Paycheck Protection Program (PPP) Explained

ABC Webinar
April 9, 2020
Today’s Speakers

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American Biogas Council
Moderator
You should be able to hear me talking now. If you can’t, use the questions module to describe your issue.

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Pro tip: Don’t call in on our phone if your audio is set to “Mic and Speakers”

Ask questions using the Questions Panel on the right side of your screen at any time.

The recording of the webinar and the slides will be available after the event. We will post them online and send you a link.
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
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
Today’s agenda

1. Paycheck Protection Program (PPP) Overview
2. Who Qualifies
3. Sizing of PPP Funding Amount
4. Forgiveness terms & timeline
5. Application Process & Information Required
6. Status of PPP Funding Efforts To-Date
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 employers 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
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.
PAYCHECK PROTECTION PROGRAM

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

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<td>Compensation to employees: salary, wages,</td>
<td>Individual employee cash compensation above $100,000 per year, prorated for</td>
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<td>commissions, cash, etc.</td>
<td>the covered period</td>
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<td>Paid leave and severance payments</td>
<td>Federal taxes (withholdings and FICA)</td>
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<td>Payment for group health benefits:</td>
<td>Payments to independent contractors</td>
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<td>insurance premiums, retirement benefits</td>
<td>Compensation to employees whose principal place of residence is outside of</td>
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<td>State and local payroll taxes</td>
<td>Sick and family leave wages for which credit is allowed under the Families</td>
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- 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
**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

<table>
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<th>12 months gross payroll</th>
<th>$2,400,000</th>
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<td>Divide by 12</td>
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<tr>
<td>Average monthly payroll</td>
<td>$200,000</td>
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<tr>
<td>Multiply by 2.5</td>
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<td>PPP loan eligibility</td>
<td>$500,000</td>
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*This is for illustrative purposes only. Specific guidance is needed to determine eligible expenses.*
PAYCHECK PROTECTION PROGRAM

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
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
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.

Questions and Answers

Mike Land
Baker Tilly

Patrick Serfass
American Biogas Council
(Moderator)

Ask Questions using the Questions Panel on the right side of your screen.

All questions and comments will be recorded.

A recording of the webinar and slides will be available by tomorrow to all ABC Members and all attendees of the webinar.
Thank you!

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- Connect with other biogas and anaerobic digestion leaders
- Support the industry’s growth and outreach

Thanks for attending!