

AN EXAMINATION OF PUBLIC FIRMS' INVOLVEMENT IN THE
COVID-19 SMALL BUSINESS ADMINISTRATION
PAYCHECK PROTECTION PROGRAM

by

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COVID-19 SMALL BUSINESS ADMINISTRATION
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ABSTRACT

The Paycheck Protection Program rollout in March 2020 released vague qualification guidelines for businesses. The program did not specifically disqualify public companies from receiving a PPP loan, which created a controversy in the media. My study aims to analyze if public companies misused the PPP loans. Specifically, I investigated the public companies' financial qualifications, the kept versus returned loans, and the media's role in the controversy. In this context, kept loans were accepted and used by public companies and returned loans were loans given back to the government.

To analyze if public companies misused the PPP loans, I hand-collected data from the companies' financial statements. I collected eight quantitative data points (total assets, total liabilities, total revenue, current assets, current liabilities, operating cash flow, loan size, net income) and calculated three financial ratios (return on assets, cash flow-to-debt ratio, current ratio). The mean and median of the data points and ratios were analyzed in three groups: all loans, kept loans, and returned loans. My analysis suggests public companies did not misuse the loans as they were experiencing financial distress. Additionally, I performed a media analysis that suggests the media backlash played a key factor in public companies returning their PPP loans.

My results suggest public companies did qualify under the initial guidance. Additionally, the public companies that returned their PPP loan did so as a result of the media backlash they received. On this basis, the public companies should not have been called out in the media for their involvement in the program.

INTRODUCTION

The beginning of the COVID-19 pandemic created chaos and uncertainty for businesses worldwide. The government stepped in quickly to try to mitigate the financial strain businesses were experiencing (The CARES Act, 2020). Through the Paycheck Protection Program (PPP), small businesses nationwide were able to receive aid to keep their businesses afloat (The CARES Act, 2020). However, the PPP loan program money ran out within two and a half weeks of opening for applications (U.S. Treasury, 2020).

In April of 2020, multiple media outlets scrutinized the public companies receiving the PPP loans (Popken, 2020). The articles highlighted the large loan amounts, reaching in the millions, that the public companies received in the first round of PPP funding (Popken, 2020). According to the CARES Act, PPP applications and loan distribution fell under the Small Business Administration, which typically excludes public companies (2020). The media scrutiny and execution of the PPP lead to questions regarding public companies' involvement. Those factors influenced my research to ultimately evaluate if the public companies were misusing the PPP loans.

I was motivated to research public companies PPP loan acceptance because the loan qualifications and guidance were unclear. The SBA did not provide a clear-cut answer on public companies' qualifications for the loans (2020). Additionally, the Economic Aid Act in January 2021 did not amend the first draw of PPP loan qualifications to exclude public companies (SBA, 2020). Therefore, the qualifications guidance was left up to interpretation, which created an opportunity for further analysis and research.

Prior research compares public companies' PPP loans versus non-public companies' PPP loans. For example, Cororaton and Rosen (2020) finds a proportional difference of loan

magnitude between the two. Additionally, research was conducted on the disbursement of PPP loans across states. Granja, Makridis, Yannelis, and Zwick (2020) looked into the states receiving the greatest proportion of the PPP loan money and also analyzed if banking relationships played a role in which businesses received the PPP loan aid the fastest. The study found that the four largest banks in the U.S. (JPMorgan Chase, Bank of America, Wells Fargo, and Citibank) distributed over 36% percent of the total PPP loans (Granja, Makridis, Yannelis, and Zwick 2020). Additionally, the study found that the locations of the four banks were generally in areas that received the most PPP loans (Granja, Makridis, Yannelis, and Zwick 2020). Granja, Makridis, Yannelis, and Zwick (2020) concluded that the timeliness of funding was higher through the four banks.

My research seeks to answer the question “Did public companies take advantage of the PPP loans?” or “Were the public companies rightfully called out for taking advantage of the PPP loan program?” Additionally, my research factors in the effect that the media played in the public companies’ involvement in the PPP loan program, unlike other projects. The media was a key factor throughout the PPP loan program rollout. Coupling the public companies’ eligibility for the program with the strain of media involvement fills a gap in the research conducted up to this point. Prior accounting and finance research did not include the qualitative analysis of the media callouts. By filling this gap, I hope to provide a well-rounded view to analyze if the public companies really did misuse or take advantage of the PPP loans.

