# SBA Paycheck Protection Program Summary of Expected Terms

Information contained herein is subject to change at any time and is based on current understanding of regulatory guidance. Version 042320

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| ***Application:*** | Applications are being taken as of April 23rd, 2020 based on prior program rules with the anticipation that the SBA PPP fund will be replenished.<br><br>Independent contractors, sole proprietors and self-employed individuals are eligible to apply at this time as well. |
| ***Loan Amount:*** | The lesser of: 2.5X average monthly payroll costs (see page 3 for definition of payroll costs) or $10,000,000.<br><br>**PER CURRENT FINAL INTERIM RULE GUIDANCE AT LEAST 75 PERCENT OF THE PPP LOAN PROCEEDS SHALL BE USED FOR PAYROLL COSTS WITHIN 8 WEEKS OF THE DATE OF THE LOAN** |
| ***Pricing:*** | 1.00%, fixed (current rate as of 04/02/20, subject to change) |
| ***Term:*** | Two Years |
| ***Monthly Payment:*** | The initial 6 months of payments will be deferred.<br><br>Thereafter, to the extent not forgiven, payment requirements are P&I monthly based on an 18-month amortization. |
| ***Loan Fee:*** | None |
| ***Prepayment Fee:*** | None |
| ***Collateral:*** | None |
| ***Guarantors:*** | None |
| ***Use of Funds:*** | The proceeds of a PPP loan are to be used for: |

i. payroll costs (see page 3 for definition of payroll costs);
ii. costs related to the continuation of group health care benefits during periods of paid sick, medical, or family leave, and insurance premiums;
iii. mortgage interest payments (but not mortgage prepayments or principal payments);
iv. rent payments;
v. utility payments;
vi. interest payments on any other debt obligations that were incurred before February 15, 2020; and/or
vii. refinancing an SBA EIDL loan made between January 31, 2020 and April 3, 2020. If you received an SBA EIDL loan from January 31, 2020 16 through April 3, 2020, you can apply for a PPP loan. If your EIDL loan was not used for payroll costs, it does not affect your eligibility for a PPP loan. If your EIDL loan was used for payroll costs, your PPP loan must be used to refinance your EIDL loan. Proceeds from any advance up to $10,000 on the EIDL loan will be deducted from the loan forgiveness amount on the PPP loan.

**REQUIREMENTS FOR A PAYCHECK PROTECTION PROGRAM APPLICATION**

- Paycheck Protection Program Application Form - SBA Form 2483 (04/20)
  - Applicants who answer YES to Question 3 shall provide a list of all affiliate businesses with common ownership or common management
  - Applicants who answer YES to Question 4 shall provide details of the EIDL loan obtained.
  - Applicants who answer YES to Questions 1, 2, 5 or 6 are <u>NOT</u> eligible for a PPP loan.

- Your calculation of average monthly payroll for 2019 or Trailing Twelve Months through a month ended 2020. (A summary of the regulatory guidance regarding how this is calculated is provided on page 3 of this document.)
  - For seasonal businesses, the above but only using payroll data for the dates from February 15, 2019-June 30, 2019.
  - For companies not in business for full year 2019, the above but only for January and February 2020.

- The source documents you used to calculate the average monthly payroll figure.
  - Such documentation may include payroll processor records or payroll tax filings. For borrowers that do not have any such documentation, the borrower must provide other supporting documentation, such as bank records, sufficient to demonstrate the qualifying payroll amount.

- In addition to the above, prior to final loan approval, the Borrowers must make sure that all organizational documents are current with Busey Bank (“Busey”) and you may be required to complete Beneficial Ownership documents if there have been any changes in ownership since completing those forms for Busey.

- If you are an independent contractor, sole proprietor or self-employed individual, see Exhibit A for other program requirements.

- If you are a partnership, see Exhibit B for other program requirements.

- Other items that may be requested or required by Busey or SBA.

