

Business Webinar Series

Navigating PPP forgiveness and SBA 7A financing — what's right for your company?

September 30, 2020

Presented by

SYNOVUS[®]
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and

 **HBK**[®]
CPAs & Consultants

Today's Webinar : Housekeeping Items

- Today's webinar is being recorded.
- Attendees will be in listen mode with microphones automatically muted upon entry.
- For optimized viewing, we suggest that you change the screen view by hovering over the top right of speaker panels and choose Side by Side View.
- Questions are encouraged. Please enter them into the Chat feature.

Agenda

- Welcome and Introductions
 - Kevin Gillen, Market Executive SW Florida, Synovus
- Presentation
 - Joseph Shuford, Director – Government Guaranteed Lending, Synovus
 - Amy Reynallt – Director - Covid-19 Response Team, HBK
 - Craig Steinhoff – Principal, Partner in Charge Sarasota, HBK
- Q&A
- Closing Remarks
 - Kevin Gillen

SBA Paycheck Protection Program at Synovus

SYNOVUS®

Overview

18,000 loans closed totaling **\$2.9 billion**

as of May 5, 2020

April 3–16

8,300 loans
\$2 billion

April 17–26

Period between rounds

April 27–May 5

9,800 loans
\$900 million

Application process opened April 10 to the self-employed and independent contractors.

Businesses receiving PPP loans employ more than 335,000 individuals.

Synovus PPP loans are helping people by supporting employers across the bank's five-state footprint.

Tennessee

383 loans
\$60 million
\$156,352 avg. loan
6,680 jobs

South Carolina

2,190 loans
\$382 million
\$174,373 avg. loan
46,175 jobs

Alabama

2,305 loans
\$465 million
\$175,939 avg. loan
43,900 jobs

Georgia

7,918 loans
\$1.18 billion
\$148,754 avg. loan
151,860 jobs

Florida

5,059 loans
\$762 million
\$150,774 avg. loan
88,450 jobs

Smaller loans help more people.

Over two-thirds of our PPP loans were for \$100,000 or less, meaning funds were spread to a large number of businesses and individuals across the footprint.

Percentage of PPP loan amounts of **\$100,000 or less**



Percentage of PPP loan amounts **less than \$25,000**



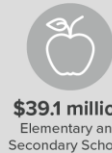
Synovus PPP loans support small business owners and large enterprises.

Over 80% of PPP loans helped support smaller businesses with 25 employees or fewer.



26+ Employees
16% of Synovus PPP loans

PPP funding reaches a wide range of industries.



\$34.9 million
Hotels



\$58.9 million
Religious Organizations



\$53.4 million
Engineering Services

The Small Business Administration (SBA) Paycheck Protection Program

The SBA Paycheck Protection Program was created by the CARES Act, which authorized \$659 billion for loans under the SBA Section 7(a) guaranteed lending program for job retention and certain other expenses for small businesses, nonprofits, and veterans' organizations.

