

Important Information Regarding Your Paycheck Protection Program (PPP) Loan

Thank you for allowing us to serve your lending needs through the Paycheck Protection Program (PPP). We think the following information will be helpful to you as you prepare to use the PPP funding and ultimately either receive forgiveness or repay the loan. Please consider this material for information reference only. The following information should not be considered as legal advice. Details regarding this program continue to change, for the most complete information, including Frequently Asked Questions, please visit the Small Business Administration (SBA) website at:

www.sba.gov/funding-programs/loans/coronavirus-relief-options/paycheck-protection-program.

Using Your PPP Loan To Receive Full Forgiveness

The guidelines for obtaining full forgiveness for your PPP are as follows:

- 1) Use your loan proceeds within eight weeks of receiving the funding.
- 2) Spend at least 75% of your loan proceeds on maintaining your payroll.
 - That means paying your staff rather than laying them off, or rehiring the staff that you already laid off at a wage similar to what you were paying them before.
- 3) You can spend the other 25% of your loan (or less) on rent payments (on leases dated before February 15, 2020), mortgage interest (on mortgage obligations incurred before February 15, 2020), and utilities (payments under service agreements dated before February 15, 2020).
- 4) If you obtained an SBA Emergency Injury Disaster Loan (EIDL) loan between January 31, 2020, and April 3, 2020 and a portion of the EIDL funds were used for payroll, you are required to refinance that EIDL using the PPP Loan.
- 5) Be sure to document the use of your loan proceeds throughout that eight-week period and be ready to present evidence of how you spent your loan to your lender. You might even consider opening a separate checking account to make sure the documentation is in a single location. When it comes time to apply for forgiveness, you'll need to show documentation of your expenses. The SBA is expected to provide further guidance in the coming weeks.

Your loan forgiveness can be reduced if you don't spend your loan exactly as described in the previous points, but you may still receive some level of forgiveness if you use your loan on eligible costs. If you wish to spend all of your loan money on rent, you can, but at most you'll receive 25% loan forgiveness.

Defaulting on any loan can seriously damage your credit report and make it difficult for you to obtain more financing in the future, especially government-backed funding. Please remember that we are here to help you.

Some PPP Loans Will Be Audited

On April 28, 2020, the Treasury Secretary Steven Mnuchin has announced that any company that received a PPP loan of more than \$2 million will be audited for compliance with the program's terms before any loan forgiveness is permitted.

The Treasury Department position is that PPP loans were not meant for public or privately-owned companies with adequate sources of liquidity and has further stated that borrowers will be subject to criminal liability if they make a false certification of economic need.

For the most complete information, visit the SBA website at:

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