An overview of my findings does not suggest that the public companies misused the PPP loans. The pre- and post-loan financial statements indicated the public companies were experiencing financial distress. Approximately 76% of the public companies recorded a net loss in their financial statements. Additionally, 85% of the public companies recorded operating cash

flows below zero. Further, the data I collected suggests that the public companies would struggle to fulfill long-term debts in their pre- and post-loan financial position. As mentioned above, pressures from the COVID-19 pandemic weren't the only factor influencing public companies during this time. Media outlets were calling out public companies who accepted the PPP loan (Popken, 2020). My research suggests public companies called out by the media were more likely to return their PPP loan. My findings are detailed below, where I provide background on the PPP loan program, analyze a sample of public companies' PPP loan eligibility, and analyze the media's involvement in the PPP loan program.

BACKGROUND

The World Health Organization officially characterized the coronavirus disease 2019 (COVID-19) as a pandemic on March 11, 2020 (WHO, 2020).¹ In response to the COVID-19 pandemic, on March 13, 2020, President Donald Trump declared a federal state of emergency for all states and territories in the U.S. (NCSL, 2020). Declaring a federal state of emergency allows the federal government to create a response fund and assist state and local governments in reducing the effects of the pandemic (NCSL, 2020). The declaration immediately affected businesses nationwide due to the health precautions announced by federal, state, and local health officials. On March 16, 2020 the White House announced COVID-19 precautions for America: work or engage in schooling from home when possible, avoid social gathering of more than 10 people, maintain social distancing of six feet from others, avoid eating or drinking from restaurants or bars, and avoid shopping trips or travel (The White House, 2020).

On the state government level, 46 of 50 states shutdown nonessential businesses from operating (Schumaker, 2020). Restaurants, bars, movie theaters, day care, and gyms were

¹ See *Timeline* in Figure 1 for a visual outline of the Paycheck Protection Program events.

classified as nonessential and shut down to further minimize COVID-19 exposure (Schumaker, 2020). The economic downturn began immediately, resulting in increasing unemployment rates and financial distress for businesses. A large portion of the U.S. economy was shut down causing real GDP growth to fall 31.40%, an annualized rate, in the second quarter of 2020, which represents the largest quarterly drop since the Great Depression (Patton, 2020). Additionally, unemployment rates increased from 3.5% in February to 14.7% throughout March and April (Patton, 2020). Reports indicated that U.S. employers eliminated between 20 and 40 million positions during the second quarter of 2020 (Morath, 2020). Likewise, the stock market was very volatile during this period, indicating the COVID-19 pandemic spurred high levels of uncertainty. Financial markets peaked on February 12, 2020 and fell 37% to the bottom out on March 23, 2020 (Patton, 2020). Similarly, bond yields began to show anticipation of economic struggles, the 10-year Treasury bond was at 1.56% on February 19, 2020, and fell to an all-time low of 0.56% on March 9, 2020 (Patton, 2020).

To mitigate the devastating financial distress caused by the pandemic, President Trump signed the Coronavirus Aid, Relief, and Economic Security (CARES) Act on March 27, 2020 (The CARES Act, 2020). According to the CARES Act, financial assistance was made available for individuals, families, and businesses affected by the COVID-19 pandemic. Under the CARES Act, businesses could apply for financial relief via loans under a new program called the Paycheck Protection Program (PPP) (The CARES Act, 2020). The CARES Act allocated \$350 billion to the Paycheck Protection Program (The CARES Act, 2020). The program intended to help small businesses keep their employees during the ongoing COVID-19 crisis (The CARES Act, 2020). As such, the Small Business Administration (SBA) was given the authority and funding to oversee the PPP loans (The CARES Act, 2020).

