



WEBINAR: NAVIGATING THE CARES ACT, PART II

ATTENDEE Q&A

APRIL 21, 2020

PPP RELATED QUESTIONS

1. *Is it still worth it to apply for PPP?*

Answer: Yes, it is still worth to apply for the PPP. With new funding expected with a vote by 4/23, it makes sense to prepare your application and submit it to your bank. Banks are queuing up loan applications from those that did not make the cut off in the first round.

2. *Can you apply for both PPP and SBA relief program?*

Answer: Yes, you can apply for both the PPP through your bank, and an EIDL loan directly through the SBA.

3. *Are there any updates to the PPP forgiveness guidelines?*

Answer: As of 4/23/20, there are no detailed guidelines on PPP forgiveness.

4. *To meet the 75% payroll requirement, how does the self-employment portion of the payroll (owner's income portion) need to be tracked and reported?*

Answer: As of 4/23/20, this information was provided from Irvine & Co. The statute, see below, requires all expenses must be documented and offer a few examples of documentation. I think owners' compensation would be tracked the same as any other employee. For a self-employed borrower who is not on a payroll (i.e. not a corporation), a cancelled check would seem to be adequate.

(e) Application.—An eligible recipient seeking loan forgiveness under this section shall submit to the lender that is servicing the covered loan an application, which shall include—

(1) documentation verifying the number of full-time equivalent employees on payroll and pay rates for the periods described in subsection (d), including—

(A) payroll tax filings reported to the Internal Revenue Service; and

(B) State income, payroll, and unemployment insurance filings;

(2) documentation, including cancelled checks, payment receipts, transcripts of accounts, or other documents verifying payments on covered mortgage obligations, payments on covered lease obligations, and covered utility payments;

5. *Can any of the panelists speak to the inclusion of 1099 labor in the PPP calculation? While our bank's application had us include this in the calculator, I have heard many other suggestions that we should not include 1099 labor. I'm afraid that by including this (our vineyard contract labor) our application is held up. At this point, there's no way to edit our app or even speak to a banker to discuss this, any input?*

Answer: DWT interpretation, as well as the guidelines of PPP, indicates that 1099 labor cannot be calculated in your PPP loan request. 1099 employees have the ability to file on their own. It sounds like your application will not be processed or will be returned based on your inclusion of 1099 payments. You might consider submitting a new application when the new PPP funding is passed and include only admissible payroll.

6. *We have applied for both the PPP as well as an EIDL loan. Have not heard anything from either my bank or SBA. This morning we woke up to see a deposit in our bank account that had SBAD as part of the cryptic description. The amount is nothing close to either our PPP or EIDL request. How can I find out what this deposit is from?*

Answer: It is most likely your EIDL request. You might not recognize that EIDL amounts were calculated at \$1000 per employee. If the amount you received was rounded at the \$1000 mark, it is most likely your EIDL request. If it is something other than that, the most practical follow up is with the bank from which you requested your PPP.

7. *Is there any benefit to switching to a weekly from Monthly payroll to try and spend more of the funds during the 8 week period?*

Answer: (a/o 4/23 from Irvine) Maybe, and we don't know if this will be on a 'cash' or 'accrual' basis yet. And one possibility is it could even be a combination of both as the statute says "...costs incurred and



payments made during the covered period”

- 8. I applied through our Credit Union - OnPoint - I applied on April 6th, OnPoint told me that unfortunately, my application remained in OnPoint underwriting and did not get submitted to SBA in time before money ran out. Isn't that a long time for the PPP to be in underwriting? And, if so, did they drop the ball, should I submit a new application through a DIFFERENT bank.**

Answer: As we have had discussions with different banks, we have learned that each bank set up their own process. If a bank was not familiar with processing SBA loans, they needed to start from square one and it may have taken them a number of days to establish their process. At this point, you might want to re-submit your application in order to get in the queue for the new round of PPP funding, particularly if that is a bank in which you have a relationship and accepted your original application. In discussions and what we have read, very few banks are accepting new customers for purposes of processing PPP loans.

