



Public

Coronavirus Relief Resources for US Business Owners

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Business Owner Coronavirus Relief Programs At A Glance

Economic Injury Disaster Loans (EIDL)

- Up to \$2 million in loan amount
- Up to 30 years maturity
- 2.75% for non profits
- 3.75% for small businesses
- Does require credit underwriting, collateral and personal guarantee
- Nonforgivable loan
- One time \$10,000 emergency grant at time of application available

Paycheck Protection Program (PPP) – up to \$350bn

- For small business, nonprofits, sole proprietors and independent contractors with up to 500 US employees (with limited exceptions)
- Loan amount is the lesser of (a) \$10 million or (b) 2.5 x average monthly payroll + an EIDL
- Up to 2 years maturity at 1% interest rate
- No standard credit underwriting, collateral and personal guarantee
- Forgivable loans if you maintain payroll and wages; reduction in any forgiveness in relation to any reductions in payroll or wages
- **Meant to cover the next 8 weeks of allowable costs, but must maintain payroll levels and wages through June 30, 2020**

Loans For Larger Businesses – up to \$500bn

- A program with wide discretion given to the Secretary of the Treasury to determine businesses that are eligible for the benefit
- Program includes loans, guarantees or even investments
- Nonforgivable loans up to 5 years
- Terms, rates, and other criteria to be determined
- Maintain 90% of late-March payroll through September 30, 2020
- Limits on compensation above \$425,000, stock buybacks, dividends and capital distributions while the loan is outstanding plus 1 year
- Mid-size businesses 500-10,000 employees: rates up to 2% but also additional restrictions regarding collective bargaining and outsourced labor while the loan is outstanding plus 2 years
 - Additional requirement to remain neutral on union organizing efforts while the loan is outstanding

Tax Credits and Deferrals

- The federal tax return **filing and payment** deadlines are now July 15, 2020
- Two tax benefits are available to employers that do not take the PPP benefit:
 - An employee retention tax credit of 50% up to \$10,000 (or \$5,000) per employee on wages paid 3/13-12/31/2020 for COVID-19 impacted businesses
 - Delays of payment of Employer Payroll Taxes to 2021 and 2022
- Changes to Net Operating Loss Rules to use losses in 2019 and 2020 against past profits to claim refunds
- Increases to the amount of interest expense businesses may deduct from 30% to 50% for 2019 and 2020



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As of 3/31/2020. Rules and regulations are not yet finalized and subject to change.

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Phase III: Coronavirus Aid, Relief and Economic Security Act (the "CARES Act") – PPP & Small Business Program

Type:	Paycheck Protection Program "PPP" / Small Business Interruption Loans (i.e., forgivable loans related to COVID-19)	
Eligibility	<p>Businesses (including sole props, contractors & self-employed) & nonprofits and</p> <ul style="list-style-type: none"> with fewer than 500 US employees, excluding contractors (subject to the exceptions for hospitality & franchise businesses); or that meet the Small Business Administration's ("SBA") industry-based "size standard" requirements for the applicable NAICS code (based either on number of employees or annual receipts) 	<p>Must have been "substantially affected by COVID-19," which is described as:</p> <ul style="list-style-type: none"> supply chain disruptions staffing challenges; a decrease in sales or customers; or shuttered businesses <p>Owners who are incarcerated, on probation or parole or who are delinquent on a federal debt are ineligible</p>
Contractors & Sole Props	<ul style="list-style-type: none"> Employers should not count independent contractors in their employee and payroll numbers These individuals should apply for their own separate PPP loan 	
Loan Duration & Amount	<p>A 2 year loan with the amount to be the lesser of (a) \$10 million or (b) 2.5 multiplied by the average monthly payroll payments by the applicant incurred during the 1 year period before the date on which the loan is made plus any Economic Injury Disaster Loans recently established that are to be refinanced. Note (b) above is different for newer companies or those with seasonal employees</p>	
Allowable Use	<ul style="list-style-type: none"> Payroll support, including paid sick, medical, or family leave, and costs related to the continuation of group health care and retirement benefits during those periods of leave; Employee salaries (up to \$100k annual salary); Mortgage interest payments; 	<ul style="list-style-type: none"> Rent (including rent under a lease agreement); Utilities; and Any other interest on debt obligations* that were originated before the covered period (excludes payment of principal) Refinance an existing Economic Injury Disaster Loan (<i>page 4</i>)
Loan Forgiveness	<p>An eligible recipient shall be eligible for forgiveness of indebtedness in an amount equal to the cost of maintaining payroll continuity and other allowable costs* during the covered period (8 weeks from loan origination) compared to the previous year. 75% of the forgiven amount must be for payroll. The borrower shall submit to the lender an application, which shall include documentation verifying the number of full-time equivalent employees on payroll and the other costs included in "Allowable Use:"</p> <ul style="list-style-type: none"> payroll tax filings reported to the Internal Revenue Service; 	<ul style="list-style-type: none"> state income, payroll, and unemployment insurance filings; financial statements verifying payment on debt obligations incurred before the covered period; and any other necessary documentation to be determined <p>The amount of any loan forgiveness will be reduced by any reductions in employee wages (in excess of 25% for any employee) or a reduction in the number of employees during the covered period through June 30, 2020</p>
Taxability	<p>Canceled indebtedness under this section shall be excluded from gross income</p>	
Other Terms	<ul style="list-style-type: none"> These loans are non-recourse, no personal guarantee required except if using the loans for purposes other than those allowed 1% interest rate, underwriting/documentation standards and other terms & conditions are to be determined 	