The appeal of the PPP loans is their forgivable nature. The loans guaranteed by the SBA under the Paycheck Protection Program can provide businesses forgiveness up to the full loan amount (The CARES Act, 2020). The SBA released that the loan amounts would be forgiven if the business used the loan proceeds to cover payroll costs, mortgage interest (though in some cases mortgage interest does not qualify), rent, and utilities costs after receiving the loan (SBA, 2020). Also, the business must use the loan to maintain employees and their compensation levels to qualify for the loan forgiveness (SBA, 2020). In addition, the SBA guaranteed loan reimbursement for banks issuing PPP loan financing, as companies had to apply through an SBA 7(a) lender or federally insured depository institution (SBA, 2020). Many banks are responsible, alongside the company, to ensure that the necessary requirements are met to receive the PPP loan (U.S. Treasury, 2020). My research will examine the requirements of the PPP loan program and what caused some public companies to return their loans.

On March 31, 2020, the SBA released initial guidance outlining the qualifications for the Paycheck Protection Program loan (SBA, 2020). A small business qualifies under the SBA criteria if the business has less than 500 employees and average annual receipts under \$7.5 million (SBA, 2020). Additionally, the SBA has an “alternative size standard” which allows larger firms eligibility under the PPP loan application (SBA, 2020). Under the alternative size standard, a business can qualify for a PPP loan if it (1) had a maximum tangible net worth of not more than \$15 million and (2) had an average net income after Federal income taxes (excluding any carry-over losses) of not more than \$5 million for the last two years before the application date (SBA, 2020).

The CARES Act also stated that a business can qualify for a loan if it has more than 500 employees if the company met the SBA employee-based or revenue-based size standard for its

primary industry (The CARES Act, 2020). One specific industry grabbed the attention of the media, the Accommodation and Food Services industry. NAICS code 72 is the Accommodation and Food Services industry that includes hotels, restaurants, and drinking places (National Restaurant Association, 2020). The CARES Act stated that “any business concern that employs not more than 500 employees per physical location of the business concern and that is assigned a North American Industry Classification System (NAICS) code beginning with 72 shall be eligible to receive a covered loan” (Graves, 2020). Thus, companies with the NAICS code 72 that did not employ more than 500 employees per physical location were eligible to receive a PPP loan (National Restaurant Association, 2020).²

Additionally, companies applying for the PPP loan also had to make several certifications regarding the financial state of the company. The company had to certify in good faith that “the current economic uncertainty makes the loan necessary to support your ongoing operations” (SBA, 2020). Additionally, the company had to provide documentation including full-time employees, payroll costs, rent payments, and utilities (SBA, 2020). The company had to assert that the initial information provided was true and accurate (SBA, 2020).

After the initial guidance was released on March 31, 2020, over 1.3 million small business loan applications were approved, which included approximately 450 public companies (Medici, 2020). Initially, these companies received almost \$1.3 billion in PPP loans (Popken, 2020). The maximum loan available in the Paycheck Protection Program was \$10 million (SBA, 2020). However, many public companies had separate subsidiaries that could apply for separate PPP loans, which resulted in some companies receiving PPP loans totaling above the \$10 million threshold (SBA, 2020). The PPP loans totaling above \$10 million caught the attention of the

² Hospitality and food services industries are based on the NAICS classification beginning with 72.

media (Popken, 2020). As such, public companies approved for the program received backlash from the general public and the government once news broke of their PPP loan acceptance (Popken, 2020).