Presenters



Kevin Gillen

Market Executive SW Florida,
Synovus



Joseph Shuford

Director – Government
Guaranteed Lending,
Synovus



Amy Reynallt

Director - Covid-19 Response
Team, HBK



Craig Steinhoff

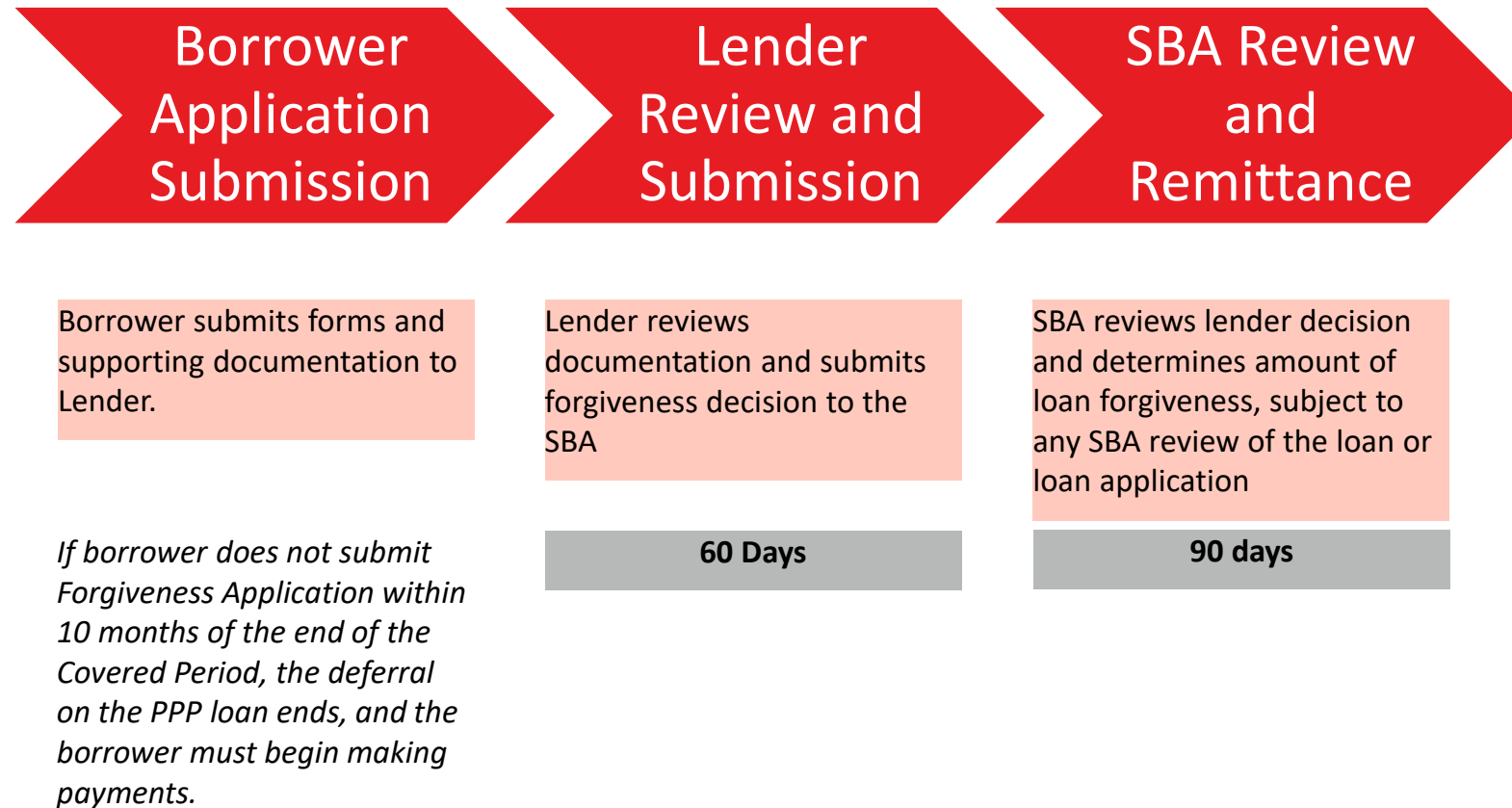
Principal, Partner in Charge
Sarasota, HBK

Navigating PPP Forgiveness

Synovus Business Symposium

September 30, 2020

Loan Forgiveness Timeline



Loan Forgiveness Timeline

- Possible Scenarios
 1. Approved in Full – Bank confirms and agrees with the borrower's calculations
 2. Approved in Part – Bank cannot confirm the borrower's calculations and submits a lesser amount to the SBA for forgiveness
 3. Denied – Bank denies the request to forgiveness and deems the loan to be ineligible
 4. Denied without Prejudice – Status of a loan that is under review by the SBA
- Any remaining balance due on the loan must be repaid by the borrower on or before the maturity date of the loan.
 - If approved in full and received an EIDL advance, you will have an outstanding balance to repay.
 - The Lender will communicate to the borrower of the SBA's decision, any amount remaining, and when the first payment is due.
 - SBA loans are not allowed to have a balloon payment at maturity. The PPP loan must be fully amortizing.