By submitting an application to Busey for a loan under the Paycheck Protection Program (the “PPP”), the applicant(s): (a) understand that Busey anticipates a high volume of applications and there may be processing delays and system failures that interfere with submission of an application to the SBA, that Busey does not represent or guarantee that it will submit an application before funds are no longer available under the PPP or at all, and that Busey will not be responsible if applicant(s) do not receive a loan because funds are no longer available under the PPP or for any other reason, (b) certify that all information contained in such application or otherwise delivered from time to time in connection with such application is true in all material respects, (c) understand that Busey will rely on such information in deciding whether or not to grant or continue credit to the applicant(s) and in the administration of any loan to applicant(s) under the PPP, (d) understand that an application will only be considered a complete application upon the submission of all supporting documentation required by the application and that the applicant(s) may be asked for additional information based upon SBA rules from time to time in effect and/or required by Busey, (e) understand that Busey’s acceptance of an application does not constitute a promise or commitment to lend to applicant(s), (f) understand that Busey can only make a loan if funds remain available under the PPP and Busey does not control how quickly the SBA will respond to any application or in what order, and (g) understand such application and any potential loan to applicant(s) is subject to the requirements of the PPP, which may change at any time, without notice.

**For the purposes of calculating your loan amount:**

**DISCLAIMER:** The below sections are all taken directly (lightly edited for clarity) from the Small Business Administration Form 13 CFR Part 120 titled Business Loan Program Temporary Change; Paycheck Protection Program. You, as the borrower, are being asked to provide Busey with a calculation of your average monthly payroll as defined below. If you are unclear on any of the provisions below or seek guidance on how it compares to the formal legislation that was passed or any other materials that have been provided by SBA or Treasury, Busey will not be providing an opinion. It is your interpretation of these items and your calculation of the payroll amount that Busey is being asked to confirm. Therefore, please complete your calculation and provide it to Busey so that Busey can process your application.

**NOTE: If you are a Sole Proprietor, Independent Contractor, Self-Employed Individual, Single Member LLC or Partnership, see Exhibit A or B for specific guidance related to your calculation of Loan Amount.**

- **What qualifies as "payroll costs?"**

  Payroll costs consist of compensation to employees (whose principal place of residence is the United States) in the form of salary, wages, commissions, or similar compensation; cash tips or the equivalent (based on employer records of past tips or, in the absence of such records, a reasonable, good-faith employer estimate of such tips); payment for vacation, parental, family, medical, or sick leave; allowance for separation or dismissal; payment for the provision of employee benefits consisting of group health care coverage, including insurance premiums, and retirement; payment of state and local taxes assessed on compensation of employees.

- **Is there anything that is expressly excluded from the definition of payroll costs?**

  Yes. The Act expressly excludes the following:
  i. Any compensation of an employee whose principal place of residence is outside of the United States;
  ii. The compensation of an individual employee in excess of an annual salary of $100,000, prorated as necessary;
  iii. Federal employment taxes imposed or withheld between February 15, 2020 and June 30, 2020, including the employee's and employer's share of FICA (Federal Insurance Contributions Act) and Railroad Retirement Act taxes, and income taxes required to be withheld from employees; and
  iv. Qualified sick and family leave wages for which a credit is allowed under sections 7001 and 7003 of the Families First Coronavirus Response Act (Public Law 116–127).

- **How do I calculate the maximum amount I can borrow?**

  The following methodology, which is one of the methodologies contained in the Act, will be most useful for many applicants.
  i. Step 1: Aggregate payroll costs (defined in detail at the top of the page.) from the last twelve months for employees whose principal place of residence is the United States.
  ii. Step 2: Subtract any compensation paid to an employee in excess of an annual salary of $100,000
  iii. Step 3: Calculate average monthly payroll costs (divide the amount from Step 2 by 12).
  iv. Step 4: Multiply the average monthly payroll costs from Step 3 by 2.5.
  v. Step 5: Add the outstanding amount of an Economic Injury Disaster Loan (EIDL) made between January 31, 2020 and April 3, 2020, less the amount of any "advance" under an EIDL COVID-19 loan (because it does not have to be repaid).

