Release Date: January 6, 2021
ACTION: Interim Final Rule
References:
https://www.sba.gov/sites/default/files/2021-01/PPP%20--%20IFR%20--%20Paycheck%20Protection%20Program%20as%20Amended%20by%20Economic%20Aid%20Act%20%281.6.2021%29.pdf

Business Loan Program Temporary Changes; Paycheck Protection Program as Amended by the Economic Aid Act

Overview

Late in the evening January 6, 2021, the SBA released details and Interim Final Rules for the relaunch of the Paycheck Protection Program. At this time, the SBA has not announced the date on which it will reopen its portal for applications for the $284 billion second round.

Community financial institutions will be able to submit loan applications for the PPP for at least two days before other lenders. This dedicated window for community financial institutions is to ensure businesses that most need PPP funds have access to them. The law reauthorizing the PPP set aside specific pools of funds for first-time PPP borrowers, very small businesses, and small institutions in LMI neighborhoods, as well as loans for community financial institutions.

On April 2, 2020, the SBA posted an interim final rule announcing the implementation of sections 1102 and 1106 of the CARES Act. Section 1102 temporarily added a new program, called the "Paycheck Protection Program" to the SBA's 7(a) Loan Program. Section 1106 of the CARES Act provided for forgiveness of up to the full principal amount of qualifying loans guaranteed under the PPP. Its purpose was to provide economic relief to small businesses nationwide adversely affected by COVID-19. Subsequently, the SBA published twenty-three interim final rules providing additional guidance on the PPP, some of which were jointly issued with the Department of the Treasury. The Treasury published one interim final rule.

On December 27, 2020, the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act (Economic Aid Act) became law. This Act extended the authority to make PPP loans through March 31, 2021 and revises certain PPP requirements. So, the last day to apply for and receive a PPP loan is March 31, 2021.

The first Interim Final Rule amends the existing PPP rules to reflect the changes made by Congress in the Bipartisan COVID-19 Relief Package. Changes include fees, borrower eligibility, loan amounts, eligible expenses, reliance on borrower certifications and loan increases, as well as new registration requirements for all lenders. Most of the first Interim Final Rule does just reiterate existing regulatory provisions to provide lenders and new PPP borrowers with a single regulation to consult when it comes to borrower eligibility, lender eligibility and loan application and origination requirements, as well as general rules on increases and loan forgiveness for PPP loans.

The second Interim Final Rule governs the second-draw loans now available for borrowers with 300 or fewer employees who saw a 25% or greater revenue drop in 2020 compared to 2019 and who have used the full amount of their first-draw PPP loan. Generally, second-draw PPP loans are subject to the same terms, conditions, and requirements as first-draw PPP loans. For the most part, the maximum loan amount is $2 million or two and a half months' worth of average payroll costs, whichever is less. The rule also covers calculations to determine eligibility and loan amounts.

Lastly, the IRS has issued its updated guidance on deductibility of PPP qualified expenses, as required by the changes in the latest COVID-19 relief package. Section 276 of the new law clarified that forgiveness of PPP loans does not create taxable income for the borrower and confirmed that qualified expenses that result in PPP loan forgiveness are deductible. The new IRS guidance renders obsolete its previous guidance that stated the opposite. These changes are applicable to taxable years ending after March 27, 2020.

This summary will review the first Interim Final Rule.

Comment Period

Comments must be received on or before [INSERT DATE 30 DAYS AFTER DATE OF PUBLICATION IN THE FEDREAL REGISTER]. At the time of this summary's publication, this Interim Final Rule has yet to be published.

The First Interim Final Rule: Business Loan Program Temporary Changes; Paycheck Protection Program as Amended

Overview

This rule is not intended to substantively alter or affect PPP rules that were *not* amended by the Economic Aid Act. It is intended to govern new PPP loans made under the Economic Aid Act, as well as applications for loan forgiveness on existing PPP loans where the loan forgiveness payment has not been remitted. It should not be construed to alter or affect the requirements applicable to PPP loans closed prior to its enactment, unless the provision applies retroactively, consistent with specific applicability provisions of the Economic Aid Act as identified in this rule. Additionally, in this Interim Final Rule, the Treasury exercises its authority under section 1109 of the CARES Act to allow borrowers of first draw loans to use 2019 or 2020 to calculate their maximum loan amount.

Applicability Date

This Interim Final Rule applies to loan applications, including requests for increases, and applications for loan forgiveness submitted under the PPP following the enactment of the Economic Aid Act. It also applies to loan forgiveness applications submitted under the PPP before enactment of the Economic Aid Act where SBA has not remitted the forgiveness payment.

General

SBA is authorized to guarantee loans under the PPP through March 31, 2021. Congress has a total of $806,450,000,000 of approved funds to provide guaranteed loans under this temporary 7(a) program under sections 7(a)(36) (PPP loans or First Draw PPP loans) and 7(a)(37) (Second Draw PPP loans) of the Small Business Act—this makes a portion available for new First Draw and Second Draw PPP loans. Lenders have delegated authority to make PPP loans. SBA permits lenders to rely on certifications of the borrower in order to determine eligibility of the borrower and use of loan proceeds and to rely on specified documents provided by the borrower to determine qualifying loan amount and eligibility for loan forgiveness.

Lenders are required to comply with applicable lender obligations but will be held harmless for borrowers' failure to comply with program criteria and will not be subject to any enforcement action or penalty relating to loan origination or forgiveness of the PPP loan if the lender acts in good faith relating to the origination or forgiveness of the PPP loan and satisfies all other applicable Federal, State, local and other statutory or regulatory requirements (per section 7A(h) of the Small Business Act).

The following provides a breakdown of the PPP as enacted by the CARES Act, subsequent amendments, and the changes by the Economic Aid Act.

ELIGIBILITY REQUIREMENTS GENERALLY	
What businesses, organizations and individuals are eligible?	Eligible if, together with affiliates, applicant is: • Small business under applicable revenue-based size standards for its industry or under SBA alternative standard[1]; • Independent contractor, eligible self-employed individual, or sole proprietor; • A tax-exempt 501(c)(3) nonprofit organization, a tax-exempt 501(c)(19) veteran's organization, a 31(b)(2)(C) Tribal business concern, and it employs no more than 500 employees, or, if applicable, the size standard in number of employees established by SBA; • Housing coop, an eligible section 501(c)(6) organization, or an eligible destination marketing organization that employs no more than 300 employees; • News organization majority owned/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 for their industry) per location; or • Another type of entity specifically provided for by the PPP rules (described below)
Eligibility Requirements	Business must have been in operation on February 15, 2020 and either had employees who it paid salaries or payroll taxes, or paid independent contractors, as reported on Form 1099-MISC, or were an eligible self-employed individual, independent contractor as reported in Form 1099-MISC, or were an eligible self-employed individual, independent contractor, or sole proprietorship with no employees. Borrowers must submit sufficient documentation and demonstrate qualifying payroll amount, including payroll records, payroll tax filings, Form 1099-MISC, Schedule C or F, income and expenses from a sole prop or bank records.

