

# CACHE VALLEY BANK

N. George Daines  
Chair & CEO



101 North Main  
Logan, Utah 84321

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## **Re: Second Round of Paycheck Protection Program**

To Our PPP Borrowers:

Congress is considering new legislation, the Emergency COVID Relief Act of 2020, which includes \$300 billion for a second round of forgivable PPP loans. These loans would be available to small businesses that participated in the first round of forgivable PPP loans. Cache Valley Bank believes that Congress and President Trump will approve this legislation in the next few days. We are advising all of our PPP borrowers that they can access this additional assistance if they meet the qualifications required. We recognize that the COVID pandemic has continued to pose significant difficulties and problems for our borrowers and many would welcome additional assistance. Because of our work together on the first round, processing and completing your second round PPP loan should be much easier for both of us. We are also willing to help your friends and associates who were not participants with Cache Valley Bank in the first round.

Cache Valley Bank believes almost all its first-round borrowers can qualify for a second forgivable PPP loan in the same amount obtained in the first round. The legislation is not yet finalized but the basic system and rules of the first round are reused with some improvements; to wit:

1. **Second Round Qualification.** Second round PPP loans are available to businesses that (1) have less than 300 employees and (2) has experienced a 30% reduction (or more) of 2020 quarterly revenue when compared to the respective quarter from 2019. For example, if a retail store sold \$100,000 of goods in each quarter of 2019, to qualify, this business would have to have a least one quarter where its sales were less than \$70,000 to qualify.

2. **Amount of Loan.** The dollar amount of the second round PPP loan would typically be the same amount obtained in the first round PPP loan (a repeat of the 2.5 x average monthly payroll pre pandemic methodology used in the first round). In the second round the maximum amount of the loan is reduced from \$10MM to \$2MM.
3. **Terms of Forgiveness.** Forgiveness for second round PPP loans is expanded. Again, the borrower must expend all the PPP funding within 8 weeks or 24 weeks of loan disbursement with a minimum of 60% for payroll and the balance for “covered expenses.” However, second round “covered expenses” are expanded to now include payments for suppliers, worker protection costs, renovation and equipment costs, etc. made necessary by the pandemic. The borrower still has the full 24 weeks to use the loan amount.
4. **Timing.** The second round loan needs to be made before March 30, 2021 and the funds need to be used by September 30, 2021.
5. **Reduced Fee Structure.** The fee structure is very substantially reduced in this second round, ending CVB’s ability to make charitable donations. It will also require an adjustment to fees paid to agents. Irrespective of these reductions, CVB will continue to serve all PPP borrowers even when its administrative costs exceed this fee.
6. **Second Round PPP Example – “Anywhere Restaurant.”** The Anywhere Restaurant obtained a \$125,000 first round PPP Loan and used all of that money in the summer of 2020. Anywhere Restaurant qualifies for a second round PPP Loan because its gross revenue in the Second Quarter of 2019 (April, May & June) was \$300,000 and its gross revenue in the same quarter of 2020 was only \$200,000 (66% of 2019 Second Quarter). It doesn’t matter that Anywhere Restaurant got back most of its business in the last two quarters of 2020. The Second Quarter differential enables Anywhere Restaurant to qualify for a second round PPP loan. The amount of Anywhere Restaurant’s second round PPP Loan will be the same – another \$125,000. Anywhere Restaurant will need to receive that loan before March 30, 2021 and use the money on its payroll and “covered expenses” within either 8 weeks or 24 weeks. But this time Anywhere Restaurant can also expend the non-payroll 40% of its PPP loan on the plexiglass dividers it purchases, a new tent for its parking lot and a new HVAC system to better ventilate its indoor space. It can also use the second round PPP loan to pay suppliers

during the 8-week or 24-week period for beverages, food, linens, etc. And each of the two PPP loans can be 100% forgiven so long as the loan proceeds were used for payroll (at least 60%) and for the “covered expenses.” Anywhere Restaurant between the two PPP loans is helped \$250,000. This is an example of the additional benefit that Cache Valley Bank wants to help obtain for all of its first-round borrowers.

