



# Who is Localite Solutions

- Niche business consulting firm
- Small to middle market businesses
- Strategic Lending Solutions for business projects
- Commercial Loan Management
- Selling & Acquiring Businesses

# CLARITY – BEYOND THE FOG



WHAT IS ROUND 2  
PAYROLL PROTECTION  
PLAN AND WHAT DOES IT  
MEAN FOR BUSINESSES



# Round 2 Payroll Protection Plan

- On December 21<sup>st</sup>, Congress passed the second Covid-19 Relief Bill for \$900B with the President signing the bill into law on December 27.
- Within the Relief Bill \$284B has been allocated to Round 2 PPP.
- Designed to provide a direct incentive for small businesses to keep their workers on the payroll.
- The Program has been extended to March 31, 2021; however, there is no guarantee funds will remain available up to this date. **FIRST COME FIRST SERVE BASIS.**

# What does Round 2 PPP Mean For Businesses

- Provides assistance while we continue to manage through Covid-19
- Resource to keep workers on payroll
- Resource to cover qualifying business expenses

HOW DO I KNOW IF MY  
BUSINESS QUALIFIES FOR  
ROUND 2 PPP



# First Draw? Second Draw? WHAT??

## ■ First Draw

- For one reason or another the business did not participate in Round 1 PPP in late 2020
- This will be the first time the business looks to draw support from any part of the Payroll Protection Plan

## ■ Second Draw

- The business participated in Round 1 PPP in late 2020
- The business plans to draw support from Round 2 PPP



# Eligible Business Types for Round 2 PPP First & Second Draw

- Small businesses with fewer than 300 or 500 employees (more detail in coming slides)
- Independent contractors
- Self-employed individuals
- Certain non-profits (the new bill has expanded eligible businesses to include certain 501(c)(6) non-profit organizations)
- Faith-based organizations that have less than 150 employees
- Seasonal employers; the new bill has clarified the definition of a seasonal business to be one that operates for at least a 12-week period, but no more than seven months within a year or earns no more than a third of gross receipts within a six-month period
- Housing cooperatives that employ less than 300 people

# Ineligible Business Types for Round 2 PPP First & Second Draw

- Publicly owned
- Lobbying organizations
- Organizations involved in political activities or public policy
- Lenders or financial services businesses
- Cannabis businesses (or any other businesses that deal with products that are illegal at the federal level)
- Household employers (such as those who employ housekeepers or nannies)
- Businesses that have defaulted on SBA or federal loans
- Entity in which the President, the VP, head of any executive department are a member of Congress, or the spouse of any of these individuals owns more the 20%
- Entity that is at least 20% owned by someone who is currently incarcerated, on probation, on parole, or subject to an indictment
- Entity that is at least 20% owned by someone who has been convicted of a felony within the last five years
- Entity affiliated with the People's Republic of China or Hong Kong or that have a member on their board of directors that is a resident of the People's Republic of China
- Registrants under the Foreign Agents Registration Act
- Entities that have received or will receive a grant under the Shuttered Venue Operator Grant program
- Entities that are permanently closed

# Qualifiers for Round 2 PPP First Draw

- Less than 500 employees (FT, PT, or seasonal employees)
- Operational before February 15, 2020
- Remains operational
- Privately held company (not public)
- Not within Excluded Business Categories
- Entities that are permanently closed

# Round 2 PPP Second Draw is limited to:

- Businesses that received Round 1 PPP loan funding in late 2020
- Employ no more than 300 employees or meet alternative size standard
  - Under the alternative size standard, a business can qualify for a PPP loan as a small business if as of March 27, 2020, it (1) had a maximum tangible net worth of not more than \$15 million, and (2) had an average net income after Federal income taxes (excluding any carry-over losses) of not more than \$5 million for the last two fiscal years before the date of the application.
- Has used the entire amount of Round 1 PPP loan or have plans to use all funds prior to applying for a Round 2 PPP.
- 25% or greater reduction in gross receipts during Q1, Q2 or Q3 2020 in comparison to the same quarter in 2019 (applicants may use Q4 2020 if applied after January 1, 2021)

Note, businesses are not required to have applied for forgiveness of Round 1 PPP prior to applying for Round 2 PPP

ROUND 2 PAYROLL  
PROTECTION PLAN LOAN  
LIMITS



# Round 2 PPP First Draw Loan Limit

The maximum amount a business that has not yet received a PPP loan can borrow is the lesser of:

- 2.5 times the average monthly payroll costs and healthcare costs
- \$10 million

There may be exceptions to these limits for restaurants and other hospitality businesses.

