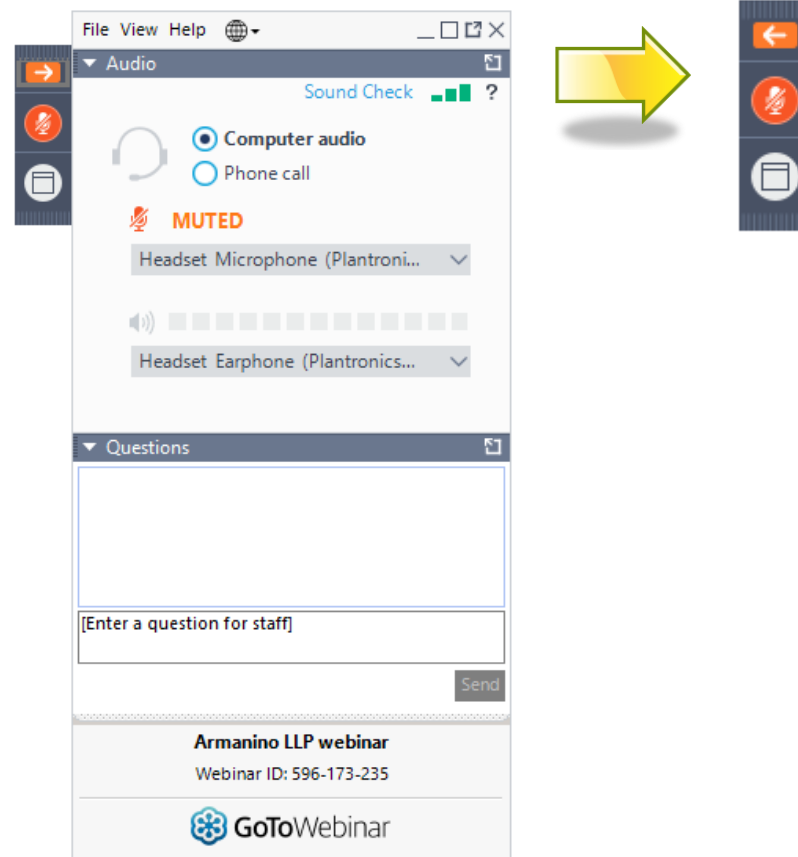


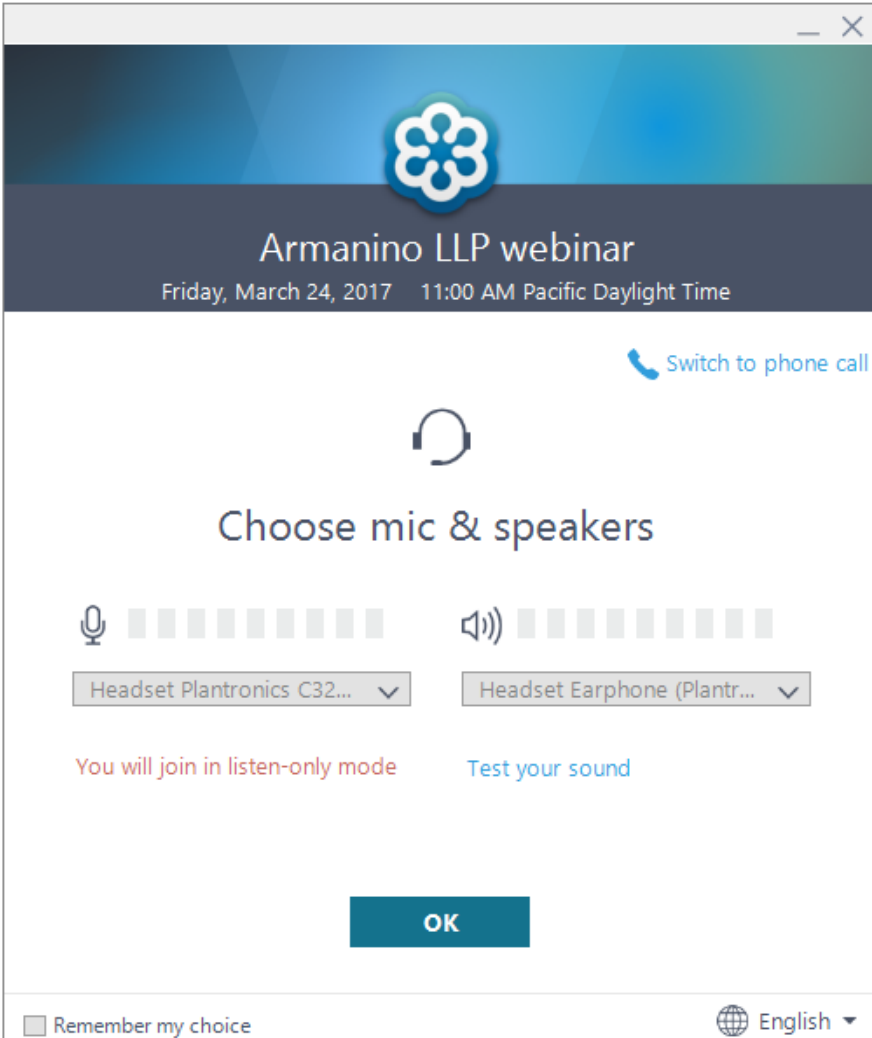
PPP Forgiveness and Implications of the Flexibility Act



Using Your Webinar Pane




Modify Your Audio Settings







The screenshot shows a window titled "Armanino LLP webinar" with a blue header bar containing a logo. Below the header, the date and time "Friday, March 24, 2017 11:00 AM Pacific Daylight Time" are displayed. A "Switch to phone call" link with a phone icon is in the top right. The main heading "Choose mic & speakers" is centered, accompanied by a headset icon. Below this, there are two sets of audio level indicators (microphone and speakers) and two dropdown menus for selecting the microphone and speakers. The microphone dropdown is set to "Headset Plantronics C32..." and the speaker dropdown is set to "Headset Earphone (Plantr...". Below the dropdowns, a message states "You will join in listen-only mode" and a link "Test your sound" is provided. An "OK" button is centered at the bottom. At the very bottom, there is a checkbox for "Remember my choice" and a language selector set to "English".

