

CACHE VALLEY BANK

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Chair & CEO



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June 5, 2020

Re: Paycheck Protection Program Loans

Dear Borrower:

Cache Valley Bank appreciates the opportunity to assist you with your Payroll Protection Program Loan.

This program was designed to assist small businesses through the difficulties that have arisen from the Coronavirus epidemic. The Bank believes this Program can provide significant assistance to most small businesses. The Bank is anxious to help you realize all the benefits available in this program for your business including 100% forgiveness of the amount borrowed.

The SBA and Department of the Treasury were given the responsibility to develop the process and rules for PPP loans following the passage of the CARES legislation. They were also encouraged to immediately begin authorizing PPP loans even before the rules were finalized. The rules governing the Program have been a work in process; there have been many clarifications and changes. In addition, all of us recognize that our collective expectations of how the coronavirus would affect small businesses has changed since the CARES legislation was passed in March. Everyone has come to recognize that the original PPP provisions needed some revision. The eight week period was problematic because many small businesses could not stay open or fully reopen at the time their PPP loan was disbursed. Cache Valley Bank and many borrowers have been petitioning Congress for these necessary changes.

Because the rules of the Paycheck Protection Program were in flux and undergoing repeated changes and clarifications, Cache Valley Bank has delayed its efforts to inform you of some of the details of the program precisely because

the Bank recognized that a number of those details were likely to be changed either administratively or by Congress as a result of these problems.

Those changes have now occurred. Last Thursday the House of Representatives passed the Paycheck Protection Program Flexibility Act by a vote of 417 -1. Late Wednesday, the Senate added their approval of the Flexibility Act. On Friday morning President Trump signed the Flexibility Act.

The PPP Flexibility Act makes these important changes to the original PPP legislation; all of these changes now apply to your loan:

- 1. The time period for use of PPP loan funds is increased from 8 weeks from disbursement to 24 weeks from disbursement.**
- 2. The rule that 75% of the PPP loan must be used for payroll expenses is changed, reducing required payroll to 60%, thus, up to 40% of the funds can be used for non-payroll expenses (rent, utilities & mortgage interest).**
- 3. The June 30, 2020 deadline for full reemployment of employees is reset to the date of December 31, 2020.**
- 4. The time period for repayment of any non-forgiven amount of the PPP loan is extended from two years to five years.**
- 5. Employers have been given the additional benefit of a delay in payment of payroll taxes.**
- 6. No payments are required from you until after the forgiveness amount is determined and paid to Cache Valley Bank. It is anticipated that this will be sometime significantly after the expiration of the 24 week period.**
- 7. Employers are given more leeway in showing that they were unable to rehire people or reopen to business in a way that complies with safety standards.**

This new Flexibility legislation significantly improves the PPP loan provisions for most small businesses. It makes forgiveness standards much easier to meet. The effect of enlarging the time period for expenditures by a factor of 3 times (8 weeks

to 24 weeks) dramatically increases the chance that every small business will be able to obtain 100% forgiveness of their PPP loan. This is further enhanced in that only 60% of the PPP loan must be spent on payroll. Because of these changes the pressure to obtain detailed documentation of qualifying expenditures is also greatly reduced.

Here is one example of how the Flexibility Act helps PPP borrowers. Under the original PPP terms, a borrower with a \$100,000 PPP loan disbursed on April 15 would only receive full forgiveness if \$75,000 of payroll expenses and \$25,000 of other qualifying expenses were paid before June 10 and also that the small business was returned to full staff by June 30, 2020. With the Flexibility Act changes, that same borrower now has 24 weeks, until September 30, to make these same expenditures. And, only 60% has to be spent on payroll. Furthermore that borrower only has to be at full staff by December 31, 2020. And no payments are required from this borrower until after the forgiveness amount is determined and paid. These changes are particularly important to those businesses which have been limited by mandated closures in many states and cities. Restaurants, hotels, dentists, etc. have all been under pressure to use the PPP loan funds while they have been closed or restricted by health authorities. The time period extension will greatly help all small businesses to qualify for forgiveness of their PPP loans

Cache Valley Bank recognizes that this new Flexibility Act legislation is still subject to additional rule making and clarifications from both the SBA and Department of Treasury. A number of details will still need to be refined. Hence, it is our advice to be patient with this process. **You have several more months before any deadlines apply.** As soon as the details and rules governing forgiveness are clear the Bank will provide additional information and assistance to you in your effort to obtain 100% forgiveness of your PPP loan. As I stated at the beginning of this letter, our goal is to get 100% forgiveness for every PPP borrower.

We are all grateful that Congress and the President have recognized the need for additional flexibility in the PPP loans. We continue to consider this program to be an important and necessary bridge from our present difficulties to a brighter future for the small businesses in our communities. We look forward to further assisting you in this Program.

I have included with this letter some additional information about Cache Valley Bank for those that are not familiar with the Bank. We stand ready to welcome

new customers to our Bank. We believe that relationships are the key to successfully banking small business customers.

If you have any questions or need any assistance with your PPP Loan please call or email your agent or loan officer. We will be in touch with you as additional information becomes available.

We appreciate the opportunity to serve your needs.

Sincerely,
Cache Valley Bank

/s/ N. George Daines
CEO & Chair