# Round 2 PPP Second Loan Limit

Businesses applying for second draw will be subject to more stringent limitations. The maximum Round 2 PPP Second Draw loan amount is the lesser of:

- 2.5 times the average monthly payroll costs and healthcare cost in the year prior to when the loan was received or within the calendar year
- For any business that is classified under Code 72 by the North American Industry Classification System (NAICS). (This is a list of hospitality and entertainment businesses like restaurants, hotels, and casinos.)
  - 3.5 times the average monthly payroll costs and healthcare costs in the year prior to when the loan was received or within the calendar year. \$2 million
- \$2 million

# DOCUMENTATION REQUIREMENTS FOR ROUND 2 PPP

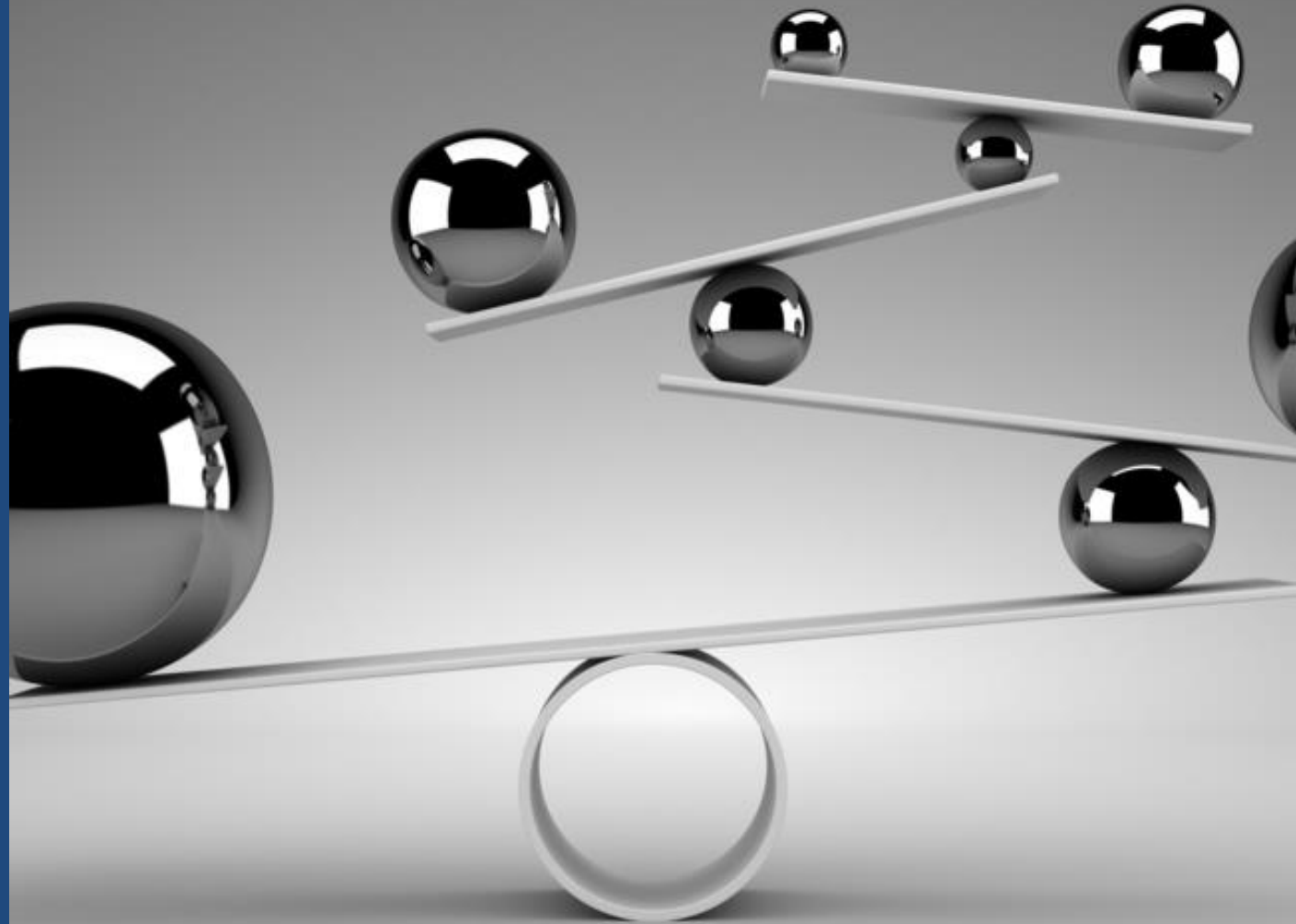




# Documentation

- Round 2 PPP Application
- One of the following depending on entity type:
  - IRS 941 for 1Q19, 2Q19, 3Q19, 4Q19 (Employer's quarterly Federal Tax Return) or CARES Act Report
  - IRS 940 for 2019
  - Depending on what type of documentation you choose for payroll, you may need to provide your 2019 or 2020 business tax return.
  - IRS Form 944 for 2019
  - If you are a partnership without employees, you must provide: 2019 Schedule K-1 (IRS Form 1065)
  - If you are self-employed as a sole proprietor or independent contractor without employees, you must provide a 2019 IRS Form 1040 Schedule C, to prove your own income.
- Proof of health insurance payments may also be accepted (but are not required) as part of the lender's document review and loan calculation process. For Sole Proprietors & Independent Contractors, receipts and invoices showing payments can be in your name. All other types of companies should share receipts, invoices, or a PEO report if available in the name of the business (not your own name).
- Quarterly financial statements for all quarters in 2019
- Copy of identification for all owners with 20% or greater ownership (front & back)
- SSN # for all owners with 20% or greater ownership
- Bank account information (may require a canceled check)
- Proof of business operation and active status with SOS
- Any affiliate owned (20% +) businesses, additional documentation may be requested on a revenue drop potentially during 2019 and 2020
- Various lenders may have additional information requirements

