020
- Schedule of all mortgage debt, rent obligations, utility payment, and other debt obligations that were in place prior to February 15, 2020
- 2019 Tax Returns or 2019 Year-End Financial Statements and current (less than 30 days old) balance sheet and income statement
- Verification of beneficial ownership of the business
- Check with your local Banker to see if the Bank is participating in the program



**QUESTION: What Else Do I Need To Know?**

**ANSWER:**

- Amounts forgiven are excluded from gross income for federal income tax purposes.

**Free Capital.**

- Program is available on a First Come First Serve Basis – Don't delay!
- The information provided is based on the current data available and subject to change.

**QUESTION: Who Should I Contact at CINC Capital, LLC?**

**ANSWER:**

**Robin L. Storey, CMCA®**  
**Managing Director**  
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