  The examples below illustrate this methodology.
  i. Example 1 – No employees make more than $100,000 Annual payroll: $120,000 Average monthly payroll: $10,000 Multiply by 2.5 = $25,000 Maximum loan amount is $25,000
  ii. Example 2 – Some employees make more than $100,000 Annual payroll: $1,500,000 Subtract compensation amounts in excess of an annual salary of $100,000: $1,200,000 Average

monthly qualifying payroll: $100,000 Multiply by 2.5 = $250,000 Maximum loan amount is $250,000

iii. Example 3 – No employees make more than $100,000, outstanding EIDL loan of $10,000. Annual payroll: $120,000 Average monthly payroll: $10,000 Multiply by 2.5 = $25,000 Add EIDL loan of $10,000 = $35,000 Maximum loan amount is $35,000 10

iv. Example 4 – Some employees make more than $100,000, outstanding EIDL loan of $10,000 Annual payroll: $1,500,000 Subtract compensation amounts in excess of an annual salary of $100,000: $1,200,000 Average monthly qualifying payroll: $100,000 Multiply by 2.5 = $250,000 Add EIDL loan of $10,000 = $260,000 Maximum loan amount is $260,000

**What should a borrower know?**

**a. Am I eligible?**

You are eligible for a PPP loan if you have 500 or fewer employees whose principal place of residence is in the United States, or are a business that operates in a certain industry and meet the applicable SBA employee-based size standards for that industry, and:

i. You are:

A. A small business concern as defined in section 3 of the Small Business Act (15 USC 632), and subject to SBA's affiliation rules under 13 CFR 121.301(f) unless specifically waived in the Act;

B. A tax-exempt nonprofit organization described in section 501(c)(3) of the Internal Revenue Code (IRC), Tax-exempt veterans organization described in section 501(c)(19) of the IRC, Tribal business concern described in section 31(b)(2)(C) of the Small Business Act, or any other business; and

ii. You were in operation on February 15, 2020 and had employees for whom you paid salaries and payroll taxes.

You are also eligible for a PPP loan if you are an individual who operates as a Sole Proprietor, Independent Contractor, Self-Employed Individual, Single Member LLC or Partnership and were in operation on February 15, 2020.

**b. Could I be ineligible even if I meet the eligibility requirements in (a) above?**

You are ineligible for a PPP loan if, for example:

i. You are engaged in any activity that is illegal under federal, state, or local law;

ii. You are a household employer (individuals who employ household employees such as nannies or housekeepers);

iii. An owner of 20 percent or more of the equity of the applicant is incarcerated, on probation, on parole; presently subject to an indictment, criminal information, arraignment, or other means by which formal criminal charges are brought in any jurisdiction; or has been convicted of a felony within the last five years Or

iv. You, or any business owned or controlled by you or any of your owners, has ever obtained a direct or guaranteed loan from SBA or any other Federal agency that is currently delinquent or has defaulted within the last seven years and caused a loss to the government.

v. You are a business identified in 13 CFR 120.110 and described further in SBA's Standard Operating Procedure (SOP) 50 10, Subpart B, Chapter 2, except that nonprofit organizations authorized under the Act (501(c)(3)'s and others) are eligible.

vi. You are a business subject to SBA's affiliation rules and therefore not a small business (see d. on next page).

***c. Are affiliates considered together for purposes of determining eligibility?***

In most cases, a borrower will be considered together with its affiliates for purposes of determining eligibility for the PPP. Under SBA rules, entities may be considered affiliates based on factors including stock ownership, overlapping management, and identity of interest. 13 CFR § 121.301.

Per SBA guidance, it is the responsibility of the borrower to determine which entities (if any) are its affiliates and determine the employee headcount of the borrower and its affiliates. Lenders are permitted to rely on borrowers' certifications. A copy of the SBA's full guidance on affiliation can be provided upon request.

