



## MEMORANDUM

**To:** Valued Frontier State Bank Clients and Small Businesses  
Frontier State Bank Team Members  
**From:** Joseph D. McKean Jr., MD, Chairman and CEO  
**Date:** April 6, 2020  
**Subject:** CARES Act, SBA Paycheck Protection Program

The CARES Act (Coronavirus Aid, Relief, and Economic Security Act) passed by Congress and signed by the President includes a number of programs designed to address the negative financial impact of Pandemic 2020 upon businesses and individuals. One section is called the Paycheck Protection Program (PPP). Its objective is to provide cash flow assistance to employers to maintain their payroll to keep employees employed. It is designed specifically for businesses with fewer than 500 employees. Believe it or not, about 40% of the Gross Domestic Product (GDP) of the entire USA comes from this segment of our society. Thus, it is extremely important to everyone that Small Businesses stay in business! Pandemic 2020 has greatly disrupted the economic status quo for many Small Businesses. The PPP program will help stabilize and significantly reduce the negative impact upon these Small Businesses.

There has been much confusion and mis-information regarding the PPP program. Therefore, FSB has not previously communicated any of this information. Simply because I did not want to communicate to you something that would likely change.....in fact for the past week changes have been made on almost an hourly basis. However, the SBA has now released its Final Interim Rule regarding the Paycheck Protection Program. Although the SBA will continue its normal process for establishing the Final Rule, they have invoked a provision which allows the IMMEDIATE IMPLEMENTATION of the Final Interim Rule.

Frontier State Bank is participating in the PPP Loan Program. The Small Business Administration (SBA) is administering the program. The PPP program began Friday, April 3<sup>rd</sup>, shortly after the SBA Web Site for the program became "Live". The FSB Loan Department under the leadership of President Bill Haycraft, CLO Steve Elliott and CCO Either Keiffer have the entire Loan Department ready to assist all FSB customers.....AND anyone else who needs assistance in applying for a PPP Loan. Believe it or not, it is not complicated and can be funded fairly quickly.

I have attached the actual SBA Application and instruction for your easy reference. Some, and possibly all of the loan may be forgiven provided the Small Business has met the SBA forgiveness requirements. If you need help, the FSB Loan Department Team can assist with completing the application correctly, making certain all the requirements are met, so that the loan is approved ASAP.

The following is what you need to bring to the Bank and/or send via Email:

1. The completed, signed SBA PPP Application

2. Documentation for your "average payroll cost". This should be some form of government document such as payroll processor records, payroll tax filings, etc. Although other documents may be considered, using government documents will speed up the process. We are required to document your average payroll cost by the rules in the Final Interim Rule.
3. Documentation you were in a business which was paying a payroll and taxes on February 15, 2020. For most the Payroll Documents under #2 above will be sufficient for this requirement also.

PPP Loans are very low interest rate loans made by FSB under the guidelines of the Final Interim Rule issued by the SBA and will therefore be guaranteed by SBA.....BUT ONLY WHEN UTILIZED FOR EXPENSES OUTLINED in the Final Interim Rule. You do not have to pledge collateral or sign a personal guarantee. HOWEVER, you must use the proceeds as required by the LAW. Making false statements and mis-using the funds is punishable by fines and imprisonment. Neither you, nor I want to risk that possibility!

In an effort to streamline the process and carefully document compliance with the PPP program, FSB will be offering all FSB PPP Loan recipients a method to minimize their risk of inadvertently committing fraud and creating problems for themselves and the Bank. FSB is advising all PPP Loan recipients to establish a PPP FSB Demand Deposit Account in the recipient's name and controlled by the recipient. Then use this special account to make all wage, salary, benefit, rent, mortgage interest, and utility payments from this account for the next eight weeks following the receipt of the Loan Proceeds. If you pay these from this account that should provide most of the documentation necessary for FSB to request the SBA forgive your loan. This will make certain that all funds have been used in compliance with the Final Interim Rule. You will be required to pay back any balance not forgiven by the SBA..... so DOCUMENTATION of how the loan proceeds were actually used is CRITICAL to you receiving the forgiveness benefit of the PPP Program.

While there are multiple other rules and guidelines, the above covers the ones most applicable to most of our clients. Our Loan Department Staff is available to answer any of your questions.

Sincerely,



Joseph D. McKean Jr MD  
Chairman and CEO