



Paycheck Protection Program (PPP) Explained

ABC Webinar

April 9, 2020

Today's Speakers



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Quick Notes



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Who we are



The only US organization representing the entire biogas industry

All sectors represented

- Project developers/owners
- Equipment retailers and dealers
- Waste management companies
- Waste water companies
- Farms
- Utilities
- Municipalities
- Consultants and EPCs
- Financiers, accountants, lawyers and engineers
- Non-profits, universities and government agencies

200+
organizations

2,000+
organizations





The US Biogas Market

Current

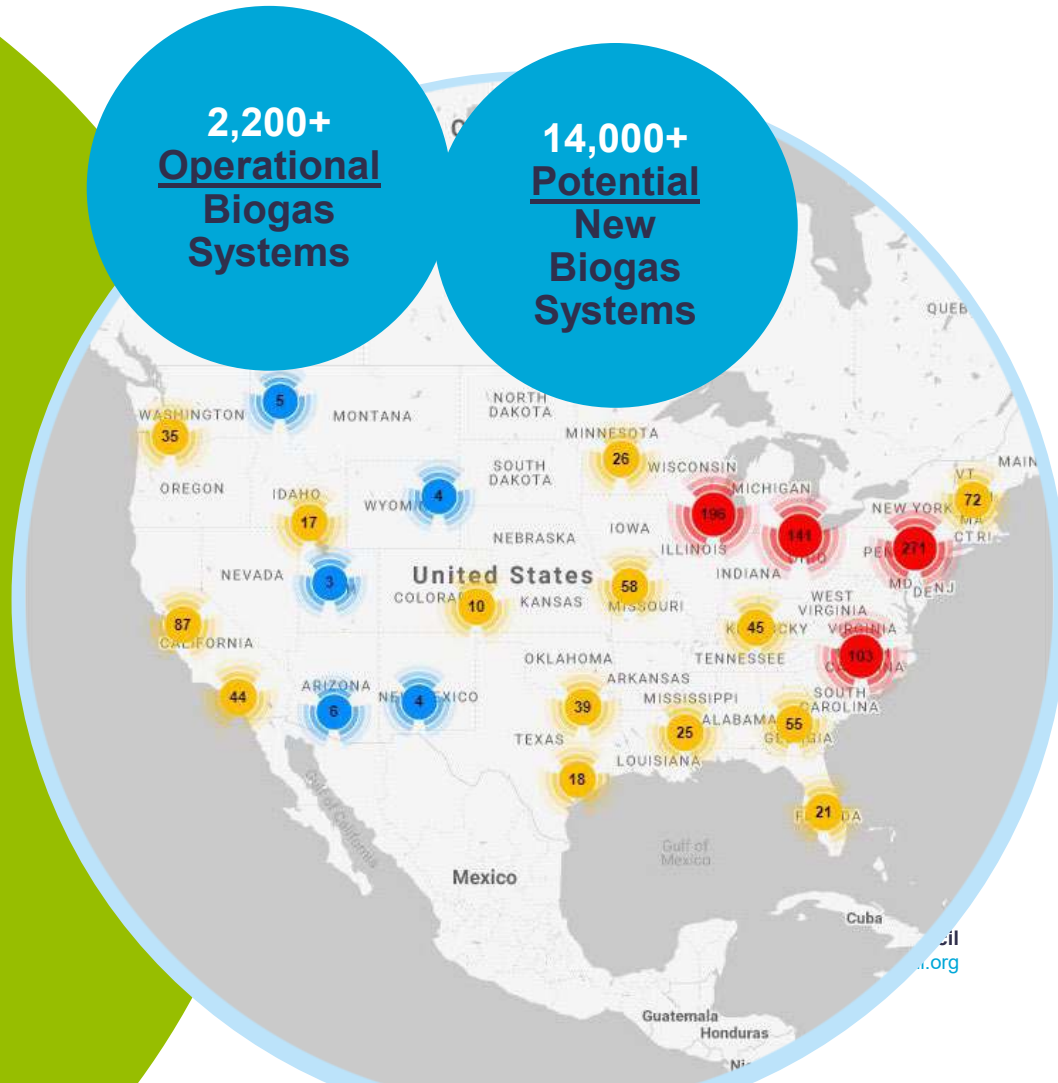
254 on Farm
1,269 Water
66 Food Scrap
645 at Landfills