Armanino LLP webinar
Friday, March 24, 2017 11:00 AM Pacific Daylight Time

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Today's Presenters



Steve Tessler
EVP, Director of Sales



Vivian Mui
Senior EVP, Chief Credit Officer



John Schweisberger
*Business Outsourcing Services,
Partner*



Jenn McCabe
*Business Outsourcing Services,
Partner*

PPP Flexibility Act – Major Changes to the Forgiveness Program



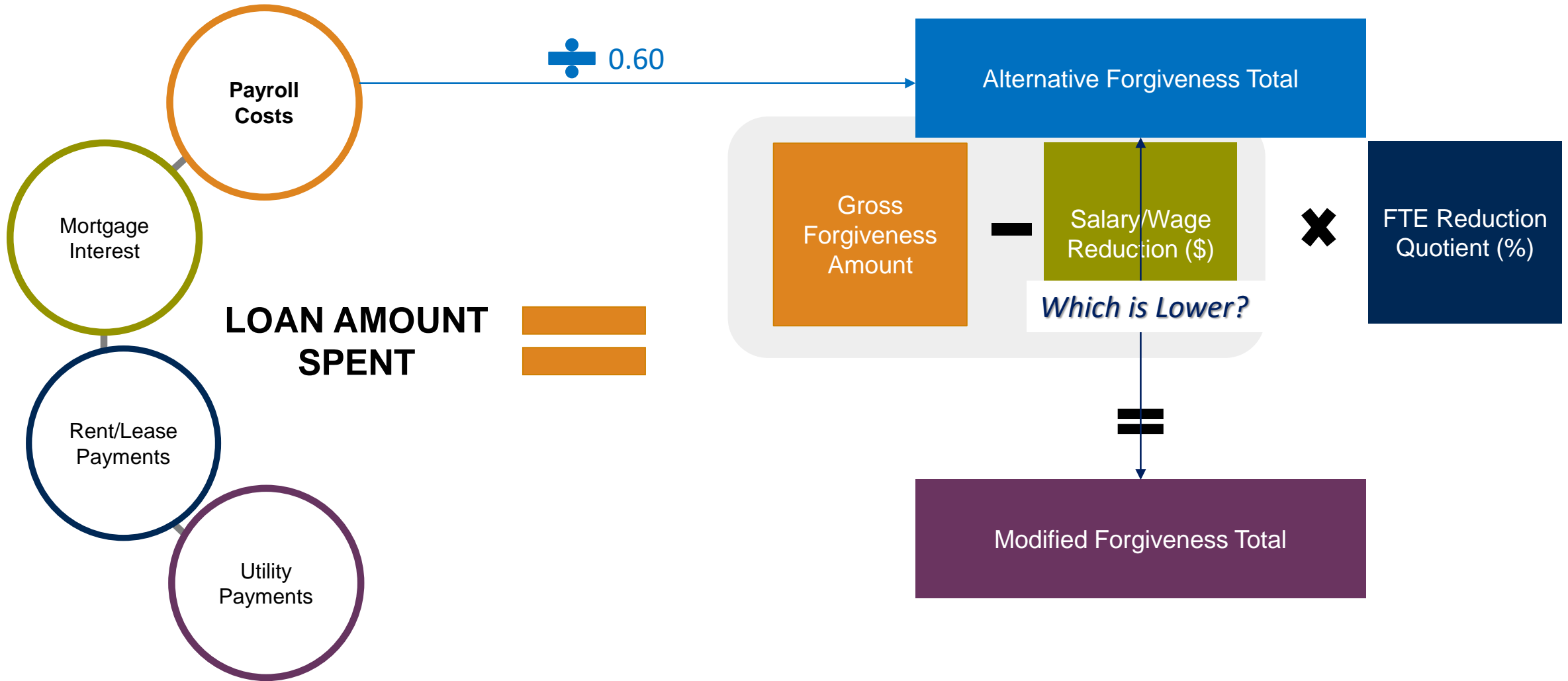
- Borrowers now have 24 weeks to use their PPP funds, extended from the original 8 weeks – if desired
- Payroll threshold lowered from 75% to 60%, with limitations on non-payroll costs to enforce the ratio when necessary
- Deadline for restoring jobs/pay to qualify for safe harbor from the reduction factors was moved from June 30 to December 31
- FTE Reduction Factor exclusions expanded to include positions unable to be filled because the business:
 - + could not find qualified employees to hire; or,
 - + could not restore their business to a comparable level of activity because of social distancing or other federal health guidance
- Payback period on new loans extended from 2 years to 5; repayments to begin on SBA forgiveness reimbursement
- Any business can take Payroll Tax deferrals now

Flexibility FAQs: What Does It All Mean?

1. Are my Covered Period choices only 8 weeks or 24 weeks, or can I choose something in between?
2. Now that I have 24 weeks available for my Covered Period, can I apply for more PPP money?
3. To get safe harbor from the reduction factors, do I have to have restored FTEs and Salaries at December 31, or just sometime before then?
4. How much time do I have after the end of my Covered Period to file my forgiveness application?
5. Should I ask CBC to re-do my loan documents with a longer payback term?
6. Can you explain the Payroll Tax deferral option?



