

**CARES ACT – THE PAYCHECK PROTECTION PROGRAM**  
**June 16, 2020**

**ARE YOU ELIGIBLE? AND WHAT YOU NEED TO KNOW**

The Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) includes a program, the Paycheck Protection Program (“PPP”) to help businesses who need financial relief during the COVID-19 epidemic. The PPP gives eligible businesses access to 100% federally guaranteed loans, which are available until June 30, 2020, to help cover key expenses, including the following:

- Rent and Utilities
- Payroll
- Health care benefits and related insurance premiums
- Interest on debt incurred prior to the loan

This summary is intended to help you determine if your business is eligible to receive funds under the PPP, provide guidance on how to apply for the loan, and to update you on adjustments made to the PPP since its creation. If you believe the Program might be right for you, you should reach out directly to your banking relationships to start the application process. We have also created a dedicated team of Tenant Support Specialists ([tenantsupport@shopcore.com](mailto:tenantsupport@shopcore.com)), who are available to assist with questions and generally help navigate corresponding processes.

<b>ELIGIBILITY – QUESTION 1 (EMPLOYEES AND INDEPENDENT CONTRACTORS)</b>	
Were you operational on February 15, 2020 and have employees on payroll for whom you paid taxes? If no employees, did you pay independent contractors?	
If Yes:	Proceed to Question 2
If No:	STOP – Likely Not Eligible
<b>ELIGIBILITY – QUESTION 2 (SIZE)</b>	
Do any of the following describe the size of your company? When calculating the number of employees, include full-time employees, part-time employees and employees of affiliated companies.	
(a)	You have 500 employees or fewer.
(b)	You have more than 500 employees, but you are a restaurant, hotel or other business that falls within the North American Industry Classification (NAICS) Code # 72 “Accommodations and Food Services,” and each of your locations have 500 employees or fewer.
(c)	You have more than 500 employees, but you are in an industry that has an employee-based size standard through the Small Business Administration (“SBA”) that is higher than 500 employees <sup>1</sup>
If YES to (a), (b) or (c):	Likely Eligible
If NO:	STOP – Likely Not Eligible

<sup>1</sup> The SBA's size standards define whether a business entity is deemed “small” (despite having more than 500 employees) and, thus, eligible for government programs and preferences reserved for “small business” concerns.

**APPLICATION PROCESS**

- Deadline: June 30, 2020
- No application fees
- No collateral
- No personal guaranties
- Lender will require you to certify that:
  - The uncertainty of current economic conditions makes the loan request necessary to support ongoing operations; and
  - You will use the loan to retain employees and maintain payroll, or to make mortgage interest, lease and utility payments.

**MAXIMUM LOAN AMOUNT**

- 250% of average monthly payroll costs for the one-year period before the loan is made, capped at a maximum loan amount of \$10 million.
- Expenses excluded from payroll costs include: salary of an employee over \$100,000 (prorated for the covered period), payroll taxes (FICA and income tax withholdings), income taxes, compensation paid to an employee outside of the U.S., and sick or family leave wages for which a credit is allowed under the Family First Coronavirus Response Act.
- A seasonal business can elect to calculate its average monthly payroll costs based on (A) the 12-week period beginning February 15, 2019, or (B) the 12-week period beginning March 1, 2019.

**USE OF PROCEEDS**

- The purpose of PPP loans is to help employers cover certain allowable expenses during the period within 24 weeks of receiving the loan.
- PPP loans can be used for making payments towards:
  - Payroll costs, rent payments, mortgage interest, and utility costs incurred in the 24 weeks after the loan is made, and
  - Other business-related expenses (e.g., inventory) (however, loan proceeds expended on other business-related expenses are not forgivable)
  - **NOTE:** Those borrowers who received loan confirmation prior to the June 5<sup>th</sup> PPP Flexibility Act may allocate funds, and subsequently apply for relief, within an 8-week or 24-week period; those receiving loans after the enactment of the Flexibility Act must wait to apply for forgiveness until their 24-week period has concluded.

**LOAN FORGIVENESS**

- Amount of forgiveness is equal to the sum of (x) payroll costs, plus (y) other eligible business expenses (rent payments, mortgage interest, utility costs); 60% of the amount forgiven must be payroll costs.
- To the extent loan proceeds are used for other business-related expenses, such amounts, although permissible, will not be forgivable.
- Borrowers will need to account to lender to verify payroll costs and debt payments in connection with a determination of the amount to be forgiven.
- If there is a reduction in the number of employees: Loan forgiveness will be reduced by the percentage decrease in the number of employees.
- If total payroll costs decrease by more than 25% compared to the prior quarter (e.g., pay cuts, reduced benefits), then the amount of loan forgiveness will be reduced by an amount equal to the decrease. (Only applies to workers making less than \$100K/year.)
- A reduction in employees and/or wages between February 15, 2020 and 30 days after the CARES Act became law, will not reduce the amount of the loan forgiveness, provided employer rehires employees and/or eliminates the reduction in wages not later than December 31, 2020. Employers are exempt from this rehiring stipulation if an employer can demonstrate the inability to (1) rehire individuals that were employees as of February 15, 2020 or individuals with the same skillset, or (2) perform the same amount of business due to Government mandated restrictions and health guidelines.

**INTEREST; LOAN REPAYMENT TERMS**

- If the full principal of the loan is forgiven, Borrower will not owe the interest accrued in the covered period.
- Interest will be due on any principal that is not forgiven.
- Interest rates will be 1% for all loans.
- Loans confirmed after June 5th have a term of 5 years, loans confirmed before that date have a term of 2 years unless the borrower and lender mutually agree to extend the term to 5 years.
- Payments will be deferred until the amount of loan forgiveness is determined.

**HOW TO APPLY**

- The application form can be located [here](#).
- You must apply through an SBA- or Treasury-approved lending institution.
- Apply early: the SBA has advised that loans will be disbursed on a first-come-first-served basis.
- For community-specific information, you can contact your local SBA office [here](#).
- Click [here](#) to find an eligible SBA lender near you.
- You can access the SBA's PPP summary [here](#).