Loan Reviews

“For a PPP loan of any size, SBA may undertake a review at any time in SBA’s discretion. For example, SBA may review a loan if the loan documentation submitted to SBA by the lender or any other information indicates that the borrower may be ineligible for a PPP loan, or may be ineligible to receive the loan amount or loan forgiveness amount claimed by the borrower. As noted on the Loan Forgiveness Application Form, the borrower must retain PPP documentation in its files for six years after the date the loan is forgiven or repaid in full, and permit authorized representatives of SBA, including representatives of its Office of Inspector General, to access such files upon request.”

IFR on SBA Loan Review Procedures and Related Borrower and Lender Responsibilities – 5/22/2020

- If the SBA requests a review of your loan, the Lender has five days to provide:
 - SBA Form 2483 – The PPP Loan Application
 - SBA Form 3508 – The PPP Forgiveness Application
 - ***SBA Form 3508 Schedule A Worksheet*** – Not required for forgiveness submission, but required for reviews
 - All supporting documentation

Application for Forgiveness

- When will I receive an invitation to begin forgiveness process?
 - Banks are waiting on proposed legislation that will significantly streamline the process for applicants under \$150,000 and possibly under \$1,000,000.
 - Technology providers for banks just getting up to speed with the SBA's platform
 - Uncertainty on documentation requirements on behalf of borrowers and advisors
- Lenders seeing very slow application rates and fall into one of three categories
 - Survey of Banks puts your Lender in one of three categories:
 - Not accepting applications for forgiveness at this time
 - Open partially with invitations based on dollar amount
 - Open all the way with no invitations

Disclosure:

Synovus will process applications for loan forgiveness as the originating lender for PPP loans based on the guidance and parameters established by the SBA, which may be subject to change. The SBA, and not Synovus, sets the criteria for loan forgiveness, including the eligibility criteria and the parameters that determine how much of individual PPP loans may be forgiven. The SBA may instruct us to hold loan forgiveness applications if it decides to conduct a review, or it may instruct us to deny loan forgiveness applications. In its guidance, the SBA has indicated the reasons why it may decide to review an application for loan forgiveness.



Paycheck Protection Program Loan Forgiveness Strategies

Presented by Craig Steinhoff & Amy Reynallt
September 2020



Craig Steinhoff, CPA, CITP

HBK Principal, Partner in Charge of HBK Sarasota

Craig is the Principal-in-Charge of the Sarasota, Florida office of HBK CPAs & Consultants. He provides accounting, audit and financial reporting services to a wide range of industries, including manufacturing, wholesale distribution, not-for-profit, retail, and entertainment. Additionally, Craig is the leader of HBK's Client Accounting and Advisory Services (CAAS) Group. He is a recurring speaker and writer on various accounting, auditing and internal control-related topics internally and for various external organizations.

Amy M. Reynalt, MBA

HBK Director, COVID-19 Response Team

Amy is the firm's Director of COVID-19 Response, particularly focused on the Paycheck Protection Program and Economic Injury Disaster Loan. When not working on COVID-19 relief, Amy is also a Manager of HBK's Manufacturing Solution Group. After spending over 13 years in the manufacturing industry, Amy now works with manufacturers to support budgeting, cost accounting, process documentation, and strategic planning initiatives and serves as a virtual CFO for clients undergoing transition.



