



COVID-19 UPDATE | NOVEMBER 9, 2020

PAYCHECK PROTECTION PROGRAM: NEW FORMS ANNOUNCED FOR PPP BORROWERS

The Small Business Administration has announced two new forms for Paycheck Protection Program (PPP) borrowers. Forms 3509 (for-profit borrowers) and 3510 (non-profit borrowers) request information related to the borrower's good faith certifications that current economic conditions make the PPP loan necessary to support ongoing business operations.

The SBA has indicated that these forms will be required for borrowers who received PPP loans of \$2 million or more, and will be due within 10 days of the borrower receiving the form from their lender.

Each form assesses borrowers in two areas—a business activity assessment, as well as a liquidity assessment. Below are key details for each:

Business Activity Assessment

This section of each form requests information related to the impact that COVID-19 has had on the borrower's business, including:

- Detailed information on any required or voluntary business closures
- Gross revenue for Q2 2020 as compared to gross revenue for Q2 2019 (for non-profits, this includes grants, gifts and contributions, as well as Q2 expenses for 2019 and 2020)
- Detailed information on the nature and extent of any changes to business operations due to government orders
- Information on any capital improvements made between March 13, 2020 and the end of the borrower's covered period
- Borrowers also have the opportunity to present any additional information or comments that relate to business activity

Liquidity Assessment

For-profit borrowers will be asked to provide:

- The cash position of the borrower at the end of the quarter prior to PPP application date
- Whether the borrower has paid any dividends or other capital contributions, other than pass-through estimated tax payments, between March 13, 2020 and the end of the covered period.
- Whether the borrower has prepaid any outstanding debt before it was contractually due, between March 13, 2020 and the end of the covered period
- The number of employees and owners compensated in an amount that exceeds \$250,000 on an annual basis, and the number of employees and total compensation paid to those employees during the covered period
- If the borrower is publicly traded in the US, or affiliated with a company that is publicly traded in the US or a foreign country, market capitalization must be reported. Borrowers must also report whether at least 20% or more of their business is owned by a private equity, venture capital, or hedge fund.

- The shareholder's equity value of the borrower on the last day of the quarter prior to PPP application date.
- Whether the borrower received any funds from any CARES Act programs other than PPP, excluding tax benefits
- Borrowers also have the opportunity to present any additional information or comments that relate to the liquidity of the business

Non-profit borrowers will be asked to provide:

- Cash, cash equivalent and short-term investment position as of the end of the quarter prior to PPP application, as well as the value of any non-cash investments
- Whether the borrower has prepaid any outstanding debt before it was contractually due, between March 13, 2020 and the end of the covered period
- The number of employees and owners compensated in an amount that exceeds \$250,000 on an annual basis, and the number of employees and total compensation paid to those employees during the covered period
- Whether the borrower has restrictions on using net income, cash, savings, or investments for payroll and nonpayroll costs otherwise eligible for the PPP forgiveness, as well as whether the borrower holds any assets in endowment funds
- If the borrower is a school/college/university, whether it offered additional financial assistance to students and if it had declines in tuition revenue due to COVID-19
- If the borrower provides healthcare services, the amount of its program service revenue relating to patient care in Q2 2019 and 2020
- Whether the borrower offered a discount on services due to COVID-19
- Whether the borrower received funds from CARES Act programs other than the PPP, excluding tax benefits

These forms are a result of previous guidance issued by the SBA indicating it would perform loan necessity reviews on all PPP loans over \$2 million. While we still await further SBA guidance related to these forms, we anticipate these questionnaires may be only one component of the SBA's review, and borrowers will have the opportunity to provide further context after the initial questions have been reviewed. We encourage all borrowers to keep good records that explain their situation and thought process at the time of loan application. These records can help tell the uncertainty story which is important to communicate alongside the responses required on the forms.

As always, CRR is closely following all PPP developments in order to best help our clients achieve maximum loan forgiveness. Please don't hesitate to contact us at ppp@crrcpa.com with any questions you may have, or visit our COVID-19 Resource Center at www.crrcpa.com/covid19 for the latest updates, alerts and impacts.

We're in this together.