[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.

Employees of Foreign Affiliates	Employees of foreign affiliates are included for purposes of determining whether a PPP borrower has more than 500 (or 300[2] if applicable) employees. SBA's affiliation rules require to determine business's size to include employees of the business and all of its domestic and foreign affiliates (except those where affiliate rules expressly do not apply.[3] Under no circumstances are PPP funds to be used to support non-US workers or operations.
Self-Employment Income Form 1040 Schedule C Eligibility	Eligible if: • In operation on February 15, 2020 • Are an individual with self-employment income (such as an independent contractor or sole prop); • Principal place of residence is in the United States; and • Filed or will file Form 1040 Schedule C for 2019 Note: Partners in partnerships and LLCs filing taxes as partnerships are not allowed to submit a separate PPP loan application individually as self-employed individuals.
Directors and Shareholder Owners of Eligible Businesses	Eligible businesses owned in whole or in part by an outside director or holder of a less than 30% equity interest in a PPP lender can obtain a loan from PPP lender on whose board the director serves or in which the equity owner holds an interest, provided that the eligible business owned by the director or equity holder follows the same process as any similarly situated customer or account holder of the lender. There can be no favoritism by the lender in processing time or prioritization, and lenders must comply with all other applicable state and federal regulations concerning loans to associates of the lender. Lenders also must consult with their own internal policies concerning lending to individuals or entities associated with the lender.

[2] For housing cooperatives, section 501(c)(6) organizations, and destination marketing organizations, the applicable size standard is not more than 300 employees.

[3] 7(a)(36)(D)(iv) of the Small Business Act, amended by the CARES Act and Economic Aid Act waives SBA's affiliation rules for (1) any business concern with no more than 500 employees that, as of the date on which the loan is disbursed, is assigned a North American Industry Classification System code beginning with 72; (2) any business concern operations as a franchise that is assigned a franchise identifier code by the Administrations; (3) any business concern that receives financial assistance from a company licensed under section 301 of the Small Business Investment Act of 1958; and (4)(a) any business concern, including any station which broadcasts per a license granted by the FCC that employs no more than 500 employees, or the size standard established by the Administrator for the North American Industry Classification System code applicable to the business concern, per physical location of such business concern and is majority owned or controlled by a business concern that is assigned a North American Industry Classification System Code beginning with 511110 or 5151; or (b) any nonprofit organization that is assigned a North American Industry Classification System code beginning with 5151. SBA also applies affiliation exceptions to certain categories of entities (13 C.F.R. 121.103(b)).

	This does not apply to directors or owners who are also an officer or key employee of the PPP lender. Officers and key employees of a PPP lender may obtain a PPP loan from a different lender but not from the PPP lender with which they are associated. The "Authorized Lender Official" for each PPP loan is subject to the limitations described in the PPP Lender Application Form (SBA Form 2484).
Seasonal Businesses	If seasonal business was dormant or not fully operating as of February 15, 2020 it is still eligible and will be considered to have been in operation as of February 15, 2020 if the business was in operation for any 12-week period between February 15, 2019 and February 15, 2020.
New Organizations with More Than 1 Physical Location and 500-employee Limit	Businesses or any station which broadcasts per an FCC license with more than 1 physical location that employs no more than 500 employees (or size standard established for NAICS codes applicable) per physical location is eligible if: • Majority owned or controlled by a busines concern assigned a NAICS code beginning with 511110 or 5151, or for a public broadcasting entity, has a trade or busines that falls under such a code; and • Makes a good faith certification that proceeds of the loan will be used to support expenses at the component of the organization that produces or distributes locally focused or emergency information.
Hospital Owned by Governmental Entities	A hospital is eligible as a business concern or nonprofit organization (501(c)(3) and exempt under 510(a)) despite ownership by state or local governments if the hospital receives less than 50% of its funding from state or local government sources, exclusive of Medicaid.
Businesses with Legal Gaming Revenue	If a business is otherwise eligible, it will remain so regardless of receipt of legal gaming revenues. Illegally gaming revenues remain ineligible.
Electric Coops Exempt from Federal Income Taxation (501(c)(12))	Eligible if exempt from Federal income taxation if other eligibility requirements is met. Must satisfy the employee-based size standard established by CARES Act, SBA's employee-based size standard corresponding to primary

	industry, if higher, or both tests in SBA's alternative size standard.[4]
Telephone Coops Exempt from Federal Income Taxation (501(c)(12))	Eligible if exempt from Federal income taxation if other eligibility requirements are met. Must satisfy the employee-based size standard established in the CARES Act, SBA's employee-based size standard corresponding to its primary industry, if higher, or both tests in SBA's alternative size standard.[5]
Housing Coops (IRC 216(b))	Eligible if housing coop meets IRC definition and employs no more than 300 employees if other eligibility requirements are met. Affiliation rules apply to housing coops in same way as for small businesses.
Nonprofit and Tax-Exempt News Organizations	Public broadcasting entities that are nonprofit or any organization otherwise subject to IRC 511(a)(2)(B) are eligible if it employs no more than 500 employees (or if applicable, the size standard in number of employees established by SBA for entity's industry) per location. Organization must have a trade or business with assigned NAICS code beginning in 511110 or 5151 and must make good faith certification that proceeds will be used to support expenses at organization that produces or distributes locally focused or emergency information.[6]
Destination Marketing Organizations[7]	Eligible if other eligibility requirements are met and if:

[4] Under the alternative size standard, a busines concern, including an electric cooperative, can qualify for the PPP as a small busines concern if, as of March 27, 2020: (1) the maximum tangible net worth of the business was not more than $15 million; and (2) the average net income after Federal income taxes (excluding any carry-over losses) of the business for the two full fiscal years before the date of the application is not more than $5 million. For an electric cooperative that does not have net income, the cooperative's savings distributed to its owner-members will be considered its net income.