**d.** ***How do SBA's affiliation rules affect my eligibility and apply to me under the PPP?***

A copy of the SBA's full guidance on affiliation can be provided upon request. An entity generally is eligible for the PPP if it, combined with its affiliates, is a small business as defined in section 3 of the Small Business Act (15 U.S.C. 632), or

(1) has 500 or fewer employees whose principal place of residence is in the United States or is a business that operates in a certain industry and meets applicable SBA employee-based size standards for that industry, and

(2) is a tax-exempt nonprofit organization described in section 501(c)(3) of the Internal Revenue Code (IRC), a tax-exempt veterans organization described in section 501(c)(19) of the IRC, a Tribal business concern described in section 31(b)(2)(C) of the Small Business Act, or any other business concern.

**e. Can I apply for more than one PPP loan?**

No. The Administrator, in consultation with the Secretary, determined that no eligible borrower may receive more than one PPP loan. This means that if you apply for a PPP loan you should consider applying for the maximum amount.

**f. Is the PPP "first-come, first-served?"**

Yes.

**g. When will I have to begin paying principal and interest on my PPP loan?**

You will not have to make any payments for six months following the date of disbursement of the loan. However, interest will continue to accrue on PPP loans during this six-month deferment.

**h. Can my PPP loan be forgiven in whole or in part?**

Yes. The amount of loan forgiveness can be up to the full principal amount of the loan and any accrued interest. That is, the borrower will not be responsible for any loan payment if the borrower uses all of the loan proceeds for forgivable purposes described below and employee and compensation levels are maintained. The actual amount of loan forgiveness will depend, in part, on the total amount of payroll costs, payments of interest on mortgage obligations incurred before February 15, 2020, rent payments on leases dated before February 15, 2020, and utility payments under service agreements dated before February 15, 2020, over the eight-week period following the date of the loan. However, not more than 25 percent of the loan forgiveness amount may be attributable to nonpayroll costs.

While the Act provides that borrowers are eligible for forgiveness in an amount equal to the sum of payroll costs and any payments of mortgage interest, rent, and utilities, the Administrator has determined that the non-payroll portion of the forgivable loan amount should be limited to effectuate the core purpose of the statute and ensure finite program resources are devoted primarily to payroll. The Administrator has determined in consultation with the Secretary that 75 percent is an appropriate percentage in light of the Act's overarching focus on keeping workers paid and employed. Further, the Administrator and the Secretary believe that applying this threshold to loan forgiveness is consistent with the structure of the Act, which provides a loan amount 75 percent of which is equivalent to eight weeks of payroll (8 weeks / 2.5 months = 56 days / 76 days = 74 percent rounded up to 75 percent). Limiting non-payroll costs to 25 percent of the forgiveness amount will align these elements of the program, and will also help to ensure that the finite appropriations available for PPP loan forgiveness are directed toward payroll protection.

**<u>SBA will issue additional guidance on loan forgiveness.</u>**

**i. Do independent contractors count as employees for purposes of PPP loan forgiveness?**

No, independent contractors can apply for a PPP loan on their own, so they do not count for purposes of a borrower's PPP loan forgiveness.

**j. What happens if PPP loan funds are misused?**

If you use PPP funds for unauthorized purposes, SBA will direct you to repay those amounts. If you knowingly use the funds for unauthorized purposes, you will be subject to additional liability such as charges for fraud. If one of your shareholders, members, or partners uses PPP funds for unauthorized purposes, SBA will have recourse against the shareholder, member, or partner for the unauthorized use.

**k. What certifications need to be made?**

On the Paycheck Protection Program application, an authorized representative of the applicant must certify in good faith to certain items. See application to review.

This document is not a full list of terms and conditions. Other terms and conditions can be found in the Small Business Administration Form 13 CFR Part 120 titled Business Loan Program Temporary Change; Paycheck Protection Program as well as subsequent Interim Final Rules and FAQ's that can be provided to you upon request.

# EXHIBIT A
# Guidance on Sole Proprietors, Independent Contractors, Self-Employed Individuals, Single Member LLC's

**Guidance largely taken directly from SBA Interim Final Rule on this topic (edited for clarity)**

**Am I eligible for a PPP Loan?**

You are eligible for a PPP loan if:

(i) you were in operation on February 15, 2020;
(ii) you are an individual with self-employment income (such as an independent contractor or a sole proprietor);
(iii) your principal place of residence is in the United States;
**and**
(iv) you filed or will file a Form 1040 Schedule C for 2019.

