



April 7, 2020 10AM (revised and updated)

Re: Small Business Administration's Paycheck Protection Program Notice:

Sturdy Savings Bank continues to monitor, interpret, and adapt to the fluid situation concerning the Paycheck Protection Program (PPP) Small Business Administration (SBA) Loan Application. According to the information disseminated on the SBA's website, SBA.gov, the program began on April 3, 2020 for small businesses and sole proprietors, and is scheduled to begin on April 10, 2020 for independent contractors and self-employed individuals. The program is said to remain available through June 30, 2020. At the time this letter is being composed, guidance regarding the certain nuances of the application process, the specific support documents needed and the loan documentation process have not been provided by government administrative agencies. Please consult both the treasury.gov and SBA.gov websites, as we anticipate more information over the coming days.

Customers of Sturdy Savings Bank as of March 1, 2020 are eligible to apply for the Paycheck Protection Program through our bank. Due to the overwhelming demand for this program, small business owners who are not customers of Sturdy Savings Bank should contact their current business loan provider or visit sba.gov as soon as possible, if they plan to apply for the federal Paycheck Protection Program. This is the best and fastest method for applying for federal relief, based on the U.S. Treasury requirements and guidance.

According to the SBA website at this time, the SBA states that the loan will be fully forgiven if the funds are used for payroll costs, interest on mortgages, rent, and utilities (due to likely high subscription, at least 75% of the forgiven amount must have been used for payroll). Forgiveness is based on the employer maintaining or quickly rehiring employees and maintaining salary levels. Forgiveness will be reduced if full-time headcount declines, or if salaries and wages decrease. There will be a secondary process to determine eligibility of forgiveness in accordance with the program's requirements. This responsibility is placed with the borrower. It is important to understand that if forgiveness is not fully granted, due to the borrower's use of loan proceeds not conforming to SBA requirements at the sole discretion of the SBA lender, the loan portion has a maturity of 2 years and an interest rate of 1%.

Realizing the sense of urgency conveyed by our customers who understand the limited amount of dollars allocated to this program, we believe it will be helpful to share with you our understanding of what documents may be required as we await further directives. In an effort to efficiently process the high volume of anticipated packages, it is prudent for interested applicants to have their accountants, tax professionals, and payroll company representatives to preliminarily review this documentation with them to ensure completeness prior to submitting it to the Bank.

Guidance issued by the Treasury through the SBA has changed many times since this program was announced. At this time, we believe the application package requires at least the following general requirements:

- An executed PPP SBA application request form available directly at <https://home.treasury.gov>.
- 2019 IRS Quarterly 940, 941 or 944 payroll tax reports or payroll reports for a twelve-month period (ending on your most recent payroll date), which will show the following information:
 - Gross wages for each employee, including officer(s) if paid W-2 wages
 - Paid time off for each employee
 - Vacation pay for each employee
 - Family medical leave pay for each employee
 - State and local taxes assessed on each employee's compensation
- As an alternative to the above point, according to the CARES Act business owners may elect to use a rolling 12 months to calculate the loan amount. (for example March 2019 through March 2020).
- As an additional alternative to the above points, according to the CARES Act, the third method for determining the loan amount is relative to a seasonal borrower. It is stated the seasonal borrower may choose to use the 2019 pay roll reports and related documentation or the seasonal timeframe from 2/15/2019 to 6/30/2019. Those dates, 2/15/2019 to 6/30/2019 correlate to the period of time in 2020 that the program is designed to protect.
- 1099s for independent contractors for 2019.
- Documentation showing total of all health insurance premiums paid by the company owner(s) under a group health plan.
 - Include all employees and the company owners
- Documents the sum of all retirement plan funding that was paid by the company owner(s) (do not include funding that came from employees out of their paycheck deferrals).
 - Include all employees and the company owners
 - Include 401K plans, Simple IRA, SEP, IRA's
- Applicant Borrower's formation documents that may include:
 - Certificate of Incorporation
 - Certificate of Formation
 - SS4 IRS issued tax id number form letter (*alternatively, a signed page of a filed federal tax return displaying the tax id number*)
 - Operating Agreement (*note that in New Jersey a single member LLC is not required to have an operating agreement*)
 - Corp Resolution/By-laws

Sturdy Savings Bank continues to manage our resources with personal customer service in mind. Within the twelve-week time frame allotted by the program, we wish to maximize efforts to service as many customers as possible. Do not send in multiple emails as you compile your application package. Do wait to email the entire package at one time. Please know that once you are confident that your application and supporting documentation is complete please scan and email it to SturdyPPP@sturdyonline.com. **It is important to know that applications will exclusively be received via email during this unprecedented time.** The files size is limited to 20MB, you may need to send multiple emails using the same subject line.

Upon receipt of your emailed submission you will receive an automatic email response stating that you will receive a phone call within **three business days** from a team member who will have inventoried the documents that were transmitted. Respectfully, we request your patience while awaiting that phone call. If our dedicated team is inundated with inquiries regarding the status of submissions, which are at an unprecedented level, the productivity and timing of actual results may be compromised.

It is important to understand that funding will not occur the same day of the submission. As stated earlier, SBA continues to make changes to the program and has yet to give the Lenders final guidance and direction. Funding cannot occur until the final guidance is released and appropriate loan closing documents can be created for our use.

The Sturdy Savings Bank team appreciates your patience and your understanding of the complex and fluid nature regarding this program's implementation as we continue to provide you with exemplary service.