*While other interest expenses are listed in the allowable use section of the law, they are not mentioned in the forgivable loan provision

PPP Program: Additional Areas of Interest

Payroll forms and what to include	<ul style="list-style-type: none"> • Ask your lender, as they will likely provide guidance to you • Treasury's guidance is broad and vague at times. If your lender does not provide explicit guidance, it may be best to provide as much supporting documentation as possible and err on the side of inclusion if done in good faith. Consult your tax and legal professionals.
Affiliate Rules / Venture Capital (VC) and Private Equity (PE) owned companies	<ul style="list-style-type: none"> • Treasury has provided a ruling that confirmed guidance that VC and PE may not be eligible for the PPP program due to "affiliation rules" that would count the company's employees along with the employees of all other companies controlled by same common owner, such as an individual or a PE/VC firm • An individual or VC/PE firm could be considered a controller if the firm is <ul style="list-style-type: none"> – A holder of more than 50% of an applicant's voting shares; – A minority holder (a holder of less than 50%), will be deemed an affiliate if that minority holder can "control" the applicant by preventing a quorum or otherwise blocking actions by the board or stockholders by charter, bylaws or stockholder agreement <ul style="list-style-type: none"> – NOTE – In an updated Treasury FAQ document, Treasury specifies that a minority shareholder could be considered not an affiliate if it irrevocably waives or relinquishes the rights described above • This would not apply to restaurant and hospitality companies given the explicit exemption to this rule • An additional waiver was also established for religious non-profits
First come first serve & re-applying	<ul style="list-style-type: none"> • The program is first come first serve, currently up to ~\$350bn • Borrowers may only apply once. If a borrower is eligible, for example, for a \$1,000,000 loan but only requests (or miscalculates their payroll) \$750,000, they may not request the additional \$250,000 at a later date
FICA Taxes – are they included?	<ul style="list-style-type: none"> • The interim final rule excludes both the employee and employer FICA contributions only for the period from Feb 15, 2020 to June 30, 2020. Thus, such amounts incurred prior to Feb 15, 2020 could be included in calculating the loan amount, but later FICA payments cannot be counted toward forgiveness.
Partners in a Partnership	<ul style="list-style-type: none"> • Updated Treasury guidance indicates that partners in a partnership should submit one PPP application at the partnership level, and not separately as self-employed individuals • "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"

Paycheck Protection Program Quick Guide: Payroll and Loan Forgiveness

****Forgivable loans are for 8 weeks from origination, but employment retention is through June 30, 2020****

Loan size the lesser of \$10m or 2.5x Average Monthly¹ Payroll + EIDL²

To calculate monthly payroll, include these...