Potential

8,300 on Farm
4,000 Wastewater
1,000 Food Scrap
440 at Landfills

2,200+
Operational
Biogas
Systems

14,000+
Potential
New
Biogas
Systems





Topics Covered

- Who qualifies for funding through the Paycheck Protection Program
- How to determine the amount of PPP funding your business qualifies for
- Understanding the terms and timeline of the funding
- Application process, timing and information required to apply
- Status of PPP funding volume so far
- Bank Bandwidth
- When applicants might expect access to new funds

Paycheck Protection Program (PPP) Explained

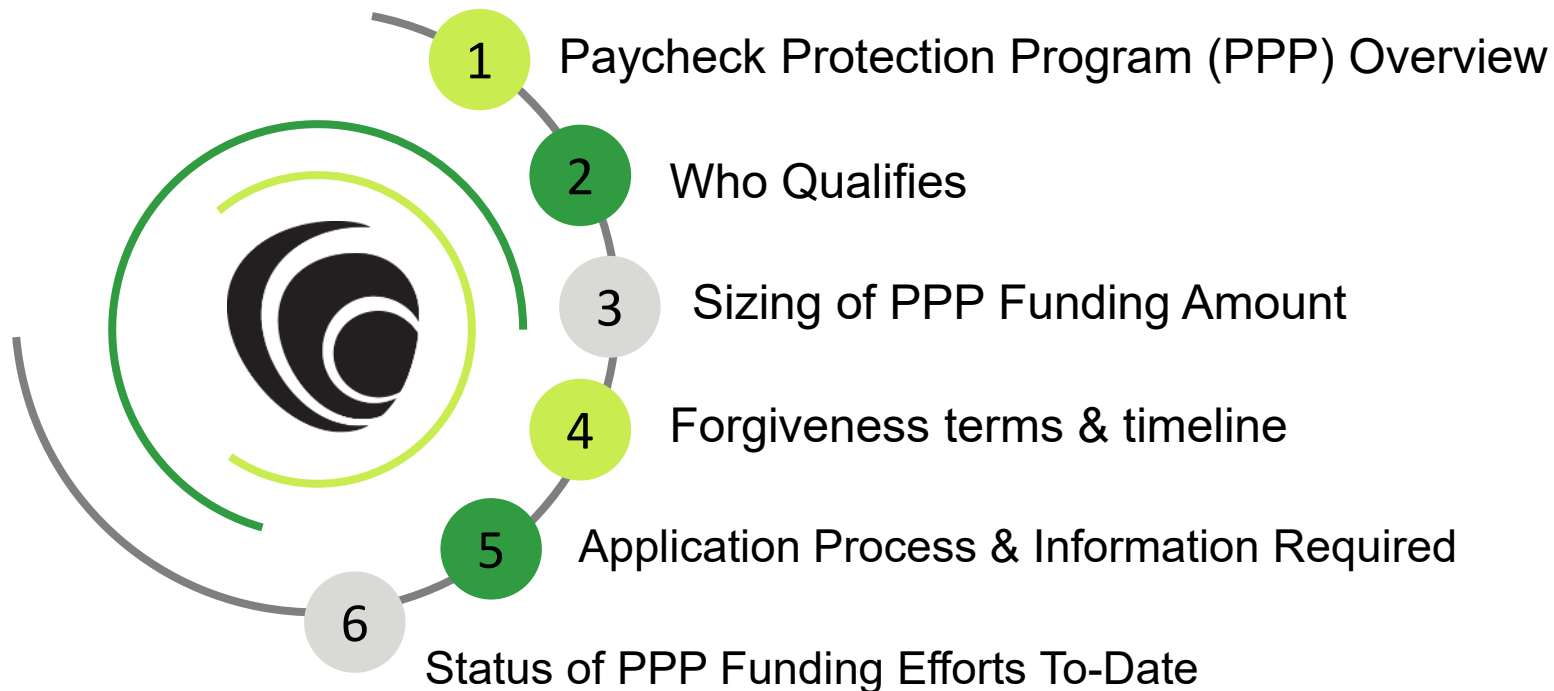
April 9, 2020



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Today's agenda





CARES ACT

Latest developments

- CARES Act Signed by President Trump March 27th
- **\$349 billion Paycheck Protection Program (PPP) Launched April 3rd**
- Emergency Economic Injury Disaster Loans (EIDL) expanded
- Each program is administered by Small Business Administration (SBA)

SBA guidance coming out nearly every day – rules will continue to change

PPP vs. EIDL

1. PPP

- Apply to a bank
- **Designed to be a grant to enable employers to continue paying employees for the next 8 weeks**
- Size of funding is a formula based on 2.5 months of payroll costs, maximum of \$10 million
- 100% forgivable loan if you maintain payroll costs and headcount (additional forgiveness requirements apply)

2. EIDL

- Apply to the SBA (go to sba.gov/disaster-assistance/coronavirus-covid-19)
- **Designed to help employers and sole proprietors work thru the crisis**
- Emergency grants of \$10k are available
- Loans available up to \$2 million, based on expenses that would have been paid but for the disaster (COVID – 19)
- Low interest loans with deferral of principal & interest, long term amortization

Overview of PPP

- Banks make loans to entities with 500 employees or less (for-profit and non-profits)
- SBA guarantees 100% of the loan to the bank
 - Unsecured loan to borrower, does not interfere with existing debt
 - No personal guarantee
 - No fees to borrower
- Forgivable if borrower uses PPP funds for eligible costs and maintains employee headcount during 8 weeks after loan is made
 - No tax to borrower on forgiven amounts
 - SBA pays the commercial lender the forgiven amount of the loan
 - Any unforgiven portion of PPP loan will have maximum 2 year term and interest of 1%