[5] Under the alternative size standard, a business concern, including a telephone cooperative, can qualify for the PPP as a small business concern if, as of March 27, 2020: (1) the maximum tangible net worth of the business was not more than $15 million; and (2) the average net income after Federal income taxes (excluding any carry-over losses) of the business for the two full fiscal years before the date of the application is not more than $5 million. For a telephone cooperative that does not have net income, the telephone cooperative's capital credits distributed to its owner-members will be considered its net income

[6] An eligible nonprofit news organization under section 317 of the Economic Aid Act must have no more than 500 employees. Those nonprofit news organizations with more than one physical location must have no more than 500 employees per location. This makes PPP loans available to nonprofit news organizations, regardless of whether the organization would be a business concern under SBA regulations if the nonprofit news organization satisfies the same general size standard applicable under the PPP rules to other borrowers that are nonprofit or tax-exempt organizations.

[7] A destination marketing organization is a nonprofit entity that is:

- A 501(c) organization exempt from tax under IRC 501(a); or a State, or a political subdivision of a State (including any instrumentality of such entities)
- That are engaged in marketing and promoting communities and facilities to businesses and leisure travelers through a range of activities, including:

	• organization does not receive more than 15% of its receipts from lobbying activities;
	• the lobbying activities of the organization do not comprise more than 15% of organization's total activities;
	• cost of lobbying activities of organization did not exceed $1,000,000 during most recent tax year of organization that ended prior to February 15, 2020;
	• organization employs no more than 300 employees; and
	• organization:
	  ○ is described in IRC 501(c) and is exempt from taxation under IRC 501(a); or
	  ○ is a quasi-governmental entity or is a political subdivision of a State or local government, including any instrumentality of those entities.

IRC 501(c)(6) Organizations	Eligible if exempt from taxation under IRC 501(a) (excluding processional sports leagues and organizations with the purpose of promoting or participating in political campaign or other activity) if other eligibility requirements are met and if: • organization does not receive more than 15% of its receipts from lobbying activities; • organization's lobbying activities do not comprise more than 15% of the total activities of the organization; • cost of organization's lobbying activities did not exceed $1,000,000 during the most recent tax year of the organization that ended prior to February 15, 2020; and • the organization employs no more than 300 employees.
What Makes a Borrower Ineligible	Ineligible for a PPP loan if: • Engaged in any activity that is illegal under Federal, state, or local law;

- assisting with the location of meeting and convention sites;
- providing travel information on area attractions, lodging accommodations, and restaurants;
- providing maps; and
- organizing group tours of local historical, recreational, and cultural attractions
- a State, or a political subdivision of a State (including any instrumentality of such entities;

- Or that are engaged in and derive majority of the operating budget of the entity from revenue attributable to, providing live events.

	• Are a household employer (individuals who employ household employees such as nannies or housekeepers); • An owner of 20% 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 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; • 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; • Your business or organization was not in operation on February 15, 2020; • 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; • The President, the Vice President, the head of an Executive Department, or a Member of Congress, or the spouse of such person as determined under applicable common law, directly or indirectly holds a controlling interest in your business; • 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)32 (SBA will not consider whether an eligible news organization is affiliated with an entity, which includes any entity that owns or controls such news organization, that is an issuer); or • Your business has permanently closed. Permanently closed does not mean a business who has temporarily closed or temporarily suspended its business but intends to reopen.
Businesses in Bankruptcy	If the applicant or the owner of the applicant is the debtor in a bankruptcy proceeding, either at the time it submits the

	application or at any time before the loan is disbursed, the applicant is ineligible to receive a PPP loan. If the applicant or the owner of the applicant becomes the debtor in a bankruptcy proceeding after submitting a PPP application but before the loan is disbursed, it is the applicant's obligation to notify the lender and request cancellation of the application. Failure by the applicant to do so will be regarded as a use of PPP funds for unauthorized purposes. The Borrower Application Form for PPP loans (SBA Form 2483), which reflects this restriction in the form of a borrower certification, is a loan program requirement. Lenders may rely on an applicant's representation concerning the applicant's or an owner of the applicant's involvement in a bankruptcy proceeding.
Hedge Fund or Private Equity Firm	Ineligible as they are primarily engaged in investment or speculation.
Protections for PPP Recipients	Recipients of PPP loans are entitled to exemptions on the grounds provided in Federal nondiscrimination laws for sex-specific admissions practices, sex-specific domestic violence shelters, coreligionist housing, or Indian tribal preferences in connection with adoption or foster care practices. The nondiscrimination provisions in the applicable SBA regulations incorporate the limitations and exemptions provided in corresponding Federal statutory or regulatory nondiscrimination provisions for sex-specific admissions practices at preschools, non-vocational elementary or secondary schools, and private undergraduate higher education institutions under Title IX of the Education Amendments, for sex-specific emergency shelters and coreligionist housing under the Fair Housing Act, and for adoption or foster care practices giving child placement preferences to Indian tribes under the Indian Child Welfare Act. In addition, for purposes of the PPP, SBA regulations do not bar a religious nonprofit entity from making decisions with respect to the membership or the employment of individuals of a particular religion to perform work connected with the carrying on by such nonprofit of its activities.
AFFILIATE RULES GENERALLY	

Affiliates for Determining Purposes of Eligibility	Generally,[8], borrowers will be considered together with its affiliates for purposes of determining eligibility for PPP. Under SBA rules, entities may be considered affiliates based on factors including but not limited to stock ownership, overlapping management, and identity of interest.
SBA's Affiliation Rules	An entity generally is eligible for a PPP if, combined with its affiliates: • is a small business per Small Business Act • has 500 or fewer employees or is a business that operates in a certain industry and meets applicable SBA employee-based size standards for that industry, if higher, and • is a 501(c)(3) tax-exempt nonprofit organization, a housing coop, a 501(c)(19) tax-exempt veterans organization, a Tribal business concern, a section 501(c)(6) organization, a destination marketing organization, or any other business concern, or has 500 or fewer employees per location (or an applicable SBA employee-based size standard for that industry, if higher) and is either majority owned or controlled by a NAICS code 511110 or 5151 business or is a nonprofit public broadcasting entity with a trade or business under NAICS code 511110 or 5151.
Faith Based Organizations	SBA's affiliation rules do not apply to relationship of any church, convention or association of churches, or other faith-based organizations or entities to any other person, group, organization, or entity that is based on a sincere religious teaching or belief or otherwise constitutes a part of the exercise of religion. Includes any relationship to a parent or subsidiary and other applicable aspects of organizational structure or form. SBA will not require lenders to assess the reasonableness of a faith-based organization's determination.
Portfolio Company of Private Equity Fund	Affiliation rules apply to private equity-owned businesses just like any other business subject to outside ownership or control.

