

US Small Business Administration Issues Updated Guidance for Shuttered Venue Operators Grant (SVOG)

03.17.2021

On March 12, 2021, the US Small Business (SBA) issued further guidance related to the Shuttered Venue Operators Grant (SVOG). The SBA also provided a revised Preliminary Application Checklist.

While we expect additional guidance between now and when the application process opens up in early April, here is a quick summary of the latest clarifications:

1. The SBA made a number of changes through the updated FAQ to clarify that, as a result of the American Rescue Plan, eligible entities may apply to both the Paycheck Protection Program (PPP) and the SVOG. But it is important to note that “entities will be ineligible for a PPP loan AFTER they receive an SVOG.”
2. The SBA further clarified how the PPP and SVOG programs will interact:
 - PPP loans received on or after December 27, 2020 will be subtracted against the amount due under the SVOG.
 - PPP loans received before December 27, 2020 will not impact the SVOG.
 - The full amount of the PPP loan will be deducted from the SVOG amount irrespective of whether the pre-December 27 PPP loan was fully or partially forgiven.
3. The SBA clarified that “eligible entities in the District of Columbia, the Commonwealth of Puerto Rico, and any other territory or possession of the United States (e.g., Guam, American Samoa, the U.S. Virgin Islands) are able to apply for an SVOG.”

US SMALL BUSINESS ADMINISTRATION ISSUES UPDATED GUIDANCE FOR SHUTTERED VENUE OPERATORS GRANT (SVOG)

4. The term “talent representative” is now expressly defined as “an agent or manager for whom no less than 70% of their business operations (as measured with reference to their overall revenues, costs, devotion of time, contracts, and other indicia of business activity) involves the representation or management of two or more artists or entertainers.” Moreover, “these operations must involve booking or representing musicians, comedians, actors, or similar performing artists primarily at live events staged in venues or at festivals in exchange for compensation founded on the number of tickets sold or a similar basis.”

5. The SBA set up a formula for entities that they must have been in operation in January or February 2020.

6. The SBA clarified that it will not be necessary to provide audited financial statements, except with respect to for-profit entities that expend more than \$750,000 in federal funding in one fiscal year.

7. The SBA made clear that owners “who put their own money into the entity” (as opposed to only “loan the business money”) may be reimbursed.

8. The SBA indicated grants under \$1 million will likely be disbursed in one or two payments, while larger grants will likely be disbursed in two to four installments.

9. The SVOG can be used to payback previous SBA-backed loans.

10. The SBA clarified that the treatment of sponsorship revenue will depend on whether the entity is for-profit or non-profit.

- For-profit entities should treat sponsorship payments (i.e. naming rights) as earned revenue.
- Non-profits should take a bifurcated approach to sponsorship payments similar to the way the SBA wants membership fees and fundraising payments treated. Because sponsorship payments, are in part, for services rendered non-profits should treat an amount that represents the fair market value of those services as earned revenue. The remaining amount should be treated as a contribution or donation and treated as gross revenue not earned revenue.
- For example, if a company gives \$25,000 to a nonprofit in exchange for the company’s logo being placed in the event program, admission ticket, and all event advertising, then the non-profit should include in earned revenue the “market cost” of those items.
- Continuing the example, if the market costs of the sponsorship is \$10,000 then the remaining \$15,000 would be considered gross revenue.

US SMALL BUSINESS ADMINISTRATION ISSUES UPDATED GUIDANCE FOR SHUTTERED VENUE OPERATORS GRANT (SVOG)

11. The SBA clarified that “[n]o more than five eligible entities owned by the same state or local government may simultaneously apply for or receive SVOG.”

12. The SBA has adopted a policy that only one SVOG application and award will be permitted per Employer Identification Number (EIN).

We recently hosted a webinar on the SVOG detailing the steps that you can take now to prepare your business before the application is released in early April. If you have any questions about this grant, please contact us [here](#).

Attorneys

Michael L. Murphy

Alexandra L. Serber

Marc R. Weintraub

Practice Areas

Business & Finance