 - Principal and interest deferred for not less than 6 months and no more than 1 year

Who Qualifies for a PPP?

- Businesses with 500 or fewer employees
 - For profit
 - Non-profit
 - Tribes
 - Veterans organizations
 - Sole proprietors, independent contractors, and eligible self-employed individuals
- Hotel and food services businesses (NAICS Code 72) with 500 or fewer employees per location
- SBA Regulations on entity affiliations waived for:
 - Businesses in NAICS 72 Code with 500 or fewer employees
 - Franchise businesses with SBA franchisor identifier codes
 - Any business that receives financial assistance from a company licensed under section 301 of the Small Business Investment Act

Borrower requirements

There are very few borrower requirements to obtain a loan under the new program. Those requirements include a **good-faith certification that:**

- The loan is needed to continue operations during the COVID-19 emergency
- Funds will be used to retain workers and maintain payroll or make mortgage, lease and utility payments
- The applicant does not have any other application pending under this program for the same purpose
- From Feb. 15, 2020 until Dec. 31, 2020, the applicant has not received duplicative amounts under this program

In evaluating eligibility of borrowers, a lender must consider whether the borrower was operating on Feb. 15, 2020 and had employees whom the borrower paid.

Sizing of PPP Funding Amount

- 2.5 X average monthly “payroll costs”
 - 12 months for most applicants (either calendar year 2019 or latest 12 months)
 - Seasonal businesses may choose 2/15/19 – 6/30/19 or 3/1/19 - 6/30/19
 - Business not in operation 2/15/19-6/30/19, use 1/1/20 – 2/29/20

Includes

- Compensation to employees: salary, wages, commissions, cash, etc.
- Paid leave and severance payments
- Payment for group health benefits: insurance premiums, retirement benefits
- State and local payroll taxes

Excludes

- Individual employee cash compensation above \$100,000 per year, prorated for the covered period
- Federal taxes (withholdings and FICA)
- Payments to independent contractors
- Compensation to employees whose principal place of residence is outside of the U.S.
- Sick and family leave wages for which credit is allowed under the Families First Act

How much can I borrow?