[8] Affiliation rules are waived for (1) any business concern with no more than 500 employees that, as of the date on which the loan is disbursed, is assigned a North American Industry Classification System code beginning with 72; (2) any business concern operating as a franchise that is assigned a franchise identifier code by the Administration; (3) any business concern that receives financial assistance from a company licensed under section 301 of the Small Business Investment Act; and (4)(a) any business concern (including any station which broadcasts per a license granted by FCC) that employs no more than 500 employees, or the size standard established by the Administrator for the North American Industry Classification System code applicable to the business concern, per physical location of such business concern and is majority owned or controlled by a business concern that is assigned a North American Industry Classification System code beginning with 511110 or 5151; or (b) any nonprofit organization that is assigned a North American Industry Classification System code beginning with 5151. In addition, certain news organizations are included in this exemption.

	CARES Act waives affiliation rule if borrower receives financial assistance from SBA-licensed Small Business Investment Company (SBIC) in any amount. This includes any type of financing in 13 CFR 107.50 (loans, debts with equity features, equity and guarantees). Affiliation is waived even if borrower has investment from other non-SBIC investors.
Participation in ESOP	Participation in ESOP does not trigger SBA affiliation rules. A business's participation in an ESOP does not result in an affiliation between the business and the ESOP.
LOAN AMOUNT	
Maximum Loan Amount—First Draw	Lesser of $10 million or any amount that the borrower will calculate using a payroll-based formula authorized by the Act. Borrowers who apply for PPP loans in 2021 and who are not self employed (including sole props and independent contractors) are permitted to use the precise 1-year period before the date on which the loan is made to calculate payroll costs if they choose not to use 2019 or 2020.
Calculation of Maximum Loan Amount	Step 1: Aggregate payroll costs from 2019 or 2020 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 examples below illustrate this methodology. Example 1 – No employees make more than $100,000 Annual payroll: $120,000 Average monthly payroll: $10,000 Multiply by 2.5 = $25,000

	Maximum loan amount is $25,000 Example 2 – Some employees make more than $100,000 Annual payroll: $1,500,000 Subtract compensation amounts in excess of an annual salary of $100,000: $1,200,000 Average monthly qualifying payroll: $100,000 Multiply by 2.5 = $250,000 Maximum loan amount is $250,000 Example 3 – No employees make more than $100,000, outstanding EIDL loan of $10,000. Annual payroll: $120,000 Average monthly payroll: $10,000 Multiply by 2.5 = $25,000 Add EIDL loan of $10,000 = $35,000 Maximum loan amount is $35,000 Example 4 – Some employees make more than $100,000, outstanding EIDL loan of $10,000 Annual payroll: $1,500,000 Subtract compensation amounts in excess of an annual salary of $100,000: $1,200,000 Average monthly qualifying payroll: $100,000 Multiply by 2.5 = $250,000 Add EIDL loan of $10,000 = $260,000 Maximum loan amount is $260,000
What Must be Provided for Maximum Loan Amount Calculation	Borrower must provide Form 941 (or other tax forms containing similar information) and state quarterly wage unemployment insurance tax reporting forms from each quarter in 2019 or 2020 (whichever was used to calculate loan amount), or equivalent payroll processor records, along with other evidence of any retirement and health insurance contributions. Must also provide a payroll statement or similar documentation from that pay period that covered February 15, 2020 to establish borrower was in operation on February 15, 2020.
Self-Employment Income Form 1040, Schedule C Maximum Loan Amount and Documentation Required	Calculation depends on whether borrower employed other individuals.

No Employees

Step 1: Find 2019 or 2020 IRS Form 1040 Schedule C line 31 net profit amount (if using 2020 to calculate payroll costs and have not yet filed a 2020 return, fill it out and compute the value). If this amount is over $100,000, reduce it to $100,000. If this amount is zero or less, 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).

Documentation

Must provide 2019 or 2020 (whichever used to calculate loan amount) Form 1040 Schedule C with PPP loan application to substantiate 2019 or 2020 (whatever was used to calculate loan amount) 1099-MISC detailing nonemployee compensation received (box 7), invoice, bank statement or book of record that estabslihed borrower is self-employed.

If using 2020 to calculate loan amount, this is required regardless of whether borrower filed 2020 tax return with IRS. Must provide 2020 invoice, bank statement or book of record to establish borrower was in operation on or around February 15, 2020.

Employees

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

a. 2019 or 2020 Form 1040 Schedule C line 31 net profit amount (if using 2020 and have not 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 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 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 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). Documentation Must supply 2019 or 2020 (whichever was used to calculate loan amount) Form 1040 Schedule C, Form 941 (or other tax forms or equivalent payroll processor records containing similar information) and state quarterly wage unemployment insurance tax reporting forms from each quarter in 2019 or 2020 (whichever was used to calculate loan amount) or equivalent payroll processor records, along with evidence of any retirement or health insurance contributions, if applicable. Payroll statement or similar documentation from pay period that covered February 15, 2020 must be provided to establish borrower was in operation on February 15, 2020.
Seasonal Employer Maximum Loan Amount	Seasonal employer must determine its maximum loan amount by using the employer's average total monthly payments for payroll for any 12-week period selected by the employer beginning February 15, 2019 and ending February 15, 2020.
Seasonal Employer Pre-December 27, 2020 PPP Loan Recalculation	If a seasonal employer received a PPP loan before December 27, 2020, and such employer would be eligible for a higher maximum loan amount the Economic Aid Act, the lender may electronically submit a request through SBA's E-Tran

	Servicing site to increase the PPP loan amount, even if the loan has been fully disbursed and even if the lender's first SBA Form 1502 report to SBA on the PPP loan has already been submitted. In no event can the increased loan amount exceed the maximum PPP loan amount ($10 million for an individual borrower or $20 million for a corporate group). Additionally, the borrower must provide the lender with required documentation to support the calculation of the increase. Any request for an increase must be submitted electronically in E-Tran on or before March 31, 2021 and is subject to the availability of funds.
Farmers and Ranchers Maximum Loan Amount	Depends on whether borrower employs other individuals. **No Employees** Step 1: Find 2019 or 2020 IRS Form 1040 Schedule F line 9 gross income (if using 2020 and have not filed a 2020 return, fill it out and compute the value). 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: 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 ending on 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). Documentation: Must provide a 2019 or 2020 (whichever used to calculate loan amount) form 1040 Schedule F with PPP loan application to back applied-for PPP loan amount and a 2019 or 2020 (whichever was used to calculate loan amount) Form 1099-MISC detailing nonemployee compensation received (box 7), invoice, bank statement or book of record that established self-employed. Must provide a 2020 invoice, bank statement or book of record to establish borrower was in operation on or around February 15, 2020. **With Employees** Step 1: Compute 2019 or 2020 payroll (using the same year for all items) by adding the following:

