

Important Note: This information is designed to provide you with considerations based on forgiveness guidelines as currently understood. It is very important to take note that the Small Business Administration (SBA) has yet to release final guidance with respect to the application for forgiveness of Paycheck Protection Program (PPP) loan amounts. Please take a moment to read important disclosures on page 5 of this document, as well as continue to consult with your tax, accounting and legal advisors.

LOAN FORGIVENESS CHECKLIST:

8 Actions Borrowers Should Consider Today

- △ Take note of the 8-week Covered Period.
- △ Use loan proceeds for qualified expenses only.
- △ Determine baseline FTE and wage/salaries.
- △ Rehire employees as early as possible.¹
- △ Restore salary and wages paid to employees.¹
- △ Consider timing of payroll and align it with Covered Period.
- △ Document wages and salaries paid in Covered Period.
- △ Document payments for mortgage interest, rent and utilities made during Covered Period.

LOAN FORGIVENESS CHECKLIST DESCRIPTIONS:

For Discussion with Your Tax, Accounting and Legal Advisors

1. Take note of the 8-week Covered Period.

Loan forgiveness will depend on the borrower's use of the loan proceeds during the 8-week period following the disbursement of the loan ("Covered Period").

2. Use loan proceeds for qualified expenses only.

At least 75% of loan proceeds must be used for payroll costs. No more than 25% of loan proceeds may be used for rent, utilities and interest on debt and mortgage payments.

- **Payroll Costs:** Payroll costs include salary, wage, commission or similar compensation; payments of cash tips; payments for vacation, parental, family, medical or sick leave; allowances for dismissal or separation; payments required for the provision of group healthcare benefits, including insurance premiums; payments of retirement benefits; and payments of state or local tax assessed on employee compensation.

Exclude the following from payroll costs:

- Compensation of an employee in excess of \$100,000 annually (for the 8-Week Covered Period, Eligible compensation is capped at \$15,385 per individual);
- Covered benefits for business owners that applied for PPP loans as sole proprietors;
- Taxes under chapters 21, 22 or 24 of the Internal Revenue Code;
- Any compensation of an employee who lives outside of the U.S.;
- Qualified sick leave wages under §7001 of the Families First Coronavirus Response Act; and
- Qualified family leave wages under §7003 of the Families First Coronavirus Response Act.

Borrowers with self-employment income who file a Form 1040 Schedule C may be eligible for forgiveness equal to up to 8 weeks' worth of their 2019 net profit.

¹If applicable and desirable for calculating loan forgiveness.

- **Lease Payments:** Payments under lease agreements existing prior to February 15, 2020 are eligible for loan forgiveness, subject to the 25% cap noted above.
- **Utility Payments:** Payments for electricity, gas, water, transportation, telephone or internet access for which service began prior to February 15, 2020, are also eligible for loan forgiveness, subject to the 25% cap noted above.
- **Debt and Mortgage Interest Payments:** These costs consist of payments of interest on debt you incurred in the ordinary course of business that (A) is your liability, (B) is a mortgage on real or personal property and (C) was incurred prior to February 15, 2020, subject to the 25% cap noted above.

3. Determine baseline average monthly FTE and wages/salaries.

- Baseline average monthly FTE

Non-seasonal employers

Option 1: Average monthly FTEs in 2019 (February 15, 2019, to June 30, 2019)

Option 2: Average monthly FTEs in 2020 (January 1, 2020, to February 29, 2020)

Seasonal employers

Average monthly FTEs in 2019 (February 15, 2019, to June 30, 2019)

The baseline average monthly FTE = the average monthly FTE required during the Covered Period to obtain maximum forgiveness.

The percentage decrease in the average monthly FTEs employed during the Covered Period as compared to the baseline average results in a percentage decrease in the loan amount eligible for forgiveness, e.g., 20% decrease in FTEs during the Covered Period relate to the baseline average results in a 20% decrease in loan amounts eligible for forgiveness.

- Baseline wages/salary

Step 1: Identify covered employees for wage reduction calculation: Include any employee who did not receive, during any single pay period during 2019, wages/salary at an annualized rate of pay in an amount more than \$100,000.

Step 2: Compare wages/salary paid to covered employee during the Covered Period with salary/wages paid during Q1 2020.

A decrease in the wages/salary paid for any applicable covered employee during the Covered Period in excess of 25% will reduce the amount eligible for loan forgiveness, e.g., if an employee's monthly salary was reduced from \$5,000 to \$3,000, the amount of loan forgiveness would be reduced by \$4,000 (in addition to any further adjustments resulting from a reduction in FTEs during the Covered Period).

4. Rehire employees as early as possible, if applicable and desirable for calculating loan forgiveness.

If you reduced your FTEs between February 15, 2020, and April 26, 2020, you may rehire the number of FTEs needed to meet the baseline average monthly FTE you calculated above in step 3 and to minimize the related reduction to your forgiveness amount. If you have 2 options, you can use the lower baseline average monthly FTE.