Loan  
Forgiveness –  
Need to Know



# Need to Know

- 60/40 Split
  - Minimum of 60% must be used for payroll expenses
  - No more than 40% may be used for all other Qualified Expenses
- Expenses must fall within Qualified Expense categories
- Maintain records and documentation (including purchase orders and invoices) for all Qualified Expenses
- Funds must be used within Covered Period
- Loans under \$150,000 will be simplified to a one-page certification

# Round 2 PPP Qualifying Expenses



# Qualifying Business Expenses

- The types of expenses for which all PPP loans can be used. In addition to payroll, rent, covered mortgage interest and utilities, the PPP now allows proceeds to be used for:
  - **Payroll:** While expenses eligible for forgiveness still require a 60/40 split of payroll costs/other eligible expenses, group health insurance benefits are now included in payroll costs (and these entail life insurance, disability benefits, vision, and dental insurance)
    - Payroll costs are capped at \$100,000 annualized per employee
  - **Covered Operations Expenditures:** payments for business software or cloud computing service that facilitates business operations, product or service delivery, the processing, payment or tracking of payroll expenses, HR and billing functions, or account or tracking of supplies, inventory, records and expenses
  - **Covered Property Damage Costs:** costs related to property damaged and vandalism or looting due to public disturbances that occurred during 2020 that was not covered by insurance or other compensation
  - **Covered Supplier Costs:** expenditures to a supplier of goods that are essential to the operations of the entity at the time at which the expenditure was made and is made pursuant to a contract or order in effect at any time before the covered period or, with respect to perishable goods, in effect at any time during the covered period
  - **Covered Worker Protection Expenditures:** operating or capital expenditures that allow a business to comply with requirements or guidance issued by the CDC, HHS, OSHA or any state or local government during the period beginning March 1, 2020 up to the time the national emergency is declared over by the president. (worker or customer safety requirement expenses related to COVID-19) Expenses appear to include PPE, physical barriers that were put in place, expansion of indoor/outdoor space, ventilation or filtration systems and drive-through windows.

# Why Do I Need to Select A Loan Forgiveness Covered Period for Round 2 PPP?

- The covered period refers to the period during which the PPP funds are received, used, and are eligible for forgiveness
- Begins on the date you receive funds (if funds are received on more than one date, the first date you received PPP funds) and must end no later than December 31, 2021
- Two options: 8 weeks or 24 weeks
- 24 weeks will be the default for lenders unless the borrower specifies otherwise
- Consult CPA or other qualified advisor

WHAT IF PPP FUNDS ARE  
USED FOR NON-QUALIFIED  
EXPENSES?





# Loan Terms

- If all employee retention criteria are met, and the funds are used for eligible expenses SBA will forgive the entire PPP loan amount upon applying for loan forgiveness.
- Any and all portions of the PPP that is not forgiven will be converted to a loan with the following terms:
  - 1% interest rate (non-compounding and non-adjustable)
  - Loans issued prior to June 5 have a maturity of two years. Loans issued after June 5 have a maturity of five years.
  - Loan payments will be deferred for borrowers who apply for loan forgiveness until SBA remits the borrower's loan forgiveness amount to the lender. If a borrower does not apply for loan forgiveness, payments are deferred 10 months after the end of the covered period for the borrower's loan forgiveness (either 8 weeks or 24 weeks).
  - No prepayment penalties or fees
  - No collateral or personal guarantees required
  - Neither the government nor lenders will charge small businesses any fees.



# HOW DO I APPLY FOR ROUND 2 PPP



# How to Get Started

- Speak with the bank you worked with during Round 1 PPP
- Connect with any of your local resources that are here today within the Stanly County community
  - Stanly Community College
  - City of Albemarle Economic Development
  - Stanly Chamber of Commerce
- Contact Tori Pons at Localite Solutions
- Speak with your CPA, Accountant, or qualified advisor

# Final Words of Wisdom

- **DO NOT WAIT TO APPLY!** Funds are limited and are based on first come (qualified) first serve basis. Acceptance of applications opened Tuesday, January 19, 2021.
- Have all documentation readily available (electronically) at time of application
- Forgiven PPP loans are not taxable and forgiven expenses are tax-deductible
- Consult your CPA, Accountant, or qualified advisor to determine what is best for your business

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