For business owners with employees:

- salary, wage, commission, or similar compensation
- payment of cash tip or equivalent
- payment for vacation, parental, family, medical, or sick leave
- allowance for dismissal or separation
- payment required for the provisions of group health care benefits, including insurance premiums
- payment of any retirement benefit
- payment of state or local tax assessed on employee compensation

For independent contractors or sole proprietors:

- wage, commission, income, net earnings from self-employment, or similar compensation and that is in an amount that is not more than \$100,000 in one year, as pro-rated for the Covered Period

...and exclude these

- the portion of compensation of an individual employee in excess of an annual salary of \$100,000 (prorated)
- taxes for payroll, railroad retirement and income
 - **UPDATE:** Include payroll/FICA taxes that employee pays (withholds), but exclude what the employer pays
- compensation of an employee whose principal place of residence is outside of the United States
- qualified sick & family leave wages getting a credit due to the Families First Coronavirus Response Act

- The **Covered Period** begins on February 15, 2020 and ends on June 30, 2020
- Apply no later than June 30, 2020

What can be forgiven?

Forgive these costs...

- payroll costs (see left, note 75% of forgivable cost must be for payroll)
- costs that were established before February 15, 2020
 - mortgage interest obligation
 - rent on a leasing agreement
 - utilities: electricity, gas, water, transportation, phone or internet
- additional wages paid to tipped employees
- *Note: any loan forgiveness is not to exceed the loan principal*

...for **8 Weeks** from loan funding

How could forgiveness be reduced? What if I re-hire?

Based on Employees...

X

Average Monthly Full Time Equivalents (FTEs) for the 8 weeks

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- Option 1: Average FTEs 2/15 - 6/30/2019
- Option 2: Average FTEs 1/1 - 2/29/2020
- Seasonal Employers:
Average FTEs 2/15 - 6/30/2019

..and Based on Salaries

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For any employee who did not earn during any pay period in 2019 wages at an annualized rate more than \$100,000, the amount of any reduction in wages that **is greater than 25%** compared to their most recent full quarter.

Reductions in employment or wages that occur between February 15, 2020, and April 26, 2020 shall not reduce forgiveness if by June 30, 2020 the borrower eliminates the reductions by re-hiring employees or restoring wages

Re-Hires



¹ The average monthly periods differ for existing, new and seasonal companies. Consult your lender.

² EIDL = Economic Injury Disaster Loan's outstanding balance that was originated from January 31, 2020 and that is being refinanced

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Phase III: Coronavirus Aid, Relief and Economic Security Act (the "CARES Act") – Larger Businesses

Below is a summary of key details related to business owner relief as part of "Phase III." Many details are yet to be finalized.

Type:	Credit Support for Other Affected Businesses (other than Small Businesses)
Overview	<ul style="list-style-type: none"> • The Secretary of the Treasury (the "Secretary") is given discretion to determine which businesses will be beneficiaries of the credit support but likely to include businesses that would otherwise not qualify for the Small Business Interruption Loans assistance (e.g., businesses with more than 500 employees) • The Secretary will be authorized to make loans, guarantees and other investments (e.g., an equity stake or warrants) in support of eligible businesses as well as states and municipalities not to exceed \$500 billion • An independent oversight committee will oversee the program
Loan Amount and Terms	Maturity not to exceed 5 years . The Secretary is given similar discretion on determining the terms related to rates, underwriting and other terms & conditions. These loans are not forgivable.
Compensation Limits	<p>Businesses that receive loans or guarantees under this provision will be required to agree to certain caps on compensation and severance payments for employees whose compensation exceeded \$425,000 in the 2019 calendar year. Employees with compensation exceeding \$425,000 will be capped at the 2019 levels and any severance pay is not to exceed twice the maximum compensation received in 2019</p> <p>For officers or employees who earned more than \$3 million in 2019 annual salary, their compensation would be capped at \$3 million plus 50% of the amount exceeding \$3 million in 2019 (example an individual earned \$5 million in 2019 would be capped at \$3 million + 50% x (\$5 million - \$3 million) = \$4 million cap)</p> <p>These caps will be in place for the period while the loan is outstanding plus an additional 12 months</p>
Buybacks & Dividends	Companies may not conduct stock buybacks nor provide dividends nor capital distributions to investors while the loan is outstanding plus an additional 12 months
Employment Levels	Until September 30, 2020, companies are to maintain levels of employment as of March 24, 2020 to the extent that is practical and in no case is the company to reduce employment by more than 10%
For 500-10,000 employees	A carve out for medium sized businesses indicates loans should be made available with up to 2% APR. Mid-size businesses have additional rules regarding remaining neutral on union organizing efforts for the period of the loan and not outsourcing or abrogating collective bargaining agreements for the period of the loan plus 2 years.