It is best to rehire employees as soon as possible during the Covered Period so you can utilize loan proceeds to pay payroll costs. In any case, you must rehire them by June 30, 2020, to receive the benefit of the rehiring and to prevent any reduction in the forgivable amount.

5. Restore salary and wages paid to employees, if applicable and desirable for calculating loan forgiveness.

If you reduced the salary and wages of covered employees between February 15, 2020, and April 26, 2020, you may restore salary and wages based on the baseline salary/wages you calculated above in step 3 and minimize the related reduction to your forgiveness amount.

It is best to restore salary and wages as soon as possible during the Covered Period so you can utilize loan proceeds to pay payroll costs. In any case, you must restore salary and wages by June 30, 2020, to receive the benefit of the salary/wage restoration and to prevent any reduction in the forgivable amount.

6. Consider timing of payroll and align it with Covered Period.

The timing of your payroll period might not align with the 8-week Covered Period.

If you control your payroll timing, you might consider restarting payroll to begin on the disbursement date, so it aligns with the Covered Period.

If you work with a third-party payroll provider, contact the payroll provider immediately to ensure they pay a stub payment ending on the last day of the Covered Period so you can maximize the amount of payroll costs paid during the Covered Period.

7. Document wages and salaries paid in Covered Period.

For the duration of the Covered Period, collect documentation (including tax and payroll records) verifying the number of full-time employees you employed during the relevant periods and the compensation that you paid, including payroll tax filings reported to the IRS, as well as state income, payroll and unemployment insurance filings.

If you work with a third-party payroll provider, contact the payroll provider immediately to determine if they can produce specific payroll reports for the forgiveness application process for PPP loans.

Example documentation for business entities: Form 941 or payroll process records that best correspond to the Covered Period. State quarterly wage unemployment insurance tax forms, state and local employer tax forms, and evidence of employer retirement and health insurance contributions that best corresponds to the Covered Period. Payroll summaries documenting: 1) FTEs over the Covered Period and on June 30, 2020, 2) FTEs for the baseline periods identified in Step 3 above, 3) FTEs on February 15, 2020, and 4) salaries and wages on February 15, 2020.

8. Document payments for debt and mortgage interest, rent and utilities made during Covered Period.

For the duration of the Covered Period, collect any payment documentation or canceled checks used for payments of debt and mortgage interest, rent and utilities including electricity, gas, water, transportation, telephone or internet access. If canceled checks aren't available, collect bank records showing electronic payment transactions for such payments and the corresponding billing statements.

Work with your accounting and tax advisors to organize your documentation for submission with your forgiveness application.



SBA PAYCHECK PROTECTION PROGRAM LOAN FORGIVENESS CHECKLIST (AS OF MAY 11, 2020)

Important information regarding your Paycheck Protection Program (PPP) loan

This information reflects First National Bank of South Miami's (FNBSM) understanding of the PPP regulations as of the date hereof. The PPP regulations are subject to change and uncertainty as to application. FNBSM has no obligation to update this information or to provide you any supplemental information for any changes made to or further guidance provided with respect to the PPP regulations after the date hereof or otherwise.

FNBSM is providing this information for convenience purposes only. Applicant is responsible for determining eligibility for the PPP loan and forgiveness, filling out the application and providing true and correct information to FNBSM. FNBSM is not acting as Applicant's advisor in determining whether Applicant qualifies for a loan or forgiveness, whether the information Applicant provides is correct, or otherwise. That is Applicant's responsibility. FNBSM and the SBA are relying on Applicant, as the borrower, to determine whether Applicant qualifies for the loan or forgiveness and whether the calculations and information provided are accurate and complete. While the headings and information included here are based on the applicable PPP regulations, such headings and information are provided for convenience purposes only. Applicant is solely responsible for its use of this information and ensuring that it complies with the PPP regulations.

FNBSM cannot guarantee forgiveness of your PPP loan, and loan forgiveness is subject in all respects to the PPP regulations. Forgiveness of your PPP loan is only available for eligible uses of proceeds under the PPP regulations. Forgiveness of your PPP loan is not automatic, and you must request it. You will be required to provide documentation in accordance with the PPP regulations and certify that the forgiveness amount qualifies under the PPP regulations, in addition to complying with such further processes, procedures and requirements that FNBSM may require. FNBSM will not apply for loan forgiveness for you, and you are responsible for understanding the PPP rules applicable to loan forgiveness. You will remain responsible under the PPP loan for any amounts not forgiven. FNBSM will, through an online portal, intake your application and supporting documentation and confirm your application is complete before requesting on approval from the SBA on your behalf. FNBSM is not advising you on your eligibility for your PPP loan, the PPP regulations, loan forgiveness or any other aspect of the PPP. It is your sole responsibility to determine and certify as to your eligibility for loans and loan forgiveness and compliance with the PPP regulations. The SBA and FNBSM will rely upon your certifications in all respects.