Nusenda Federal Credit Union (“Nusenda”) is participating in the U.S. Small Business Administration’s (“SBA”) Paycheck Protection Loan program authorized under the Coronavirus Aid, Relief, and Economic Security (“CARES”) Acts. This document is based solely on Nusenda’s review of the CARES Act, the Interim Final Rule from the SBA and guidance from the Department of Treasury* as of April 20, 2020, and is intended to aid prospective Borrowers in determining eligibility, loan amount, and preparing documentation necessary to apply once the program has re-opened for application. This summary is not intended to contain all terms and eligibility requirements of the program, and is not a commitment to make any loan by Nusenda. Given the fast-moving nature of the legislation and Nusenda’s limited time to review the CARES Act, Nusenda makes no guarantee that this document is error-free. This document does not constitute legal advice, and you should consult your own attorney regarding any such advice.

All terms, conditions, and eligibility remain subject to change based any additional guidance or regulation issued by the U.S. Small Business Administration (“SBA”) and the U.S. Department of Treasury.

* Visit home.treasury.gov/policy-issues/top-priorities/cares-act/assistance-for-small-businesses and sba.gov/funding-programs/loans/coronavirus-relief-options/paycheck-protection-program-ppp for more information on SBA’s assistance to small businesses.

Eligibility and Loan Amount

Eligibility:
- Business or Nonprofit that has 500 employees* or less; or businesses classified under the North American Industry Classification System (“NAICS”) code ‘72 – ‘Accommodation and Food Services’ and operating multiple locations, that have no more than 500 employees per physical location; and
- Business was in operation on or before Feb. 15, 2020.

* Employees include all individuals employed on a full-time, part-time, or other basis.

Eligible Loan Amount (not to exceed $10,000,000):
Equal to the sum of:
- 2.50 x [average monthly Payroll Cost**]
- Plus: 2.50 x [average monthly Self-Employment Earnings not to exceed $8,333 monthly or $100,000 annually (from Line 31 of Form 1040 Schedule C or Box 14.a Form 1065 Schedule K-1)]
- Plus: Outstanding balance on any SBA EIDL Loans (granted between Jan. 31, 2020 and Apr. 3, 2020) that you elect to refinance at the time of your Paycheck Protection loan funding.

** Refer to ‘Payroll Cost Definition’ section herein for eligible costs. Average monthly Payroll Costs is based on the monthly average of this expense for 2019; or for seasonal employers (as determined by the SBA) the monthly average of this expense for the period of Feb. 15 – June 30, annualized for each employee.
Allowable Uses

Loan proceeds of the loan may be used for any of the following expenses:

- Payroll Costs (as defined in the ‘Payroll Cost Definition’ section herein). At least 75% of loan proceeds should be used for this purpose.
- Owner’s Compensation Replacement as calculated based on Self-Employment Earnings in the Eligible Loan Amount section above. Note that only 8-weeks of this amount (approximately 73%) is eligible for forgiveness.
- Interest expense on debts incurred prior to Feb. 15, 2020.
- Rent expense on leases in effect prior to Feb. 15, 2020.

No more than 25% of the proceeds should be used for costs other than Payroll Cost. Borrowers should maintain records (receipts, cancelled checks, account transcripts or statements, or other verification of payment), which will need to be submitted with the subsequent application for debt forgiveness.

- For all Payroll Costs, you will need to provide a copy of the applicable Payroll file (including detail for each employee).
- For all interest payments, you will need to provide a copy of the Promissory Note if not held with Nusenda.
- For all lease payments, you will need to provide a copy of the Lease Agreement.
- For all utility payments, you may need to provide a copy of the utility bill AND a copy of a bill from the utility company for January 2020.

Loan Terms

Below are the anticipated loan terms to be offered:

<table>
<thead>
<tr>
<th>Term</th>
<th>Guidance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loan Amount:</td>
<td>Eligible Loan Amount as defined above.</td>
</tr>
<tr>
<td>Interest Rate:</td>
<td>1.00% Fixed Loans may be repaid at any time without prepayment penalty.</td>
</tr>
<tr>
<td>Fees:</td>
<td>N/A</td>
</tr>
<tr>
<td>Term:</td>
<td>24 months from date of Note.</td>
</tr>
<tr>
<td>Payments:</td>
<td>All amounts due for principal or interest shall be deferred for 6 months followed by 18 monthly payments of principal and interest to fully amortize the loan. Please refer to Loan Forgiveness section herein.</td>
</tr>
<tr>
<td>Guarantees:</td>
<td>SBA does not require recourse unless funds are misappropriated.</td>
</tr>
<tr>
<td>Collateral:</td>
<td>Unsecured</td>
</tr>
</tbody>
</table>

Applications Materials

Nusenda will require the following documentation to begin considering your application; however, as noted, additional information may be required based on additional guidance or regulation from the SBA.

