May 14, 2020

Dear Customers,

As a recipient of a loan under the Paycheck Protection Program (PPP), you are eligible for partial or full forgiveness of your loan, including accrued interest, based on a loan forgiveness calculation to be submitted by you. The amount of forgiveness depends on how you use the loan proceeds during the eight-week period after the first disbursement on the loan from us to you. The Small Business Administration (SBA) has not yet released final information regarding specifics of the forgiveness calculation that you will need to prepare and submit to us. However, there has been some indication of what will likely impact your loan forgiveness calculation, and information you will need to provide. This communication is intended to inform you of information that you should be considering and tracking at this time for when the time comes for you to prepare the forgiveness calculation that you will send to us.

It is important for you to maintain accurate and detailed records and documentation of your payroll and qualified operating expenses incurred during the eight (8) week period, starting from the day you received your loan. You will likely need to provide payroll documentation supporting salary costs and average full-time equivalents (FTEs) during this period. Based on what the SBA has indicated to date, the following uses will likely count towards the forgiveness calculation: salaries/wages/commissions, tips (up to $100,000 per employee), benefits including vacation; parental family medical or sick leave; state and local taxes on compensation; utilities; rent/mortgage interest; and interest on debt in place as of February 15, 2020. Certain factors will likely impact the level of loan forgiveness:

- One of the current unknowns is whether a business will need to allocate 75% of the loan money to cover payroll costs or if forgiveness will be reduced if the 75% figure isn’t attained.

- There will likely be requirements on your retention of full-time equivalent employees according to the baseline used to establish your loan amount, except for any documented instances in which an employee refuses the rehire offer (discussed below). If you reduce full-time employees, the forgiveness amount will be reduced. Documentation will likely be required verifying the number of full-time equivalent employees on payroll and pay rates, including payroll tax filings reported to the IRS and state income, payroll and unemployment insurance filings.

- Documentation, including 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.

As noted, additional documentation may also be required when guidance is communicated by the SBA.

Please note that the SBA recently indicated that a business can exclude a person from the FTE calculation if the business makes a written offer to rehire a former or furloughed employee and that person declines. The SBA and Treasury announced they intend to issue guidance specifying that to qualify for this exception, the borrower has to make a good faith, written offer of rehire, and the employee’s rejection of that offer must be documented by the borrower.

The SBA will be requiring you (not the Bank) to apply for loan forgiveness at the end of the eight-week period and to make certain certifications, especially on your use of funding. Accordingly, it is important that you consult and work with your financial advisor, CPA, tax preparer, and/or bookkeeper at this time to make sure that your PPP loan is used to accommodate forgiveness parameters during the eight-week period and to track documentation at this time to prepare your forgiveness calculation once the SBA releases additional information. Any part of a PPP loan that is not forgiven needs to be paid back.

After the SBA provides guidance, we will communicate with you. We are sending this to you at this time to urge you to begin planning and preparing now for your loan forgiveness calculation.

Please stay safe during these unprecedented times. We wanted to alert you to keeping accurate records at this time.

Thank You,

Jack Clancy  
Chief Executive Officer  
Enterprise Bank

Brian Bullock  
Chief Commercial Lending Officer  
Enterprise Bank