



COVID-19 Relief – Federal Lending Programs

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Please use the Q&A to ask questions, we may not see questions asked in the chat section

We will email the slides to all participants after the Presentation. Other presentation materials can be downloaded from the webinar.

Information is added and changed almost daily. Please refer to our website at www.brinkersimpsoncares.com for the most currently available information.

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AGENDA

COVID RESOURCES

PPP & EIDL Update – Round 2!

PPP – Overview

You're Funded, now what? Best Practices & Tracking Eligible Expenses

PPP - Forgiveness

Main Street Lending Program – Overview and information

Q & A



Paycheck Protection Program & EIDL - UPDATE

- EIDL funding has been replenished, however, the SBA appears to be processing applications and advances that have already been submitted. As we learn more about determining the status of your application OR an opportunity to apply, we will share it on our website
- Both the PPP and EIDL processed over a million applications
- Additional funding from the enhancement Act became available yesterday on April 27, 2020.
 - Shortly after, E-Tran (the SBA application system) crashed for several hours.
- Multiple banks shared stories with us of a difficult first day due to SBA system issues.
- Interim Final Rule Released to provide additional criteria for seasonal employers on April 27, 2020. We will release information on that as we review the details of that release.
- Borrowers participate in both the Main Street Lending Program & the PPP
- Full details on forgiveness calculations are still not available; we expect them this week. We will finalize and share a template when that guidance is provided.



CARES ACT ASSISTANCE

Available to Small Businesses

PPP	EIDL	Payroll Tax Deferment	Employee Retention Tax Credit	Main Street Lending
<p>Available Aid \$349B \$310B</p> <p>Available To Sole Proprietors, ICs, Companies with <500 employees</p> <p>Loan Specifics 2.5 months payroll; can become grants</p> <p>How to Apply Private lenders</p>	<p>Available Aid \$50B in loans; \$10B in grants</p> <p>Available To Sole Proprietors, ICs, Companies with <500 employees</p> <p>Loan Specifics Up to \$10K in grants, low interest loans</p> <p>How to Apply SBA</p>	<p>Size Up to \$5,000 per employee</p> <p>Business Size Rules differ for companies above and below 100 employees</p> <p>Eligibility Cannot accept PPP loan; Must be fully or partially closed OR have 50% drop in quarterly gross receipts</p>	<p>Deferred Employer portion of payroll taxes</p> <p>Repayment Half by end of 2021, half by end of 2022</p> <p>Eligibility Cannot accept PPP loan forgiveness</p>	<p>Timeline Expected May 1</p> <p>Supporting Federal Reserve</p> <p>Loan Specifics TBD</p> <p>Restrictions Dividends, Buybacks, Compensation</p> <p>How to Apply SBA</p>

Source: U.S. Chamber of Commerce

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Overview - Paycheck Protection Program

- **Loan amount = 2.5 X average monthly payroll costs**
 - **Salaries, wages, employer portion of retirement benefits and health insurance (but not for owner's), net self employment income, and others**
- **Funds spent over 8 weeks following disbursement**
- **Forgiveness available if certain criteria are met within the eligible timeframe:**
 - **75% of funds used for payroll costs**
 - **Restoration of headcount**
 - **Restoration of compensation levels**
- **Portion of a PPP loan that isn't forgiven must be repaid over two years – after a six-month deferral period – at an interest rate of 1%.**



PPP - You're Funded, Now What?

- CAUTION: Follow the spending rules to avoid fines, consider setting up separate account or accounting class to track spending
- Get your people back on payroll.
- Forgiveness – What expenses are eligible? counted? latest updates & What needs to change

BEST PRACTICES

PPP LOAN PROCEEDS

SEPARATE BANK ACCOUNT

SEGREGATING EXPENSE IN GENERAL LEDGER

- QUICKBOOKS - CLASSES
- SEPARATE ACCOUNTS
 - PPP PAYROLL COSTS
 - PPP OTHER COSTS
- SEPARATE DEPARTMENT

PAYROLL COSTS

- COMPENSATION
- STATE & LOCAL EMPLOYER TAXES (SUTA)
- HEALTH INSURANCE
- RETIREMENT EXPENSE

OTHER COSTS

- RENT
- UTILITIES
- INTEREST

SUPPORTING DOCUMENTS

FORGIVENESS RULES

- [PPP Forgiveness Template.xlsx](#)
- 75% of funds must be used for payroll (25% of other expenses are limited to the forgivable portion of the loan)
 - FTE Restoration
 - Select base period by choosing the lower FTE count of the following:
 - 2/15/19 through 6/30/2019 OR 1/1/20 through 2/29/20.
 - Your 8 week covered period (see tab 2 on excel template) average headcount must meet or exceed the FTE headcount from that period. However, you have until 6/30 to restore any employees let go / furloughed from 2/15/20 through 4/26/20. We advise you to plan to restore by week 8 of the covered period.
 - Salary Restoration
 - Loan forgiveness is reduced by the amount of reduction in any employee salary in excess of 25% of the total salary or wages of the most recent full quarter that the employee worked (will be 4Q19 or 1Q20 for most).
 - Exclude any employee who received an annualized rate of \$100K for ANY PAY PERIOD in 2019.