Forgiveness Math: A Refresher



Forgiveness Math: A Refresher



Payroll Costs

LOAN AMOUNT
SPENT

Expense Item	Included	Excluded
Gross salary, wage, commission, tips, or similar compensation (<i>capped at \$100K annualized, or \$1,923/week</i>)	✓	
Employer portion of Group health care benefits including HSA	✓	
Employer portion of Retirement benefits, including DBP and DCP	✓	
Employer portion of State or local tax assessed	✓	
Bonus payments (not to exceed maximum allowable compensation)	✓	
Severance and PTO payouts for terminated employees	✓	
Sick leave (unless covered by FFCRA)	✓	
Self-employed income (smaller of 8/52 of 2019 Schedule C or \$15,385)	✓	
2019 Profit Sharing contributions		✓
Self-employed health insurance costs		✓
Disability, Long Term Care and Workers' Compensation insurance		✓
Union dues (beyond health insurance costs)		✓

Forgiveness Math: A Refresher



Mortgage Interest

LOAN AMOUNT
SPENT

- Applies to any real *or personal* property with a secured loan
- Only interest is forgivable; principal may not be included
- Evidence of the amortization schedule needs to be submitted with your application

Expense Item	Included	Excluded
Mortgage loan on a building	✓	
Payments on a note to purchase a fixed asset	✓	
Loans used to buy a fleet of vehicles	✓	
Buy-out payments to a former partner		✓
Interest on a Line of Credit		✓

Forgiveness Math: A Refresher



Rent/Lease Payments

LOAN AMOUNT
SPENT

- Applies to any real *or personal* property with a lease
- The entire payment is forgivable
- Evidence of the lease payment schedule needs to be submitted with your application

Expense Item	Included	Excluded
Office or storage facility rent	✓	
Leased fleet vehicles	✓	
Leases on copiers	✓	
Property taxes, insurance and CAM on office space		✓
Newly leased property since 2/15/20		✓

Forgiveness Math: A Refresher



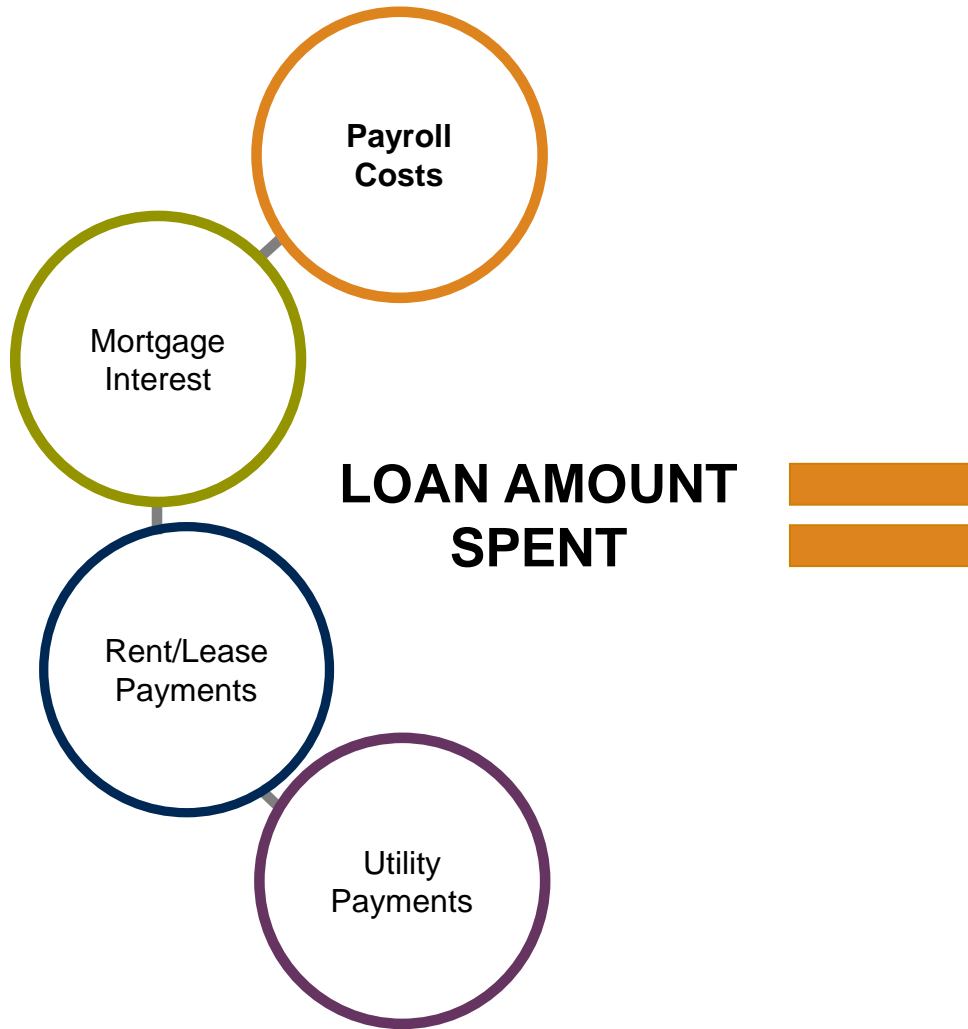
Utility Payments

LOAN AMOUNT
SPENT

- Includes:
 - Electricity, Gas, Water
 - Internet Access Service, Telephone
 - Transportation
- The entire payment is forgivable
- Monthly statements or other evidence of payments need to be submitted with your application

Expense Item	Included	Excluded
Electric bill received 2 days after funding, covering prior service period	✓	
Fuel for business vehicles	✓	
Maintenance on business vehicles		✓
Software license costs, managed services for enterprise servers		✓
Internet access from home for employees as a result of COVID		✓

Forgiveness Math: A Refresher



Step 1:

Determine who should be included in the Reduction Factor calculation

- Include only employees under \$100K annualized in every pay period in 2019

Step 2:

