



VENTURE CAPITAL

PPP Guidance Summary

Monetary Allocation

- \$15 billion across first and second draw PPP loans for lending by Insured Depository Institutions, Credit Unions, and Farm Credit System Institutions with consolidated assets of less than \$10 billion (we will be requesting clarification from the SBA as to whether the consolidated assets is calculated without PPP on the balance sheet);
- \$35 billion for new first draw PPP borrowers;
- \$15 billion and \$25 billion for first draw and second draw PPP loans, respectively, for borrowers with a maximum of 10 employees or for loans less than \$250,000 to borrowers in low-or moderate-income neighborhoods. SBA has determined that at least 25 percent of each of those set-asides will go to each one of the groups: loans to borrowers with a maximum of 10 employees and loans less than \$250,000 to borrowers in low-or moderate-income neighborhoods;
- \$15 billion across first and second draw PPP loans for lending by community financial institutions

Changes to PPP - First and Second Draw Loans

(A) Second draw loan terms

- SBA guarantee percentage is 100 percent.
- No collateral will be required.
- No personal guarantees will be required.
- The interest rate will be 100 basis points or one percent, calculated on a non-compounding, non-adjustable basis.
- The maturity is five years.

- All loans will be processed by all lenders under delegated authority and lenders will be permitted to rely on certifications of the borrower to determine the borrower's eligibility and use of loan proceeds.
- Was in business as of February 15, 2020 and remains operational.

(B) First Draw-Eligibility

- Business has less than 500 full-time, part-time, or seasonal employees and meets all other loan eligibility requirements.
- The maximum amount of a first draw loan is 2.5 times the average monthly payroll costs and health care costs with a maximum of \$10 million.
- Any borrower who received a PPP loan in 2020 is not eligible to receive another First Draw PPP Loan, but may be eligible for a second draw PPP loan.
- The applicant for a First Draw loan must submit a Paycheck Protection Program Borrower Application form (SBA Form 2483) and payroll documentation.
- At least 60 percent of the loan proceeds must be used for payroll costs with 40 percent available for rent, utilities, operational costs, covered supplier costs and covered worker protection costs.
- The borrower must certify as to economic necessity, meets all other borrower eligibility requirements and will use of loan proceeds only for proper purposes.

(C) Second Draw – Eligibility

- Generally, second draw loans have narrower eligibility criteria compared to first draw
- Eligible for a Second Draw PPP Loan only if it has 300 or fewer employees and experienced a revenue reduction in 2020 relative to 2019.
- Second Draw PPP Loan may only be made to an eligible borrower that (i) has received a First Draw PPP Loan, and (ii) has used, or will use, the full amount of the First Draw PPP Loan on or before the expected date on which the Second Draw PPP Loan is disbursed to the borrower.
 - Clarifies that the borrower must have spent the full amount of its First Draw PPP Loan on eligible expenses
- A borrower that was in operation in all four quarters of 2019 is deemed to have experienced the required revenue reduction if it experienced a reduction in annual receipts of 25 percent or greater in 2020 compared to 2019 and the borrower submits copies of its annual tax forms substantiating the revenue decline.

- Calculate revenue reduction by revenue reduction by comparing the borrower's quarterly gross receipts for one quarter in 2020 with the borrower's gross receipts for the corresponding quarter of 2019.
- Gross receipts consistent with the definition of receipts in 13 C.F.R. 121.104 of SBA's size regulations because this definition appropriately captures the type of income that is typically included in a small business's gross receipts.
 - IFR generally defines gross receipts to include all revenue in whatever form received or accrued (in accordance with the entity's accounting method) from whatever source, including from the sales of products or services, interest, dividends, rents, royalties, fees, or commissions, reduced by returns and allowances. Generally, receipts are considered "total income" (or in the case of a sole proprietorship, independent contractor, or self-employed individual "gross income") plus "cost of goods sold," and excludes net capital gains or losses as these terms are defined and reported on IRS tax return forms.
 - Gross receipts do not include the following: taxes collected for and remitted to a taxing authority if included in gross or total income (such as sales or other taxes collected from customers and excluding taxes levied on the concern or its employees); proceeds from transactions between a concern and its domestic or foreign affiliates; and amounts collected for another by a travel agent, real estate agent, advertising agent, conference management service provider, freight forwarder or customs broker.
 - The IFR specifies that any forgiveness amount of a First Draw PPP Loan that a borrower received in calendar year 2020 is excluded from a borrower's gross receipts. – consistent with notion PPP loan is not taxed income.