The new legislation also makes some important changes that correct some of the problems encountered in the first round of PPP loans.

1. **Streamlined Forgiveness.** The paperwork needed to process forgiveness applications for both rounds is dramatically reduced for loans less than \$2MM. It will no longer be necessary to supply supporting documents to the Bank. A borrower signed certification is all that is going to be needed. More details will be forthcoming as the SBA is instructed to develop a simple, one-page document including all the certifications required for forgiveness of under \$150,000 loans. This improvement will be applicable to both rounds of PPP loans. As soon as this new form and policy is in place, Cache Valley Bank will use these forms to help each of its first-round borrowers meet these reduced requirements for forgiveness.
2. **Favorable Tax Treatment.** The legislation clarifies that borrowers are allowed to deduct as expenses on their tax returns the payroll and expenses paid with PPP loan funds. This expressly reverses the IRS decision announced recently that disallowed deduction of expenses paid with PPP funds. For example, “Elsewhere Motel” used some of its first round PPP money to pay interest on its motel mortgage. With this new legislation, Elsewhere Motel will be able to take a deduction for that interest on its tax return.
3. **EDIL Loans Forgiven.** The legislation directs the SBA to include the EIDL loan amounts in the forgiveness payoff. At present, forgiveness does not include the EIDL loans and borrowers are being required to pay those loans. This new legislation changes that arrangement. Some makeup accounting will be required for borrowers who have already paid funds toward these loans.
4. **Continuation of SBA 7a and 504 Payments.** The original PPP legislation included six months of payments toward SBA 7a and 504

loans. This new legislation adds additional monthly payments of either 6, 11 or 18 months for these same loans. For example, “Somewhere Photography” got six months of payments on its SBA 7a loan in the first round. With this new legislation, “Somewhere Photography” is going to get another set of new monthly payments (6, 11 or 18 months).

Because we have the business information from your first round PPP loan, it should be relatively easy to assist you to make a new application for this second round PPP loan. Cache Valley Bank has expanded and further trained our staff to assist PPP borrowers. We have become experienced PPP lenders able to answer your PPP questions. In the first round the Cache Valley Bank team processed over 9,000 PPP loans in a total amount of over \$833MM. Comparative to its size, Cache Valley Bank is one of the nation’s largest PPP lenders.

Some things will not change in this second round. Cache Valley Bank will make sure that every application submitted to it, regardless of amount, will be processed in the order received. Small borrowers will receive the same service as larger borrowers. And, no PPP loan will be too small even if the fee does not cover our administrative costs. We hope to automate as much of this process as possible, but every PPP borrower will have access to timely and personalized attention.

Each of our loan officers now have special assistants who are specifically tasked with doing much of the administrative and clerical work associated with the PPP loans, including the forgiveness process and second round PPP loans. They are doing this work under the direction and supervision of our loan officers. All officers and employees will continue to be available to provide answers to questions and concerns. Attached to this letter is contact information for all the loan officers of Cache Valley Bank.

We are continuing to monitor legislative developments. Changes can still occur as the House of Representatives, Senate and President are still discussing the proposed law. After the legislation is passed there will probably be additional delays as the SBA implements rules and procedures. Notwithstanding the holiday season, Cache Valley Bank is monitoring the changes, training and preparing its officers and employees, clearing its desks and testing and perfecting its computer systems all to get ready to rapidly deliver these second round PPP loans to our first round borrowers. We know that many of you have need for these funds as of yesterday and soon, will not be soon enough. You can plan on receiving further information from Cache Valley Bank as soon as it is available.

This additional second round of PPP loans is because the pandemic and shutdowns are continuing to cause crushing damages and losses to small businesses. Our advice to all our first-round borrowers is to take advantage of every opportunity to further secure your business against the uncertainties and losses still to come.

