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SECOND DRAW PPP LOANS – GENERAL INFORMATION

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.

Who is eligible?

A business concern, independent contractor, eligible self-employed individual, sole proprietor, nonprofit organization eligible for a First Draw PPP Loan, veterans organization, Tribal business concern, housing

cooperative, small agricultural cooperative, eligible 501(c)(6) organization or destination marketing organization, or an eligible nonprofit news organization that[1]:

1. Has used, or will use, the full amount of its First Draw PPP Loan (including the amount of any increase on such First Draw PPP Loan) on authorized uses on or before the expected date on which the Second Draw PPP loan will be disbursed; and
2. Employs not more than 300 employees[2]; and,
3. Experienced a reduction in revenue in calendar year 2020, measured as applicable by one of the following:
    a. The applicant had gross receipts during the first, second, third, or fourth quarter in 2020 that demonstrate at least a 25 percent reduction from the applicant's gross receipts during the same quarter in 2019; or,
    b. If the applicant was not in business during the first or second quarter of 2019, but was in business during the third and fourth quarters of 2019, the applicant had gross receipts during the first, second, third, or fourth quarter of 2020 that demonstrate at least a 25 percent reduction from the applicant's gross receipts during the third or fourth quarter of 2019; or,
    c. If the applicant was not in business during the first, second, or third quarter of 2019, but was in business during the fourth quarter of 2019, the applicant had gross receipts during the first, second, third, or fourth quarter of 2020 that demonstrate at least a 25 percent reduction from the fourth quarter of 2019; or,
    d. If the applicant was not in business during 2019, but was in operation on February 15, 2020, the applicant had gross receipts during the second, third, or fourth quarter of 2020 that demonstrate at least a 25 percent reduction from the gross receipts of the entity during the first quarter of 2020; or,
    e. An applicant that was in operation in all four quarters of 2019 is deemed to have experienced the revenue reduction if it experienced a reduction in annual receipts of 25 percent or greater in 2020 compared to 2019 and the borrower submits copies of its annual tax forms substantiating the revenue decline.

Who is not eligible?

1. The above eligibility requirements are not met; or,
2. An entity that has permanently closed; or,
3. An entity that previously received a Second Draw PPP loan; or,
4. The applicant is excluded from eligibility under the Consolidated First Draw Rules; or,
5. Any person or entity that receives a grant for shuttered venue operators under section 324 of the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act; or,
6. A business concern or entity primarily engaged in political or lobbying activities; or,
7. Organized under the laws of, or retains a member on the board of directors who is a resident of the People's Republic of China; or,
8. Any person required to submit a registration statement under Section 2 of the Foreign Agents Registration Act of 1938; or,

[1] All Second Draw applicants must have been qualified for a First Draw PPP.

[2] For business concerns that are assigned a NAICS code beginning with 72 at the time of loan disbursement and otherwise meets eligibility criteria, the 300-employee limit applies to each physical location, In addition, a business concern that broadcasts pursuant to a license granted by the FCC and is majority owned or controlled by a business concern that is assigned a NAICS code beginning with 511110 or 5151, or is a public broadcasting entity with a trade or business that falls under such a code and otherwise meets the eligibility criteria, the 300-employee limit applies to each physical location.

9. Any entity in which the President, Vice President, the head of an Executive department, a Member of Congress, or the spouse of such person holds a controlling interest; or,
10. Any 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

What are gross receipts?

