



Information as of 3/31/2020 – 8:00am

Source Information from:

- CARES Act sections 1112, 1102, 1106, 1109, 1107
- National Association of Government Guaranteed Lenders (NAGGL)
- First Oklahoma Bank

Overarching Comments Regarding Paycheck Protection Program (PPP) Loans

Generally, this program aims to provide cash so workers can keep their paychecks. This directly gives businesses cash – in the form of loans – to help your employees stay on the job. If the money is used correctly, the loans will be forgivable.

The program authorizes \$349 billion to be shared through PPP loans and all 7(a) loans during the covered period. The \$30 billion authorization cap for 7(a) loans does not apply during the covered period but will resume for 7(a) lending after the covered period. PPP loans are 100% federally guaranteed loans.

This is a two-step process.

1. The initial Paycheck Protection Program Loan Application is first.
2. Application for Loan Forgiveness is second. You can apply for loan forgiveness between July 1, 2020 and December 31, 2020.

First Oklahoma Bank will help you both with the initial PPP application and with the loan forgiveness application. ***Documentation at the time of the initial application will be the key to getting the loan forgiven in the end.*** With that in mind, we will be asking up front for information that will matter when you apply to get the loan forgiven.

There is not a PPP application available yet. This document outlines what we know today. We will update this document and our website as PPP details become available. Stay tuned!

Know that First Oklahoma Bank is going to throw all our resources at getting these loans done. We are a small bank, but we are going to try and make a big difference in our community and the lives of others!

Tom Bennett, III
President and Co-CEO



Step One – Initial Paycheck Protection Application

Am I eligible?

Basic eligibility:

- Business was in operation on Feb. 15, 2020, AND
- Had employees for whom the business paid salaries and payroll taxes OR paid independent contractors (reported on a Form 1099-MISC)

Additional eligibility criteria:

- Small business concerns, including sole proprietorships, independent contractors and eligible self-employed individuals
- Self-employed individuals, independent contractors and sole proprietors must provide documentation to establish eligibility including payroll tax filings reported to IRS, Forms 1099-MISC, and income expenses from the sole proprietorship as deemed necessary by SBA and Treasury
- Nonprofit organization as described in section 501(c)(3) of the IRS Code that are exempt from taxation under section 501(a) of the Code.
- Veterans organizations
- Tribal business concerns

How do I prove eligibility?

You will have to certify your eligibility. Having a tax return (2018 or 2019 if available) is good supporting information. The SBA could require more documentation once the application is finalized.

How much can I borrow? What determines loan size?

The loan amount is determined by your average monthly payroll looking back over the last 12 months. What qualifies as “Payroll” is defined below.

The general maximum loan size = lesser of –

- \$10 million OR
- The sum of –
 - Applicant’s average total monthly payments for payroll costs for the one-year period before the date on which the loan is made X 2.5 EXCEPT
 - For a seasonal employer, average total monthly payroll payments will be based on the 12-week period between Feb. 15, 2019 and June 30, 2019
 - PLUS the outstanding amount of an SBA disaster loan made between Jan. 31, 2020, and ending on the date on which covered loans are available to be refinanced under this program.



Maximum loan size for a business not in business for the period beginning Feb. 15, 2019, and ending June 30, 2019 = lesser of –

- \$10 million OR
- The sum of the applicant’s average total monthly payments for payroll costs incurred during the period beginning Jan. 1, 2020, to Feb. 29, 2020, X 2.5.
- **Plus** the outstanding amount of an SBA disaster loan made between Jan. 31, 2020, and the date on which covered loans are available to be refinanced under this program.

Definition of “Payroll”

For individual employees, payroll is the sum of:

- Payments of any compensation to employees (salary, wages, commission or similar compensation) +
- Payment of cash tip or equivalent +
- Payment for vacation, parental, family, medical or sick leave +
- Allowance for dismissal or separation +
- Payment required for group health benefits (including insurance premiums) +
- Payment of retirement benefit OR Payment of State or local taxes assessed on the compensation of employees

For sole proprietors and independent contractors:

The sum of payments of any compensation to or income that is a wage, commission, income, net earnings from self-employment or similar compensation.

