

PPP – Change of Ownership Scenarios

This document outlines the specific change of ownership scenarios outlined by the SBA's official guidance published on October 2, 2020. Please refer to each scenario below to determine the correct requirements needed to complete the consent process for a change in ownership.

For purposes of the PPP, a "change of ownership" will be considered to have occurred when (1) at least 20 percent of the common stock or other ownership interest of a PPP borrower (including a publicly traded entity) is sold or otherwise transferred, whether in one or more transactions, including to an affiliate or an existing owner of the entity¹, (2) the PPP borrower sells or otherwise transfers at least 50 percent of its assets (measured by fair market value), whether in one or more transactions, or (3) a PPP borrower is merged with or into another entity.

Lastly, in the instance that a change of ownership transaction results in a new equity holder obtaining greater than 20% ownership of the PPP borrower, SVB will send the borrower a revised version of the [SBA form 1919](#) which must be completed to attest to the equity holder's eligibility to receive SBA funds.

Equity Raises

Equity raise/sale of less than 20% of the PPP Borrower:

Information to SVB	SBA Approval
Prior to Transaction	Not Required

Detailed Requirements:

- › Complete a request for consent to [change in ownership form](#)
- › Provide the name and ownership percentage for any **new** investor(s)
- › Provide the name, ownership percentage, and EIN of **all** owners with over 20% equity ownership of the PPP Borrower
- › SVB must be provided with all transaction details prior to the transaction occurring
- › SBA consent is **not** required

Equity raise/sale of more than 20% but less than 50% of the PPP Borrower²:

Information to SVB	SBA Approval
Prior to Transaction	Required After Transaction

Detailed Requirements:

- › Complete a request for consent to [change in ownership form](#)
- › Provide the name and ownership percentage for any new investor(s)
- › Provide the name, ownership percentage, and EIN of all owners with over 20% equity ownership in the PPP Borrower
- › SVB must be provided with all transaction details prior to the transaction occurring
- › SBA consent is required, but may be received **after** the transaction occurs

¹ For publicly traded borrowers, only sales or other transfers that result in one person or entity holding or owning at least 20% of the common stock or other ownership interest of the borrower must be aggregated.

² In determining whether a sale or other transfer exceeds the 50% threshold, all sales and other transfers occurring since the date of approval of the PPP loan must be aggregated.

Equity raise/sale of greater than or equal to 50% of the PPP Borrower:

Information to SVB	SBA Approval
Prior to Transaction	Required After Transaction IF the following are complete 1) The loan and interest are reserved in an SVB escrow AND 2) The forgiveness application has been submitted to Silicon Valley Bank or Required Before Transaction IF no escrow

Detailed Requirements:

- › Complete a request for consent to [change in ownership form](#)
- › Provide the name and ownership percentage for any new investor(s)
- › Provide the name, ownership percentage, and EIN of all owners with over 20% equity ownership in the PPP Borrower
- › SVB must be provided with all transaction details prior to the transaction occurring
- › SBA consent is required:
 - The change of ownership transaction may occur **before** receiving SBA consent if the PPP Borrower funds an escrow account with the loan amount plus interest and applies for forgiveness of the PPP loan.
 - If the PPP Borrower cannot fund an escrow account and apply for loan forgiveness **or** pay off the PPP loan, then SBA consent is required prior to the transaction. In this event, the following information will be required:
 - The reason that the PPP borrower cannot pay off the loan or establish an escrow account;
 - Details of the requested transaction;
 - A copy of the executed PPP Note;
 - A copy of any letter of intent and the purchase or sale agreement setting forth the responsibilities of the PPP borrower, seller (if different from the PPP borrower), and buyer; and
 - Disclosure of whether the buyer has an existing PPP loan and, if so, the SBA loan number.

Asset Sales or M&A

Asset Sale of less than 50% of the PPP Borrower:

Information to SVB	SBA Approval
Prior to Transaction	Not Required

Detailed Requirements:

- › Complete a request for consent to [change in ownership form](#)
- › Provide the name and ownership percentage for any **new** investor(s), if any
- › Provide the name, ownership percentage, and EIN of **all** owners with over 20% equity ownership of the PPP Borrower
- › SVB must be provided with all transaction details prior to the transaction occurring
- › SBA consent is **not** required



Asset Sale of greater than equal 50% of Borrower Assets or M&A:

Information to SVB	SBA Approval
Prior to Transaction	Required After Transaction IF the following are complete 1) The loan and interest is reserved in an SVB escrow AND 2) The forgiveness application has been submitted to Silicon Valley Bank or Required Before Transaction IF no escrow

Detailed Requirements:

- ▶ Complete a request for consent to [change in ownership form](#)
- ▶ Provide the name and ownership percentage for any new investor(s)
- ▶ Provide the name, ownership percentage, and EIN of all owners with over 20% equity ownership in the PPP Borrower
- ▶ SVB must be provided with all transaction details prior to the transaction occurring
- ▶ SBA consent is required:
 - The change of ownership transaction may occur **before** receiving SBA consent if the PPP Borrower funds an escrow account with the loan amount plus interest and applies for forgiveness of the PPP loan
 - If the PPP Borrower cannot fund an escrow account and apply for loan forgiveness **or** pay off the PPP loan, then SBA consent is required prior to the transaction. In this event, the following information will be required:
 - The reason that the PPP borrower cannot pay off the loan or establish an escrow account;
 - Details of the requested transaction;
 - A copy of the executed PPP Note;
 - A copy of any letter of intent and the purchase or sale agreement setting forth the responsibilities of the PPP borrower, seller (if different from the PPP borrower), and buyer; and
 - Disclosure of whether the buyer has an existing PPP loan and, if so, the SBA loan number.

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