Agenda

- The Role of Your Advisors
- Application Basics
- Eligible Payroll & Non-Payroll Costs
- 60-40 Rule
- Potential Reductions to Forgiveness
- Facts vs. Fiction
- Other Considerations

The Role of your Advisors

- Bankers = Procedural
- Lawyers = Eligibility
- Accountants = Calculations & Tax impacts

Forgiveness Applications “Basics”

- Which Application Do I Use?
 - EZ Application (Form 3508EZ):
 - <https://home.treasury.gov/system/files/136/PPP-Forgiveness-Application-3508EZ.pdf>
 - Instructions: <https://home.treasury.gov/system/files/136/PPP-Loan-Forgiveness-Application-Form-EZ-Instructions.pdf>
 - Standard Application (Form 3508):
 - <https://home.treasury.gov/system/files/136/3245-0407-SBA-Form-3508-PPP-Forgiveness-Application.pdf>
 - Instructions: https://home.treasury.gov/system/files/136/PPP-Loan-Forgiveness-Application-Instructions_1_0.pdf

Forgiveness Applications – EZ Excerpt

- The Borrower is a self-employed individual, independent contractor, or sole proprietor who had no employees at the time of the PPP loan application and did not include any employee salaries in the computation of average monthly payroll in the Borrower Application Form (SBA Form 2483).

- The Borrower 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 (as defined below) compared to the period between January 1, 2020 and March 31, 2020 (for purposes of this statement, “employees” means only those employees that did not receive, during any single period during 2019, wages or salary at an annualized rate of pay in an amount more than \$100,000);

AND

The Borrower 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. (Ignore reductions that arose from an inability to rehire individuals who were employees on February 15, 2020 if the Borrower was unable to hire similarly qualified employees for unfilled positions on or before December 31, 2020. Also ignore reductions in an employee’s hours that the Borrower offered to restore and the employee refused. See [85 FR 33004](#), 33007 (June 1, 2020) for more details.

- The Borrower 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 (as defined below) compared to the period between January 1, 2020 and March 31, 2020 (for purposes of this statement, “employees” means only those employees that did not receive, during any single period during 2019, wages or salary at an annualized rate of pay in an amount more than \$100,000);

AND

The Borrower was unable to operate during the Covered Period at the same level of business activity as before February 15, 2020, due to compliance with requirements established or guidance issued between March 1, 2020 and December 31, 2020 by the Secretary of Health and Human Services, the Director of the Centers for Disease Control and Prevention, or the Occupational Safety and Health Administration, related to the maintenance of standards of sanitation, social distancing, or any other work or customer safety requirement related to COVID-19.

Forgiveness Applications – Standard Excerpt

Payroll and Nonpayroll Costs

Line 1. Payroll Costs (enter the amount from PPP Schedule A, line 10):

Line 2. Business Mortgage Interest Payments:

Line 3. Business Rent or Lease Payments:

Line 4. Business Utility Payments:

Adjustments for Full-Time Equivalency (FTE) and Salary/Hourly Wage Reductions

Line 5. Total Salary/Hourly Wage Reduction (enter the amount from PPP Schedule A, line 3):

Line 6. Add the amounts on lines 1, 2, 3, and 4, then subtract the amount entered in line 5:

Line 7. FTE Reduction Quotient (enter the number from PPP Schedule A, line 13):

Potential Forgiveness Amounts

Line 8. Modified Total (multiply line 6 by line 7):

Line 9. PPP Loan Amount:

Line 10. Payroll Cost 60% Requirement (divide line 1 by 0.60):

Forgiveness Amount

Line 11. Forgiveness Amount (enter the smallest of lines 8, 9, and 10):

Eligible Payroll Costs

- Gross Payroll
- Owner Compensation
- Employer Contributions to Health Insurance
- Employer Contributions to Retirement Plans
- Employer State and Local Taxes assessed on Employee Compensation

Eligible Payroll Costs: Owner Compensation

- S & C-Corporation owners with a 5% or greater ownership stake
- If 8-week covered period: lesser of 8/52 of 2019 compensation or \$15,385
- Otherwise, lesser of 2.5/12 of 2019 compensation or \$20,833
- Caps apply across all businesses (owner's choice)

