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What is a PPP First Draw Loan?

A Paycheck Protection Program (PPP) First Draw Loan is a Small Business Administration (SBA) loan you can apply for to receive funds to help fund payroll costs, including benefits such as retirement and health insurance. Funds can also be used to pay for mortgage interest, rent, utilities, worker protection costs related to COVID-19, uninsured property damage costs caused by looting or vandalism during 2020, and certain supplier costs and expenses for operations.

What are the eligibility requirements for a PPP First Draw Loan?

You may qualify for a First Draw PPP Loan if you were in operation on 2/15/2020, you have not previously received a PPP Loan, and you certify the current economic uncertainty makes this loan request necessary to support your ongoing business operations. In addition, you must meet one of the following criteria:

1. A small business concern under the applicable revenue-based size standard established by SBA in 13 C.F.R. 121.201 for your industry or under the SBA alternative size standard[1]; or,
2. An independent contractor, eligible self-employed individual, or sole proprietor and your principal place of business is in the United States, and you filed or will file a Form 1040 Schedule C (or Schedule F) for 2019; or,
3. A business concern, a tax-exempt nonprofit organization described in section 501(c)(3) of the Internal Revenue Code (IRC), a tax-exempt veterans organization described in section 501(c)(19) of the IRC, a Tribal business concern described in section 31(b)(2)(C) of the Small Business Act, and you (together with your affiliates) employ no more than the greater of 500 employees or, if applicable, the size standard in number of employees established by SBA in 13 C.F.R. 121.201; or,
4. A housing cooperative, an eligible section 501(c)(6) organization, or an eligible destination marketing organization, that employs no more than 300 employees; or,
5. A news organization that is majority owned or controlled by a NAICS code 511110 or 5151 business or a nonprofit public broadcasting entity with a trade or business under NAICS 511110 or 5151, that employs no more than 500 employees (or, if applicable, the size standard in number of employees established by SBA in 13 C.F.R. 121.201 for your industry) per location; or
6. Another type of entity specifically provided for by PPP rules such as:
    a. 501(c)(6) organization or a destination marketing organization (cannot receive more than 15% of receipts from lobbying activities; lobbying activities cannot comprise more than 15% of total activities; cost of lobbying activities did not exceed $1 million during 2019; organization employees 300 employees or less).
    b. Hospital if the hospital receives less than 50% of its funding from state or local government sources, exclusive of Medicaid.
    c. Electric cooperative or telephone cooperative exempt from Federal taxation under section 501(c)(12) of the Internal Revenue Code.
    d. Housing cooperative defined in section 216(b) of the Internal Revenue Code.
    e. Non-profit and tax-exempt news organization if the organization has a trade or business that is assigned a NAICS code beginning with 511110 or 5151.

If I meet the eligibility requirements, what additional criteria would make me ineligible?

Yes. Even if you meet the eligibility requirements listed above, you would be ineligible for a PPP First Draw Loan if:

1. You are engaged in any activity that is illegal under Federal, state, or local law;
2. You are a household employer (individuals who employ household employees such as nannies or housekeepers);
3. An owner of 20 percent or more of the equity of the applicant is presently incarcerated or, for any felony, 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, pleaded

[1] Under SBA's alternative size standard, a business concern may qualify as a small business concern if it, together with any affiliates: (1) has a maximum tangible net worth of not more than $15 million; and (2) the average net income after Federal income taxes (excluding any carry-over losses) for the two full fiscal years before the date of application is not more than $5 million.

guilty or nolo contendere to, or commenced any form of parole or probation (including probation before judgment) for, a felony involving fraud, bribery, embezzlement, or a false statement in a loan application or an application for federal financial assistance within the last five years or any other felony within the last year;

4. You, or any business owned or controlled by you or any of your 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;
5. You or your business received or will receive a grant under the Shuttered Venue Operator Grant program under section 324 of the Economic Aid Act;
6. Your business is an issuer, the securities of which are listed on an exchange registered as a national securities exchange under section 6 of the Securities Exchange Act of 1934 (15 U.S.C. 78f)[2]
7. Your business is permanently closed or is in bankruptcy.