	a. The difference between 2019 or 2020 Form 1040 Schedule F line 9 gross income amount (if using 2020 and have not 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; b. 2019 or 2020 gross wages and tips paid to employees whose principal place of residence is in the United States computed using 2019 or 2020 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 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 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). <u>Documentation:</u> Must supply 2019 or 2020 (whichever used to calculate loan amount) Form 1040 Schedule F, Form 941 (or other tax forms or equivalent payroll processor records containing similar information) and state quarterly wage unemployment insurance tax reporting forms from each quarter in 2019 or 2020 (whichever used to calculate loan amount) or equivalent

	payroll processor records, along with evidence of any retirement and health insurance contributions, if applicable. A payroll statement or similar documentation from the pay period that covered February 15, 2020 must be provided to establish borrower was in operation on February 15, 2020. **Note:** A farmer or rancher who received a PPP loan before December 27, 2020 may request a recalculation of the maximum loan amount based on the formula described above regarding gross income, if doing so would result in a larger covered loan amount and may receive an increase in its PPP loan based on the recalculation.
Partnerships and Maximum Loan Amount	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, 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). <u>Documentation:</u> Must supply 2019 or 2020 (whichever used to calculate loan amount) Form 1065 (including K-1s) and other relevant supporting documentation if the partnership has employees, including the 2019 or 2020 (whichever used to calculate loan amount) Form 941 and state quarterly wage unemployment insurance tax reporting form from each quarter (or equivalent payroll processor records or IRS Wage and Tax Statements) along with records of any retirement or health insurance contributions. 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
PPP Loan Did Not Include Partner Compensation	If a partnership received a PPP loan that did not include compensation for its partners and only included amounts necessary for payroll costs of the partnership's employees and other eligible operating expenses, the lender can electronically submit a request through SBA's E-Tran Servicing site to increase the PP loan amount to include appropriate partner compensation, even if the loan has been fully disbursed and even if the lender's first SBA Form 1502 report to SBA on the PPP loan has already been submitted. The loan amount increase cannot exceed the maximum loan amount allowed under the PPP, which is $10 million for an individual borrower or $20 million for a corporate group. Borrower must provide lender with required documentation to support the calculation of the increase. Any request for an increase must be submitted electronically in E-Tran on or before March 31, 2021 and is subject to availability of funds.

Single Corporate Group[9]	Single corporate groups cannot receive unlimited PPP loans. Businesses that are part of a single corporate group cannot receive more than $20,000,000 of PPP loans in the aggregate.
PPP Borrowers Eligible to Reapply or Request an Increase in PPP Loan Amount	The following borrowers can reapply or request an increase in their PPP loan amount: • If a borrower returned all a PPP loan, the borrower may reapply for a PPP loan in an amount the borrower is eligible for under current PPP rules. • If a borrower returned part of a PPP loan, the borrower may reapply for an amount equal to the difference between the amount retained and the amount previously approved. • If a borrower did not accept the full amount of a PPP loan for which it was approved, the borrower may request an increase in the amount of the PPP loan up to the amount previously approved. Any request for an increase must be submitted electronically in E-Tran on or before March 31, 2021, and is subject to the availability of funds. SBA will issue additional guidance on the process to reapply or request a loan increase.
Fully Disbursed PPP Loan and Additional Disbursements for Increased Loan Proceeds	Lenders can make a one-time, full disbursement of the PPP loan within 10 calendar days of loan approval. If the PPP loan is increased, the lender can make a single additional disbursement of the increased loan proceeds.
PAYROLL COSTS	
Qualifying Payroll Costs	Payroll Costs are compensation to employees with principal place of residence in United States in the form of: • salary, wages, commissions or similar compensation; • cash tips or equivalent (based on employer records of past tips or, in absence, 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,

[9] Single Corporate Groups are entities majority owned, directly or indirectly, by a common parent. Applicant must notify lender if applicant has applied or received PPP loans in excess of amount permitted and must withdraw or request cancellation of any pending PPP loan application or approved PPP loan not in compliance. Failure will result in a non-eligible loan for forgiveness. Lenders can rely on applicant's representation concerning compliance. SBA's affiliation rules continue to apply.

	disability, vision or dental insurance, including insurance premiums and retirement; • payment of state and local taxes assessed on compensation of employees; and • for independent contractor or sole props—wages, commissions, income or net earnings from self-employment or similar compensation
Exclusions from Payroll Costs	• Any compensation of an employee whose principal place of residence is outside of the United States; • Compensation of an individual employee over $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; • Federal employment taxes imposed or withheld during the applicable period, including the employee's and employer's share of FICA and Railroad Retirement Act taxes, and income taxes required to be withheld from employees; and • Qualified sick and family leave wages for which a credit is allowed under sections 7001 and 7003 of the Families First Coronavirus Response Act
Fishing Boat Owners and Payroll Costs	Fishing boat owners can include payroll costs in their PPP loan applications that are attributable to crewmembers per IRC 3121(b)(20). May include compensation reported in Box 5 Form 1099-MISC and paid to crewmembers 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 in its PPP loan application.
Independent Contractors and PPP Loan Calculations	Independent contractors do not count as employees as they can apply for their own PPP loan. Not permitted to count independent contractors for purposes of a borrower's PPP loan calculation.
Student Workers and PPP Loan Calculations	Student workers can be counted when determining the number of employees for PPP loan eligibility unless: • the applicant is an institution of higher education, as defined in the Department of Education's Federal Work-Study regulations, 34 C.F.R. 675.2, and • the student worker's services are performed as part of a Federal Work-Study Program (as defined in those regulations) or a substantially similar program of a State or political subdivision thereof.

	Institutions of higher education can exclude work study students when determining the number of employees for PPP loan eligibility and must also exclude payroll costs for work study students from calculation of payroll costs used to determine PPP loan amount.
LOAN DETAILS	
Interest Rate	Interest rate is 100 basis points or 1%, calculated on a non-compounding, non-adjustable basis.
Terms and Conditions	Guarantee percentage is 100% No collateral will be required No personal guarantees will be required All loans will be processed by all lenders under delegated authority and lenders will be permitted to rely on certifications of the borrower to determine eligibility of the borrower and use of loan proceeds.
Maturity Date	Maturity is 5 years
"Credit Elsewhere" Test	Lenders do not apply the credit elsewhere test when evaluating an applicant's eligibility.
Fee Waivers	There will be no up-front guarantee fee payable to SBA by the borrower. There will be no lender's annual service fee ("on-going guaranty fee") payable to SBA There will be no subsidy recoupment fee; and There will be no fee payable to SBA for any guarantee sold into the secondary market.
Multiple First Draw PPP Loans	Borrowers cannot apply for more than one First Draw PPP loan—this means that if a borrower applies for a PPP loan, it should consider applying for the maximum amount. Any borrower who received a PPP loan in 2020 received a First Draw PPP Loan and is *not* eligible for another First Draw PPP Loan, but *may* be eligible for a Second Draw PPP Loan. Loans for which funds have not been disbursed because a borrower has not submitted required loan documentation within 20 calendar days of loan approval will be cancelled by the lender.

