



January 7, 2021

Greetings,

We have received many questions about the latest COVID-19 stimulus bill that just passed. There are several provisions in that legislation related to the Paycheck Protection Program (PPP). As you know the first round of PPP funds was distributed last year and the program closed. Several banks, including First Service Bank, began accepting applications for the forgiveness of those first round PPP loans. According to the new legislation, there will be additions and modifications to the existing PPP programs that we will summarize below.

Please be aware that with this new legislation the U.S Treasury and Small Business Administration (SBA) must first establish rules and procedures that will then be published to potential lenders participating in the new and updated programs. First Service Bank is monitoring the progress of this and will communicate with you as new developments arise. At this time we are not taking any new PPP loan applications until the SBA and Treasury make the new forms available.

Summary of PPP related provisions in the new bill are listed below; this summary is not all inclusive and does not cover every scenario:

- The first round of PPP lending has been extended to March 31, 2021. If you did not apply for a PPP loan already, you may be eligible for one now.
- You may be eligible for a new loan if you had a PPP loan already and your loan funds have been fully spent or will be spent prior to the disbursement of a 2nd PPP loan. The maximum loan amount for a 2nd PPP loan is \$2,000,000; you must have 300 or fewer employees, and you must show a 25% or more reduction in gross receipts in any quarter of 2020 as compared to the same quarter in 2019. Loans up to \$150,000 may only need to submit a one page form that certifies it meets the revenue loss requirement and provide proof of revenue loss at the time they submit a forgiveness application.
- For the 2nd PPP loan the loan amount is calculated just as the first round of PPP loans with a few exceptions. You will calculate your average monthly payroll costs for 2019 or the preceding 12 months and multiply by 2.5 (or 3.5 if you are in the Accommodation and Food Services industry - NAICS 72 entities).
- The following are now considered additional eligible forgiveness expenses. Keep in mind you must still meet the 60/40 payroll to non-payroll costs ratio to be considered for full forgiveness. This is retroactive to all PPP loans.
 - Covered Operations Expenditures
 - Covered Property Damage Costs
 - Covered Supplier Costs
 - Covered Worker Protection Expenditures
- First round PPP loans not yet submitted for forgiveness and 2nd round PPP loans at the time of forgiveness up to \$150,000 will submit a new and simplified version of the forgiveness application.

- The Economic Injury Disaster Loan (EIDL) advance that may have been deducted from a PPP borrower's forgiveness amount is now forgivable. This is retroactive and if your PPP loan has already been forgiven, but contained an EIDL advance to be repaid, the Bank will be in contact with you after rules and procedures are published directing all parties on the appropriate steps.
- Borrowers will be able to reduce from their taxable income in 2020 any expenses that were offset with a PPP loan. Please speak with your CPA or financial advisor for more information.

Look out for further communications at least weekly containing relevant updates as information is released. Contact your local First Service Bank Loan Officer with questions specific to your situation.

Visit our website at <https://firstservicebank.com/covid-19> for other COVID-19 or PPP loan updates.

In your service,

First Service Bank