What are the loan terms?

The interest rate is 1% and the maturity is 5 years. The loan is unsecured. If you submit a loan forgiveness application to us within 10 months after the end of your loan forgiveness covered period, you will not have to make any payments of principal or interest on your loan before the date on which SBA remits the loan forgiveness amount on your loan to us (or notifies us that no loan forgiveness is allowed). If you do not submit a loan forgiveness application to us within 10 months after the end of your loan forgiveness covered period, you must begin paying principal and interest after that period. Interest accrues from the date the loan funds are disbursed to the date the loan is fully paid.

Can my loan be forgiven?

Yes. The amount of loan forgiveness can be up to the full principal amount of the loan and any accrued interest. An eligible borrower will not be responsible for any loan payment if the borrower uses all the loan proceeds for forgivable purposes and employee and compensation levels are maintained or, if not, an applicable safe harbor or exemption applies.

How much can I apply for?

You can apply for an amount equal to 2.5 times your average monthly payroll costs for either 2019 or 2020. The maximum amount is $10 million ($20 million for businesses that are part of a single corporate group). For understanding how you calculate your average monthly payroll costs, see Calculating Loan Amounts and Documentation Requirements.

How do I apply?

We will accept applications through our online portal located at https://www.ubt.com/learning-center/guides/paycheck-protection-program-guide. You must submit the required documentation with your information. Once you submit your information and documentation, we will send you the SBA Application via DocuSign to review and sign.

[2] Certain news organizations may still qualify, see specific rules.

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CALCULATING LOAN AMOUNTS AND DOCUMENTATION REQUIREMENTS

Loan amounts are the lesser of the following calculations, or $10 million.

Calculating loan amounts and documentation requirements for an eligible business (excluding Schedule C and Schedule F filers) with employees[3]

Step 1: Aggregate payroll costs from 2019 or 2020[4] for employees whose principal place of residence is the United States.

Step 2: Subtract any compensation paid to an employee in excess of $100,000 on an annualized basis, as prorated for the period during which the payments are made or the obligation to make the payments is incurred.

Step 3: Calculate average monthly payroll costs (divide the amount from Step 2 by 12).

Step 4: Multiply the average monthly payroll costs from Step 3 by 2.5.

Step 5: Add the outstanding amount of an Economic Injury Disaster Loan (EIDL) made between January 31, 2020 and April 3, 2020 that you seek to refinance. Do not include the amount of any "advance" under an EIDL COVID-19 loan (because it does not have to be repaid).

The following documentation MUST be provided:

1. Your Form 941 (or other tax forms containing similar information) from each quarter in 2019 or 2020 (whichever you used to calculate loan amount); and,
2. State quarterly wage unemployment insurance tax reporting forms from each quarter in 2019 or 2020 (whichever you used to calculate loan amount).
    a. If you utilize a payroll processor who files the above forms on your behalf, you may provide equivalent payroll processor records
3. If applicable, evidence of any retirement and health insurance contributions.
4. A payroll statement or similar documentation from the pay period that covered February 15, 2020 must be provided to establish you were in operation on February 15, 2020.

Calculating loan amounts and documentation requirements for a self-employed individual who files a Form 1040, Schedule C – and has no additional employees

Step 1: Use the 2019 or 2020 IRS Form 1040 Schedule C line 31 net profit amount. If this amount is over $100,000, reduce it to $100,000. If this amount is zero or less, you are not eligible for a PPP loan.

Step 2: Calculate the average monthly net profit amount (divide the amount from Step 1 by 12).

Step 3: Multiply the average monthly net profit amount from Step 2 by 2.5.

Step 4: Add the outstanding amount of any Economic Injury Disaster Loan (EIDL) made between January 31, 2020 and April 3, 2020 that you seek to refinance. Do not include the amount of any advance under an EIDL COVID-19 loan (because it does not have to be repaid).

The following documentation MUST be provided:

1. The 1040 Schedule C utilized for calculation of the loan amount.
2. IRS Form 1099-MISC detailing nonemployee compensation received (box 7), invoice, bank statement, or book of record that establishes you are self-employed. <u>You must provide a 2020 invoice, bank statement, or book of record to establish you were in operation on or around February 15, 2020.</u>

[3] For Schedule C or Schedule F filers see those specific sections.