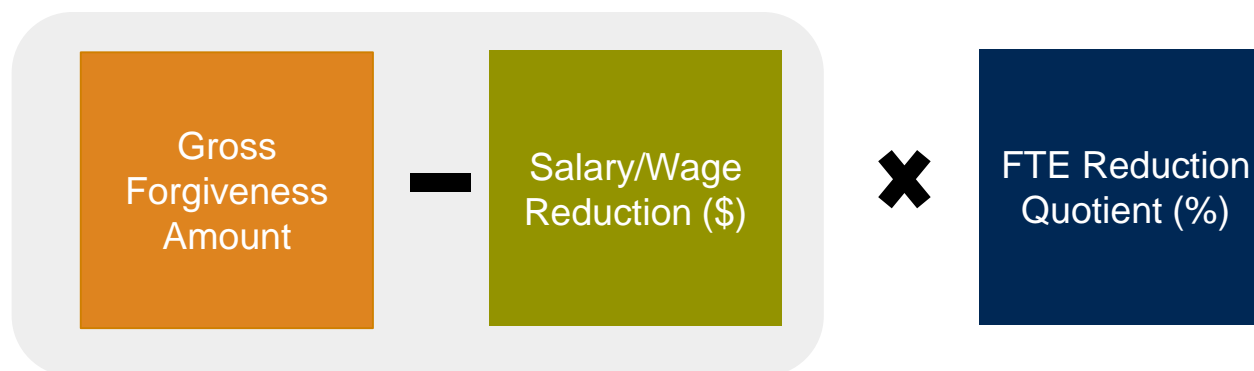
Determine if any employee's average **Salary/Wages** were reduced by more than 25% during the Covered Period as compared to Q1 2020

Step 3:

Reduce forgiveness only by the amount beyond the 25% reduction

This is a dollar for dollar reduction calculated at the individual employee level

Forgiveness Math: A Refresher



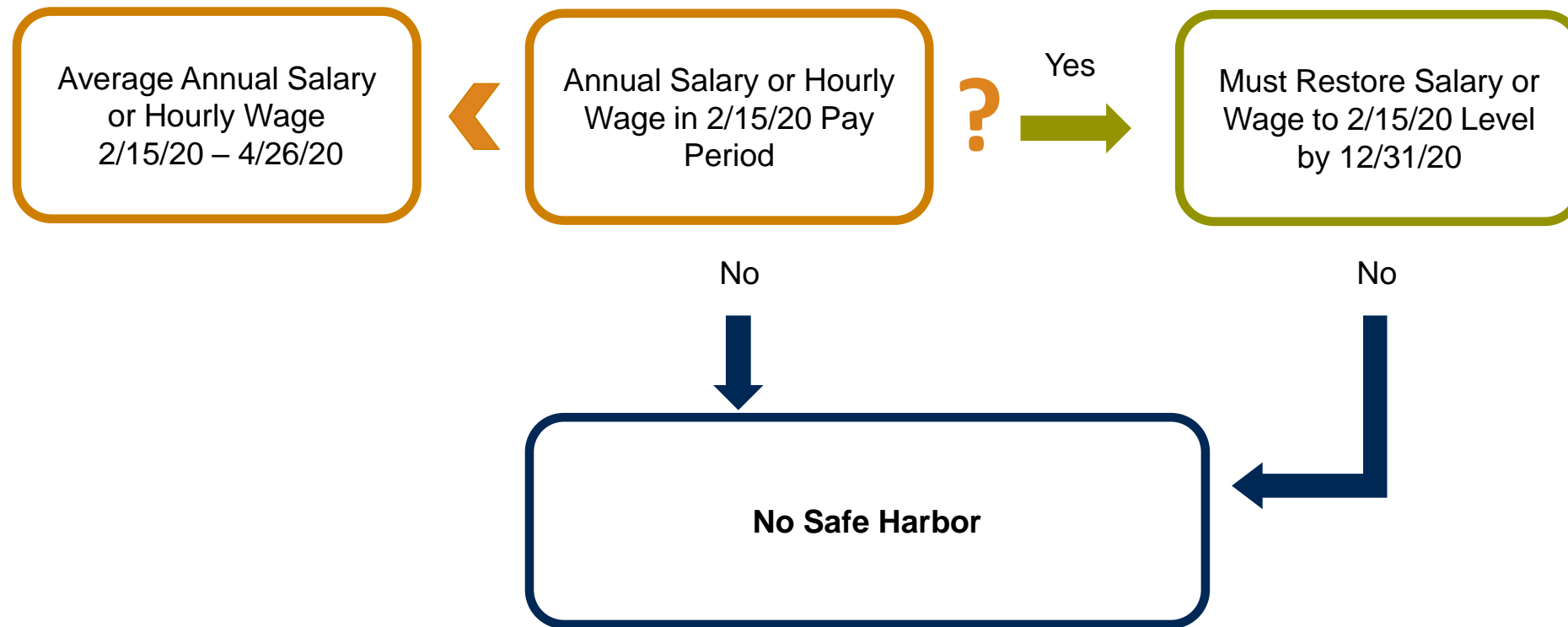
Forgiveness Math: A Refresher

FTE Reduction Quotient (%)

- If average number of **FTE** were lower during the Covered Period compared to one of two base periods:
 - 2/15/19 – 6/30/19
 - 1/1/20 – 2/29/20
 - Seasonal Employer option: 5/1/19 – 9/15/19
- This is a percentage reduction calculated on the Gross Forgiveness Amount less the Salary/Wage reduction