(D) NAIC 72 (hotels and restaurants) and Multiple Location Eligibility

- Single business entity that is assigned a NAICS code beginning with 72 (including hotels and restaurants) and employs not more than 500 employees per physical location is eligible to receive a First Draw PPP Loan.
- if each hotel or restaurant location owned by a parent business is a separate legal business entity and employs not more than 500 employees, each hotel or restaurant location is permitted to apply for a separate PPP loan provided it uses its unique EIN.
- a single business entity that is assigned a NAICS code beginning with 72 is eligible to receive a Second Draw PPP Loan if it employs no more than 300 employees per

physical location and meets the revenue reduction requirements and otherwise satisfies the eligibility criteria.

- NAIC 72 eligible for 3.5 times monthly payroll in calculation.

(E) Payroll Costs

- Unlike First Draw PPP Loans, the Economic Aid Act provides that the relevant time period for calculating a borrower's payroll costs for a Second Draw PPP Loan is either the twelve-month period prior to when the loan is made or calendar year 2019.
- Second Draw PPP Loan borrowers who are not self-employed (including sole proprietorships and independent contractors) are also permitted to use the precise 1-year period before the date on which the loan is made to calculate payroll costs if they choose not to use 2019 or 2020 to calculate payroll costs.
- Businesses that are part of a single corporate group shall in no event receive more than \$4 million of Second Draw PPP Loans in the aggregate.
- Businesses that are part of a single corporate group cannot obtain more than \$20 million in the aggregate for a First Draw loan.

(F) Second Draw PPP Loan application and documentation requirements

- The documentation required to substantiate an applicant's payroll cost calculations is generally the same as documentation required for First Draw PPP Loans.
- no additional documentation to substantiate payroll costs will be required if the applicant (i) used calendar year 2019 figures to determine its First Draw PPP Loan amount, (ii) used calendar year 2019 figures to determine its Second Draw PPP Loan amount (instead of calendar year 2020), and (iii) the lender for the applicant's Second Draw PPP Loan is the same as the lender that made the applicant's First Draw PPP Loan.
- The lender may request additional documentation, however, if on further review the lender concludes that it would be useful in conducting the lender's good-faith review of the borrower's loan amount calculation.
- For loans with a principal amount greater than \$150,000, the applicant must also submit documentation adequate to establish that the applicant experienced a revenue reduction of 25% or greater in 2020 relative to 2019.

- Such documentation may include relevant tax forms, including annual tax forms, or, if relevant tax forms are not available, quarterly financial statements or bank statements.
- For loans with a principal amount of \$150,000 or less, such documentation is not required at the time the borrower submits its application for a loan, but must be submitted on or before the date the borrower applies for loan forgiveness, as required under the Economic Aid Act. If a borrower does not submit an application for loan forgiveness, such documentation must be provided upon SBA's request.

(G) Covered Period

- "loan forgiveness covered period" is the period beginning on the date the lender disburses the PPP loan and ending on any date selected by the borrower that occurs during the period (i) beginning on the date that is 8 weeks after the date of disbursement and (ii) ending on the date that is 24 weeks after the date of disbursement.
- If borrower does not submit to the lender a loan forgiveness application within 10 months after the end of your loan forgiveness covered period, you must begin paying principal and interest after that period. Lender must notify borrower of remittance by SBA of the loan forgiveness amount (or notify borrowers that SBA determined that no loan forgiveness is allowed) and the date the first payment is due.

(H) Sams.gov registration

- Yes - PPP lenders will have thirty (30) days from the date of the first PPP loan disbursement made by them after December 27, 2020 to complete SAM registration and provide SBA with the lender's unique entity identifier.

(I) Non-Eligible Businesses Entities

- Entities listed in 13 C.F.R. 120.110 and subsequent regulations except for entities from that regulation which have otherwise been made eligible by statute or guidance, and except for nonprofits and religious organizations.

- Entities involved in political and lobbying activities including engaging in advocacy in areas such as public policy or political strategy or otherwise describes itself as a think tank in any public document.
- Entities affiliated with entities in the People's Republic of China.
- Registrants under the Foreign Agents Registration Act.
- Entities that receive a grant under the Shuttered Venue Operator Grant program.
- Publicly traded companies.

(J) Bankruptcy

- If the applicant or the owner of the applicant is the debtor in a bankruptcy proceeding, either at the time it submits the application or at any time before the loan is disbursed, the applicant is ineligible to receive a PPP loan.
- If the applicant or the owner of the applicant becomes the debtor in a bankruptcy proceeding after submitting a PPP application but before the loan is disbursed, it is the applicant's obligation to notify the lender and request cancellation of the application.