[4] Borrower may choose the 12-month period of either 2019 or 2020. See also section for "Seasonal Employer"

Calculating loan amounts and documentation requirements for a self-employed individual who files a Form 1040, Schedule C – and has additional employees

Step 1: Compute 2019 or 2020 payroll (using the same year for all items) by adding the following:

a) Your 2019 or 2020 Form 1040 Schedule C line 31 net profit amount (if you are using 2020 and have not yet filed a 2020 return, fill it out and compute the value), up to $100,000 on an annualized basis, as prorated for the period during which the payments are made or the obligation to make the payments is incurred, if this amount is over $100,000, reduce it to $100,000, if this amount is less than zero, set this amount at zero;

b) 2019 or 2020 gross wages and tips paid to your employees whose principal place of residence is in the United States computed using 2019 or 2020 IRS Form 941 Taxable Medicare wages & tips (line 5c- column 1) from each quarter plus any pre-tax employee contributions for health insurance or other fringe benefits excluded from Taxable Medicare wages & tips; subtract any amounts paid to any individual employee in excess of $100,000 on an annualized basis, as prorated for the period during which the payments are made or the obligation to make the payments is incurred and any amounts paid to any employee whose principal place of residence is outside the United States; and

c) 2019 or 2020 employer contributions to employee group health, life, disability, vision and dental insurance (portion of IRS Form 1040 Schedule C line 14 attributable to those contributions); retirement contributions (Form 1040 Schedule C line 19), and state and local taxes assessed on employee compensation (primarily under state laws commonly referred to as the State Unemployment Tax Act or SUTA from state quarterly wage reporting forms).

Step 2: Calculate the average monthly amount (divide the amount from Step 1 by 12).

Step 3: Multiply the average monthly amount from Step 2 by 2.5.

Step 4: Add the outstanding amount of any EIDL made between January 31, 2020 and April 3, 2020 that you seek to refinance. Do not include the amount of any advance under an EIDL COVID-19 loan (because it does not have to be repaid).

The following documentation MUST be provided:

1. The 1040 Schedule C utilized for calculation in item 'a)'.
2. Your Form 941 (or other tax forms containing similar information) from each quarter in 2019 or 2020 (whichever you used to calculate loan amount); and,
3. State quarterly wage unemployment insurance tax reporting forms from each quarter in 2019 or 2020 (whichever you used to calculate loan amount).
    a. If you utilize a payroll processor who files the above forms on your behalf, you may provide equivalent payroll processor records
4. If applicable, evidence of any retirement and health insurance contributions.
5. A payroll statement or similar documentation from the pay period that covered February 15, 2020 must be provided to establish you were in operation on February 15, 2020.

Calculating loan amounts for Seasonal Employers

A borrower is a seasonal employer if it does not operate for more than 7 months in any calendar year or, during the preceding calendar year, it had gross receipts for any 6 months of that year that were not more than 33.33 percent of the gross receipts for the other 6 months of that year. A seasonal employer must determine its maximum loan amount for purposes of the PPP by using the employer's average total monthly payments for payroll for any 12-week period selected by the seasonal employer beginning February 15, 2019 and ending February 15, 2020. That total monthly payroll amount is then utilized in the calculation of the loan amount (following instructions for the appropriate entity structure).

Calculating loan amounts and documentation requirements for a farmer or rancher who has no additional employees

Step 1: Use the 2019 or 2020 IRS Form 1040 Schedule F line 9 gross income amount. If this amount is over $100,000, reduce it to $100,000. If this amount is zero or less, you are not eligible for a PPP loan.

Step 2: Calculate the average monthly gross income amount (divide the amount from Step 1 by 12).

Step 3: Multiply the average monthly gross income amount from Step 2 by 2.5.

Step 4: Add the outstanding amount of any Economic Injury Disaster Loan (EIDL) made between January 31, 2020 and April 3, 2020 that you seek to refinance. Do not include the amount of any advance under an EIDL COVID-19 loan (because it does not have to be repaid).