1. **Gross receipts include all revenue in whatever form received or accrued (in accordance with the entity's accounting method) from whatever source, including from the sales of products or services, interest, dividends, rents, royalties, fees, or commissions, reduced by returns and allowances.**
    a. For example, receipts are generally considered "total income" on a U.S. Corporate tax return plus "cost of goods sold," and excludes net capital gains or losses as these terms are defined and reported on IRS tax return forms, which generally aligns with the term Gross Profit on traditional GAAP formatted financial statements.
    b. In the case of a sole proprietorship, independent contractor, or self-employed individual "gross income" from the Schedule C or Schedule F.
    c. Gross receipts do not include the following: taxes collected for and remitted to a taxing authority if included in gross or total income (such as sales or other taxes collected from customers and excluding taxes levied on the concern or its employees); proceeds from transactions between a concern and its domestic or foreign affiliates; and amounts collected for another by a travel agent, real estate agent, advertising agent, conference management service provider, freight forwarder or customs broker. All other items, such as subcontractor costs, reimbursements for purchases a contractor makes at a customer's request, investment income, and employee-based costs such as payroll taxes, may not be excluded from gross receipts.
2. Gross receipts of affiliates are calculated as follows:
    a. Gross receipts of a borrower with affiliates is calculated by adding the gross receipts of the business concern with the gross receipts of each affiliate.
    b. If a borrower has acquired an affiliate or been acquired as an affiliate during 2020, gross receipts includes the receipts of the acquired or acquiring concern. This aggregation applies for the entire period of measurement, not just the period after the affiliation arose. However, if a concern acquired a segregable division of another business concern during 2020, gross receipts do not include the receipts of the acquired division prior to the acquisition.
    c. The gross receipts of a former affiliate are not included. This exclusion of gross receipts of such former affiliate applies during the entire period of measurement, rather than only for the period after which affiliation ceased. However, if a borrower sold a segregable division during 2020, the gross receipts will continue to include the receipts of the division that was sold.
3. For an eligible nonprofit organization, a veterans organization, an eligible nonprofit news organization, an eligible 501(c)(6) organization, or eligible destination marketing organization, gross receipts means gross receipts within the meaning of section 6033 of the Internal Revenue Code of 1986.
4. The amount of any forgiven First Draw PPP Loan shall not be included toward any borrower's gross receipts.

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. (Businesses with NAICS codes starting with 72 can apply for an amount equal to 3.5 times the average monthly payroll costs for either 2019 or 2020). The maximum amount is $2 million ($4 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.

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.

Calculating Loan Amounts

General Calculation

The maximum amount of a Second Draw PPP Loan is calculated as follows:

Step 1: Aggregate payroll costs from 2019 or 2020 (at the election of the borrower) 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. That is the amount of the loan (cannot exceed $2 million).

Seasonal Borrower[3] Calculation

Step 1: At the election of the borrower, the average total monthly payments for payroll costs incurred or paid by the borrower for any 12-week period between February 15, 2019 and February 15, 2020. 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 2: Multiply the average monthly payroll costs from Step 1 by 2.5 (or, only for a borrower assigned a NAICS code beginning with 72 at the time of disbursement, multiply by 3.5). That is the amount of the loan (cannot exceed $2 million).

New Business Calculation

If the borrower did not exist during the 1-year period preceding February 15, 2020 but was in operation on February 15, 2020, the average monthly payroll costs are determined by:

[3] An employer that does not operate for more than 7 months in any calendar year or that during the preceding calendar year, had gross receipts for any 6 months of that year that were not more than 33.33 percent of the gross receipts of the employer for the other 6 months of that year

Step 1: Calculate the sum of the total monthly payments by the borrower for payroll costs paid or incurred by the borrower as of the date on which the borrower applies for the Second Draw PPP Loan. 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 2: Calculate the average monthly payroll costs by dividing the total calculated in Step 1 by the number of months in which those payroll costs were paid or incurred.

Step 3: Multiply the average monthly payroll costs from Step 2 by 2.5 (or, only for a borrower assigned a NAICS code beginning with 72 at the time of disbursement, multiply by 3.5). That is the amount of the loan (cannot exceed $2 million).

Calculation for Borrowers assigned NAICS code beginning with 72 at time of loan disbursement

Step 1: Aggregate payroll costs from 2019 or 2020 (at the election of the borrower) 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 3.5. That is the amount of the loan (cannot exceed $2 million).

Farmer or Rancher

That operates as a sole proprietorship or as an independent contractor, or is an eligible self-employed individual; and reports farm income or expenses on IRS Form 1040 Schedule F, and was in business as of 2/15/2020

If 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.