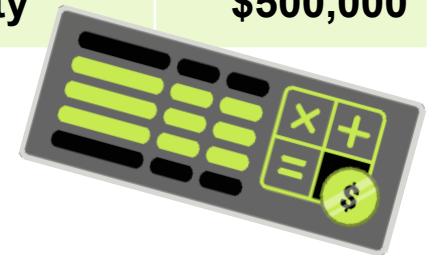
Calculation steps

- Calculate last 12 months' gross payroll *
- Includes wages, commissions, cash tips, vacation, medical leave, severance, healthcare premiums, retirement benefits, state or local tax assessed on compensation
- Divide by 12
- Multiply by 2.5

Example

- Payroll from January 1, 2019 to December 31, 2019 is \$2.4M

12 months gross payroll	\$2,400,000
Divide by 12	
Average monthly payroll	\$200,000
Multiply by 2.5	
PPP loan eligibility	\$500,000



This is for illustrative purposes only. Specific guidance is needed to determine eligible expenses.

Loan forgiveness provisions

- Use of loan proceeds measured over 8 weeks following loan origination
 - At least 75% of proceeds must be used for “payroll costs”
 - Up to 25% of proceeds may be used for other allowable uses:
 - Payments of interest on mortgage obligations
 - Rent/lease agreement payments
 - Utilities
- “Available for reduction balance” calculated based on average FTE’s during 8 weeks following the loan compared to prior “covered” period
 - Loan forgiveness reduced proportionately based on number of employee reductions or salary reductions greater than 25% for annual salaries less than \$100,000
 - May hire back FTEs by April 27, 2019 without associated penalty
- Must provide documentation for forgiveness of loan and certification stating provided documents are true and correct
 - **SBA will provide specific guidance at a later date**

Application Process and Information Required

Apply to a bank you have relationship with ASAP

- Banks are focusing on massive demand from existing customers first
- Some banks have started taking applications from non-customers, but not many as of yet

Recommended information to have available for application:

- SBA loan application Form 3245
- Payroll summary reports
- Form 941s and verification of payment of 940/941 taxes that match payroll records
- Organization documents, EIN, Patriot Act, Certificate of Formation
- Beneficial Ownership Form
- Drivers license for all owners

Status of PPP Funding Process & Timing

As of April 8th:

- \$100 billion of the \$349 billion has been obligated to borrowers across more than 350,000 loan applications
- Banking community has ramped up to processing to approximately \$2 billion / hour
- 3,000 banks have processed a PPP application
- Funding to borrowers is lagging significantly, but starting to catch up
 - SBA electronic system (E-Tran) has been stressed with volume, starting to work thru issues

Likely to be another significant round of PPP funding appropriation once \$349 billion is exhausted – perhaps \$250 billion. Still makes sense to apply!

Questions or concerns about
how COVID-19 is affecting
your business?

Visit our [resource center](#) and
[connect with us](#) to learn how we
can help.

<https://www.bakertilly.com/specialties/coronavirus-preparedness-resource-center>





Questions and Answers



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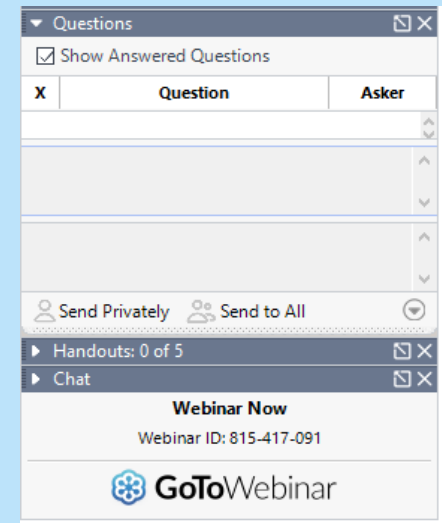
Patrick Serfass
American Biogas
Council

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