The following documentation MUST be provided:

1. The 1040 Schedule F utilized for calculation of the loan amount.
2. IRS Form 1099-MISC detailing nonemployee compensation received (box 7), invoice, bank statement, or book of record that establishes you are self-employed. You must provide a 2020 invoice, bank statement, or book of record to establish you were in operation on or around February 15, 2020.

Calculating loan amounts and documentation requirements for a farmer or rancher who has additional employees

Step 1: Compute 2019 or 2020 payroll (using the same year for all items) by adding the following:

a) The difference between your 2019 or 2020 Form 1040 Schedule F line 9 gross income amount (if you are using 2020 and you have not yet filed a 2020 return, fill it out and compute the value), and the sum of Schedule F lines 15, 22, 23, and 37, up to $100,000 on an annualized basis, as prorated for the period during which the payments are made or the obligation to make the payments is incurred, if this amount is over $100,000, reduce it to $100,000, if this amount is less than zero, set this amount at zero;56

b) 2019 or 2020 gross wages and tips paid to your employees whose principal place of residence is in the United States computed using 2019 or 2020 IRS Form 941 Taxable Medicare wages & tips (line 5c- column 1) from each quarter plus any pre-tax employee contributions for health insurance or other fringe benefits excluded from Taxable Medicare wages & tips; subtract any amounts paid to any individual employee in excess of $100,000 on an annualized basis, as prorated for the period during which the payments are made or the obligation to make the payments is incurred and any amounts paid to any employee whose principal place of residence is outside the United States; and

c) 2019 or 2020 employer contributions for employee group health, life, disability, vision and dental insurance (portion of IRS Form 1040 Schedule F line 15 attributable to those contributions), employer contributions for employee retirement contributions (Form 1040 Schedule F line 15), and state and local taxes assessed on employers for employee compensation (primarily under state laws commonly referred to as the State Unemployment Tax Act or SUTA from state quarterly wage reporting forms).

Step 2: Calculate the average monthly amount (divide the amount from Step 1 by 12).

Step 3: Multiply the average monthly amount from Step 2 by 2.5.

Step 4: Add the outstanding amount of any EIDL made between January 31, 2020 and April 3, 2020 that you seek to refinance. Do not include the amount of any advance under an EIDL COVID-19 loan (because it does not have to be repaid).

The following documentation MUST be provided:

1. The 1040 Schedule F utilized for calculation in item ‘a)’.

2. Your Form 941 (or other tax forms containing similar information) from each quarter in 2019 or 2020 (whichever you used to calculate loan amount); and,
3. State quarterly wage unemployment insurance tax reporting forms from each quarter in 2019 or 2020 (whichever you used to calculate loan amount).
    a. If you utilize a payroll processor who files the above forms on your behalf, you may provide equivalent payroll processor records
4. If applicable, evidence of any retirement and health insurance contributions.
5. A payroll statement or similar documentation from the pay period that covered February 15, 2020 must be provided to establish you were in operation on February 15, 2020.

Calculating loan amounts and documentation requirements for partnerships

Step 1: Compute 2019 or 2020 payroll (using the same year for all items) by adding (1) net earnings from self-employment of individual general partners in 2019 or 2020, as reported on IRS Form 1065 K-1, reduced by section 179 expense deduction claimed, unreimbursed partnership expenses claimed, and depletion claimed on oil and gas properties, multiplied by 0.9235,57 that is not more than $100,000 per partner; (2) 2019 or 2020 gross wages and tips paid to your employees whose principal place of residence is in the United States, if any, which can be computed using 2019 or 2020 IRS Form 941 Taxable Medicare wages and tips (line 5c-column 1) from each quarter plus any pre-tax employee contributions for health insurance or other fringe benefits excluded from Taxable Medicare wages and tips, subtracting any amounts paid to any individual employee in excess of $100,000 and any amounts paid to any employee whose principal place of residence is outside the U.S; (3) 2019 or 2020 employer contributions for employee group health, life, disability, vision and dental insurance, if any (portion of IRS Form 1065 line 19 attributable to those contributions); (4) 2019 or 2020 employer contributions to employee retirement plans, if any (IRS Form 1065 line 18); and (5) 2019 or 2020 employer state and local taxes assessed on employee compensation, primarily state unemployment insurance tax (from state quarterly wage reporting forms), if any.