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

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

If additional employees:

Step 1: Calculate the sum of

i. The difference between gross income and employee payroll costs of the borrower in 2019 or 2020 (at the election of the borrower), as reported on a Schedule F (IRS Form 1040), that is not more than $100,000, divided by 12, and

ii. The average total monthly payment for employee payroll costs incurred or paid by the borrower during the same year elected by the borrower;

Step 2: Multiply the average monthly amount calculated in Step 1 by 2.5 (maximum loan amount $2 million)

Self-employed borrower who files a Form 1040 Schedule C

If no additional employees:

Step 1: The net profit of the borrower in 2019 or 2020, as reported on IRS Form 1040 Schedule C, that is not more than $100,000, divided by 12; and

Step 2: Multiply the average monthly amount from Step 1 by 2.5 (or, only for a borrower assigned a NAICS code beginning with 72 at the time of disbursement, multiply by 3.5).

If additional employees:

Step 1: Calculate the sum of

i. The net profit of the borrower in 2019 or 2020 (at the election of the borrower), as reported on IRS Form 1040 Schedule C, that is not more than $100,000, divided by 12; and

ii. The average total monthly payment for employee payroll costs incurred or paid by the borrower during the same year elected by the borrower

Step 2: Multiply the average monthly amount from Step 1 by 2.5 (or, only for a borrower assigned a NAICS code beginning with 72 at the time of disbursement, multiply by 3.5) (maximum loan amount $2 million).

Calculation for borrower that files taxes as a partnership

Step 1: Calculate the sum of

i. Net earnings from self-employment of individual general partners in 2019 or 2020 (at the election of the borrower), 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, that is not more than $100,000, divided by 12; and,

ii. The average total monthly payment for employee payroll costs incurred or paid by the borrower during the same year elected by the borrower.

Step 2: Multiply the average monthly amount from Step 1 by 2.5 (or, only for a borrower assigned a NAICS code beginning with 72 at the time of disbursement, multiply by 3.5) (maximum loan amount $2 million).

Documentation that must be provided

For all entities except self-employed individuals with no employees:

1. IRS Form 941 for all 4 quarters of either 2019 or 2020 (whichever was used to calculate payroll costs) or other tax forms or equivalent payroll processor records containing similar information;
2. State quarterly wage unemployment insurance tax reporting forms from each quarter in 2019 or 2020 (whichever was used to calculate payroll costs);
3. Evidence of any retirement and employee group health, life, disability, vision and dental insurance contributions, if applicable.
4. Any additional payroll documentation to support your average monthly payroll costs.
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.
6. Documentation sufficient to establish that the applicant experienced a reduction in revenue. May include relevant tax forms, including annual tax forms, or, if relevant tax forms are not available, a copy of the applicant's quarterly income statements or bank statements.
7. **Partnerships –** in addition to the above must provide IRS Form 1065 K-1s.

For self-employed individuals with additional employees:

1. IRS Form 1040 Schedule C or Schedule F for either 2019 or 2020 (whichever was used to calculate loan amount)
2. IRS Form 941 for all 4 quarters of either 2019 or 2020 (whichever was used to calculate payroll costs) or other tax forms or equivalent payroll processor records containing similar information;

3. State quarterly wage unemployment insurance tax reporting forms from each quarter in 2019 or 2020 (whichever was used to calculate payroll costs);
4. Evidence of any retirement and employee group health, life, disability, vision and dental insurance contributions, if applicable.
5. A payroll statement or similar documentation from the pay period that covered February 15, 2020 must be provided to establish the applicant was in operation on February 15, 2020.
6. Documentation sufficient to establish that the applicant experienced a reduction in revenue. May include relevant tax forms, including annual tax forms, or, if relevant tax forms are not available, a copy of the applicant's quarterly income statements or bank statements.

For self-employed individuals with no additional employees

1. IRS Form 1040 Schedule C or Schedule F for either 2019 or 2020 (whichever was used to calculate loan amount).
2. A 2019 or 2020 (whichever was used to calculate loan amount) IRS Form 1099-MISC detailing nonemployee compensation received (box 7), invoice, bank statement, or book of record that establishes that the applicant is self-employed; and
3. A 2020 invoice, bank statement, or book of record to establish that the applicant was in operation on or around February 15, 2020.
4. Documentation sufficient to establish that the applicant experienced a reduction in revenue. May include relevant tax forms, including annual tax forms, or, if relevant tax forms are not available, a copy of the applicant's quarterly income statements or bank statements.