WEEKLY SPENDING											
REHIRE EXEMPT THROUGH 6/30 HEADCOUNT		14	14	14	14	14	14	14	14		
AVERAGE HEADCOUNT		1	0	0	0	0	0	0	0	0	
Week Ending		4/27/2020	5/4/2020	5/11/2020	5/18/2020	5/25/2020	6/1/2020	6/8/2020	6/15/2020		
EMPLOYEE LAST NAME	EMPLOYEE FIRST NAME	WEEK #1	WEEK #2	WEEK #3	WEEK #4	WEEK #5	WEEK #6	WEEK #7	WEEK #8	\$ WEEK TOTAL	ADJUSTED \$ WEEK TOTAL
Last Name 7	First Name 7	-	-	-	-	-	-	-	-	-	-
Last Name 8	First Name 8	-	-	-	-	-	-	-	-	-	-
Last Name 9	First Name 9	-	-	-	-	-	-	-	-	-	-
Last Name 10	First Name 10	-	-	-	-	-	-	-	-	-	-
TOTAL EMPLOYEE WAGES	SUB-TOTAL	1,000.00	-	-	-	-	-	-	-	1,000.00	1,000.00
STATE & LOCAL TAXES		100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	800.00	800.00
401K ER MATCH		300.00	300.00	300.00	300.00	300.00	300.00	300.00	1,000.00	3,100.00	3,100.00
HEALTH INSURANCE (EXCLUDING OWNERS)		8,000.00				8,000.00				16,000.00	16,000.00
LESS: Owner's Portion		(2,500.00)				(2,500.00)					
LESS: EMPLOYEE PORTION		(500.00)				(500.00)				(1,000.00)	(1,000.00)
NET HEALTH INSURANCE		5,000.00	-	-	-	5,000.00	-	-	-	15,000.00	15,000.00
TOTAL PERSONNEL EXPENSES		6,400.00	400.00	400.00	400.00	5,400.00	400.00	400.00	1,100.00	19,900.00	19,900.00
UTILITIES											
ELECTRIC		100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	800.00	800.00
TELEPHONE		100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	800.00	800.00
CELL PHONE		100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	800.00	800.00
WATER		100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	800.00	800.00
TRANSPORTATION (ELIGIBILITY IN QUESTION)		100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	800.00	800.00
TOTAL UTILITIES		500.00	500.00	500.00	500.00	500.00	500.00	500.00	500.00	4,000.00	4,000.00
RENT / INTEREST ON COVERED MORTGAGE		10,000.00				10,000.00				20,000.00	20,000.00
TOTAL UTILITIES & RENT		10,500.00	500.00	500.00	500.00	10,500.00	500.00	500.00	500.00	21,000.00	21,000.00



MAJOR FORGIVENESS ISSUES

1. Define full-time equivalent
2. Incurred vs paid
3. Salary reduction over 25%; 8 week period to 12/13 week quarter



EXPENSES ELIGIBLE FOR FORGIVENESS

- Payroll costs;
- Any payment of interest on any mortgage obligation (not including any prepayment of or payment of principal on a mortgage obligation) that was incurred before February 15, 2020,
- Any payment of rent under a leasing agreement in force before February 15, 2020,
- Any utility payment, including payment for the distribution of electricity, gas, water, **transportation**, telephone, or internet access for which service began before February 15, 2020.



MAJOR FORGIVENESS ISSUES

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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.



Overview Main Street Lending Program (MSLP)

- A Federal Reserve bank will lend to a single common special purpose vehicle (SPV); Treasury will use allocated CAREs Act funds to make a \$75 billion equity investment in the SPV. The SPV will purchase a 95% participation – Lenders would retain 5% of the loan.
- 600 billion in funds available. Program runs through 9/30/2020.
- Eligible lenders include U.S. insured depository institutions, U.S. bank holding companies, and U.S. savings and loan holding companies
- Main Street loans are not eligible for forgiveness, but offer one year deferments for principal and interest payments
- When the program becomes available, eligible banks may originate new loans through two facilities:
 - **Main Street New Loan Facility (MSNLF)**
 - **Main Street Expanded Loan Facility (MSELF)**



Main Street Lending Program (MSLP) – cont'd

Congress members, business owners, and lenders have petitioned the Fed for additional flexibility in the program including:

- Use of adjusted EBITDA;
- Increased leverage tolerances
- Increased flexibility on loan terms
- Reduction in minimum loan size

The Federal Reserve has not provided guidance as to when Eligible Lenders may commence taking applications for either loans.

We recommend you review your current debt and determine whether any amendments are required to permit new debt and the subordination of payments, MSNLF's with existing lenders will be more easily attained as a result.



Main Street Lending Program (MSLP) – Eligible Borrowers

- Eligible Borrower must meet the following criteria:
- May NOT have more than 10,000 employees, OR more than \$2.5 billion in 2019 annual revenues;
- Must be created or organized in the United States or under the laws of the United States with significant operations in and a majority of its employees based in the United States; AND
- The President, Vice President, an executive department head, Member of Congress or close relative cannot own over 20% of the outstanding voting stock of the Eligible Borrower.