Step 2: Calculate the average monthly payroll costs (divide the amount from Step1 by 12).

Step 3: Multiply the average monthly payroll costs from Step 2 by 2.5.

Step 4: Add any outstanding amount of any EIDL made between January 31, 2020 and April 3, 2020 that you seek to refinance. Do not include the amount of any advance under an EIDL COVID-19 loan (because it does not have to be repaid).

The following documentation MUST be provided:

1. IRS Form 1065 (including K-1s) utilized in the loan calculation;
2. Your Form 941 (or other tax forms containing similar information) from each quarter in 2019 or 2020 (whichever you used to calculate loan amount); and,
3. State quarterly wage unemployment insurance tax reporting forms from each quarter in 2019 or 2020 (whichever you used to calculate loan amount).
    a. If you utilize a payroll processor who files the above forms on your behalf, you may provide equivalent payroll processor records
4. If applicable, evidence of any retirement and health insurance contributions.
5. If the partnership has employees, a payroll statement or similar documentation from the pay period that covered February 15, 2020 must be provided to establish the partnership was in operation and had employees on that date. If the partnership has no employees, an invoice, bank statement, or book of record establishing the partnership was in operation on February 15, 2020 must instead be provided.

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DEFINITIONS AND FAQS

What are Payroll Costs?

Payroll costs consist of compensation to employees (whose principal place of residence is the United States) in the form of salary, wages, commissions, or similar compensation; cash tips or the equivalent (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 separation or dismissal; payment for the provision of employee benefits consisting of group health care or group life, disability, vision, or dental insurance, including insurance premiums, and retirement; payment of state and local taxes assessed on compensation of employees; and for an independent contractor or sole proprietor, wages, commissions, income, or net earnings from self-employment, or similar compensation.

What are excluded from Payroll Costs?

a) Any compensation of an employee whose principal place of residence is outside of the United States;
b) The compensation of an individual employee in excess of $100,000 on an annualized basis, as prorated for the period during which the payments are made or the obligation to make the payments is incurred;
c) Federal employment taxes imposed or withheld during the applicable period, including the employee's and employer's share of FICA (Federal Insurance Contributions Act) and Railroad Retirement Act taxes, and income taxes required to be withheld from employees; and
d) Qualified sick 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).

Do independent contractors count as employees for purposes of PPP loan calculations or PPP loan forgiveness?

No, independent contractors can apply for a PPP loan on their own, so they do not count for purposes of a borrower's PPP loan calculation, nor do they count for purposes of a borrower's PPP loan forgiveness.

Do student workers count when determining the number of employees for PPP loan eligibility?

Yes, generally unless the applicant is an institution of higher education.

What is the Loan Forgiveness Covered Period?

The period beginning on the date the lender disburses the PPP loan and ending on any date selected by the borrower that occurs during the period (i) beginning on the date that is 8 weeks after the date of disbursement and (ii) ending on the date that is 24 weeks after the date of disbursement**.**

What can the PPP loan funds be used for (excluding Schedule C filers)?

a) Payroll costs (at least 60% of the proceeds must be used for payroll costs);
b) Costs related to the continuation of group health care, life, disability, vision, or dental benefits during periods of paid sick, medical, or family leave, and group health care, life, disability, vision, or dental insurance premiums;
c) Mortgage interest payments (but not mortgage prepayments or principal payments);
d) Rent payments;
e) Utility payments;