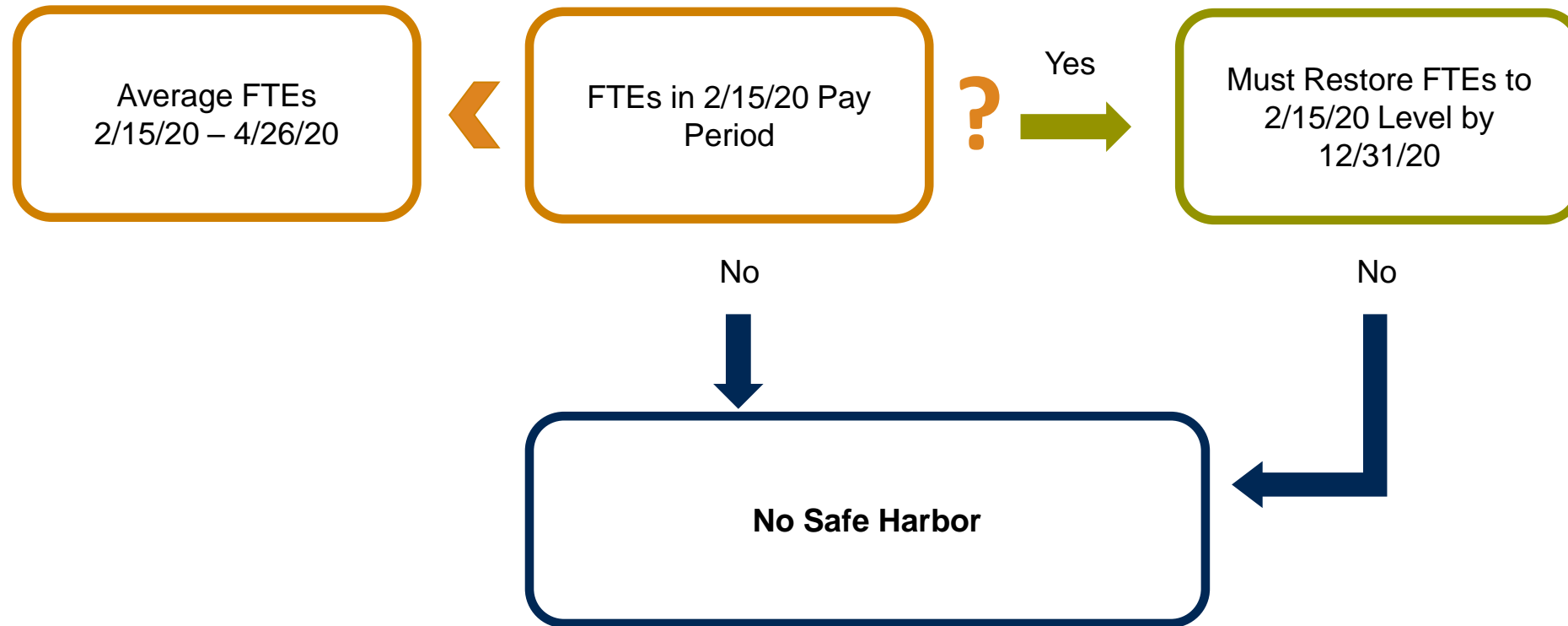
Salary/Hourly Wage Reduction Factor Safe Harbor

Safe Harbor is calculated for EACH employee whose average pay was <75% of Q1 2020:



FTE Reduction Factor Safe Harbor

Safe Harbor is calculated for the aggregate FTE count of the business:



ABC Co. Example

ABC Co.					
			PPP Loan	Funded	CP Ends
			200,000	4/14/2020	6/8/2020
		Pd 6/30/19	2019		2020 Q1
	2019 Salary	Bonus	Per Mo Ave	Per PP	Per PP
Owner	240,000		20,000	10,000	10,000
Exec 1	132,000	18,000	12,500	5,500	5,500
Mgr 1	90,000	6,000	8,000	3,750	3,750
Mgr 2	90,000	6,000	8,000	3,750	3,750
EE 1	60,000		5,000	2,500	2,500
EE 2	54,000	6,000	5,000	2,250	2,250
EE 3	54,000		4,500	2,250	2,250
EE 4	48,000		4,000	2,000	2,000
EE 5	48,000		4,000	2,000	2,000
EE 6	42,000		3,500	1,750	1,750
EE 7	36,000		3,000	1,500	1,500
EE 8	30,000		2,500	1,250	1,250
			80,000	38,500	38,500



ABC Co. Example

ABC Co.													
			PPP Loan	Funded	CP Ends								
			200,000	4/14/2020	6/8/2020								
		Pd 6/30/19	2019		2020 Q1	Layoff + Pay cut at 4/1					Partial Reinstatement at 6/1		
	2019 Salary	Bonus	Per Mo Ave	Per PP	Per PP	4/1/2020	4/15/2020	4/30/2020	5/15/2020	5/31/2020	6/1/2020	6/15/2020	6/30/2020
Owner	240,000		20,000	10,000	10,000	50% cut	5,000	5,000	5,000	5,000	No change	5,000	5,000
Exec 1	132,000	18,000	12,500	5,500	5,500	50% cut	2,750	2,750	2,750	2,750	No change	2,750	2,750
Mgr 1	90,000	6,000	8,000	3,750	3,750	20% cut	3,000	3,000	3,000	3,000	No change	3,000	3,000
Mgr 2	90,000	6,000	8,000	3,750	3,750	Furlough					Rehire @ 80%	3,000	3,000
EE 1	60,000		5,000	2,500	2,500	Layoff					No change		
EE 2	54,000	6,000	5,000	2,250	2,250	20% cut	1,800	1,800	1,800	1,800	No change	1,800	1,800
EE 3	54,000		4,500	2,250	2,250	20% cut	1,800	1,800	1,800	1,800	No change	1,800	1,800
EE 4	48,000		4,000	2,000	2,000	Layoff					Refused		
EE 5	48,000		4,000	2,000	2,000	30% cut	1,400	1,400	1,400	1,400	10% hike	1,600	1,600
EE 6	42,000		3,500	1,750	1,750	30% cut	1,225	1,225	1,225	1,225	10% hike	1,400	1,400
EE 7	36,000		3,000	1,500	1,500	30% cut	1,050	1,050	1,050	1,050	10% hike	1,200	1,200
EE 8	30,000		2,500	1,250	1,250	30% cut	875	875	875	875	10% hike	1,000	1,000
			80,000	38,500	38,500		18,900	18,900	18,900	18,900		22,550	22,550