	When disbursing loans, lenders must send any amount of loan proceeds designated for the refinance of an EIDL loan directly to SBA and not the borrower.
E-Signatures or E-Consents if Multiple Owners	E-Signature and E-Consents can be used regardless of number of owners
Repayment of PPP Loan	If a borrower submits to lender a forgiveness application within 10 months after the end of their loan forgiveness covered period, the borrower will not have to make payments of principal or interest on the loan before the date on which the SBA remits the loan forgiveness amount on the loan to the lender (or notifies the lender that no loan forgiveness is allowed).
Loan Forgiveness Covered Period	The period beginning on the date the lender disburses the PPP loan and ends on any date selected by the borrower that occurs during the period: • beginning on the date that is 8 weeks after the date of disbursement and • ending on the date that is 24 weeks after the date of disbursement Lender must notify borrower of remittance by SBA of loan forgiveness amount (if any) and the date the first payment is due. Interest continues to accrue during the deferment period. If borrower does not submit to lender a loan forgiveness application within 10 months after the end of their loan forgiveness covered period, they must begin paying principal and interest after that period.
Forms Required for PPP Loan Application	Applicant must submit a Paycheck Protection Program Borrower Application Form (SBA Form 2483) or lender's equivalent and payroll documentation. Lenders must submit SBA Form 2484 Paycheck Protection Program Lender's Application for 7(a) Loan Guaranty electronically per program requirements and maintain forms and supporting documentation in its files.
PERMISSIBLE USE OF PPP LOAN FUNDS	
Eligible Use of PPP Loan Proceeds	• Payroll costs • 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;

- Mortgage interest payments (but not mortgage prepayments or principal payments);
- Rent payments;
- Utility payments;
- Interest payments on any other debt obligations that were incurred before February 15, 2020;
- Refinancing an SBA EIDL loan made between January 31, 2020 and April 3, 2020;
- 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);
- 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);
- 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
- Covered worker protection expenditures which includes 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; and 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).
Payroll Costs Percentage Requirement	At least 60% of the PPP loan proceeds must be used for payroll costs. For purposes of determining the percentage used for payroll costs, the amount of any EIDL refinanced will be included. For purposes of loan forgiveness, borrower will have to document the proceeds used for payroll costs to determine forgiveness amount.
Individual Self-Employment Form 1040, Schedule C Use of PPP Loan Funds	Individuals with income from self-employment who file Form 1040, Schedule C and use the funds for the following: • Owner compensation replacement, calculated based on 2019 or 2020 (using the same year that was used to calculate the loan amount) net profit • Employee payroll costs for employees whose principal place of residence is in the United States, if applicable • 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 mortgage for the warehouse purchased to store business equipment or the interest on an auto loan for a vehicle to use to perform business), business rent payments (e.g., the warehouse where store business equipment or the vehicle used to perform business), and business utility payments (e.g., the cost of electricity in the warehouse rented or gas used driving business vehicle). Borrower must have claimed or be entitled to claim a deduction for such expenses on 2019 or 2020 (whichever 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. • Interest payments on any other debt obligations that were incurred before February 15, 2020 (such amounts are not eligible for PPP loan forgiveness). • 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). • Covered operations expenditures, as defined in section 7A(a) of the Small Business Act, to the extent they is deductible on Form 1040 Schedule C. • Covered property damage costs, as defined in section 7A(a) of the Small Business Act, to the extent they is deductible on Form 1040 Schedule C. • 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 • Covered worker protection expenditures, as defined in section 7A(a) of the Small Business Act, to the extent they is deductible on Form 1040 Schedule C.
PPP Proceeds and Lobbying Activities or Expenditures	No proceeds of a PPP loan can be used for lobbying activities, lobbying expenditures related to State or local elections, or expenditures designed to influence the enactment of legislation, appropriations, regulation, administrative action, or Executive order proposed or pending before Congress or any

	State government, State legislature, or local legislature or legislative body.
Misuse of PPP Loan Funds	If funds are used for unauthorized purposes, SBA will direct borrower to repay those amounts. If knowingly misused funds for unauthorized purposes, borrower will be subject to additional liability (charges for fraud). If a shareholder, member or partner uses PPP funds for an unauthorized purpose, SBA will have recourse against that person for unauthorized use.
Required PPP Loan Certifications	On the PPP Borrower Application, an authorized representative of the applicant must certify in good faith: i. The Applicant was in operation on February 15, 2020, has not permanently closed, and was either an eligible self-employed individual, independent contractor, or sole proprietorship with no employees, or had employees for whom it paid salaries and payroll taxes or paid independent contractors, as reported on a Form 1099-MISC. ii. Current economic uncertainty makes this loan request necessary to support the ongoing operations of the applicant. iii. The funds will be used to retain workers and maintain payroll; or make payments for mortgage interest, rent, utilities, covered operations expenditures, covered property damage costs, covered supplier costs, and covered worker protection expenditures as specified under the Paycheck Protection Program Rules; 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. (As explained above, not more than 40% of loan proceeds may be used for nonpayroll costs.) iv. I understand that loan forgiveness will be provided for the sum of documented payroll costs, covered mortgage interest payments, covered rent payments, covered utilities, covered operations expenditures, covered property damage costs, covered supplier costs, and covered worker protection expenditures, and not more than 40% of the forgiven amount may be for non-payroll costs. If required, the Applicant will provide to the Lender and/or SBA documentation verifying the number of full-time equivalent employees on the Applicant's

payroll as well as the dollar amounts of eligible expenses for the covered period following this loan.

v. The Applicant has not and will not receive another loan under the Paycheck Protection Program, section 7(a)(36) of the Small Business Act (this does not include Paycheck Protection Program second draw loans, section 7(a)(37) of the Small Business Act (15 U.S.C. 636(a)(37)).

vi. The Applicant has not and will not receive a Shuttered Venue Operator grant from SBA.

vii. The President, the Vice President, the head of an Executive department, or a Member of Congress, or the spouse of such person as determined under applicable common law, does not directly or indirectly hold a controlling interest in the Applicant, with such terms having the meanings provided in section 322 of the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act

viii. The Applicant is not 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

ix. I further certify that the information provided in this 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 U.S.C. 1001 and 3571 by imprisonment of not more than five years and/or a fine of up to $250,000; under 15 U.S.C. 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 U.S.C. 1014 by imprisonment of not more than thirty years and/or a fine of not more than $1,000,000

x. 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 the tax information with SBA's authorized representatives, including authorized representatives of the SBA Office of Inspector General, for the purpose of compliance with SBA Loan Program Requirements and all SBA reviews

