

IMPORTANT INFORMATION REGARDING YOUR PAYCHECK PROTECTION PROGRAM (PPP) LOAN

TOPICS COVERED IN THIS COMMUNICATION:

- (1) FIRST NATIONAL BANK (FNB) ONLINE PPP LOAN FORGIVENESS APPLICATION
 - (2) PPP LOAN FORGIVENESS INFORMATION AND DOCUMENTATION
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FNB ONLINE PPP LOAN FORGIVENESS APPLICATION

Congratulations on closing your PPP loan. During the 8-week period (Covered Period) starting with the first date your loan was funded, you should continue tracking your spending on payroll costs and non-payroll costs (see below for more details). Now that the Small Business Administration (SBA) has provided additional guidance on forgiveness, FNB is developing an online application based on the SBA's PPP Loan Forgiveness Instructions and Application, Schedules and Worksheets to help simplify and streamline the forgiveness process for our borrowers. Through this online application, you will be able to enter the required forgiveness information as well as upload supporting documentation safely and securely.

We anticipate that our online PPP forgiveness application will be ready to access on or after June 29, 2020. In the meantime, we recommend that you review the SBA's PPP Loan Forgiveness Instructions and Application in advance of the end of your Covered Period so that you are prepared when our online application launches. The SBA's PPP Loan Forgiveness Instructions and Application can be found on the [SBA's website](#). We also have included a summary of the SBA's current guidance below for your convenience. While we understand that you will be eager for the forgiveness process to begin, **please do not send us a paper application or supporting documentation at this time**. We will announce when the online application is available for use. We thank you in advance for your patience and understanding.

PPP LOAN FORGIVENESS INFORMATION AND DOCUMENTATION

It is important for you to review and understand the PPP Loan Forgiveness Instructions and Application on the SBA website. However, in order to help you begin this process, we have summarized below the information available from the SBA to assist you in assembling the documentation you will need to provide with your PPP Loan Forgiveness Application. The amount of loan forgiveness can be up to the full principal amount of the loan, and any accrued interest. In accordance with your Note, you will be responsible for any amount that is not forgiven.

- Open a Separate Checking Account** – If you have not already done so, we recommend that you open a separate business checking account which will provide you with a convenient way to track and document your spending.

PPP Spending Guidelines – PPP loan forgiveness amounts will depend, in part, on the total amount spent on the following **during the Covered Period** (8 weeks/56 days starting on the funds disbursement date):

- Payroll Costs¹
- Interest on mortgage obligations incurred before February 15, 2020
- Rent payments on leases dated before February 15, 2020
- Utility payments under service agreements dated before February 15, 2020

NOTE: No more than 25% of the loan forgiveness amount requested may be attributable to non-Payroll Costs² (i.e., mortgage interest, rent and utility payments).

Information Needed for Forgiveness Application – According to the Instructions for PPP Loan Forgiveness Calculation Form, you will need the following:

- Number of employees at the time of loan application;
- Number of employees at the time of forgiveness application;
- Economic Injury Disaster Loan (EIDL) application number and advance amount (if applicable);
- Payroll Schedule (e.g., weekly, bi-weekly, twice a month, monthly);
- Covered Period (i.e., starting on fund disbursement date and ending 8 weeks or 56 days later);
- Alternative Payroll Covered Period (at Borrower’s option, if biweekly payroll or more frequent, 8-week/56-day period may begin on the first day of the first pay period following PPP loan disbursement).

Information Needed for Each Employee³ – For the Schedule A Employee Worksheet, you will need the following:

- Employee name and identifier;
- Cash Compensation⁴ during the Covered Period or Alternative Payroll Covered Period (max. \$15,385);
- Average annual salary or hourly wage during the Covered Period or Alternative Payroll Covered Period;
- Average annual salary or hourly wage between January 1, 2020 and March 31, 2020;
- Average annual salary or hourly wage as of February 15, 2020;
- Average annual salary or hourly wage between February 15, 2020 and April 26, 2020 (if employee pay was reduced by more than 25%);
- Average annual salary or hourly wage as of June 30, 2020 (if employee pay was reduced by more than 25%);
- Average number of hours worked per week during the Covered Period or Alternative Payroll Covered Period;