ABC Co. Example

ABC Co.																						
			PPP Loan	Funded	CP Ends																	
			200,000	4/14/2020	6/8/2020																	
		Pd 6/30/19	2019		2020 Q1	Layoff + Pay cut at 4/1					Partial Reinstatement at 6/1			Table 1 Definition		Salary/Wage Reduction						
	2019 Salary	Bonus	Per Mo Ave	Per PP	Per PP	4/1/2020	4/15/2020	4/30/2020	5/15/2020	5/31/2020	6/1/2020	6/15/2020	6/30/2020	Max PP	Include?	Q1 Ave Sal	CP Ave Sal	Reduc. %	Calculate?	\$ Reduction	Safe Harbor?	
Owner	240,000		20,000	10,000	10,000	50% cut	5,000	5,000	5,000	5,000	No change	5,000	5,000	240,000	No							
Exec 1	132,000	18,000	12,500	5,500	5,500	50% cut	2,750	2,750	2,750	2,750	No change	2,750	2,750	564,000	No							
Mgr 1	90,000	6,000	8,000	3,750	3,750	20% cut	3,000	3,000	3,000	3,000	No change	3,000	3,000	234,000	No							
Mgr 2	90,000	6,000	8,000	3,750	3,750	Furlough					Rehire @ 80%	3,000	3,000	234,000	No							
EE 1	60,000		5,000	2,500	2,500	Layoff					No change			60,000	Yes							
EE 2	54,000	6,000	5,000	2,250	2,250	20% cut	1,800	1,800	1,800	1,800	No change	1,800	1,800	198,000	No							
EE 3	54,000		4,500	2,250	2,250	20% cut	1,800	1,800	1,800	1,800	No change	1,800	1,800	54,000	Yes	54,000	43,414	80%	No			
EE 4	48,000		4,000	2,000	2,000	Layoff					Refused			48,000	Yes							
EE 5	48,000		4,000	2,000	2,000	30% cut	1,400	1,400	1,400	1,400	10% hike	1,600	1,600	48,000	Yes	48,000	34,345	72%	Yes	(255)	No	
EE 6	42,000		3,500	1,750	1,750	30% cut	1,225	1,225	1,225	1,225	10% hike	1,400	1,400	42,000	Yes	42,000	30,052	72%	Yes	(223)	No	
EE 7	36,000		3,000	1,500	1,500	30% cut	1,050	1,050	1,050	1,050	10% hike	1,200	1,200	36,000	Yes	36,000	25,759	72%	Yes	(191)	No	
EE 8	30,000		2,500	1,250	1,250	30% cut	875	875	875	875	10% hike	1,000	1,000	30,000	Yes	30,000	21,466	72%	Yes	(159)	No	
			80,000	38,500	38,500		18,900	18,900	18,900	18,900		22,550	22,550							(827)		

ABC Co. Example

		Pd 6/30/19	2019		2020 Q1					Partial Reinstatement at 6/1		
	2019 Salary	Bonus	Per Mo Ave	Per PP	Per PP	4/15/2020	4/30/2020	5/15/2020	5/31/2020	6/1/2020	6/15/2020	6/30/2020
			80,000	38,500	38,500	18,900	18,900	18,900	18,900		22,550	22,550
FTEs			12		12	9	9	9	9		10	10
Includable in forgiveness?						Yes	Yes	Yes	Yes		Part-6/11	No
Gross Forgiveness Amount Calculation												
Calculated allowable Payroll amount - Owner amount is limited						17,746	17,746	17,746	17,746		11,671	-
Health Insurance Payments							11,000		11,000			
401(k) Match Payments						5,000		5,000			2,727	
Rent Payments - paid in advance							12,000		12,000			12,000
Utilities Payments						1,000	2,000	1,000	2,000		1,000	2,000
						23,746	42,746	23,746	42,746		15,398	-

Final Forgiveness Amount Calculation			
Total Forgivable Spend			148,382
Salary/Wage Reduction			(827)
Intermediate Forgiveness Amount			147,554
FTE Reduction Quotient			83%
	Average FTEs in Baseline	12.0	
	FTE Exclusions from Baseline	(1.0)	
	Average FTEs in Cov Per	9.2	
Final Forgiveness Amount			122,738