MSLP – TERMS

- Maturity: 4 years
- Maximum loan 4X 2019 EBITDA for new facilities; 6X 2019 EBITDA for expanded facility loans with additional limitations based on existing debt
- Amortization: Principal and interest deferred for 1 year.
- Interest rate: Adjustable rate of SOFR9 + 250-400 basis points.
- Prepayment: Permitted without penalty.



EBITDA DEFINED

The terms described by the Federal Reserve do not address whether a borrower's EBITDA will be determined on a basis consistent with existing credit facilities or whether the borrower would receive the benefit of non-GAAP add-backs to EBITDA in certifying as to the maximum loan amount requirement for eligible

MSNLF & MSELF – Compared

PROGRAM TERMS	Main Street New Loan Facility (MSNLF)	Main Street Expanded Loan Facility (MSELF)
Loan Size (EBITDA likely based on 2019 calendar year)	Min: \$1 million Maximum: the lesser of (i) \$25 million OR (ii) an amount that, when added to the Eligible Borrower's existing and outstanding and committed by undraw debt, does not exceed 4x 2019 EBITDA.	Min of expansion loan: \$1 million. Maximum size of the expanded loan: the lesser of (i) \$150 million, (ii) 30% of the Eligible Borrower's existing outstanding and committed but undrawn debt, OR (iii) an amount that, when added to the Eligible Borrower's existing outstanding and committed but undrawn debt, does not exceed 6x 2019 EBITDA.
Security	Unsecured Loan	Collateral for underlying loan will secure expanded loan on a pro rata basis.
Fees	<p>Origination fee paid by the Eligible Borrower: 100 basis points of the principal amount of the Eligible Loan. The SPV will pay the Eligible Lender 25 basis points of the principal amount of its participation per annum as a servicing fee (i.e., 25 bps of 95% of the Eligible Loan).</p> <p>Facility fee: An Eligible Lender will pay the SPV a facility fee of 100 basis points of the SPV's participation (i.e., 25 bps of 95% of the Eligible Loan). The Eligible Lender may require the Eligible Borrower to pay this fee.</p>	Origination fee paid by the Eligible Borrower: 100 basis points of the principal amount of the expansion tranche. The SPV will pay the Eligible Lender 25 basis points of the principal amount of its participation per annum as a servicing fee (i.e., 25 bps of 95% of the expansion tranche).



MSLP Restrictions

Until 12 months after the loan is no longer outstanding, the borrower may not:

- participate in stock buybacks
- pay dividends or other capital distributions
- must comply with the limitations on compensation in Section 4004 of the CARES act which limits compensation to officers and employees (details on next slide)

Certain government and political officials and their respective families cannot participate in this program



CAREs Act - SEC. 4004. LIMITATION ON CERTAIN EMPLOYEE COMPENSATION

During the period beginning on the date on which the agreement is executed and ending on the date that is 1 year after the date on which the loan or loan guarantee is no longer outstanding—

1. No officer or employee of the eligible business whose total compensation exceeded \$425,000 in calendar year 2019 -
 1. total compensation which exceeds the total compensation received by the eligible business in calendar year 2019; or
 2. will receive severance pay or other benefits upon termination of employment which exceeds twice the maximum total compensation received by the officer or employee from the eligible business in calendar year 2019; and
2. No officer or employee of the eligible business whose total compensation exceeded \$3,000,000 in calendar year 2019 may receive during any 12 consecutive months of such period total compensation in excess of the sum of—
 1. \$3,000,000
 2. 50 percent of the excess over \$3,000,000 of the total compensation received by the officer or employee from the eligible business in calendar year 2019

TOTAL COMPENSATION DEFINED.—In this section, the term “total compensation” includes salary, bonuses, awards of stock, and other financial benefits provided by an eligible business to an officer or employee of the eligible business.



MSNLF – Borrower Attestations

- Must commit to refrain from using the proceeds of the Eligible Loan to repay other loan balances. The Eligible Borrower must commit to refrain from repaying other debt of equal or lower priority, with the exception of mandatory principal payments, unless the Eligible Borrower has first repaid the Eligible Loan in full.
- Must attest that it requires financing due to the exigent circumstances presented by the coronavirus disease 2019 (“COVID-19”) pandemic, and that, using the proceeds of the Eligible Loan, it will make reasonable efforts to maintain its payroll and retain its employees during the term of the Eligible Loan.
- Borrower must attest that it meets the maximum loan to four times EBITDA requirement.
- Must attest that it will follow compensation, stock repurchase, and capital distribution restrictions that apply to direct loan programs under section 4003(c)(3)(A)(ii) of the CARES Act.
- Eligible Lenders and Eligible Borrowers will each be required to certify that the entity is eligible to participate in the Facility, including in light of the conflicts of interest prohibition in section 4019(b) of the CARES Act.



Q & A

Visit www.brinkersimpsoncares.com for the most up to date information and / or email questions to cares@brinkersimpson.com .