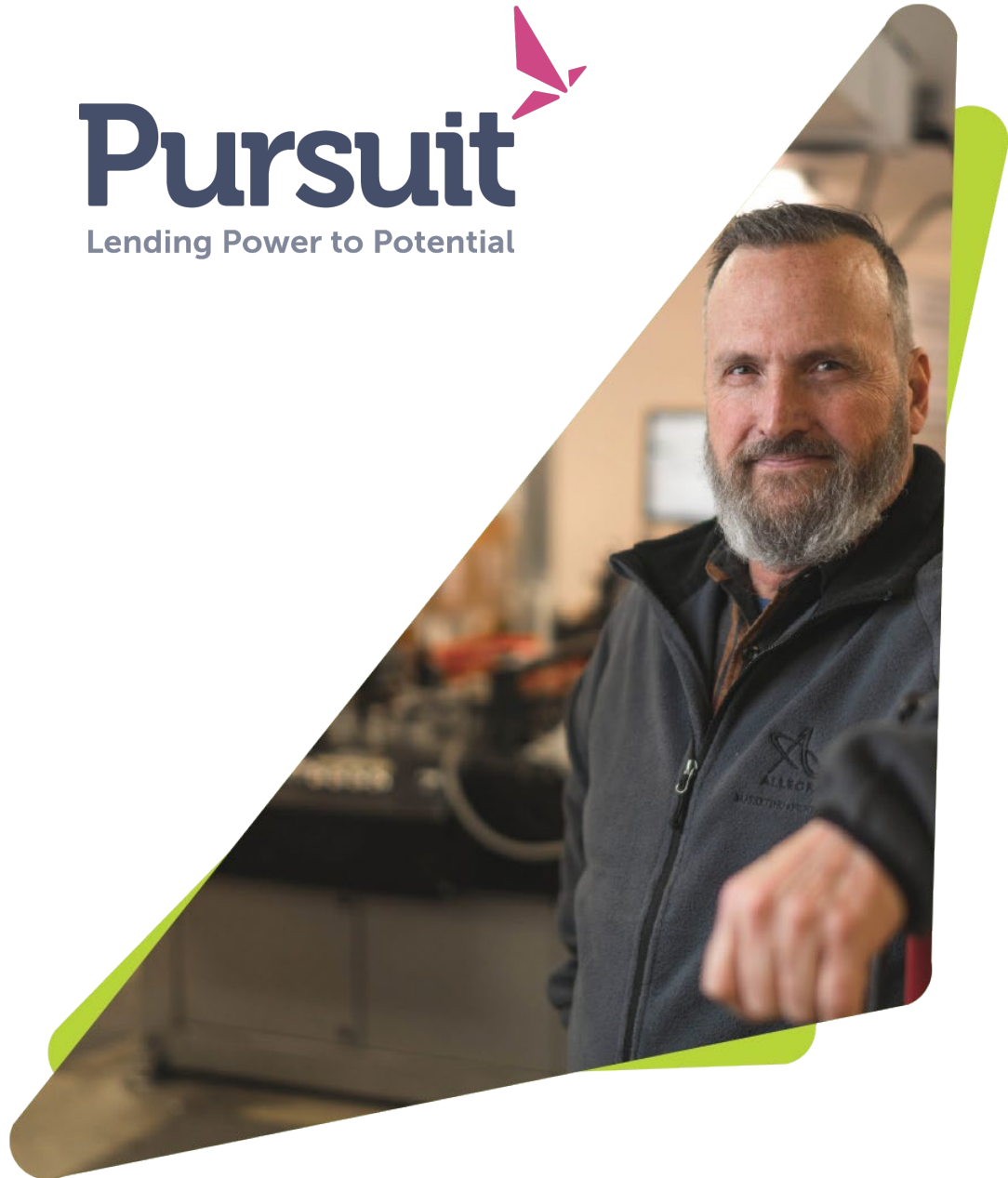




Paycheck Protection Program – Loan Forgiveness

What we'll cover

- Who is Pursuit and what is our relationship with SBA?
- What is the process for applying for loan forgiveness?
- How is my loan forgiveness amount calculated?
- How can I maximize the loan forgiveness amount?



About us

- Community-focused lender 100% invested in our borrowers' success
- 65+ year history of offering innovative lending solutions to help business owners achieve their dreams
- Provides a streamlined path to business funding—borrowers can directly access 15+ loan programs through a single lender

Pursuit and the Small Business Administration (SBA)

- Your Paycheck Protection Program loan was made by Pursuit and the lender of record in the transaction is Pursuit.
- The Small Business Administration (SBA) provides the rules and regulations for the program which Pursuit must follow.
- Pursuit will collect and submit all applications for loan forgiveness based on the process and instructions outlined by SBA. All communication regarding your loan should be made with Pursuit.

Pursuit's goals for loan forgiveness

- We will proceed cautiously to maximize the forgiveness and minimize the level of difficulty in obtaining this forgiveness.
- We will provide updated guidance and information as it becomes available from SBA to ensure you can maximize your loan forgiveness.
- We will attempt to make the forgiveness process application and process as painless as possible so you can focus on running your business.

Pursuit's advice to business owners

- Do not panic! Be patient!
- We expect the rules around forgiveness to evolve over the next few weeks and that they will become clearer and more generous.
- There are no “experts” with more knowledge about PPP – be careful incurring additional expenses with third party “experts” who claim that they can assist in your forgiveness application.