“Payroll” shall NOT include:

- Compensation of an individual employee in excess of an annual salary of \$100,000/year as prorated for the covered period (\$100,000 is the max compensation per employee in the formula)
- Taxes imposed or withheld under chapters 21, 22 or 24 of the IRS Code
- Any compensation of an employee whose principal place of residence is outside the US
- Qualified sick leave wages for which a credit is allowed under section 7001 of the Families First Coronavirus Response Act, or
- Qualified family leave wages for which a credit is allowed under section 7003 of the Families First Coronavirus Response Act

What is the maximum interest rate of the loan?

4% for the life of loan, and guidance could set it lower. We’ll know more once we get SBA guidance.

What can I use the money for?

- Payroll costs
- Costs related to the continuation of group health care benefits during periods of paid sick, medical or family leave and insurance premiums



- Employee salaries, commissions or similar compensations
- Payment of interest on any mortgage obligation (excluding prepayment of, or payment of principal)
- Rent
- Utilities
- Interest on any other debt obligation incurred before March 27, 2020
- Refinancing of a disaster loan made between Jan. 1, 2020, and the date on which covered loans are made available to be refinanced.

What is the maximum loan maturity?

We're not sure at the moment.

- The statute is silent as to what maturity period should be established at the time of origination, but permits SBA to use regular 7(a) "terms, conditions, and process."
 - Stay tuned for SBA guidance regarding how this issue will be addressed.
 - Statute specifies a 10-year maturity for any balance remaining after application of the forgiveness – SBA guaranty continues to apply.

Do I need collateral?

No collateral will be required.

Do I need a personal guarantee?

No personal guaranty will be required **BUT**

- Government will have recourse against a shareholder, member or a partner of a borrower company if loan proceeds are used for a purpose not authorized by the law. You are not off the hook.

Required Borrower Certification at time of application

The borrower must make a "good faith certification" both at the time of application for both the initial PPP loan and at the time of you apply for loan forgiveness.

- Stating that uncertainty of current economic conditions makes the loan request necessary to support ongoing operations
- Acknowledging that funds will be used to retain workers and maintain payroll or make mortgage, lease and utilities payments
- Stating that they do not have another PPP application pending for the same purpose AND
- Acknowledging that the applicant may not receive another 7(a) loan for the same purpose through Dec. 31. 2020.



Step Two – Application for Loan Forgiveness

How do I get the PPP Loan Forgiven?

The formula for forgiving loan proceeds is rigid and specific. **Documentation of the use of loan proceeds is key. No forgiveness will be approved without the required documentation.**

Borrowers must apply for loan forgiveness. The borrower basically must prove the following:

- The PPP Loan proceeds were used to fund eligible expenses.
- They have the same average number of employees on June 30, 2020, as they had between Jan. 1, 2020, and Feb. 29, 2020.
- The average payroll per person had not declined by more than 25%.

Amount eligible for forgiveness:

A PPP borrower is eligible to have its loan forgiven by an amount equal to the following costs incurred and payments made during the covered period:

- Payroll costs+
- Interest payments on any covered mortgage obligation (excluding prepayment of or payment of principal)+
- Payments on covered rent obligations+
- Any covered utility payment

Reduction in amount paid based on reduction in number of employees

The amount of PPP loan forgiveness will be reduced (but NOT increased) by:

- Multiplying the amount eligible for forgiveness by dividing the average number of full-time equivalent (FTE) employees per month the borrower employed during the covered period by either:
 - the monthly average number of FTE employees per month employed between Feb. 15, 2019 and June 30, 2019, OR
 - the average number of FTE employees per month employed between Jan. 1, 2020, and Feb. 29, 2020.