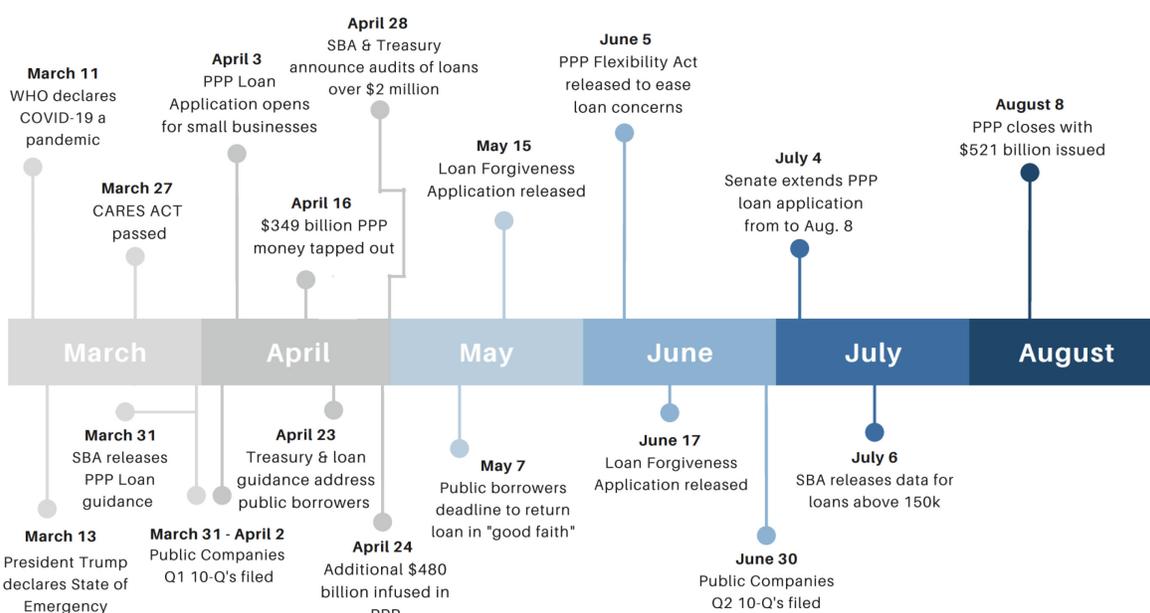
In response to the number of public companies receiving PPP loans, the SBA and Treasury Department released new eligibility guidance on April 23, 2020 (U.S. Treasury, 2020). The new guidance addressed the ability of a large, public company to qualify for a PPP loan. Under the regulations, the borrowers must certify in good faith that their loan request was out of necessity (SBA, 2020). The company must certify that the current economic uncertainty makes the loan request necessary to support ongoing operations (SBA, 2020). The certification to support ongoing operations must consider current business activity and the company's ability to access other liquidity sources that aren't detrimental to the company (SBA, 2020). The new guidance specifically stated:

For example, it is unlikely that a public company with substantial market value and access to capital markets will be able to make the required certification in good faith, and such a company should be prepared to demonstrate to SBA, upon request the basis for its certification (SBA, 2020).

Additionally, on April 23, 2020, Treasury Secretary Steven Mnuchin encouraged public companies to return the PPP loans they received and he warned of potential consequences if the public companies could not meet the new guidelines (Arora, 2020). Mnuchin also announced that any company receiving a PPP loan greater than \$2 million would be audited (Popken, 2020). If the public companies no longer qualified under the new guidance from the SBA and Treasury Department, they had until May 7, 2020 to return the funds in "good faith" (Popken, 2020).

Public companies may have still met the loan requirements; however, many companies, such as Ruth's Chris and Shake Shack, returned the loans (Wallace, 2020). It is unclear whether returning the loans was in response to the new guidance released or the major media backlash the public companies faced. In contrast, close to 85% of the public companies kept the loans (Franck, Fitzgerald, and Pound, 2020). Within this group, companies have asserted their belief that they qualified for the loan under the initial and new guidance released from the SBA and Treasury Department (Franck, Fitzgerald, and Pound, 2020).

Figure 1: Timeline of PPP loan program Events



In Figure 1, I provide a timeline of the CARES Act and PPP loan events discussed above. The timeline only covers events occurring March through August 2020, as these six months cover the first-draw PPP loans.

DATA COLLECTION

The data consists of public companies that initially applied for and received a PPP loan. The data was compiled primarily from each public borrower's SEC filings, including 8-Ks (i.e.,

announcements of major events) and 10-Qs and 10-Ks (i.e., financial statements, such as balance sheet, income statement, and statement of cash flows).

Consistent with Cororaton and Rosen (2020), I start my sample with a listing of all public firm PPP borrowers as of September, 19, 2020, from Factba.se, a service of Fact Squared. The listing provides the company sector, industry, market capitalization, loan amount, 8-K loan filing date, 8-K Loan filing, 8-K return filing, and number of full-time employees.³ Based on this listing, 442 public firms applied and were approved for the PPP loans. The public firms' PPP loans totaled close to \$1.4 billion. The public firms make up about 2.1% of the total \$660 billion PPP funding (Cororaton and Rosen, 2020).