We are grateful that we live in a country that has the willingness and capacity to help its citizens struggling to survive this pandemic. We are grateful for the support of our customers and our communities. We thank you for giving Cache Valley Bank the privilege of helping you obtain your first round PPP loan. We are grateful for our relationship with you and your business.

And we wish you, your families, your employees and your business a Merry Christmas, Happy Holidays and all the joy this season brings.

Sincerely,

Cache Valley Bank

N. George Daines, CEO  
Logan, Utah

Bruce Rigby, President  
Layton, Utah

John Jones, President  
St. George, Utah

Ryan Anderson, President  
Ephraim, Utah

Lance Zollinger, President  
Logan, Utah

**Appendix A**  
**Cache Valley Bank Loan Officer**  
**List**

<b>Area</b>	<b>Name</b>	<b>Email</b>	<b>Phone Number</b>	<b>Extension</b>
<b>Northern Division</b>				
	Brad Peterson	<a href="mailto:bradp@cachevalleybank.com">bradp@cachevalleybank.com</a>	435-753-3020	4118
	Brent Wallis	<a href="mailto:BWallis@cachevalleybank.com">BWallis@cachevalleybank.com</a>	435-753-3020	4115
	Brian Webster	<a href="mailto:bwebster@cachevalleybank.com">bwebster@cachevalleybank.com</a>	435-753-3020	4158
	Bruce Rigby	<a href="mailto:BRigby@cachevalleybank.com">BRigby@cachevalleybank.com</a>	435-753-3020	4119
	Clint Buys	<a href="mailto:CBuys@cachevalleybank.com">CBuys@cachevalleybank.com</a>	435-753-3020	4126
	Craig Maughan	<a href="mailto:CMaughan@cachevalleybank.com">CMaughan@cachevalleybank.com</a>	435-753-3020	4461
	Dan Balls	<a href="mailto:DBalls@cachevalleybank.com">DBalls@cachevalleybank.com</a>	435-753-3020	4145
	Darrell Simmons	<a href="mailto:DSimmons@cachevalleybank.com">DSimmons@cachevalleybank.com</a>	435-753-3020	2241
	Darren Cole	<a href="mailto:dcole@cachevalleybank.com">dcole@cachevalleybank.com</a>	435-753-3020	4108
	Jacob Israelsen	<a href="mailto:JIsraelsen@cachevalleybank.com">JIsraelsen@cachevalleybank.com</a>	435-753-3020	4219
	Jake Miller	<a href="mailto:JMiller@cachevalleybank.com">JMiller@cachevalleybank.com</a>	435-753-3020	4133
	Kathryn A. Beus	<a href="mailto:KBeus@cachevalleybank.com">KBeus@cachevalleybank.com</a>	435-753-3020	2004
	Lance Zollinger	<a href="mailto:LZollinger@cachevalleybank.com">LZollinger@cachevalleybank.com</a>	435-753-3020	4101
	Mark Howells	<a href="mailto:MHowells@cachevalleybank.com">MHowells@cachevalleybank.com</a>	435-753-3020	4202
	Michael Miller	<a href="mailto:MMiller@cachevalleybank.com">MMiller@cachevalleybank.com</a>	435-753-3020	4418
	Roy Savage	<a href="mailto:rsavage@cachevalleybank.com">rsavage@cachevalleybank.com</a>	435-753-3020	4104
	Sid G. Beckstead	<a href="mailto:SGBeckstead@cachevalleybank.com">SGBeckstead@cachevalleybank.com</a>	435-753-3020	4137
	Tyler Obray	<a href="mailto:TObray@cachevalleybank.com">TObray@cachevalleybank.com</a>	435-753-3020	4410
<b>Southern Division</b>				
	Annette Smith	<a href="mailto:ASmith@cachevalleybank.com">ASmith@cachevalleybank.com</a>	435-753-3020	2212
	Clay Denos	<a href="mailto:CDenos@cachevalleybank.com">CDenos@cachevalleybank.com</a>	435-753-3020	2124
	Danny Johnson	<a href="mailto:DJohnson@cachevalleybank.com">DJohnson@cachevalleybank.com</a>	435-753-3020	4157
	John T. Jones	<a href="mailto:JJones@cachevalleybank.com">JJones@cachevalleybank.com</a>	435-753-3020	2205
	Jory Spotts	<a href="mailto:JSpotts@cachevalleybank.com">JSpotts@cachevalleybank.com</a>	435-753-3020	2308
	Kelly West	<a href="mailto:KWest@cachevalleybank.com">KWest@cachevalleybank.com</a>	435-753-3020	2207
	Kyle Neva	<a href="mailto:KNeva@cachevalleybank.com">KNeva@cachevalleybank.com</a>	435-753-3020	2121
	Morgan Gubler	<a href="mailto:MGubler@cachevalleybank.com">MGubler@cachevalleybank.com</a>	435-753-3020	6403
	Russ Imlay	<a href="mailto:RImlay@cachevalleybank.com">RImlay@cachevalleybank.com</a>	435-753-3020	2424
	Sheldon Banks	<a href="mailto:SBanks@cachevalleybank.com">SBanks@cachevalleybank.com</a>	435-753-3020	2213
	Shelly Harris	<a href="mailto:SHarris@cachevalleybank.com">SHarris@cachevalleybank.com</a>	435-753-3020	2122
	Travis Phillips	<a href="mailto:TPhillips@cachevalleybank.com">TPhillips@cachevalleybank.com</a>	435-753-3020	2302

