PAYCHECK PROTECTION PROGRAM LOAN SUMMARY
& RELATED HSVPOA COVID-19 FINANCIAL INFORMATION

Total Loan Amount Received $3,089,000
Interest Rate 1% per year
Payment Terms

- First 6 Months (May – Oct 2020) principle and interest payments are deferred. Interest will accrue during the deferral.
- Beginning on the 7th month (November 2020) payments of $172,992.43/month will begin if no portion of the loan is forgiven.
- If any portion of the Loan is forgiven, the payments will be in equal amounts which are sufficient to repay all principle and interest of the remaining term of the loan.
- All remaining principle and accrued interest is due and payable 2 years (4/20/2022) from the date of the note (4/20/2020)
- HSVPOA may prepay the principle indebtedness, in whole or in part, at any time without premium or penalty.

Purpose of the Loan:
Payroll costs consisting of compensation to employees in the form of salary, wages, commissions, or similar compensation; cash tips or the equivalent (based on employer records of past tips); payment for PTO; allowance for separation or dismissal; payment for the provision of employee benefits consisting of group health care coverage, including insurance premiums & retirement; payment of state and local taxes assessed on compensation of employees.
Loan Forgiveness Terms:
The full principal amount of the Loan and any accrued interest can be forgiven if the Borrower uses all of the Loan proceeds forgivable purpose as required under the Act, and any rule, regulation, or guidance issued by the SBA pursuant to the Act (Forgiveness Provisions). Any process or procedures established under the Forgiveness Provisions must be followed and any requirements of the Forgiveness Provisions must be fully satisfied in order to obtain such Loan forgiveness.

Forgiveness Provisions
HSVPOA is eligible for loan forgiveness equal to the amount we spend on the following items during the 8-week period starting April 24, 2020 and ending June 19, 2020. *The AICPA issued a series of recommendations on April 29, 2020 that it would like to use the SBA adopt & issue as guidance for use in calculating loan forgiveness under the PPP which differ from the current information available. Most of those recommendations have to do with the 8-week period and how it is determined.*

- 75% ($2,316,750) on Payroll and related Payroll Expenses
- The remaining 25% ($772,250) may be spent on:
    - Interest on Mortgage Obligations incurred before February 15, 2020
    - Rent payments on Leases incurred before February 15, 2020
    - Utility Payments under service agreements dated before February 15, 2020

With the current guidance available, HSVPOA anticipates that all of funds received could be spent, per the loan guidelines, and within the eight-week period, making the loan completely forgivable, assuming all the following guidelines are followed.

- PPP loan forgiveness will be reduced
  (a) in proportion to the decrease in the average monthly full-time-equivalent employees ("FTEE") during the Covered Period as compared to a reference period and (b) dollar for dollar for the amount of reduction in excess of 25% of the total salary and wages of any employee during the Covered Period as compared to a reference period. CARES Act §§ 1106(d)(2) and (d)(3).
- **Employee Reductions.** The biggest driver of forgiveness of PPP loans is maintaining or restoring the borrower's workforce to pre-pandemic levels. The PPP compares the average number of FTEEs that the borrower has each month during the Covered Period to the average number of monthly FTEEs the borrower employed during one of two base periods. The borrower may choose either (i) the period from February 15, 2019, to June 30, 2019, or (ii) the period from January 1, 2020, until February 29, 2020.
  For Hot Springs Village
  - The most recent pay period had 300.79 FTEE.
  - February 15, 2019 to June 30, 2019 had an average FTEE of 335.93
  - January 1, 2020 to February 29, 2020 had an average FTEE of 310.56