¹ Borrowers are generally eligible for forgiveness for the payroll costs paid and payroll costs incurred during the eight-week (56-day) Covered Period (or Alternative Payroll Covered Period) (“payroll costs”). Payroll costs are considered paid on the day that paychecks are distributed or the Borrower originates an ACH credit transaction. Payroll costs are considered incurred on the day that the employee’s pay is earned. Payroll costs incurred but not paid during the Borrower’s last pay period of the Covered Period (or Alternative Payroll Covered Period) are eligible for forgiveness if paid on or before the next regular payroll date. Otherwise, payroll costs must be paid during the Covered Period (or Alternative Payroll Covered Period). For each individual employee, the total amount of cash compensation eligible for forgiveness may not exceed an annual salary of \$100,000, as prorated for the covered period. Count payroll costs that were both paid and incurred only once. For information on what qualifies as payroll costs, see Interim Final Rule on Paycheck Protection Program posted on April 2, 2020 ([85 FR 20811](#)).

² An eligible nonpayroll cost must be paid during the Covered Period or incurred during the Covered Period and paid on or before the next regular billing date, even if the billing date is after the Covered Period.

³ Do not include any independent contractors, owner-employees, self-employed individuals, or partners.

⁴ The sum of gross salary, gross wages, gross tips, gross commissions, paid leave (vacation, family, medical or sick leave, not including leave covered by the Families First Coronavirus Response Act), and allowances for dismissal or separation paid or incurred.

- Documentation Needed for Forgiveness Application** – We recommend you maintain the following:
 - Evidence of eligible cash compensation and non-cash benefit payments from the Covered Period or Alternative Payroll Covered Period⁵;
 - Evidence that your business was in operation on February 15, 2020 (e.g., Q1 2020 tax filing);
 - Evidence of the average number of FTE⁶ employees on payroll per month employed between February 15, 2019 and June 30, 2019;
 - Evidence of the average number of FTE employees on payroll per month employed between January 1, 2020 and February 29, 2020;
 - Evidence of the average number of FTE employees on payroll per month employed for any consecutive 12-week period between May 1, 2019 and September 15, 2019 (for seasonal employers only);
 - Evidence of the restoration of pay, by June 30, 2020, for any individual whose pay was reduced by 25% or more prior to loan disbursement;
 - Evidence of any positions for which you made a good-faith, written offer to rehire an employee during the Covered Period or Alternative Payroll Covered Period which was rejected by the employee;
 - Evidence of any employees who during the Covered Period or Alternative Payroll Covered Period were (a) fired for cause, (b) voluntarily resigned, or (c) voluntarily requested and received a reduction in hours⁷;
 - Evidence of an approved EIDL loan, including the date of the loan, loan number, amount, any grant received, and proof of any repayment made to the SBA after loan disbursement;
 - Copies of your PPP Borrower Application and all documentation submitted to FNB.

- Document Use of Loan Proceeds for Non-Payroll Costs** – In addition to the bank statements from your separate business checking account, we recommend you maintain proof and/or copies of the following:
 - Mortgage obligations incurred before February 15, 2020;
 - Leases dated before February 15, 2020;
 - Utility service agreements dated before February 15, 2020.

- Other Important Information to Remember:**
 - Maintenance and preparation of all forgiveness documentation is your responsibility;
 - If you use PPP loan funds for unauthorized purposes, the SBA will direct you to repay those amounts;
 - If you knowingly use PPP loan funds for unauthorized purposes, or make a false certification as to need, you may be subject to additional liability, such as charges for fraud (see below);
 - If one of your shareholders, members, or partners uses PPP loan funds for unauthorized purposes, the SBA will have recourse against the shareholder, member or partner.

If you have additional questions concerning PPP loan forgiveness eligibility, we recommend that you continue to check the [SBA PPP home page](#) as well as the [Treasury Department PPP home page](#) as information is updated on a regular basis. As a Borrower under this program, it is your obligation to stay informed of the latest guidance from the Treasury and the SBA related to this program.

⁵ Includes each of the following: bank account statements or third-party service provider reports documenting the amount of cash compensation paid to employees, tax forms for periods that overlap the Covered Period or Alternative Payroll Covered Period, and payment receipts, cancelled checks or account statements documenting the amount of employer contributions to employee health insurance and retirement plans.

⁶ FTE = for employee, the average number of hours per week, divided by 40, rounded to the nearest tenth and capped at 1.0.

⁷ In all of these cases, include these FTEs only if the position was not filled by a new employee. Any FTE reductions in these cases do not reduce the Borrower's loan forgiveness.