Communication Timeline



Webinar held at key milestones



Updated FAQs twice per week

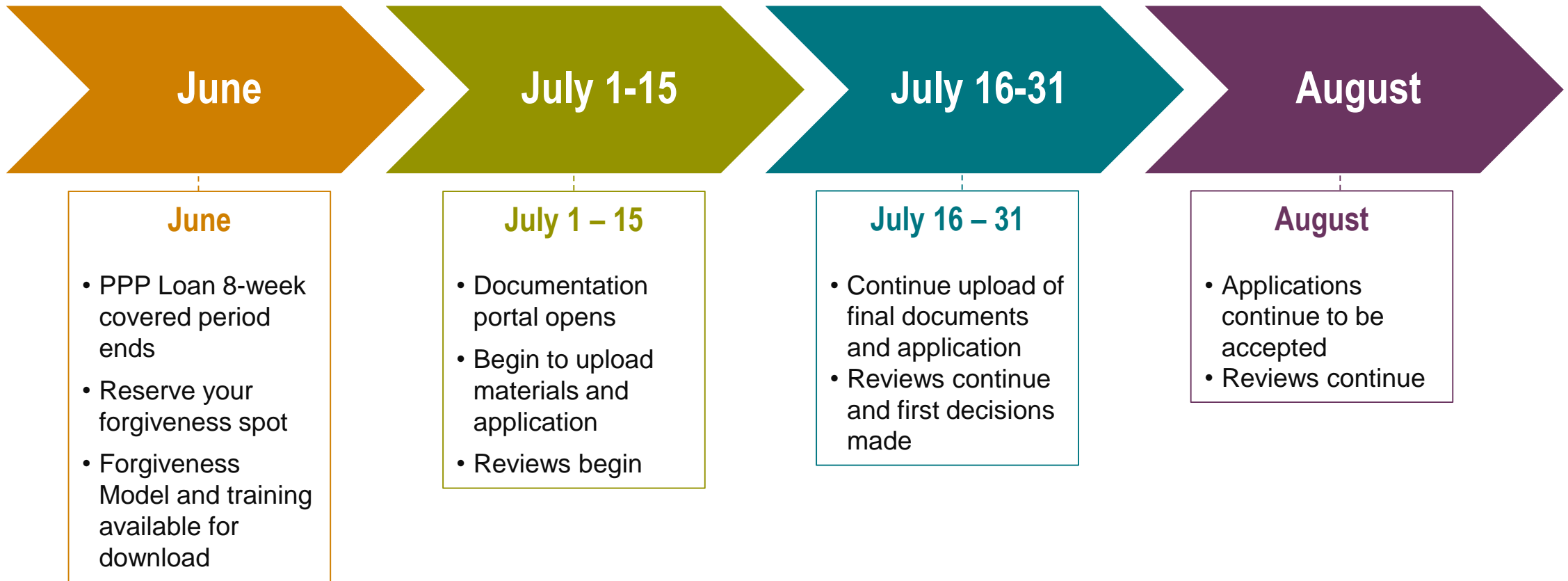


In-depth process directions, manuals



Email PPP_Questions@bankcbc.com

Process



Forgiveness Model Overview

	A	B	C	D
1		Paycheck Protection Program		
2		Forgiveness Data Input Workbook		
3				
4		Tab		Purpose
5		Tab 0 - Instructions & General Info		Workbook Instructions - Starting point for analysis
6		Tab 1 - Initial Data Input		Company and loan information required for SBA/Bank forgiveness forms
7		Tab 2 - Pay Cycle 1 Input		Input Payroll Cost and Employee Hours information here
8		Tab 3 - Pay Cycle 2 Input		If your company has a second payroll cycle (e.g. Weekly and Semi-monthly), enter it on this tab
9		Tab 4 - Mortgage Obligations		Enter Covered Mortgage Obligations
10		Tab 5 - Rent or Lease		Enter Covered Rent or Lease Obligations
11		Tab 6 - Utilities		Enter Covered Utilities
12		Tab 7 - Owner's Comp		If applicable, enter Owner's Compensation
13				
14				

Forgiveness Model Overview: Payroll Costs Example

Begin by selecting the appropriate pay cycle frequency from the drop down box in cell B4.

Beginning in column E, enter the gross wages paid and the overall FTEs for the entire company in each payroll run in lines 6 and 7,

List the date of the payroll in line 9, and

In Line 10, the gross amount paid (before any employee deductions for things like health insurance, federal and state taxes, FICA, etc.) to each employee in each pay period. Start with the first payroll of last year (2019) and continue adding data for each payroll in 2019 and 2020.

	A	B	C	D	E	F		
1	BOLD BLUE & YELLOW BACKGROUND MEANS MANUAL DATA ENTRY							
2	Back to Table of Contents							
3								
4	Select Pay Cycle Frequency	Weekly						
5					Enter Gross Pay Per Employee Per Pay Period from 1/1/2019 through the Covered Period			
6		Enter pay period gross salary/wage			\$33,010.00	\$33,010.00	\$33,010.00	\$33,010.00
7		Enter pay period total FTE			10.0	10.0	10.0	10.0
8		Checksum			\$0.00	\$0.00	\$0.00	\$0.00
9	Employee Name	Last 4 of SSN	Hourly?	FTE Exception?	1/2/2019	1/9/2019	1/16/2019	1/23/2019
10	Employee 2	1809	Yes		\$ 1,550.00	\$ 1,550.00	\$ 1,550.00	\$ 1,550.00
11	Employee 4	1515	Yes	Yes	\$ 1,100.00	\$ 1,100.00	\$ 1,100.00	\$ 1,100.00
12	Employee 5	9996	Yes					
13	Employee 6	7476	Yes		\$ 1,400.00	\$ 1,400.00	\$ 1,400.00	\$ 1,400.00
14	Employee 7	8656	Yes		\$ 1,500.00	\$ 1,500.00	\$ 1,500.00	\$ 1,500.00
15	Employee 9	6374	Yes		\$ 1,180.00	\$ 1,180.00	\$ 1,180.00	\$ 1,180.00
16	Employee 11	3188	Yes		\$ 1,800.00	\$ 1,800.00	\$ 1,800.00	\$ 1,800.00
17	Employee 13	5207	Yes		\$ 1,050.00	\$ 1,050.00	\$ 1,050.00	\$ 1,050.00
18	Employee 16	5748	Yes		\$ 1,800.00	\$ 1,800.00	\$ 1,800.00	\$ 1,800.00
19	Employee 18	3113	Yes		\$ 1,100.00	\$ 1,100.00	\$ 1,100.00	\$ 1,100.00
20	Employee 19	8449	Yes		\$ 980.00	\$ 980.00	\$ 980.00	\$ 980.00
21	Employee 15	5807	Yes					
22	Employee 1	3995	Yes		\$ 650.00	\$ 650.00	\$ 650.00	\$ 650.00
23	Employee 8	5679	No	Yes	\$ 1,500.00	\$ 1,500.00	\$ 1,500.00	\$ 1,500.00
24	Employee 14	3129	No		\$ 1,400.00	\$ 1,400.00	\$ 1,400.00	\$ 1,400.00
25	Employee 20	8238	No		\$ 2,100.00	\$ 2,100.00	\$ 2,100.00	\$ 2,100.00

List each employee whom you paid during 2019 and 2020 in column A beginning on line 10, with the last 4 digits of the SSN in column B and either a Yes or No in column C indicating whether they are paid Hourly.

