

Four tests for affiliation based on control apply to participants in the Paycheck Protection Program. For purposes of the determining the number of employees of an applicant to the Paycheck Protection Program, the applicant is considered together with its affiliates. Following is a summary of the applicable affiliation tests:

Concerns and entities are affiliates of each other when one controls or has the power to control the other, or a third party or parties controls or has the power to control both. It does not matter whether control is exercised, so long as the power to control exists. Affiliation under any of the circumstances described below is sufficient to establish affiliation for applicants for the Paycheck Protection Program

1. **Affiliation based on Ownership.**

An existing 20% or greater owner of the SBA borrowing entity has a 51% or greater ownership interest (if married need to consider combined ownership of husband and wife) in another entity. If so, please give the detail below on the affiliated company.

2. **Affiliation arising under stock options, convertible securities and agreements to merge**

- a. In determining size, SBA considers stock options, convertible securities, and agreements to merge (including agreements in principle) to have a present effect on the port to control a concern. SBA requires these items be treated as exercised in determining.
- b. If stock options, convertible securities, and agreements to merge are based on conditions precedent which are incapable of fulfillment, speculative, conjectural, or unenforceable under state or Federal law, or probability of transaction occurring is shown to be extremely remote, they do not need to be consider.
- c. Agreements to open or continue negotiations towards the possibility of a merger or a sale of stock at some later date do not need to be considered.

3. **Affiliation based on Management**

The CEO or President (or other officers, managing members, or partners who control the management of the concern) also control the management of one or more concerns. An existing 20% or greater owner of the SBA borrowing entity manages and controls the daily operations of another business, having the power to make critical decision for the business. If so, please give the detail below on the affiliated company.

4. **Affiliation based on identity of interest**

Affiliation arises when there is an identity of interest between close relatives with identical or substantially identical business or economic interests (such as where the close relatives operate concerns in the same or similar industry in the same geographic area). Where SBA determines that interests should be aggregated, an individual or firm may rebut that determination with evidence showing that the interests deemed to be one are in fact separate.

5. **Exceptions**

- a. Religious Exemption: The relationship of a faith-based organization to another organization is not considered an affiliation with the other organization if the relationship is based on a religious teaching or belief or otherwise constitutes a part of the exercise of religion
- b. Waiver: Businesses that operate under an NAICS Code starting with 72, generally assigned to the food service and hospitality industry; Those that operate under a Franchise Agreement whose Franchise is on the SBA Franchise Directory and assigned a Franchise Identifier Code.

ADDENDUM A = SBA FORM 2483 (AFFILIATION)

	Affiliated Company #1	Affiliated Company #1	Affiliated Company #1
Entity Name			
Tax ID#			
Ownership %			
Explanation of Principal's Relationship to Affiliated Business			
# of Employees			
Is this company applying for a PPP loan? If so for how much?			