

The following chart provides general information related to SBA loans and loan forgiveness under the CARES Act. If you have questions, contact your Andersen engagement team.

How can Andersen help?

- Working with the company to analyze the ownership structure
- Assisting the company with calculating and documenting the data needed to secure loan forgiveness
- Assisting the company in calculating the amount of loan available

Item	Description
<p>Government Backed SBA Loans (Sec 7(a))</p>	<p>Provides lenders with the authority to grant Sec. 7(a) Small Business Administration (SBA) Loans under new criteria and new terms for companies with less than 500 employees.</p> <p>In determining the number of employees, companies must consider the SBA “affiliation rules”, which require companies to include affiliates in the calculation of employees. Generally, affiliation exists when one business controls or has the power to control another or when a third party (or parties) controls or has the power to control both businesses.</p> <p>Loans made through December 31, 2020 will be 100% guaranteed by the government, and do not require either collateral or personal guarantees. The “Credit Elsewhere” test that analyzes alternative credit options has also been waived.</p> <p>Instead of determining repayment ability (not possible during the crisis) lenders will review employee and operational status as of February 15, 2020.</p> <p>The maximum value of the loans will be the lesser of \$10,000,000 or 2.5 x Average Monthly Payroll Costs (Salaries over \$100,000 are excluded). The loans have a maximum of 0.5% over 2 years.</p> <p>Allowable uses of the loan include payroll, paid sick or medical leave, insurance premiums, mortgage, rent, and utility payments.</p>
<p>PPP Loan Forgiveness</p>	<p>Borrowers are eligible for loan forgiveness of the amount spent on payroll, interest on mortgages, rent and utilities during the initial eight-week period after the loan origination date.</p> <p>The forgiven loans for these payments will not be treated as income in the borrower’s taxable income.</p> <p>The amount forgiven will be reduced proportionally by any reductions in employees retained compared to the prior year and reduced by reduction in pay beyond 25% of prior year compensation.</p> <p>Borrowers who re-hire employees previously laid off due to the COVID-19 crisis will not be penalized for having a reduced payroll for the beginning of the period.</p> <p>Any amounts not forgiven at the end of the year will be carried forward under the original terms of the loan. The 100% government guarantee will remain in place.</p>

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