Eligible Payroll Costs: Owner Compensation

C-Corporation:

Up to 2.5/12 of 2019 cash compensation. Include employer state and local taxes assessed on compensation, amount paid for employer contributions for health insurance, and for employer retirement contributions capped at the amount of 2.5/12 of the 2019 employer retirement contribution. Payments other than for cash compensation should be included on lines 6-8 of PPP Schedule A, and do not count toward the \$20,833 cap per individual

S-Corporation:

Up to 2.5/12 of 2019 cash compensation. Include employer state and local taxes assessed on compensation, & for employer retirement contributions capped at the amount of 2.5/12 of their 2019 employer retirement contribution. Employer contributions for health insurance are not eligible for employees with at least a 2% stake in the business, including for employees who are family members of an at least 2% owner under the family attribution rules of 26 U.S.C. 318. Eligible non-cash compensation payments should be included on lines 7 and 8 of PPP Schedule A, and do not count toward the \$20,833 cap per individual.

Source: <https://home.treasury.gov/system/files/136/PPP--Loan-Forgiveness-FAQs.pdf>

Eligible Non-Payroll Costs

- **Mortgage interest** for real or personal property incurred before 2/15/2020
 - Related party mortgage interest is excluded
- **Rent** pursuant to lease agreements for real or personal property in force before 2/15/2020
 - Excludes rent reimbursed by tenant or sub-tenant
 - Related party rent is limited to amount of mortgage interest owed on the property during the Covered period
- **Utility payments** (electricity, gas, water, telephone, transportation utility fees, or internet) for which service began before 2/15/2020

60-40 Rule

- No more than 40% of forgiveness may be attributable to non-payroll costs

Standard Application:

Potential Forgiveness Amounts

Line 8. Modified Total (multiply line 6 by line 7):

Line 9. PPP Loan Amount:

Line 10. Payroll Cost 60% Requirement (divide line 1 by 0.60):

Example:

\$1 Million PPP Loan Awarded

\$525,000 spent on payroll costs (line 1 of application)

\$500,000 spent on non-payroll costs (line 2-4 of application)

*$\$525,000 / .60 = \$875,000$ maximum forgiveness
(per line 10 only)*

Potential Reductions for Eligible Borrowers

- If there is a reduction of average weekly number of **FTE employees** during the Covered Period or Alternative Payroll Covered Period as compared to a reference period.
- If there is a reduction on the **salary or hourly wages** of greater than 25% for certain employees during the Covered Period or Alternative Payroll Covered Period as compared to the first quarter of 2020.
- If the Borrower obtained an **EIDL Emergency Advance (or Grant)**
 - Not directly reflected in Forgiveness Application

Salary/Wage Reduction Calculation

- For each Table 1 employee....
 - Employer at any point during the Covered Period or Alternative Payroll Covered Period
 - Principal Place of Residence is in the United States
 - Received compensation from the Borrower at an annualized rate of less than or equal to \$100,000 for all pay periods in 2019 or were not employed by the Borrower at any point in 2019
- ...determine if pay was reduced more than 25%
 - “For purposes of calculating reductions in the loan forgiveness amount, the borrower should only take into account decreases in salaries or wages.”
 - Source: <https://home.treasury.gov/system/files/136/PPP--Loan-Forgiveness-FAQs.pdf>
 - If pay reductions that occurred between 2/15/2020 and 4/26/2020 are eliminated by the earlier of 12/31/2020 and the date of the forgiveness application, the Safe Harbor may apply.

FTE Reduction Calculation

- For each employee on the Schedule A Worksheet, calculate the average full-time equivalency during the Covered Period or Alternative Payroll Covered Period
 - Average hours paid per week divide by 40
 - Round to nearest tenth
 - Capped at 1.0
- OR
 - Assign 1.0 for employee who work 40 hours or more per week and .5 for employees who work fewer hours
- Proceed carefully! Lack of clarity regarding specifics of calculation mechanics, interpretations, etc.

