

Memo

To: All Clients
From: Richard Stoller
cc: Debra DiMaria
Date: August 13, 2020
Re: PPP Loan Forgiveness Estimation

How to Estimate Your Paycheck Protection Program Loan Forgiveness

1. Before you begin, determine whether you will use the Covered or the Alternative Covered Period.

The Covered and the Alternative Covered Periods are both 24 weeks (168 days), unless you are eligible to choose the original 8-week (56 day) period. Only borrowers who received their PPP loan before June 5, 2020 may choose the 8-week period. Borrowers should conduct a covered-period analysis to determine which covered period will provide the highest level of forgiveness (8-week or 24 weeks, if applicable)

The Covered Period begins on the date you receive your loan amount. The Alternative Covered Period begins on the first day of the first pay period following the receipt of your loan amount. Only borrowers with a biweekly (or more frequent) payroll schedule may choose to use an Alternative Covered Period.

In no event will a covered period extend beyond December 31, 2020.

2. Next, gather your eligible costs during your covered period. This includes payroll costs and non-payroll costs (mortgage interest, rent, and utilities) and number of Full-Time Equivalent (FTE) employees. Still in your covered period right now? You'll estimate your upcoming costs.

3. Current Limitations on PPP Loan Forgiveness:

- Your loan forgiveness may be reduced if you use less than 60% of the forgiveness amount for payroll costs. Applying less to payroll costs may result in needing to pay money back.
- Loan forgiveness may be further reduced based on the difference between FTEs and wages-paid levels during your covered period and the number of FTEs and wages paid during a look-back period. Fewer FTEs and/or wages reduced by more than 25% during the covered period will reduce the amount of the loan that can be forgiven.
- Qualifying for Safe Harbor

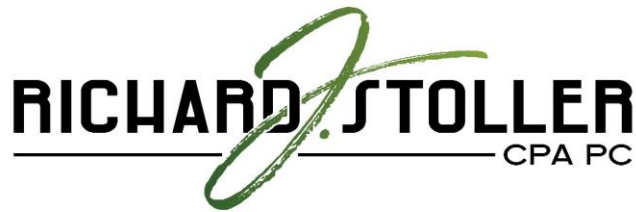
If the number of FTEs or wages paid decrease, your eligible forgiveness amount may be reduced. **However, you may be exempt from certain loan forgiveness reductions if you restore FTEs and wage levels no later than December 31, 2020.**

If you can answer "yes" to the following questions, then you may qualify for exemption/safe harbor.

For FTE safe harbor 1: Did requirements or guidance related to COVID-19 prevent you from operating at the same level of business between March 1, 2020 and the end of your covered period – as compared to your business operations before February 15, 2020? You'll need documentation to support this.

For FTE safe harbor 2: Did your FTEs decrease between February 15, 2020 and April 26, 2020 (in comparison to February 15, 2020)? If so, did you fully restore those FTEs by the date you applied for loan forgiveness (and no later than December 31, 2020)?

For the salary/hourly wage reduction safe harbor: Did you reduce annual salary and hourly wages between February 15, 2020 and April 26, 2020? If so, did you fully restore all employees' wages (to same level as February 15, 2020) by the date you applied for loan forgiveness (and no later than December 31, 2020)?



4. Calculating FTE's

The FTE calculation converts a company's total employee count (including both full- and part-time employees) into the "equivalent" number of full-time

employees working 40 hours a week. The original loan forgiveness application clarified the base hours of 40 hours per week to calculate an FTE.

Two options of calculating the number of FTEs are provided: (1) calculating based on actual hours worked or (2) simplified approach of using an FTE of 1.0 for employees working 40 hours or more and 0.5 for employees working less than 40 hours in a week. You can elect the option that is more favorable to you and that option must be used to calculate all FTEs for all reference periods.

Conclusion

The details surrounding PPP loan forgiveness are complex and continue to change. This memo is not intended to be a comprehensive review of all issues surrounding forgiveness. We are here to help lead you through the process to help ensure the maximum amount of forgiveness and proper completion of the PPP Loan Forgiveness Application. If you do not already have a plan to maximize the forgiveness, we can work with you on a plan for your specific circumstances.