Forgiveness Model Overview: Rent Costs Example

	A	B	C
1	COVERED RENT OR LEASE OBLIGATIONS		
2	Back to Table of Contents		
3	Covered Rent or Lease Obligations: business rent or lease payments pursuant to lease agreements for real or personal property in		
4	force before February 15, 2020. Remember to add "incurred but not paid" amounts through the end of your Covered Period.		
5	Incurred But Not Paid Amounts: eligible non-payroll costs must either be paid during the Covered Period or incurred during the Covered Period and paid on or before the next regular billing date, even if the billing date is after the Covered Period. For non-payroll costs incurred during the Covered Period and paid on or before the next regular billing date, please enter the calculated amount in the "Amount" column with a note detailing the calculation of the Amount.		
6			
7	Total Rent Payments	\$ 41,924.00	
8			
9			
10	Payment Date	Amount	Notes
11	5/13/2020	\$ 18,850.00	Office rent
12	6/13/2020	\$ 18,850.00	Office rent
13	5/18/2020	\$ 2,112.00	Lease on telephone equipment
14	6/18/2020	\$ 2,112.00	Lease on telephone equipment
15			
16			
17			



Top 5 Things To Do

- Decide on the length of your Covered Period
- Gather necessary supporting documentation
- Watch for forgiveness calculation model in your inbox
- Begin entering data as you can – *remember, there is no rush*
- Check the CBC website regularly for updated information

Forgiveness Documentation Checklist

- ☐ Payroll records for each employee for each payroll, beginning 1/1/19 through end of borrower's Covered Period (or Alternative Covered Period if elected), documenting:
 - ☐ Hours worked by employee
 - ☐ Individual gross compensation before employee deductions
 - ☐ Retirement contributions paid by employer
 - ☐ Health insurance contributions paid by employer
- ☐ For selected FTE baseline period (either 2/15/19-6/30-19 or 1/1/20-2/29/20, or if a seasonal employer, 5/1/19-9/15/19):
 - ☐ Form 941s
 - ☐ State quarterly payroll and/or unemployment insurance tax reporting forms
- ☐ For Covered Period (when available):
 - ☐ Form 941
 - ☐ State quarterly payroll and/or unemployment insurance tax reporting forms (when available)

Forgiveness Documentation Checklist

- ☐ Accounting records and account statements from providers for covered non-payroll expenses showing amounts paid or incurred during the Covered Period
- ☐ Evidence that non-payroll cost accounts were in place at 2/15/20
- ☐ For mortgage loan accounts, accounting records and account statements or amortization schedule from loan documents showing interest paid or incurred during the Covered Period
- ☐ Bank statement for loan account (if separately held)
- ☐ Documentation regarding any employee job offers and refusals, firings for cause, voluntary resignations and/or written requests by any employee for reductions in work schedule (including FMLA leaves)
- ☐ If self-employed:
 - ☐ Schedule C from 2019 income tax return
 - ☐ Owner's Income Statement for the Covered Period and evidence of payments to the Owner using PPP funds
- ☐ Completed and signed Forgiveness Application including all certifications



Frequently Asked Questions

FAQs

Reduction Factor questions:

1. I had an employee go out on disability and another one take maternity leave. Does that count against me as an FTE reduction?
2. I had an employee resign. I tried to replace them during the Covered Period but did not succeed in finding a qualified candidate. Will this count against me as an FTE reduction?
3. I furloughed employees but did not lay them off. Does that count against my FTE reduction factor?
4. I cut people's pay by 30%. Do I have to take the entire 30% as my salary reduction calculation?
5. If we fired an employee during the loan period, but replaced them, do we have to take a salary reduction penalty for the employees we let go, even though our employee count remained constant?

Use of funds questions:

6. Our loan funded April 29. Can we include the entire April 30 payroll toward our forgiveness because it was paid after disbursement, even though it covers time worked prior to disbursement?
7. Can self-employed people include costs for their employees in forgiveness, even if they're family members?
8. Do I treat employees paid via a PEO the same as if they were paid by a temp agency?
9. Can I include in my benefits costs the auto allowance that I pay to my salespeople?
10. Can I use PPP funds to pre-pay obligations?
11. My business pays rent every month to a related entity. Can I include that in my rent costs?
12. We lease both delivery trucks and their drivers from a third party. Since I pay for everything on one weekly invoice, can I include the leasing costs for the truck and for the leased employees?

FAQs, Cont.

Forgiveness questions:

13. Which employees do I put on Table 1 and which do I put on Table 2 of the Schedule A Worksheet?
14. Using the reference period Jan. 1, 2020 to Feb. 29, 2020 to calculate FTE, I have one employee on payroll for only 1 week within this period. Do I count this individual as an FTE?
15. We pay twice monthly, so to determine maximum compensation per employee do I take the \$100,000 and divide by 12 months and then again by the 2 payrolls per month?
16. We provide uniforms for our plant employees that we rent through a third party. Can this be considered like an equipment rental so we can get forgiveness?
17. Will self-employed be able to file for forgiveness while also receiving unemployment?
18. We file taxes as a C Corporation. The owner takes monthly draws from the business account, not through our payroll processing. Can we include that as part of the payroll costs?
19. I would like to clarify the new 60% payroll rule. Does that mean we can use the other 40% for other operating expenses besides rent and utilities?
20. We received a \$10,000 EIDL grant after we applied for the PPP loan. Will that affect the forgiveness of the PPP loan?
21. We just received notice from the SBA that we are eligible for an additional EIDL loan up to \$150,000. If we elect to take that, will it impact the forgiveness?
22. If the time to spend has been extended till December 31, can we continue to use the money to cover payroll through the end of the year or can we only cover 8 weeks of payroll?

Q&A