Facts vs. Fiction

- Proposed legislation
 - Additional non-payroll costs
 - 2nd tranche of funding
 - Streamlined forgiveness
 - Reduced documentation

Considerations for Forgiveness

- Do I apply with an 8-week Covered Period, 24-week Covered Period, or a shortened 24-week Covered Period?

	8 week	In-Between	24 week
Pros	<ul style="list-style-type: none">• Has ended for most borrowers• May be best option for certain business situations	<ul style="list-style-type: none">• Likely best aligns with use of funds• May be able to submit application “now”	<ul style="list-style-type: none">• Longest period to spend funds• Defers payment for the longest period• Potential for guidance to continue to evolve
Cons	<ul style="list-style-type: none">• May be difficult to spend all funds	<ul style="list-style-type: none">• Lack of clarity on calculation could lead to potential risk	<ul style="list-style-type: none">• Potentially longer time to maintain information• Potential for guidance to continue to evolve

Considerations for Forgiveness

- Is guidance complete?
- Coordination with other relief programs
- What are the tax impacts of the PPP?
 - Deductibility of Expenses
 - Tax Credit/Deduction Impact
- How will the PPP be reflected on my financial statements?



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Thank you for attending!

All information in this presentation reflects guidance as of the date of the application and is subject to change with no notice. Refer to the SBA or Department of Treasury for the latest program guidance.

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SBA Overview

- Types of SBA Loans
 - SBA 7(a) – All Business Needs
 - Includes LOC's
 - Express
 - CAPLine
 - Export Working Capital
 - SBA 504 – Commercial Real Estate and/or Long-Life Equipment
- Benefits of SBA 7(a) Loans
 - 75% Guaranty from U.S. Small Business Administration – mitigates the bank's risk
 - An SBA guaranty doesn't make a bad loan good, but it can make a marginal loan doable
 - Lower Equity Requirements – Minimum of 10%
 - Fully Amortizing Term Loans – No balloons
 - Longer Amortizations – Help lower monthly payments
 - 25 years for Commercial Real Estate
 - 10 years for Equipment, Business Acquisitions (Goodwill) and Working Capital
 - SBA is a Cashflow Lender, not a Collateral Lender
 - Preferred Lender Program (PLP) – delegated authority allows for faster processing

Cues to Recognize an SBA Opportunity

- Purchase of Commercial Real Estate
 - Business Owner who has outgrown their current location and needs more space
 - Business Owner whose landlord is selling the building
 - Business Owner that wants to expand and add a second or satellite location
- Purchase of Equipment
 - Business Owner that wants to expand product offerings and needs new equipment to do so
- Business Acquisition / Change of Ownership
 - Business Owner who is ready to retire and wants to sell
 - Individual who wants to become an entrepreneur and purchase an existing business
 - Business Broker that has an established business listed for sale
- Debt Refinance
 - Business Owner who needs a longer amortization
 - Business Owner who needs a lower monthly payment
 - Business Owner who has a loan maturing

Paycheck Protection: Documents and Information to Start Gathering

Visit [Synovus.com](https://www.synovus.com) for more information

- <https://www.synovus.com/covid-19/paycheck-protection-program/documents/>



Q&A

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Thank you for attending

A brief survey will be sent to you from Events@Synovus.com.

Thank you in advance for your time and feedback.



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Appendix

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Webinar Host and Moderator



Kevin Gillen

Market Executive SW Florida,
Synovus

Kevin has over 40 years' experience in the banking industry. He is Market Executive for Synovus Bank in the Florida Division comprised of 72 full service commercial branches. Kevin supports the commercial, business banking and retail sales, marketing and business development strategy and new hire on boarding for the commercial and business bankers in Florida.

