

May 28, 2020

Dear Customer,

Thank you, first, for placing your trust in Meadows Bank to secure a loan under the Paycheck Protection Program (“PPP”). It is our honor to serve you and your business through this challenging time. We are writing you to provide you with an update on the forgiveness process of your PPP loan. The Small Business Administration (the “SBA”) has released the forgiveness application and related instructions (collectively, the “Forgiveness Application”), which can be found [here](#).

As you know, all PPP borrowers are eligible to have all or a portion of their PPP loan forgiven if the funds are used appropriately and the borrower files a Forgiveness Application. In order to have your PPP loan forgiven, you are required to submit the Loan Forgiveness Calculation Form and Schedule A to us (as well as supporting documentation described below).

As outlined in the Forgiveness Application, borrowers are expected to gather substantial documentation to support their request for forgiveness of their PPP loan. Enclosed is a list of documentation you will have to submit to support payroll expenses, calculations of full-time equivalency (FTE) employees, and non-payroll expenses for the relevant eight-week period.

We also want to make you aware of the specific certifications that you will have to make when you submit the Forgiveness Application. In addition to the certifications required by the SBA, we will ask you to make additional certifications at the time you submit your application due to the volume of Forgiveness Applications that we will be processing. These certifications will include, among other items, that you understand you are solely responsible for verifying the accuracy of the contents of your Forgiveness Application and the adequacy of your supporting documents. While we are trying to help our customers by providing as much information as possible, we are not responsible for verifying the information contained in the Forgiveness Application or supporting documentation.

We expect that the SBA will supplement the Forgiveness Application with new rules and FAQs. We hope that additional information will be released soon, and we will try to provide that information to our borrowers as soon as it is available. We also are aware that Congress is debating changes to the PPP, including forgiveness. In the meantime, the Forgiveness Application provides borrowers with a better understanding of the documents required to be submitted and the process for receiving forgiveness.

We encourage all customers to review the Forgiveness Application and to begin gathering the required documents necessary to seek forgiveness. We also encourage you to confirm your eligibility status for the PPP, as the SBA may direct our bank to disapprove your Forgiveness Application if the SBA determines that you were ineligible for the PPP loan. We will be able to

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accept your Forgiveness Applications after your Covered Period ends, as noted in the instructions in the Forgiveness Application.

We recognize that this Forgiveness Application is complicated, and you may require additional assistance from a third party in completing it. If you seek assistance from an accountant, legal counsel, or other specialist, their services will be at your expense and they will not be considered an agent under the PPP unless identified to us at the time you submitted your PPP loan application.

Please let us know if you have any questions or if there is anything else we can do for you at this time.

Best regards,



Arvind Menon
President & CEO

Exhibit A Forgiveness Documentation

The detailed list of documents that must be submitted with your application is included on page 10 of the Forgiveness Application. In addition to the documents that have to be submitted together with the application, you will also be expected to maintain the following:

- Documentation supporting the listing of each individual employee, including the “Salary/Hourly Wage Reduction” calculation if necessary.
- Documentation on certain employees who received during any single pay period in 2019 compensation at annualized rate of more than \$100,000.
- Documentation regarding any employee job offers and refusals, firings for cause, voluntary resignations, and written requests by any employee for reduction in work schedule.
- Documentation supporting the FTE Safe Harbor calculation that can be used if you have reduced hours or employment levels that are reestablished by June 30, 2020 (note that you will not be able to complete the required calculations under this Safe Harbor until June 30th).
- All records relating to the PPP loan, including documentation submitted with the original PPP loan application, documentation supporting the certifications as to the necessity of the loan request and eligibility for a PPP loan, and documentation demonstrating your material compliance with all PPP requirements.

The documentation that you are required to maintain and submit in connection with the Forgiveness Application will need to correspond with the applicable forgiveness period. Note that the eight-week forgiveness period is referred to as either the “Covered Period” or “Alternative Covered Period.” These periods are described in more detail on the first page of the Forgiveness Application—in short, the applicable period either starts on the first date you received your PPP loan funds or on the first day of your regular pay period following the date on which you received your PPP loan funds.

The list of supporting documentation that is required to be submitted, maintained and retained by borrowers in order to remain in compliance with their PPP loan obligations will be substantial for most borrowers, and we encourage you to start gathering these documents now, if you have not already started to do so. You are also expected to retain all records relating to the initial PPP loan application and documentation supporting your compliance with PPP requirements. ***Please note that you are expected to retain all documentation related to the initial PPP loan application and the Forgiveness Application for a period of six years and permit authorized representatives of the SBA to access such files upon request.***

You will also need to maintain documentation supporting the calculation of FTE employees. The calculation of FTE employees may also prove difficult if you have experienced any changes in employment levels, either in overall number of employees or average hours worked. You will be expected to complete Schedule A of the Forgiveness Application to calculate the average number of FTE employees. There is a simplified method for calculating FTE employees, but note that this method could result in you receiving a lower forgiveness amount. You may benefit from the FTE safe harbor or reduction exceptions that are described in the instructions for the PPP Schedule A worksheet, so please review those instructions carefully. Whichever method you choose for calculating FTE employees, be sure to maintain the necessary documentation for all relevant periods.