- 9. Can any of the panelists speak to the inclusion of 1099 labor in the PPP calculation? While our bank's application had us include this in the calculator, I have heard many other suggestions that we should not include 1099 labor. I'm afraid that by including this (our vineyard contract labor) our application is held up. At this point, there's no way to edit our app or even speak to a banker to discuss this any input?**

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EIDL RELATED QUESTIONS

- 10. Can you confirm about the \$10,000 advance. Last call it did not have a direct relation to number of employees but we recently got communication from our bank that they have once again changed back to \$1,000 per employee.**

Answer: In all publications and explanations of EIDL since the last call, we understand that the immediate EIDL loan calculation is \$1000 per employee with a \$10,000 cap.

- 11. If you own a vineyard and a winery are you excluded from the EIDL loan?**

Answer: If you are a winery (or vineyard & winery), you may apply for an EIDL loan. As of April 22nd (reported in the WSJ) Congress will approve an additional \$310B on April 23rd and “..new legislation makes EIDL funds available to farmers.”

- 12. Is there a specific link for the guidance?**

Answer: Marty Golden (SBA Portland Director) was asked the best source for current information from the SBA on updates, loan statuses, new instructions. The URL he provided us was www.sba.gov/updates.

- 13. Can small vineyard owners get loans? I use a labor contractor on an irregular basis usually 2-3 weeks. I pay the contractor.**

Answer: You are eligible for the PPP to cover your income, but not the labor expenses paid to a contractor via a 1099. 1099 contractors have the ability to file on their own. You as a sole-proprietor or member of a partnership can file for loss of income, and recent guidance of the SBA outlines the method of calculation. Basically an owner who pays himself though the business can take their income distributions up to \$100,000, divide by 12 to get a monthly average and multiple by 2.5 to determine the loan total.

- 14. I haven't heard anything. There were very poor instructions, I guess. So would you suggest I contact my bank, US Bank. MY application was made online through the SBA.gov/funding.**

Answer: If you made your PPP application through US Bank, you should contact your banker at US Bank to determine the status of your PPP. However, Director Golden of the SBA did share today, that the SBA portals had significant issues and essentially failed in being able to provide tracking and updates on individual EIDL loans. We were told that if you received a confirmation number, your loan application is somewhere within the SBA queue and it is simply a waiting game at this time (particularly for the emergency loan up to \$10k). Once you have received or been approved for the up to \$10k emergency loan and indicated you wanted to



apply for a loan above \$10k, we were told to be on the look out for an email from the SBA with an application that you will need to complete for additional funding.

15. Based on the information of the poll you just put up it appears that though the EIDL loan was available before the PPP loan no one seems to have received any EIDL funds. Can anyone from SBA speak to that.

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16. If I made the application direct to SBA on April 1st and it was accepted by the SBA web site, is there anyway to check on my status of the application like a web site to type in my application

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A late note on Q 14, 15 and 16. Morgen McLaughlin, the ED of the WVWA shared that she was able to get through to the SBA on Sunday night, April 19th and spoke with a live representative. She gave them the confirmation number for the WVWA loan and was able to get a status. So, our advice here is, call in off hours, you might get someone.

FORGIVENESS QUESTIONS

17. Do you know if expense that can be forgiven will be based on cash or accrual basis?

Answer: (a/o 4/23 from Irvine) Maybe, and we don't know if this will be on a 'cash' or 'accrual' basis yet. And one possibility is it could even a combination of both as the statute says "...costs incurred and payments made during the covered period"

18. Who are the rule makers that will decide about reduction of forgiveness?

Answer: I'm not sure we got a firm answer, however the voices on the call seemed to indicate that your bank would determine if the loan is forgiven based on your use and the latest SBA guidance.

19. Do you have to setup a new bank account when you get the funds and then pay for all eligible expenses out of that account? Including Payroll?

Answer: There is no requirement to handle your payroll and accounting that way. You will simply need to account for payroll expenses vs. your PPP loan amount.

GENERAL QUESTIONS

20. How is a FTE calculated? is it based on 2080 hours or what a company uses for benefit purposes?

Answer: Neither DWT, Irvine or the SBA could answer this question at this time. Further interpretation needed.

21. Can you comment on what is being done by the government with loans approved for businesses that received funds that should not have, e.g. Shake Shack and Ruth Chris Steak House?

Answer: As far as we know, and based on the Presidents April 21st press conference, he is getting the funds back! We assume that means they will be returned to the big pool of funds.