He was previously Director of Supply Chain Strategy for Private Eyes Inc. and 4506 Transcripts; two companies, same ownership. Private Eyes is a Global Employment Background & Drug Screening Company. 4506 Transcripts.com is a large IRS bulk approved vendor for tax transcripts integrated with Fannie Mae, Ellie Mae.

Kevin was Executive Vice President, Retail Lending Director for TD Bank which included a \$36Bn residential mortgage and home equity portfolio. He was responsible for product development, pricing, secondary market sales, risk, US sales.

Prior to this role, Kevin was, EVP- Head of Retail Strategy and Solutions for TD Bank. He was responsible for US Retail Sales, Operations, Distribution, Risk, ATM and the Contact Centers. Total operating budget was \$1.6Bn with 14,000 employees.

Previously, Kevin was the Regional President for TD Bank's Florida market; overseeing retail, consumer, commercial & middle market lending, government banking, and cash management. His former roles include Market President for Metro D.C., New York, New Jersey and Pennsylvania.

Prior to joining TD Bank, he was a member of Summit Bank's senior leadership team for 19 years and was the Regional President for the bank's New Jersey business.

He was appointed by former Florida Governor Scott to the Enterprise Florida Board. He was on the board for The Broward Workshop and the Florida Bankers Association.

He was a member of SHRM and the Sarasota / Manatee SHRA Chapter; College Relations Chair, board member for Family Success Institute and a pre-IPO mortgage service firm. He is Chair for Jesus Father of the Poor Clinic – Haiti. He is an advisory board member for the business and accountancy school at State College of Florida.

He served in numerous New Jersey, Virginia and Washington DC based community organizations as board and chair roles.

Kevin graduated Lycoming College - BA in Business Administration, Sociology & Anthropology.



Joseph Shuford

Director – Government
Guaranteed Lending,
Synovus

Joseph is from Dalton, Georgia and attended college in Statesboro, Georgia at Georgia Southern University, where he received an undergrad degree in Accounting and completed his Masters in Business Administration in 2017. Additionally, he is a graduate of the University of Georgia, Terry College of Business Banking School and received the Certified Treasury Professional designation while managing Treasury Sales Representatives for Synovus prior to becoming a Commercial Lender.

During his 18 year tenure with Synovus, Joseph has served in numerous capacities from teller, loan processor, treasury services sales, commercial lending, and now Director of Government Guaranteed Lending. Joseph is quick to acknowledge the dedicated team who supports all facets of Government Guaranteed Lending from origination of 7A loans in our five state footprint to closing, servicing, and liquidations.

In spring of 2020, Joseph played a key role on the Synovus PPP team who, developed a new product, a loan operating system, procedures, reporting, internal and external communications and a delivery disbursement process for a product that previously did not exist. They accomplished these feats in less than a week while training over 1000 team members remotely. Additionally, Joseph served as our leader with the industry trade associations during this time.



Amy Reynallt

Director - Covid-19 Response
Team, HBK

Amy is the Director of COVID-19 Response for HBK CPAs & Consultants, particularly focused on the Paycheck Protection Program and Economic Injury Disaster Loan. When not working on COVID-19 relief, Amy is also a Manager of HBK's Manufacturing Solution Group. After spending over 13 years in the manufacturing industry, Amy now works with manufacturers to support budgeting, cost accounting, process documentation, and strategic planning initiatives and serves as a virtual CFO for clients undergoing transition



Craig Steinhoff

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Craig is the Principal-in-Charge of the Sarasota, Florida office of HBK CPAs & Consultants. He provides accounting, audit and financial reporting services to a wide range of industries, including manufacturing, wholesale distribution, not-for-profit, retail, and entertainment. Additionally, Craig is the leader of HBK's Client Accounting and Advisory Services (CAAS) Group. He is a recurring speaker and writer on various accounting, auditing and internal control-related topics internally and for various external organizations.