Total Public Company PPP Applicants Analysis

Initially, I will analyze all 442 public company applicants. First, I divide the public companies into four categories based on loan size. Category 1 includes public firms with PPP loan amounts greater than \$10 million. Category 2 includes PPP loans ranging from \$5 million to \$10 million. Category 3 includes public firms with PPP loans from \$1 million to \$5 million. Category 4 includes PPP loans totaling less than \$1 million. Through my analysis of all 442 public companies, I analyze the average loan size in each category, the total loan amounts versus companies in each category, and identify trends among companies who kept or returned the loans.

³ <https://factba.se/sba-loans>.

Figure 2: Average PPP loan Size per Category for all 442 Public Companies

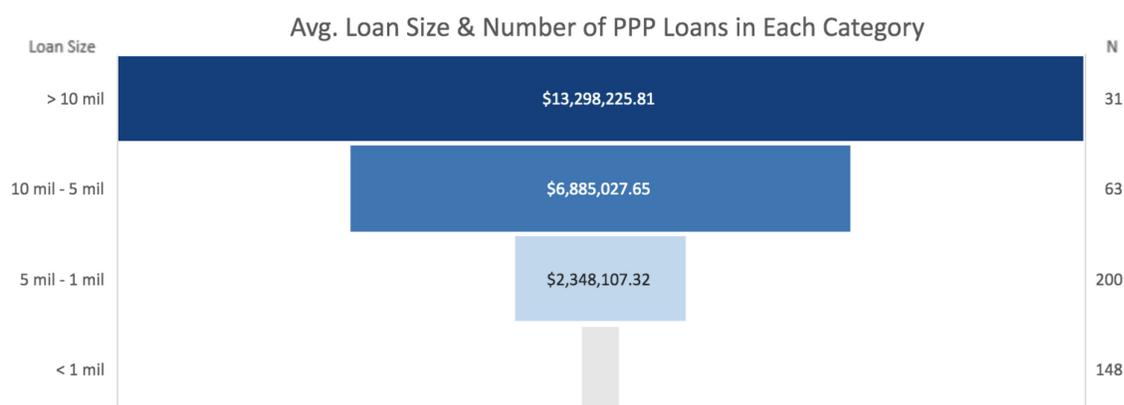


Figure 2 depicts the average loan size per category for all 442 public companies initially receiving PPP loans. The dark blue bar shows a Category 1 loan averages \$13.3 million across only 31 public companies. Category 3 and Category 4 loans, depicted in light blue and light gray bars, average below \$2.5 million across 348 companies in the dataset. The SBA reported as of March 14, 2021, the average PPP loan size is approximately \$89,000. The graphic suggests the largest loans, reaching in excess of \$10 million, may have ultimately raised the public, government, and media’s concerns as aforementioned above.

Figure 2 includes all public firms that initially received a PPP loan, I next disaggregate the sample into loans that were not returned (“kept loans” hereafter) versus loans that were returned. As previously noted, public companies received scrutiny from the media and government for acceptance of the PPP loans; therefore, I separated my sample into kept loans versus returned loans to analyze any trends or consistencies in the data.

Figure 3: Average PPP loan Size per Category for all Kept Loans by Public Companies



Of the 442 public companies receiving loans, 373 kept the loans. Figure 3 depicts the average kept loan size per category. The figure indicates that the highest average falls in Category 1 with loans greater than \$10 million. Figure 3 differs from the prior analysis on all public companies, as the range between Category 1 and Category 2 averages is smaller. The average between the two, in Figure 3 above, is less than \$4 million. My observation indicates that the largest loans in Category 1 were most likely returned.