- Most recent filed federal tax return (if you have never filed a return for your business, EIN Certification Letter from the IRS).
Applications Materials cont.

- If you intend to claim Self-Employment Earnings you must provide Form 1040 Schedule C for 2019 or Form 1065 Schedule K-1 for 2019.
- Organizational documents, such as Articles of Incorporation or Organization filed with the State of New Mexico.
- Corporate Bylaws, Operating Agreement, or General or Limited Partnership Agreement
- 2019 Financial Statements (including detail of other Payroll Costs used in calculating Eligible Loan Amount).
- 941 Payroll Tax Filing for Q1, Q2, Q3, and Q4 of 2019
- Schedule of employees earning over $100,000 on an annualized basis (include actual salary and wages for each employee and days worked in 2019).

For each individual owning more than 20%:
- Copy of Driver’s License or Passport.
- Social Security Number and Physical Address must be included on the application.

Current guidance does not require, but we recommend having the following documentation available for your application for Debt Forgiveness as they become available:
- Interim Financial Statements as of June 30, 2020 (including detail of Payroll Costs).
- Q1 and Q2 2020 - 941 Payroll Tax Filing (as soon as they are available).
- Schedule of employees earning over $100,000 on an annualized basis (including gross wages and hours worked).

Additional information may be required for your application for Debt Forgiveness based on forthcoming guidance from the SBA.

Debt Forgiveness

100% of the loan proceeds may be eligible for debt forgiveness by the SBA provided funds are used for Allowable Uses subject to restrictions on Self-Employment Earnings. Application for forgiveness will be processed after the loan proceeds are used and will require records as outlined under ‘Allowable Uses’ section above. Forgiveness is prohibited without adequate records of the use of funds.

Reductions in forgiveness may apply if either:

- There is a reduction in average FTE per month in the covered period (Feb. 15, 2020 to June 30, 2020) as compared to either (at Borrower’s election):
  o Average FTE per month during the period of Feb. 15, 2019 to June 30, 2019; or
  o Average FTE per month during the period of Jan. 1 2020 to Feb. 29, 2020.
- There is reduction in total salary and wages of an employee in excess of 25% based on the salary and wages for the most recent full quarter.

These reductions are proportional to the reductions in FTE or an employee’s wages in excess of 25%, and may be waived if FTEs and/or salaries and wages are reinstated prior to June 30, 2020.
**Representations and Warranties**

The SBA will require the Borrower to make the following representations writing on your application:

**At Loan Application:**
- Certification that the uncertainty of the current economic conditions make the request for the Paycheck Protection Loan necessary to support ongoing operations.
- Acknowledgement that the funds will be used to retain workers and maintain payroll, or pay other allowable expenses.
- Attestation that another, duplicative loan application is not pending, and the Borrower has not received proceeds from another Paycheck Protection loan for duplicative purposes.

**At Application for Debt Forgiveness:**
- Certification that the supporting documentation regarding use of funds is true and correct.
- Certification that the amount of forgiveness requested was used to retain employees and/or pay other allowable expenses.

**Payroll Cost Definition**

Sum of payments of any compensation with respect to employees that is a:

- Salary, wage, commission, or similar compensation.
- Payment of cash tip or 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 dismissal or separation.
- Payment required for the provision of group health care benefits, including insurance premiums.
- Payment of any retirement benefit.
- Payment of state or local tax assessed on the compensation of employees.

**Exclusions:**
- The compensation of an individual employee in excess of an annual salary of $100,000, as prorated for the covered period.
- 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.
- Any compensation of an employee whose principal place of residence is outside of the United States; and
- Qualified sick and family leave wages for which a credit is allowed under section 7001 of the Families First Coronavirus Response Act (Public Law 116–127).