

Client Alert

May 2020

Paycheck Protection Program Loans Capped at \$20 Million per Single Corporate Group

In new guidance issued on April 30, 2020, the Small Business Administration (“*SBA*”) stated that businesses that are part of a “single corporate group” may not receive Paycheck Protection Program (“*PPP*”) loans exceeding \$20 million in the aggregate for the “single corporate group.” This cap is *effective immediately* with respect to any PPP loan that has *not been fully disbursed* by April 30, 2020.

The \$20 million cap applies to a single corporate group even if the single corporate group is exempt from the SBA’s affiliation rules under the CARES Act for purposes of determining the 500-employee limit.

In a very brief description, the new guidance declares that businesses are part of “single corporate group” if they are “majority owned, directly or indirectly, by a common parent.” The new guidance does not specify how (vote or value) or when majority ownership should be measured.

If a single corporate group exceeds the \$20 million cap, each PPP borrower in the single corporate group must notify its lender and withdraw any PPP loan application and/or request cancellation of any approved but undisbursed PPP loan in excess of the \$20 million limit. Use of loan proceeds in excess of the \$20 million limit constitutes an unauthorized use in violation of the PPP loan terms and excess PPP loans will not be eligible for forgiveness. It appears the disbursed loans count towards the \$20 million limit in determining whether any loan application or undisbursed loan must be withdrawn or canceled.

The new interim rule can be found [here](#).

Olshan lawyers from multiple practice groups are working together with clients to address COVID-19-related matters, including the CARES Act stimulus programs (i.e., the PPP and EIDL) and other corporate matters, including contractual analysis and financing, tax, restructuring, employee benefits and employment practices, insurance coverage and litigation.

attorneys

Mark A. Limardo
mlimardo@olshanlaw.com
212.451.2364

Kenneth A. Schlesinger
kschlesinger@olshanlaw.com
212.451.2252

Jason S. Saltsberg
jsaltsberg@olshanlaw.com
212.451.2320

Michael J. Passarella
mpassarella@olshanlaw.com
212.451.2322

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Please contact the Olshan attorney with whom you regularly work or one of the attorneys listed below if you would like to discuss this client alert or have questions about its content.

attorneys

Mark A. Limardo
mlimardo@olshanlaw.com
212.451.2364

Kenneth A. Schlesinger
kschlesinger@olshanlaw.com
212.451.2252

Jason S. Saltsberg
jsaltsberg@olshanlaw.com
212.451.2320

Michael J. Passarella
mpassarella@olshanlaw.com
212.451.2322

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