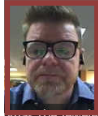


EAGA Business Builder

October 20, 2020

“Big Brother” still in NM. Shifting blame to the food service group when they are again hurt by the new rules for patrons to give personal info or stay out.

Today’s speaker was John Mead—John Thomas Jewelers



This is the second time within a few weeks that Mr. Thomas used the presentation time not to promote his business, but to instead, provide information that would be useful to many of our members. He is a participant in the ‘Goldman Sachs 10,000 Small Businesses’ group and has access to, among other things, the most current data, and changes, pertinent to the PPP program. Today, John spoke about the recent changes to the PPP rules, particularly as they pertain to the small businesses that took advantage of the loans. As of October 8th, there is a short form application (2 pages) for forgiveness if the loan is less than \$50,000. John and his group had lobbied heavily for an ‘automatic’ forgiveness that would pertain to businesses borrowing up to \$150,000, but Congress and the SBA only agreed to the lower limit...at least so far. The new short form application for loan forgiveness has addressed two of the most complicated, and challenging, provisions under the original CARES Act that apply to all borrowers. (1) you could not have a reduction in the number of employees employed by the borrower entity. (2) a reduction of more than 25% in the “per hour or salaried” compensation of employees could cause a reduction in loan forgiveness. The new rules for the Under-\$50,000 loan group have removed those provisions for qualifying entities. The guidance now specifies:

1. There will be no reduction in loan forgiveness for a reduction in the number of FTE Employees the borrower has on its payroll.
2. There will be no reduction in loan forgiveness if salaries/wages are reduced by more than 25%.
3. There will be no need to report any employee information on the simplified application.
4. Borrowers do not have to make any calculations of their loan forgiveness amount on the form, and can simply input their loan forgiveness amount on the “honor system” (But- borrowers are still responsible for providing calculations in the event of an audit so records must be kept).

Remember though, this is a government program, so there has to be a couple of “gotcha’s”:

1. Owners of multiple businesses who received \$50,000 or less in PPP loans can still use the new ‘short form’ for loan forgiveness, so long as the total loans received by all the affiliate businesses do not exceed \$2 Million.
2. It now appears that consent/escrow requirements will need to be complied with, even when it is completely clear that the borrower qualifies for complete forgiveness. This is critically important to those small business owners who may be thinking of selling or merging their businesses due to the economic impact of Coronavirus. For business owners who find themselves unable to keep their doors open despite the PPP loan funds they received, they will now be faced with the need to notify their PPP lender in writing of the contemplated transaction and provide the PPP Lender with a copy of the proposed agreements.

Mr. Mead has provided the following chart as a summary of the PPP choices as they exist today (at least as of October 20th).

| | Who qualifies? | Must Adjust for FTE and Wage/Salary Reductions? | Schedule A and Worksheet Required? | How is Forgiveness Amount Calculated? | Additional Information to be Attached? |
|------------------------------------|--|--|------------------------------------|---|---|
| New Form 3508S (2 pages) 10/8/2020 | Borrowers with \$50,000 or less in loans (so long as total loan amount is under \$2 million aggregate w/ affiliates). | No. | No. | Borrower must calculate on his/her own. | Only documentation to verify expenses reported on the Forgiveness Form. |
| Form 3508 (5 pages) 6/22/2020 | All borrowers. | Yes. | Yes. | Calculation done on Form. | Yes. |
| Form 3508EZ (3 pages) 6/22/2020 | Borrowers must satisfy one of the following requirements: 1. Self-employed individuals, independent contractors, or sole proprietors who had no employees at the time of the PPP loan application, OR 2. Did not reduce annual salary or hourly wages of any employee by more than 25 percent during the Covered Period or the Alternative Payroll Covered Period AND did not reduce the number of employees or the average paid hours of employees between January 1, 2020 and the end of the Covered Period, OR 3. Did not reduce annual salary or hourly wages of any employee by more than 25 percent during the Covered Period or the Alternative Payroll Covered Period AND was unable to operate during the Covered Period at the same level of business activity as before February 15, 2020. | N/A, EZ Form may not be used if annual salary or hourly wages of any employee were reduced by more than 25%. | No. | Calculation done on Form. | Yes, but not as much. |

Although these changes are very positive for the lower level borrowers, it would have been a lot more beneficial had the changes been published a few weeks, or months, ago so that the beneficiaries would not have had to spend a lot of now unnecessary time trying to make sure that they complied with the previously published rules. There may still be some other relief for borrowers in the \$50,000 to \$150,000 loan range, but who really knows. Congress and the SBA haven’t published anything new about that yet. If you would like to get more information about the data in today’s presentation, please contact John at 505-342-9200. He has all the details, and probably a few more PPP gems he can share. Thank you, Mr. Mead! Speaking of gems (pun intended), I am sure that John Thomas Mead could also be persuaded to tell you about the many different shiny objects he has available to dazzle your favorite someone. Use the same phone number to make an appointment and visit his store to see for yourself.

- ◆ Our Board of Directors have approved for the rest of this year's Tuesday morning meetings to be during breakfast at Rio Bravo Brewing Company. Obviously, we will continue to follow all the requirements of wearing masks and social distancing. As has been proven over the last couple of meetings, in spite of the coronavirus and the governmental directives, we can still have a great time meeting during a fine breakfast.
- ◆ Thank you to the folks that have signed up to speak at upcoming meetings. There are still a few more spots still available. Please look at the list below and, if you can take one of the open times, contact Mario, or John Mead.
- ◆ Upcoming speakers:

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|----------|--|
| Oct 27th | Greg Zanetti—Guest Speaker |
| Nov 3rd | Terry White—Sunwest Trust & Sunwest Escrow |
| Nov 10th | |
| Nov 17th | John Mead—John Thomas Jewelers |
| Dec 1st | Michael Predika—Black Briar |
| Dec 8th | |
| Dec 15th | |

- ◆ By now this pandemic, and the various related situations, are really sapping the energy from everyone. Folks are getting very tired (could be reasonably classifier as “dog-tired”) of the abnormal being referred to as the new normal. Jack Zipper sent a couple of photos to lighten up the day. These indicate what “Dog tired” really looks like.



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