OR

If an eligible recipient is a seasonal employer, the calculation of the average number of FTE employees will be based on the number of FTE employees per month employed between Feb. 15, 2019, and June 30, 2020.

- Average number of FTE employees is calculated based on employees for each pay period falling within a month.



Reduction in amount based on salary and wages

- If the borrower cuts employees' wages by more than 25% during the most recent full quarter before Feb. 15, 2020, the debt forgiven will be reduced by that amount.
- Covered employees include those who did not receive, during any single payment period in 2019, wages or salary at an annualized rate of pay that exceeded \$100,000.
- Forgiveness amount may include additional wages paid to tipped workers.

Exemption for rehires

- If certain conditions are met, the forgiveness amount will not be reduced because the PPP loan borrower either reduced the number of employees or salaries of one or more employees for 30 days after enactment.
- The reduction in forgiveness amount will not apply if by June 30, 2020, the borrower has not reduced the total number of FTE employees.
- The reduction in forgiveness amount will not apply if by June 30, 2020, the borrower has eliminated any reduction in salaries or wages.

What documentation will I need to provide to qualify for loan forgiveness?

Certification by borrower will be required.

- Documentation verifying the number of FTE employees on payroll and pay rates for the periods specified
 - Payroll tax filings reported to IRS and
 - State income, payroll and unemployment insurance filings
- Cancelled checks, payment receipts, transcripts of accounts or other documents verifying payments on covered mortgage obligations, payments on covered lease obligations and covered utility payments;
- Any other documentation deemed necessary by SBA; AND
- Certification from an authorized representative of the borrower that
 - Documentation presented is true and correct
 - Amount for which forgiveness is requested was used for purposes eligible for forgiveness.

“Hold Harmless”: Lender may rely on the certification of the borrower that the documentation submitted for request for forgiveness has accurately verified the payments for payroll costs, covered mortgage obligations, covered lease obligations, or covered utility payments.

Will the forgiveness amount be taxable?

No. The forgiveness amount will not be considered as income of the borrower and will not be taxed.



What documentation do I need to be gathering now?

There will be an SBA application soon. It is not yet available. We will forward you one once we get it. This is our best guess of the documentation you'll need to provide.

- Documentation supporting applicants average total monthly payment for payroll costs for 1 year before the PPP loan is made.
- For companies – 941s work and/or a schedule of payroll as defined above
- For sole proprietor and independent contractors – payroll tax filings, 1099s
- Average employee count between Jan. 1, 2020, and Feb. 29, 2020.
- If you're a current customer, we will already have corporate/organizational documentation. **Thank for your business!** It makes this process easier.
- If you're not a customer yet, I'll list information we will need below. We will need to build your file from scratch and will need to collect the basic loan information. **Once this is all over, we'd like a shot at your regular business too!**

For Non-Customers - Corporate/Organizational Documentation the Bank will need

If a Corporation:

- A copy of the filed Articles of Incorporation
- Bylaws
- Board Minutes reflecting who is authorized to sign on behalf of the corporation
- Certificate of Incorporation
- EIN number

If a Limited Liability Company:

- Copy of the filed Articles of Organization
- Operating Agreement which provides the authorized members that can borrow money
- Certificate of LLC
- EIN

We also need Bylaws/Board Minutes or Operating Agreements of any entity owning more than 25% of a legal entity reflecting the current ownership of the company along with SSN's and driver's licenses for the individuals.

Certificate of Beneficial Ownership form requires us to document all legal entities with the following information:

Name, address, date of birth and Social Security number (or passport number or other similar information, in the case of Non-U.S. Persons) for the following individuals (*i.e.*, the beneficial owners):

(i) Each individual, if any, who owns, directly or indirectly, 25 percent or more of the equity interests of the legal entity customer (*e.g.*, each natural person that owns 25 percent or more of the shares of a corporation); and

(ii) An individual with significant responsibility for managing the legal entity customer (*e.g.*, a Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, Managing Member, General Partner, President, Vice President, or Treasurer).