Limited Safe Harbor for Certifications of Need	CARES Act requires each applicant applying for a PPP loan to certify in good faith that this loan request is needed. SBA and Treasury released in FAQ 46 (May 13, 2020) how they will review good-faith certifications. This includes a safe harbor providing that any PPP borrower, together with affiliates, that received a PPP loan with an original principal amount less than $2 million will be deemed to have made the required certification concerning the necessity of the loan in good faith.
PPP LOAN FORGIVENESS	
Full and Partial Forgiveness	The amount of loan forgiveness can be up to the full principal amount of the loan and any accrued interest. Eligible borrowers will not be responsible for any loan payment if the borrower uses all loan proceeds for forgivable purposes and employee and compensation levels are maintained or, if not, an applicable safe harbor or exemption applies. Actual forgiveness amount will depend in part on total amount of eligible expenses. Payroll costs that are qualified wages taken into account in determining the Employer Retention Credit are not eligible for loan forgiveness. To receive full loan forgiveness, a borrower must use at least 60% of the PPP loan for payroll costs, and not more than 40% of the loan forgiveness amount may be attributable to nonpayroll costs. For example, if a borrower uses 59% of its PPP loan for payroll costs, it will not receive the full amount of loan forgiveness it might otherwise be eligible to receive. Instead, the borrower will receive partial loan forgiveness, based on the requirement that 60% of the forgiveness amount must be attributable to payroll costs.
Alternative Covered Period	Because the Economic Aid Act changed the loan forgiveness covered period from either 8- or 24-week period to a covered period between 8 and 24 weeks at the election of the borrower, the SBA is eliminating the "alternative covered period."
Loan Amounts of $150,000 or Less	Eligible borrowers with loan amounts of $150,000 or less are not required at time of application for loan forgiveness to submit any application or documentation in addition to the certification and information required. Borrowers must still maintain records relevant to the form that prove compliance with the PPP requirements with respect to employment records for a 4-year period following submission of the loan forgiveness application, and for other records, 3-year period following submission of loan forgiveness application.

	SBA can review and audit PPP loans of $150,000 or less and access any records the borrower is required to obtain.
Record Retention	All other borrowers over $150,000 must follow the existing requirements for loan forgiveness applications and record retention. For borrowers $150,000 or less, see above. All borrowers with loans of any size must provide documentation independently to a lender to satisfy relevant Federal, State, local or other statutory or regulatory requirements or in connection with an SBA loan review.
EIDL Advance	The Economic Aid Act repealed the CARES Act requirement for SBA to deduct EIDL Advance Amounts received by borrowers from the forgiveness payment amounts remitted by SBA to the lender. The EIDL advance amount received will not reduce the amount of forgiveness the borrower is entitled to and will not be deducted from the forgiveness payment amount the SBA remits to lender. Any EIDL advance amounts previously deducted from a borrower's forgiveness amount will be remitted to the lender, together with interest to the remittance date.
Independent Contractors and PPP Loan Forgiveness	Independent contractors do not count for purposes of a borrower's PPP loan forgiveness.
Loans Made Prior to December 27, 2020 and Government Interest in Borrower	PPP loans made before December 27, 2020 where President of the United States, Vice President of the United States, head of an Executive department, or a Member of Congress, or the spouse of such person as determined under applicable common law, directly or indirectly holds a controlling interest in the borrower, the principal executive officer, or individual performing a similar function, of the borrower must disclose that information to SBA. Such disclosure must be made not later than January 26, 2021, if the borrower submitted an application for forgiveness before December 27, 2020, or not later than 30 days after submitting an application for forgiveness.
LENDER REQUIREMENTS	
Eligible Lenders	• All SBA 7(a) lenders are automatically approved to make PPP loans on a delegated basis.

- The following types of lenders have been determined to meet the criteria and are eligible to make PPP loans unless they currently are designated in Troubled Condition by their primary Federal regulator or are subject to a formal enforcement action with their primary Federal regulator that addresses unsafe or unsound lending practices:
    - Any federally insured depository institution or any federally insured credit union;
    - Any Farm Credit System institution92 (other than the Federal Agricultural Mortgage Corporation) as defined in 12 U.S.C. 2002(a) that applies the requirements under the Bank Secrecy Act and its implementing regulations (collectively, BSA) as a federally regulated financial institution, or functionally equivalent requirements that are not altered by this rule; and
    - Any depository or non-depository financing provider that originates, maintains, and services business loans or other commercial financial receivables and participation interests; has a formalized compliance program; applies the requirements under the BSA as a federally regulated financial institution, or the BSA requirements of an equivalent federally regulated financial institution; has been operating since at least February 15, 2019, and has originated, maintained, or serviced more than $50 million in business loans or other commercial financial receivables during a consecutive 12 month period in the past 36 months, or is a service provider to any insured depository institution that has a contract to support such institution's lending activities in accordance with 12 U.S.C. 1867(c) and is in good standing with the appropriate Federal banking agency.
- Qualified institutions described will be automatically qualified under delegated authority by the SBA upon transmission of CARES Act Section 1102 Lender

	Agreement (SBA Form 3506) unless they currently are designated in Troubled Condition by their primary Federal regulator or are subject to a formal enforcement action by their primary Federal regulator that addresses unsafe or unsound lending practices. • A non-bank lender may be approved to make PPP loans if it has originated, maintained, or serviced more than $10 million in business loans or other commercial financial receivables during a 12-month period in the past 36 months, if the non-bank lender is (1) a community development financial institution (other than a federally insured bank or federally insured credit union) or (2) a majority minority-, woman-, or veteran/military-owned lender.
SAM.gov Registration Requirement	Lenders will have 30 days from the date of the first PPP loan disbursement made after December 27, 2020 to complete SAM registration and provide SBA with the lender's unique entity identifier.
Loan Underwriting Requirements for Lenders	Each lender must: • Confirm receipt of borrower certifications contained in Paycheck Protection Program Borrower Application Form (SBA Form 2483) issued by the Administration or lender's equivalent form; • Confirm receipt of information demonstrating that a borrower was either an eligible self-employed individual, independent contractor, or sole proprietorship with no employees or had employees for whom the borrower paid salaries and payroll taxes on or around February 15, 2020; • Confirm the dollar amount of average monthly payroll costs for 2019 or 2020 by reviewing the payroll documentation submitted with the borrower's application; and • Follow applicable BSA requirements: o Federally insured depository institutions and federally insured credit unions should continue to follow their existing BSA protocols when making PPP loans to either new or existing customers who are eligible borrowers under the PPP. PPP loans for existing customers will not require re-verification under applicable BSA requirements, unless otherwise

indicated by the institution's risk-based approach to BSA compliance.