(K) Lender Requirements - General

- If a borrower has not submitted new payroll documentation with its Second Draw PPP Loan application because it previously submitted 2019 payroll information to the same lender when it applied for its First Draw PPP Loan, then the lender must confirm the borrower's average monthly payroll costs based on that prior documentation.
- For a Second Draw PPP Loan greater than \$150,000, the lender must confirm the dollar amount and percentage of the borrower's revenue reduction by performing a good faith review, in a reasonable time, of the borrower's calculations and supporting documents concerning the borrower's revenue reduction.

(L) Lender Requirements – Underwriting

- Lenders shall confirm receipt of borrower certifications contained in Paycheck Protection Program Borrower Application Form (SBA Form 2483) issued by the Administration or lender's equivalent form.

- Confirm receipt of information demonstrating that a borrower was either an eligible self-employed individual, independent contractor, or sole proprietorship with no employees or had employees for whom the borrower paid salaries and payroll taxes on or around February 15, 2020.
- Confirm the dollar amount of average monthly payroll costs for 2019 or 2020 by reviewing the payroll documentation submitted with the borrower's application.
- Subject to follow all applicable BSA requirements

(M) Lender Loan Forgiveness Obligations

- The lender does not need to independently verify the borrower's reported information if the borrower submits documentation supporting its request for loan forgiveness and attests that it accurately verified the payments for eligible costs.

(N) Lender Form Submission Requirements

- A lender does not need a separate SBA Authorization for SBA to guarantee a PPP loan. However, lenders must have executed SBA Form 2484 (the Lender Application Form—Paycheck Protection Program Loan Guaranty) to issue PPP loans and receive a loan number for each originated PPP loan.
- Lenders must electronically upload SBA Form 1502 information within 20 calendar days after a PPP loan is approved.
- The lender must report on SBA Form 1502 whether it has fully disbursed PPP loan proceeds. A lender will not receive a processing fee: (1) prior to full disbursement of the PPP loan; (2) if the PPP loan is cancelled before disbursement; or (3) if the PPP loan is cancelled or voluntarily terminated and repaid after disbursement (including if a borrower repays the PPP loan proceeds to conform to the borrower's certification regarding the necessity of the PPP loan request).
- Lenders must submit the SBA Form 1502 information within 20 calendar days after a PPP loan increase is approved following the SBA Form 1502 reporting process.

Promoting Participation of Small Institutions / Diversity & Inclusion

- Accept PPP loan applications only from community financial institutions for at least the first two days when the PPP loan portal re-opens;
- Direct Lender Match borrower inquiries to small lenders who can aid traditionally underserved communities;
- Match small businesses through Lender Match with Certified Development Companies (CDCs), Farm Credit System lenders, microloan intermediaries, and traditional smaller asset size lenders;
- Continue setting aside dedicated hours to process and assist our smallest PPP lenders with their PPP loans;
- Continue to strongly encourage CDFIs and minority, women, veteran, and military-owned lenders to apply to become PPP lenders. SBA will give full and prompt consideration to these applications to become PPP lenders consistent with program guidelines, including in cases where the lender does not meet all of the requirements listed on the updated SBA Form 3507;
- Continue to work with the Board of Governors of the Federal Reserve System on the PPP Liquidity Facility to enable PPP lenders, including nonbank lenders, to pledge PPP loans to the Federal Reserve as collateral for Federal Reserve borrowings to enhance lender liquidity and enable PPP lenders to expand their lending capacity;
- Promote awareness of these policies and procedures via traditional media methods, SBA social media accounts and guidance to lenders before the formal opening of SBA's loan systems;
- Continue to work with SBA's federal partners, including the Department of Agriculture, the Federal Reserve, the Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency, the Farm Credit Administration, and the National Credit Union Administration, to share this guidance with PPP lenders, borrowers, and the broader public;
- Continue to use SBA's district offices and network of SBA Resource Partners to further create awareness among the public about these approaches. Minority, underserved, veteran, and women-owned businesses that encounter difficulties in obtaining a PPP Loan should contact their local SBA district office for assistance.
- SBA has added a demographic reporting section on the PPP borrower application. PPP lenders should encourage borrowers to report the optional information that has been added to better inform lenders and SBA on the success of our efforts to reach underserved, minority-owned, veteran owned, and women-owned businesses.