



May 8, 2020

Thank you for choosing Isabella Bank to help with your Paycheck Protection Program (PPP) needs. We recognize there are still unanswered questions surrounding various aspects of the program, including the details and process of applying for loan forgiveness. Isabella Bank is regularly communicating with the Small Business Administration (SBA) to ensure we receive information as soon as it is available in order to share this information with you.

Based on information currently available from the SBA, we recommend doing the following:

- Use PPP funds only for eligible expenses, i.e., payroll, rent, utilities, etc. (Payroll must account for at least 75% of your expenses)
- Track PPP funds and their uses separately from other operating funds
- Understand that the SBA intends to audit each loan over \$2 Million for PPP compliance

Final guidance is also pending regarding tax liability and deductibility of expenses paid from proceeds of PPP loans. We strongly encourage you to work with your tax advisor to determine how this may impact your tax situation for 2020.

Recently, the SBA provided additional wording regarding eligibility for the Paycheck Protection Program based on available financial resources and the borrower's certification that "Current economic uncertainty makes this loan request necessary to support the ongoing operations of the applicant." The updated information can be found in the answers provided to questions 31, 37, 43 and 45 in the document at <https://home.treasury.gov/system/files/136/Paycheck-Protection-Program-Frequently-Asked-Questions.pdf>.

Borrowers who determine they are not eligible to obtain the PPP loan based on this standard and return the PPP loan funds by May 14, 2020 under the safe harbor provision, will be deemed by the SBA to have made the required certification in good faith as outlined in the information mentioned above. In the FAQ (Question 43), it states that the SBA will provide additional guidance on how the agency will review the certification prior to May 14, 2020.

The SBA is consistently releasing updated information regarding the Paycheck Protection Program. Please visit <https://home.treasury.gov/policy-issues/cares/assistance-for-small-businesses> for loan information, frequently asked questions, and requirements.

Thank you for your continued loyalty to Isabella Bank. As guidance becomes available, we are committed to keeping you informed. If you have questions or determine you are not eligible to obtain a PPP loan and would like to discuss other options, please contact your commercial lender.