- Entities that are not presently subject to the requirements of the BSA, should, prior to engaging in PPP lending activities, including making PPP loans to either new or existing customers who are eligible borrowers under the PPP, establish an anti-money laundering (AML) compliance program equivalent to that of a comparable federally regulated institution. Depending upon the comparable federally regulated institution, such a program may include a customer identification program (CIP), which includes identifying and verifying their PPP borrowers' identities (including e.g., date of birth, address, and taxpayer identification number), and, if that PPP borrower is a company, following any applicable beneficial ownership information collection requirements. Alternatively, if available, entities may rely on the CIP of a federally insured depository institution or federally insured credit union with an established CIP as part of its AML program. In either instance, entities should also understand the nature and purpose of their PPP customer relationships to develop customer risk profiles. Such entities will also generally have to identify and report certain suspicious activity to the U.S. Department of the Treasury's Financial Crimes Enforcement Network (FinCEN). If such entities have questions with regard to meeting these requirements, they should contact the FinCEN Regulatory Support Section at FRC@fincen.gov. In addition, FinCEN has created a COVID-19- specific contact channel, via a specific drop-down category, for entities to communicate to FinCEN COVID-19-related concerns while adhering to their BSA obligations. Entities that wish to communicate such COVID-19-related concerns to FinCEN should go to www.FinCEN.gov, click on "Need

	Assistance," and select "COVID19" in the subject drop-down list. Lender's underwriting obligations are limited to the above and reviewing the Paycheck Protection Borrower Application Form. Borrowers are responsible for submitting documentation necessary to establish eligibility (payroll records, payroll tax filings, Form 1099-MISC, Schedule C or F, income and expenses from a sole prop, or bank records. If borrower does not have these records, may use supporting documentation (bank records, etc.) to show qualifying payroll amount.
Lender Reliance on Certifications	Lenders can rely on any certification or documentation submitted by an applicant for a PPP loan or an eligible recipient or eligible entity that is submitted through all applicable statutory requirements and attests that the applicant, eligible recipient, or eligible entity has accurately provided such information and documentation. Lenders' reliance will not allow for an enforcement action against the lender, and the lender will not be subject to any penalties related to loan origination or forgiveness if the lender acted in good faith relating to the loan origination or forgiveness because of that reliance, and all other relevant Federal, State, local and other statutory and regulatory requirements were satisfied with respect to the loan.
Lender Reliance on Borrower Forgiveness Documentation	Lender can rely on borrower's documentation for forgiveness and does not need to independently verify the borrower's reported information if the borrower submitted the documentation supporting their request for loan forgiveness and attested that it was accurate.
Lender Fees	For PPP loans made on or after December 27, 2020, SBA will pay lenders fees based on the balance of the financing outstanding at the time of disbursement, for processing the loan in the following amounts: • For loans of not more than $50,000, an amount equal to the lesser of fifty (50) percent or $2,500; • 5% for loans of more than $50,000 and not more than $350,000; • 3% for loans of more than $350,000 and less than $2,000,000; and • 1% for loans of at least $2,000,000. SBA will pay the fee no later than 5 days after the reported disbursement of the PPP loan and, per the Economic Aid Act,

	will not require the fee to be repaid by the lender unless the lender is found guilty of an act of fraud in connection with the PPP loan.
PPP Loans and Secondary Markets	PPP loans can be sold on the secondary market after the loan is fully disbursed at a premium or a discount to par value.
PPP Loan Pledged to FRB or FHLB Advances	A pledge of 7(a) loans to FRB or FHLB does not require prior written consent or notice to SBA. SBA would not have to approve loan documents or require a multi-party agreement among SBA, the lender and others.
PPP Promissory Note	Lenders can use their own promissory note or an SBA form of a promissory note. Lenders may include in their promissory notes for PPP loans any terms and conditions, including relating to amortization and disclosure, that are not inconsistent with section 1102 of the CARES Act and section 7A of the Small Business Act, the PPP Interim Final Rules and guidance, and SBA Form 2484. See FAQ 21 (posted April 13, 2020).
Separate SBA Authorization Document	Lenders do not have to use a separate SBA Authorization for SBA to guarantee PPP loans. But, lenders must have executed SBA Form 2484 (Lender Application Form—Paycheck Protection Program Guaranty) to issue PPP loans and receive a loan number for each originated PPP loan.
SBA Form 1502	SBA has made available a specific SBA Form 1502 reporting process for PPP lenders to report on PPP loans and collect the processing fee on fully disbursed loans. Lenders must electronically upload SBA Form 1502 information within 20 calendar days after a PPP loan is approved. The lender must report on SBA Form 1502 whether it has fully disbursed PPP loan proceeds. A lender will not receive a processing fee: (1) prior to full disbursement of the PPP loan; (2) if the PPP loan is cancelled before disbursement; or (3) if the PPP loan is cancelled or voluntarily terminated and repaid after disbursement (including if a borrower repays the PPP loan proceeds to conform to the borrower's certification regarding the necessity of the PPP loan request). If the lender has received a processing fee on a loan that was cancelled or voluntarily terminated and repaid after disbursement (including if a borrower repaid the PPP loan proceeds to conform to the borrower's certification regarding

	the necessity of the PPP loan request), SBA will not require the lender to repay the processing fee unless the lender is found guilty of an act of fraud in connection with the PPP loan. Lenders will be required to confirm that all PPP loans for which the lender is requesting a processing fee have been fully disbursed on the disbursement dates and in the loan amounts reported. A lender must report through either E-Tran Servicing or the SBA Form 1502 report any PPP loans that have been cancelled before disbursement or that have been cancelled or voluntarily terminated and repaid after disbursement.
Reporting Disbursements Approved for Loan Increases Due to Economic Aid Act	Lenders must submit the SBA Form 1502 information within 20 calendar days after a PPP loan increase is approved following the SBA Form 1502 reporting process.
AGENT FEES	
Payment of Agent Fees	Agent fees may not be paid out of the proceeds of a PPP loan. If a borrower has knowingly retained an agent, such fees will be paid by the borrower. A lender is only responsible for paying fees to an agent for services for which the lender directly contracts with the agent. The total amount that an agent may collect from the lender for assistance in preparing an application for a PPP loan (including referral to the lender) may not exceed: • 1% for loans of not more than $350,000; • 0.5% percent for loans of more than $350,000 and less than $2 million; and • 0.25% for loans of at least $2 million.