SBA Economic Injury Disaster Loan ("EIDL") Program

The EIDL program is a low interest, non-forgivable loan offered by the SBA and different than Phase III's PPP program.

Can I get both an EIDL and a PPP loan?	Yes as long as they don't pay for the same expenses. Alternatively, an existing EIDL loan can be refinanced into a PPP loan.
Loan size:	Up to \$2,000,000
Eligibility	Small businesses, including ESOPs, sole props, independent contractors and non-profits affected by the coronavirus all U.S. states and territories
Interest rate:	2.75% for nonprofits 3.75% for small businesses
Term length:	Will vary, but up to 30 years
Usage:	Accounts payable, fixed debts, payroll, and other bills due to the virus
Emergency Grant	An emergency grant of \$10,000 can be provided even before loan approval if used to cover certain payroll, supply chain and other specified costs
What you'll need to provide	Supporting documentation could include the business's most recent tax returns, a personal financial statement and a schedule of liabilities that lists all your current debts Loans less than \$200,000 do not require a personal guarantee
More information	https://www.sba.gov/page/coronavirus-covid-19-small-business-guidance-loan-resources
How to apply	Apply directly to the SBA @ https://disasterloan.sba.gov/ela/ selecting Economic Injury as your reason. Alternatively, call SBA disaster assistance customer service center at 1-800-659-2955 (TTY: 1-800-877-8339) or e-mail disastercustomerservice@sba.gov .
Note	These loans are issued by the SBA directly and <i>not</i> UBS Financial Services Inc., its affiliates or other banks.



Main Street Lending Program

Type:	Credit Support for Other Affected Businesses (other than Small Businesses)	
Overview & eligibility	<ul style="list-style-type: none"> The Federal Reserve is launching a \$600 billion Main Street Lending Program to support small and mid-sized businesses that were in good financial standing before the COVID-19 pandemic but have been negatively impacted by the pandemic Loans will be originated by participating lenders and then sold in part to the Federal Reserve via two facilities, one for new loans and one that expand the size of existing loans Up to 10,000 employees or up to \$2.5 billion in 2019 annual revenues The company was created or organized in the USA or with the majority of its employees based in the USA. Companies can only participate in one program. 	
Loan amounts	<p>The Main Street New Loan Facility (MSNLF)</p> <ul style="list-style-type: none"> Minimum of \$1 million Maximum of the lesser of (a) \$25 million or (b) an amount that, when added to the Borrower's existing outstanding and committed but undrawn debt, does not exceed four times the Borrower's 2019 earnings before interest, taxes, depreciation, and amortization ("EBITDA") 	<p>The Main Street Expanded Loan Facility (MSELF)</p> <ul style="list-style-type: none"> Minimum of \$1 million Maximum of the lesser of (a) \$150 million, (b) 30% of the Borrower's existing outstanding and committed but undrawn bank debt or (c) an amount that, when added to the Borrower's existing outstanding and committed but undrawn debt, does not exceed six times the Borrower's 2019 earnings before interest, taxes, depreciation, and amortization ("EBITDA")
Other key terms	<ul style="list-style-type: none"> Loans are not forgivable Amortization of principal and interest will be deferred for one year 4 year maturity with no prepayment penalties Adjustable rate of SOFR + 250 – 400 basis points. SOFR stands for Secured Overnight Financing Rate and is reference rate established as an alternative to LIBOR 	
Employment levels & allowable use	<ul style="list-style-type: none"> Companies are to use the proceeds to make reasonable efforts to maintain payroll and its employees during the term of the loan Companies will not use the proceeds to repay existing loan balances or reduce existing lines of credit 	
Limits on buybacks, dividends, and compensation	<ul style="list-style-type: none"> Like companies that participate in the Treasury Department's \$500bn lending program for bigger companies, companies that participate in MSNLF or MSELF must similarly comply with the same rules limited stock buybacks, dividends and capital distributions as well as limits on compensation for the period while the loan is outstanding plus 12 months (see page 5) 	