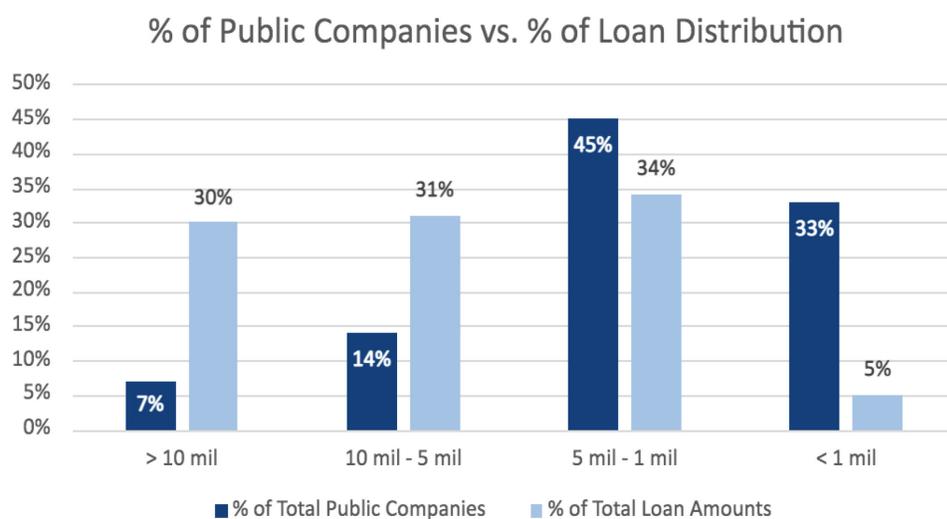
Figure 4: Average PPP loan Size per Category for all Returned Loans by Public Companies



Figure 4 depicts the average returned PPP loans size across all four categories. Only 69 of 442 public companies returned their PPP loans. In Category 1, the average returned loan was \$16

million for 15 public firms. Additionally, the Category 1 returned loan average is larger than the total average for the Category 1 in Figure 2. The difference is consistent with the media scrutiny of larger loan values, which most likely resulted in a higher likelihood of returned loans. The average returned loan size between Category 1 and Category 2 is over \$10 million, indicating the loans in Category 1 were much higher than the \$10 million threshold. Figure 4 shows the average returned loan size in Category 2 and Category 3 to be comparable to kept loan averages.

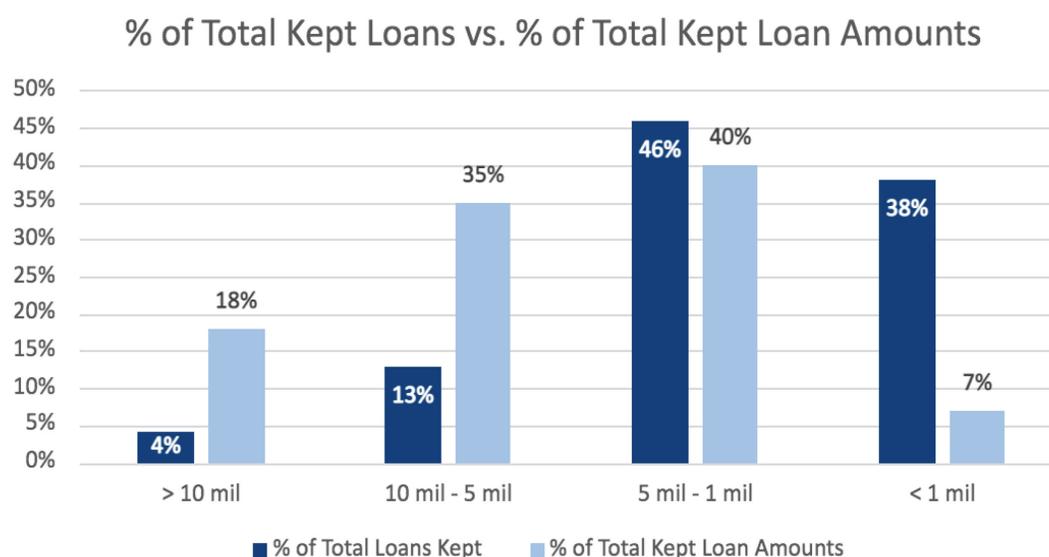
Figure 5: Percent of 442 Public Companies and Percent of Loan Distribution per Category



Next, in Figure 5, I evaluate the percent of the 442 public companies in each of the four categories along with the percent of loan amounts in each category. The dark blue bars represent the total percent of public companies per category. From Category 1 to Category 3 the percentage of total public companies is increasing. The increasing trend indicates that the majority of public company loans fall in Category 3 and Category 4, the categories with the smallest loan averages. The light blue bars depict the percent of loan amounts per category. The percentages between Category 1 to Category 3 stay consistent from 30% to 34%. Overall, Figure 5 depicts the unequal distribution of total loan funding across the four categories. Category 1 has