  This indicates a need the need to bring employees back to work quickly and fill open positions.
- **Rehiring Employees.** The CARES Act has a limited exception to the forgiveness reduction that accompanies a reduction in the workforce from pre-pandemic base levels. To the extent that all or part of the reduction in FTEEs occurred between February 15, 2020, and April 26, 2020, and the borrower "eliminates the reduction in the number of" FTEEs by June 30, then the amount of loan forgiveness shall be determined without regard to the reduction in FTEEs that occurred between February 15, 2020, and April 26, 2020. This may end up being all or a substantial portion of the FTEE reduction, which would result in an increase in the forgiveness amount. Satisfying the 75/25 Rule, however, will require that a lot of the workforce be active during the eight-week Covered Period. Even given this ability to "wipe away" certain FTEE reductions by June 30, 2020, so it is not a panacea. We expect that the SBA guidance coming soon will address with more precision what it means to "eliminate" a reduction in FTEEs by June 30, 2020; however, we can be sure it is unlikely to mean that borrowers may rehire people on June 28, 2020, and lay them off again on July 2, 2020, for example.
- **Salary Reductions.** Forgiveness is reduced by the amount of any reduction in total salary or wages of any employee (except employees who made more than $100,000 in 2019 of which there were only 5) during the Covered Period that is in excess of 25% of the total salary or wages of the employee during the most recent quarter that the employee was employed before the Covered Period. Unlike the total number of employees, which is based on FTEEs, this reduction looks at individual employees for whom the borrower has reduced pay. This section of the CARES Act makes it possible for businesses to reduce wages without having to report a salary reduction; however, reducing salary wages would make it harder for businesses to meet the 75/25 Rule required for loan forgiveness. Salary reductions can also be eliminated by June 30, 2020, which then eliminates this reduction. Again, we expect more guidance on this issue sometime soon.

Additional Information:

- It is highly likely that any recipient receiving more than $2mil in PPP loan funds will be audited by the SBA.
- The HSVPOA Accounting department will track the funds and use of funds the same as any Federal grant program and maintain appropriate documentation for all funds spent.

- The banking institutions have been advised to ensure grant recipients are aware of guidance provided in the FAQ for the PPP, particularly Question 31 which reads as follows:

  31. **Question:** Do businesses owned by large companies with adequate sources of liquidity to support the business's ongoing operations qualify for a PPP loan?
  Answer: In addition to reviewing applicable affiliation rules to determine eligibility, all borrowers must assess their economic need for a PPP loan under the standard established by the CARES Act and the PPP regulations at the time of the loan application. Although the CARES Act suspends the ordinary requirement that borrowers must be unable to obtain credit elsewhere (as defined in section 3(h) of the Small Business Act), borrowers still must certify in good faith that their PPP loan request is necessary. Specifically, before submitting a PPP application, all borrowers should review carefully the required certification that "current economic uncertainty makes this loan request necessary to support the ongoing operations of the Applicant." Borrowers must make this certification in good faith, taking into account their current business activity and their ability to access other sources of liquidity sufficient to support their ongoing operations in a manner that is not significantly detrimental to the business. For example, it is unlikely that a public company with substantial market value and access to capital markets will be able to make the required certification in good faith, and such a company should be prepared to demonstrate to SBA, upon request, the basis for its certification.

  Lenders may rely on a borrower's certification regarding the necessity of the loan request. Any borrower that applied for a PPP loan prior to the issuance of this guidance and repays the loan in full by May 14, 2020 will be deemed by SBA to have made the required certification in good faith.11

If Hot Springs Village would like to return the funds, we must do so by Thursday May 14, 2020.

- Current estimates as of the end of April show up to $1.75mil in revenue losses predicted through June based on the information available at this time. With some facilities now able to open back up, even with limited capacity, that estimate could improve over time. The impact beyond Phase 3 of the reopening is yet to be determined. Staff will continue to re-evaluate these projections throughout the coming months and will continue to monitor and hold spending accordingly. As of the end of April, the following document shows the preliminary estimated revenue losses and areas where spending has been reduced or put on hold to compensate for these losses. Capital spending held in these areas will be allowed as needed and as the situation evolves over the next several months.

Arkansas Ready for Business Grant Program

Staff were able to apply for additional funds through the Arkansas Ready for Business Grant Program this week. It is unknown whether the grant will be approved and if so, for how much. The program allows eligible businesses to apply for up to $100,000 for purchasing PPE, sanitizing cleaning products, touchless payment systems, etc. to allow facilities and businesses serving the public to reopen safely. The grant period would cover expenses incurred between March 1, 2020 and December

31, 2020. In March & April we incurred over $12,000 in related expenses, and anticipate additional expenses coming in the next few weeks as we gear up to reopen facilities.