Process to obtain loan forgiveness

- SBA recently released Form 3508 which is titled Paycheck Protection Program Loan Forgiveness Application. This contains instructions for the borrower, a calculation form, and calculation worksheets.
- In the coming weeks, Pursuit will release a simple online application for forgiveness to assist our borrowers.
- Review the calculations and documentation requirements. **You do not need to fill out the SBA form.**

Process to obtain loan forgiveness

- Over the next two weeks Pursuit will send each business a link to a ShareFile document upload portal. This simple portal will assist in transmitting the necessary documents to Pursuit so we can compile for SBA submission of the forgiveness application.
- Pursuit will also send periodic updates to remind you to upload necessary documents throughout your forgiveness period. We will also keep you informed of any program updates or further guidance provided by SBA.

General loan forgiveness calculation

- Loan forgiveness includes expenses incurred during the eight-week “covered period.”
- Expenses that are forgivable include payroll costs, rent or lease payments, utility payments, and mortgage interest payments. Payroll costs must account for at least 75% of expenses.
- Loan forgiveness can be reduced if there is a reduction in the number of full-time equivalent employees or a reduction of more than 25% in wages.

What is the “covered period”?

- In general, the covered period is the eight weeks following the first disbursement of loan proceeds. This is the eight weeks in which expenses incurred can be eligible for forgiveness.
- SBA also recognizes an “alternative payroll covered period” for administrative convenience. Borrowers with a biweekly (or more frequent) payroll schedule may elect to calculate payroll costs using the eight-week period that begins on the first day of the first pay period following the initial loan disbursement date.

How to calculate payroll costs

- Salary, wages, commissions, or other similar compensation
- Payment of cash tip or equivalent
- Payment for vacation, parental, family, medical, or sick leave
- Allowance for dismissal or separation
- Payment of group healthcare benefits including insurance premiums
- Payment of any retirement benefit
- Payment of state and/or local tax assessed on the compensation of the employee
- **Not included:** compensation to an individual employee in excess of \$100,000; federal payroll taxes; compensation of an employee whose principal place of residence is outside the United States; sick leave or family leave under the Families First Coronavirus Response Act

What about payroll for self-employed individuals?

- SBA recognizes that self-employed individuals (including independent contractors) have a unique way of being paid. Like the calculation of the payroll costs for the initial loan amount, the forgiveness figure is based on the net profit reported in 2019.
- Owner Compensation Replacement is calculated as eight weeks' worth of the 2019 net profit (calculated at 8/52 of the net profit).
- The maximum forgiveness amount is \$15,385 per individual.

What if I cannot reopen due to government restrictions?

- Although this is not confirmed, there is growing support for extending the forgiveness period – potentially to 24 weeks compared to the current eight-week forgiveness period.
- Unfortunately, there are no rules in place for an extension of the covered period or exceptions made for businesses that cannot reopen.
- We recommend you remain patient and optimistic that changes will be made to the program.

Forgiveness reduction due to fewer employees

- Loan forgiveness will be reduced if there is a reduction in the number of full-time equivalent (FTE) employees. The calculation is based on the average weekly FTEs during the covered period compared to the baseline calculation (below).
- The baseline calculation for non-seasonal employers is either:
 - Average weekly FTEs from February 15, 2019 to June 30, 2019
 - Average weekly FTEs from January 1, 2020 to February 29, 2020
- The baseline calculation for seasonal employers is either:
 - One of the periods above for non-seasonal employers
 - Average weekly FTEs for a consecutive twelve-week period between May 1, 2019 and September 15, 2019

Forgiveness reduction due to lower wages

- Loan forgiveness will be reduced if there is a reduction of greater than 25% in wages paid to employees. The calculation is based on the employee's average annual salary or hourly wage during the covered period.
- The baseline calculation is the employee's average annual salary or hourly wage as of February 15, 2020.
- If a salary or wage is reduced by more than 25%, the loan forgiveness amount will be reduced.

“Safe Harbor” for restoring employment

- The SBA has provided a Safe Harbor for employers who restore FTE employment levels and salary levels by June 30, 2020.
- Loan forgiveness will not be reduced if the number of FTE employees are restored by June 30, 2020 to the same level as February 15, 2020.
- Loan forgiveness will not be reduced if the salaries and wages reduced by more than 25% are restored by June 30, 2020 to the same level as February 15, 2020.

What if my loan is not completely forgiven?

- The amount remaining after loan forgiveness is accounted for will remain as a loan that must be repaid. The interest rate is 1%.
- The loan includes six months of no payments followed by eighteen months of principal and interest payments.
- Your first payment will begin on the first of the month following the six month no payment period.

How to maximize your loan forgiveness amount

- Pursuit is your lender – we cannot be your business advisor. We are here to assist with the rules and processing of your forgiveness application, but we cannot provide business advice.
- We recommend you speak with your accountant, business advisor, or seek assistance from a Small Business Development Center.
- Continue to keep adequate records of all forgivable expenses so you are prepared for the forgiveness application.

Questions

- Please visit www.pursuitlending.com and visit our [Loan Forgiveness page](#) which has many resources to assist in understanding the SBA regulations and the loan forgiveness application.
- Still have questions? Send them to loanforgiveness@pursuitlending.com. We may not be able to answer all inquiries but will provide constant updates to our Frequently Asked Questions page on our website.



**Help more businesses access PPP:
Point them to Pursuit!**

www.pursuitlending.com/pppapply