Area	Name	Email	Phone Number	Extension
<b>Davis/Weber/SLC</b>				
	Bruce Rigby	<a href="mailto:BRigby@cachevalleybank.com">BRigby@cachevalleybank.com</a>	435-753-3020	4119
	Clint Buys	<a href="mailto:CBuys@cachevalleybank.com">CBuys@cachevalleybank.com</a>	435-753-3020	4126
	Curt Beutler	<a href="mailto:CBeutler@cachevalleybank.com">CBeutler@cachevalleybank.com</a>	435-753-3020	4220
	Bruce G. Jensen	<a href="mailto:BJensen@cachevalleybank.com">BJensen@cachevalleybank.com</a>	435-753-3020	4216
	Ryan Marrelli	<a href="mailto:rmarrelli@cachevalleybank.com">rmarrelli@cachevalleybank.com</a>	435-753-3020	2505
<b>Central Division</b>				
	Darren Dyreng	<a href="mailto:DDyreng@cachevalleybank.com">DDyreng@cachevalleybank.com</a>	435-753-3020	3101
	David Ames	<a href="mailto:DAmes@cachevalleybank.com">DAmes@cachevalleybank.com</a>	435-753-3020	5101
	Don Coombs	<a href="mailto:DCoombs@cachevalleybank.com">DCoombs@cachevalleybank.com</a>	435-753-3020	7101
	Jason Morrell	<a href="mailto:JMorrell@cachevalleybank.com">JMorrell@cachevalleybank.com</a>	435-753-3020	4801
	Kevin Madsen	<a href="mailto:KMadsen@cachevalleybank.com">KMadsen@cachevalleybank.com</a>	435-753-3020	3201
	Ryan Anderson	<a href="mailto:RAnderson@cachevalleybank.com">RAnderson@cachevalleybank.com</a>	435-753-3020	3301
	Timothy Frame	<a href="mailto:TFrame@cachevalleybank.com">TFrame@cachevalleybank.com</a>	435-753-3020	8101
	Seth Taft	<a href="mailto:Staft@cachevalleybank.com">Staft@cachevalleybank.com</a>	435-753-3020	7105
	Shelly Harris	<a href="mailto:SHarris@cachevalleybank.com">SHarris@cachevalleybank.com</a>	435-753-3020	2122
	Trudi Stilson	<a href="mailto:TStilson@cachevalleybank.com">TStilson@cachevalleybank.com</a>	435-753-3020	6200

**PPP Question Hotline 1-855-753-1161**