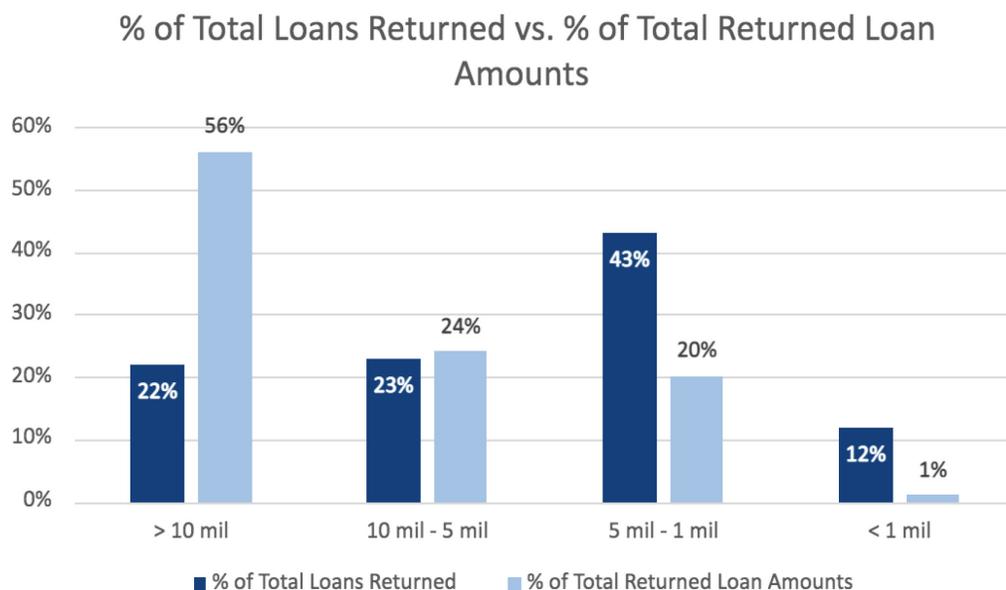
the lowest percentage of public companies, but a similar percentage of the overall loan amounts in comparison to Category 2 and Category 3. Figure 5 indicates a third of loan funding falls within Category 1.

Figure 6: Percent of Kept Loans and Percent of Kept Loan Amounts per Category



Finally, I further disaggregate the sample to analyze the kept and returned PPP loan groupings. Figure 6 highlights the percent of kept loans and kept loan amounts across all four categories. Figure 6 illustrates a monotonic increase from Category 1 to Category 3. The dark blue and light blue bars are increasing and peaking in Category 3. Figure 4 depicts the greatest percentage of kept loans and kept loan amounts fall under Category 3. This observation indicates that a greater percentage of public companies kept loans if they amount to less than \$5 million. Figure 6 shows that 84% of the kept loans were in Categories 3 and 4. The larger percentage of kept loans in Category 3 and Category 4 indicates the majority of returned loans most likely fall in Category 1 and Category 2.

Figure 7: Percent of Returned Loans and Percent of Returned Loan Amounts per Category



The percent of returned loans and percent of returned loan amounts per category is depicted in Figure 7. An immediate downward trend of the total returned loan amounts is evident in Figure 7 from Category 1 to Category 4. The total returned loan amounts in Category 1 amount to 56% of all returned loan amounts. Figure 7 provides indication that the public companies in Category 1 may have returned the loans amid public backlash. The influx of returned loans in Category 1 is likely attributed to the pressure and scrutiny the media and government put the largest public companies under. As discussed earlier, the Treasury Secretary held a press conference calling public companies to return their loans. Highly visible public companies were thrown into the media spotlight for their acceptance of the loans.

Based on my observations of all 442 public companies above, I break down my sample further to analyze the largest PPP loan amounts. Across Figures 2 through 7, the greatest variance between those who kept and returned the PPP loan falls in the top 83 loan amounts. Additionally, since the largest loan amounts are represented in the top 83 public companies, I

will further investigate if the public companies qualified for the PPP loans and ultimately why some returned their PPP loan.