SBA will issue additional guidance for those individuals with self-employment income who: (i) were not in operation in 2019 but who were in operation on February 15, 2020, and (ii) will file a Form 1040 Schedule C for 2020.

**What is the borrower required to submit different from the standard requirements?**

- 2019 Form 1040 Schedule C
  - Regardless of whether you have filed a 2019 tax return with the IRS, you must provide the 2019 Form 1040 Schedule C with your PPP loan application to substantiate the applied-for PPP loan amount

- If applicable, your 2019 IRS Form 1099-MISC, detailing nonemployee compensation received (box 7), invoice, bank statement, or book of record that establishes you are self-employed.

- For Sole Prop's with employees, Form 941 (or other tax forms or equivalent payroll processor records containing similar information) and state quarterly wage unemployment insurance tax reporting forms from each quarter in 2019 or equivalent payroll processor records, along with evidence of any retirement and health insurance contributions, if applicable.

- For new Busey customers without a deposit history, if you did not have employees: you must provide a 2020 invoice, bank statement, or book of record to establish you were in operation on or around February 15, 2020. If you did have employees, you must provide a payroll statement or similar documentation from the pay period that covered February 15, 2020 must be provided to establish you were in operation on February 15, 2020.

- Your calculation of average monthly amount for 2019 (see below and on page 2 for calculations).

**How do I calculate the maximum amount I can borrow?**

How you calculate your maximum loan amount depends upon whether or not you employ other individuals.

If you have no employees, the following methodology should be used to calculate your maximum loan amount:

i. Find your 2019 IRS Form 1040 Schedule C line 31 net profit amount (if you have not yet filed a 2019 return, fill it out and compute the value). If this amount is over $100,000, reduce it to $100,000. If this amount is zero or less, you are not eligible for a PPP loan.
ii. Calculate the average monthly net profit amount (divide the amount from Step 1 by 12).
iii. Multiply the average monthly net profit amount from Step 2 by 2.5.
iv. Add the outstanding amount of any Economic Injury Disaster Loan (EIDL) made between January 31, 2020 and April 3, 2020 that you seek to refinance, less the amount of any advance under an EIDL COVID-19 loan (because it does not have to be repaid).

If you have employees, the following methodology should be used to calculate your maximum loan amount:

1. Compute 2019 payroll by adding the following:
   a. Your 2019 Form 1040 Schedule C line 31 net profit amount (if you have not yet filed a 2019 return, fill it out and compute the value), up to $100,000 annualized, if this amount is over $100,000, reduce it to $100,000, if this amount is less than zero, set this amount at zero;
   b. 2019 gross wages and tips paid to your employees whose principal place of residence is in the United States computed using 2019 IRS Form 941 Taxable Medicare wages & tips (line 5c-column 1) from each quarter plus any pre-tax employee contributions for health insurance or other fringe benefits excluded from Taxable Medicare wages & tips; subtract any amounts paid to any individual employee in excess of $100,000 annualized and any amounts paid to any employee whose principal place of residence is outside the United States; and
   c. 2019 employer health insurance contributions (health insurance component of Form 1040 Schedule C line 14), retirement contributions (Form 1040 Schedule C line 19), and state and local taxes assessed on employee compensation (primarily under state laws commonly referred to as the State Unemployment Tax Act or SUTA from state quarterly wage reporting forms).
2. Calculate the average monthly amount (divide the amount from Step 1 by 12).
3. Multiply the average monthly amount from Step 2 by 2.5.
4. Add the outstanding amount of any EIDL made between January 31, 2020 and April 3, 2020 that you seek to refinance, less the amount of any advance under an EIDL COVID-19 loan (because it does not have to be repaid).