Additional Relief Programs

Program	Description
Income Tax Filing & Payment	The federal tax return filing and payment deadlines are now July 15, 2020 Check your state and local tax agencies as well as several states have aligned their deadlines
State and Local Relief Programs	Several local jurisdictions are supporting small businesses with loans, grants, or deferral of collection of taxes and fees. Forbes and Inc have evolving listings of local programs**
B2B Transactions	Check with your providers, as many B2B providers (companies, utilities, etc.) are providing discounts, deferral of payments and/or grants to small businesses
"Phase II" Coronavirus Stimulus: Families First Coronavirus Response Act	<ul style="list-style-type: none"> • Tax credits for businesses with fewer than 500 employees to cover: <ul style="list-style-type: none"> – Two weeks of paid sick leave for employees who have been quarantined, have a sick family member, or have been affected by school closings – Up to three months of paid family and medical leave amounting to no less than two-thirds of regular pay for those employees listed above • The option for the Labor Department to exempt businesses with fewer than 50 employees from abiding by the paid leave mandate, if the Labor Department decides the new law could pose an existential threat to the company
"Phase III" Coronavirus Stimulus	<p>More than \$1 Trillion in spending, tax benefits, loans, and other aid to businesses; \$2 Trillion in overall relief</p> <p>Existing SBA loan payments can be deferred for up to 6 months</p> <p>Increases to the amount of interest expense businesses may deduct from 30% to 50% for 2019 and 2020</p> <p>Changes to Net Operating Loss Rules to use losses today against past profits to claim refunds</p> <ul style="list-style-type: none"> • The Act temporarily reverses changes to how net operating losses can be carried back. • Losses from 2018, 2019 and 2020 will be permitted to be carried back for up to five years (or forego the carryback and instead carry the loss forward) for 2019 and 2020 income <p>Delays of payment of Employer Payroll Taxes</p> <ul style="list-style-type: none"> • Payroll taxes due to the IRS through the end of 2020 can be deferred with 50% of those deferred payments due by December 31, 2021 and the remaining 50% due by December 31, 2022 • PPP participants are excluded from this benefit once their loan is forgiven. Per updated IRS guidance (FAQ #4), before any such forgiveness, business owners may request deferral of applicable payroll taxes and still receive the benefit for those deferrals once the loan is forgiven, but may not request after the loan is forgiven <p>An employee retention tax credit of 50% up to \$10,000 (or \$5,000) per employee on wages paid 3/13-12/31/2020 for COVID-19 impacted businesses</p> <ul style="list-style-type: none"> • PPP participants are excluded from this benefit.

Change Log since March 27

March 30th:

- Page 2 – Added a link to the SBA's size standard page for quick access. Added EIDL to the calculation of loan size. Clarified that allowable mortgage payments are for interest only and not principal. Added a footnote that indicates other debt obligation's interest are not mentioned in the forgivable loan provision
- Added Page 4
- Page 6 – Updates to EIDL to include getting an EIDL and a PPP loan as well as information on \$10,000 emergency grant. Loans less than \$200k no longer require a personal guarantee per Phase III. All states and territories of the US are now eligible.
- Page 8 – Addition of Employee Retention Tax Credit

April 1

- Added Page 1
- Updated Page 2 with term and APR as well as 75% of forgiveness must be for payroll per the Treasury update on Tuesday
- Updated Page 5 with additional rules for mid-sized businesses around outsourcing and unions
- Updated Page 8 that PPP participants are also excluded from the employee retention credit benefit

April 5

- Updated Page 1 with clarification that PPP participants are excluded from the employee tax retention credit and updated that the PPP requirement is 500 US employees per latest guidance
- Updated Page 2 with the US employee clarification and disqualification of ineligibility as well as confirmation by the Treasury that independent contractors should get their own PPP loan and not be counted in payroll & employment numbers for small businesses
- Added Page 3
- Updated Page 4 with the rule that 75% of forgiveness must be for payroll. Updated the forgiveness calculation that the date ranges for the denominators are options and not based on whether or not the company is new or established.

April 14

- Page 3 and Page 4 were updated with new guidance from Treasury to include FICA taxes withheld that employee pays but exclude what the employer pays
- Added Page 7 to provide an overview with the Mainstreet Lending Program from the Federal Reserve
- Page 8 was updated with updated information from the IRS about the PPP program and payroll tax deferment that does allow borrowers to take advantage of both programs up until a PPP loan is forgiven.

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