f) Interest payments on any other debt obligations that were incurred before February 15, 2020;
g) Refinancing an SBA EIDL loan made between January 31, 2020 and April 3, 2020;78
h) Covered operations expenditures (payments for any business software or cloud computing service that facilitates business operations, product or service delivery, the processing, payment, or tracking of payroll expenses, human resources, sales and billing functions, or accounting or tracking of supplies, inventory, records and expenses);
i) Covered property damage costs (costs related to property damage and vandalism or looting due to public disturbances that occurred during 2020 that was not covered by insurance or other compensation);
j) Covered supplier costs (expenditures made by a borrower to a supplier of goods for the supply of goods that—(A) are essential to the operations of the borrower at the time at which the expenditure is made; and (B) is made pursuant to a contract, order, or purchase order—(i) in effect at any time before the covered period with respect to the applicable covered loan; or (ii) with respect to perishable goods, in effect before or at any time during the covered period with respect to the applicable covered loan); and
k) Covered worker protection expenditures ((A) operating or a capital expenditures to facilitate the adaptation of the business activities of an entity to comply with requirements established or guidance issued by the Department of Health and Human Services, the Centers for Disease Control, or the Occupational Safety and Health Administration, or any equivalent requirements established or guidance issued by a State or local government, during the period beginning on March 1, 2020 and ending the date on which the national emergency with respect to the COVID–19 expires related to the maintenance of standards for sanitation, social distancing, or any other worker or customer safety requirement related to COVID–19; (B) such expenditures may include—(i) the purchase, maintenance, or renovation of assets that create or expand—(I) a drive-through window facility; (II) an indoor, outdoor, or combined air or air pressure ventilation or filtration system; (III) a physical barrier such as a sneeze guard; (IV) an expansion of additional indoor, outdoor, or combined business space; (V) an onsite or offsite health screening capability; or (VI) other assets relating to the compliance with the requirements or guidance described in subparagraph (A), as determined by the Administrator in consultation with the Secretary of Health and Human Services and the Secretary of Labor; and (ii) the purchase of—(I) covered materials described in section 328.103(a) of title 44, Code of Federal Regulations, or any successor regulation; (II) particulate filtering facepiece respirators approved by the National Institute for Occupational Safety and Health, including those approved only for emergency use authorization; or (III) other kinds of personal protective equipment, as determined by the Administrator in consultation with the Secretary of Health and Human Services and the Secretary of Labor; and (C) such expenditures do not include residential real property or intangible property).

How can PPP loans be used by individuals with income from self-employment who file a Form 1040, Schedule C?

a) Owner compensation replacement calculated based on 2019 or 2020 (using the same year that was used to calculate the loan amount) net profit.
b) Employee payroll costs (as defined in this interim final rule) for employees whose principal place of residence is in the United States, if you have employees.
c) Mortgage interest payments (but not mortgage prepayments or principal payments) on any business mortgage obligation on real or personal property (e.g., the interest on your mortgage for the warehouse you purchased to store business equipment or the interest on an auto loan for a vehicle you use to perform your business), business rent payments (e.g., the warehouse where you store business equipment or the vehicle you use to perform your business), and business utility payments (e.g., the cost of electricity in the warehouse you rent or gas you use driving your

business vehicle). You must have claimed or be entitled to claim a deduction for such expenses on your 2019 or 2020 (whichever you used to calculate loan amount) Form 1040 Schedule C for them to be a permissible use. For example, if you did not claim or are not entitled to claim utilities expenses on your 2019 or 2020 Form 1040 Schedule C, you cannot use the proceeds for utilities.

d) Interest payments on any other debt obligations that were incurred before February 15, 2020 (such amounts are not eligible for PPP loan forgiveness).
e) Refinancing an SBA EIDL loan made between January 31, 2020 and April 3, 2020 (maturity will be reset to PPP's maturity of two years for PPP loans made before June 5, 2020 unless the borrower and lender mutually agree to extend the maturity of such loans to five years, or PPP's maturity of five years for PPP loans made on or after June 5).
f) Covered operations expenditures, as defined in section 7A(a) of the Small Business Act, to the extent they are deductible on Form 1040 Schedule C.
g) Covered property damage costs, as defined in section 7A(a) of the Small Business Act, to the extent they are deductible on Form 1040 Schedule C.
h) Covered supplier costs, as defined in section 7A(a) of the Small Business Act, to the extent they are deductible on Form 1040 Schedule C.
i) Covered worker protection expenditures, as defined in section 7A(a) of the Small Business Act, to the extent they are deductible on Form 1040 Schedule C.