# EXHIBIT B
# Guidance on Partnerships

**Guidance largely taken directly from SBA Interim Final Rule on this topic (edited for clarity)**

**What is the borrower required to submit?**
Same supporting documentation package as other corporate borrowers but also including the borrower's K-1's (if available for 2019) or similar documentation that details the "self-employment income" of each general active partner.

**Guidance**
If you are a partner in a partnership, you may not submit a separate PPP loan application for yourself as a self-employed individual. Instead, the self-employment income of general active partners may be reported as a payroll cost, up to $100,000 annualized, on a PPP loan application filed by or on behalf of the partnership.

Partnerships are eligible for PPP loans under the Act, and the Administrator has determined, in consultation with the Secretary of the Treasury (Secretary), that limiting a partnership and its partners (and an LLC filing taxes as a partnership) to one PPP loan is necessary to help ensure that as many eligible borrowers as possible obtain PPP loans before the statutory deadline of June 30, 2020. This limitation will allow lenders to more quickly process applications and lower the burdens of applying for partnerships/partners.

The Administrator has further determined that permitting partners to apply as self-employed individuals would create unnecessary confusion regarding which entity, the partner or the partnership, applies for partner and LLC member income, and would generate loan proceeds use coordination and allocation issues. Rent, mortgage interest, utilities, and other debt service are generally incurred at the partnership level, not partner level, so it is most natural to provide the funds for these expenses to the partnership, not individual partners.

In addition, you should be aware that participation in the PPP may affect your eligibility for state administered unemployment compensation or unemployment assistance programs, including the programs authorized by Title II, Subtitle A of the CARES Act, or CARES Act Employee Retention Credits.

**CALCULATION for Partnerships**
Same as standard guidance for employees on payroll EXCEPT also add the Net Earnings (Loss) from Self-Employment for each Partner (capped at $100,000 each). The Net Earnings from Self-Employment is found on Schedule K-1 line 14A. Definition appears to disqualify Limited Partners from the calculation.

The following methodology may be considered

i. Aggregate payroll costs (see the next page for definition of payroll costs and exclusions thereof) from the last twelve months for employees whose principal place of residence is the United States. PLUS Add the Net Earnings from Self-Employment for each General Active Partner found on Schedule K-1 line 14A. If less than $0 do not include this number.
ii. Subtract any compensation paid to an employee in excess of an annual salary of $100,000 and/or any amounts paid to an independent contractor or sole proprietor in excess of $100,000 per year and/or any amounts on Schedule K-1 line 14A > $100,000.
iii. Calculate average monthly payroll costs (divide the amount from Step 2 by 12).
iv. Multiply the average monthly payroll costs from Step 3 by 2.5.
v. Add the outstanding amount of an Economic Injury Disaster Loan (EIDL) made between January 31, 2020 and April 3, 2020, less the amount of any "advance" under an EIDL COVID-19 loan (because it does not have to be repaid).

- **What qualifies as "payroll costs?"**

  Payroll costs consist of compensation to employees (whose principal place of residence is the United States) in the form of salary, wages, commissions, or similar compensation; cash tips or the equivalent (based on employer records of past tips or, in the absence of such records, a reasonable, good-faith employer estimate of such tips); payment for vacation, parental, family, medical, or sick leave; allowance for separation or dismissal; payment for the provision of employee benefits consisting of group health care coverage, including insurance premiums, and retirement; payment of state and local taxes assessed on compensation of employees.

- **Is there anything that is expressly excluded from the definition of payroll costs?**

  Yes. The Act expressly excludes the following:

  i. Any compensation of an employee whose principal place of residence is outside of the United States;
  ii. The compensation of an individual employee in excess of an annual salary of $100,000, prorated as necessary;
  iii. Federal employment taxes imposed or withheld between February 15, 2020 and June 30, 2020, including the employee's and employer's share of FICA (Federal Insurance Contributions Act) and Railroad Retirement Act taxes, and income taxes required to be withheld from employees; and
  iv. Qualified sick and family leave wages for which a credit is allowed under sections 7001 and 7003 of the Families First Coronavirus Response Act (Public Law 116–127).