METHODOLOGY

From the Factbase listing of the 442 public companies, I limit my sample to public companies receiving a PPP loan in excess of \$5 million. This results in a sample of 83 public companies. The loans received by these 83 firms represent the majority (61%) of the total public company loan amounts. I utilized the SEC filing website, EDGAR, to hand-collect the data used in my analysis. Due to the timing of the PPP loan disbursement and public quarterly filings, my analysis includes the public firm's 10-Q financials immediately prior to and after loan disbursement. The before-loan 10-Q periods ranged from January 31, 2020 to April 31, 2020. However, the most frequent quarter-end date occurred on March 31, 2020, consistent with a calendar year-end. Similarly, the after-loan 10-Q periods ranged from May 2, 2020, to July 31, 2020, with the most frequent quarter-end date on June 30, 2020.

Next, I hand-collected total assets, total liabilities, total revenue (or sales), current assets, current liabilities, operating cash flow, loan size and net income data from the public companies' pre- and post-loan 10-Qs. I took the eight quantitative data points and calculated three financial ratios. Return on assets (ROA) was calculated for the pre- and post-loan 10-Qs by dividing net income by total assets. The ROA calculation provides insight into how well the public companies utilize its assets to generate earnings, before and after the PPP loan acceptance. I utilized ROA, specifically, because the ratio does not take into account company size.

Additionally, I calculated cash flow-to-debt ratio and current ratio (CR). The cash flow-to-debt ratio is calculated by dividing operating cash flows by total debt (or total liabilities). The ratio indicates if a company can satisfy its debts (Law, 2016). Often, the cash flow-to-debt ratio

is considered the best indicator of financial distress. If the company's ratio is above 1, it is operating in a strong position financially. Additionally, the CR is a liquidity ratio that assesses whether a firm has sufficient assets to meet short-term obligations (Berk, DeMarzo, and Harford, 2017). A CR above two is considered healthy and below 1 is cause for concern (Berk, DeMarzo, and Harford, 2017). Overall, these three ratios will evaluate whether the public companies were under financial stress before applying for a PPP loan.

I also collected two qualitative data points from both 10-Qs: if the loan was returned and if a going concern opinion was issued. The loan returned data clarified the timing of the loan acceptance and return. The issuance of a going concern opinion was important as the firm's management or auditors only issue one when the long-term financial viability of the borrower is doubtful. Since my analysis is focused on public firms taking advantage of the PPP loans, the going concern opinion is a key indicator of financial distress.

Additionally, I created variables to measure if net income was a loss, the loan size was material, or if the firm operated in the food and beverage industry (NAICS code 72). If a public firm's PPP loan size was greater than 5% of total assets, the loan was considered material to the firm. A 5% threshold is consistent with thresholds that auditors use in determining materiality (Eilifsen and Messier, 2015). I also hand-collected SIC codes from each company's filed 10-Q and cross-matched them with NAICS codes to analyze the number of public firms with code 72 that qualified for the eligibility "waiver." If the public firm had a SIC code (4789, 5461, 5812, 5813, 5963, 7011, 7021, 7032, 7033, 7041) that cross-matched to NAICS code 72, I recorded that the company operates in the food and beverage industry.

SAMPLE SELECTION

I narrow my overall analysis to focus on 83 public companies receiving the largest PPP loan amounts. As aforementioned, the companies eligible for PPP loans must assert in good faith the necessity of the loan due to extreme financial distress (SBA, 2020). First, I define financial distress and the key indicators I use to assess each public company's financial status. Companies experience financial distress when they cannot produce sufficient revenues to generate cash flows and pay financial obligations (Purnanandam, 2007).

In assessing financial distress of the 83 companies, I narrowed my initial data set points to only examine net income (and loss), ROA, cash flow-to-debt ratio, current ratio, and loan materiality from the public companies' pre- and post-loan 10-Qs. Additionally, I will analyze the percent of companies operating in the food and beverage industry (NAICS code 72), as they are exempt from the SBA size rule (SBA, 2020). I only utilize the six data points, as they provide a well-rounded view of the companies' financial positions and risks in taking a PPP loan.

RESULTS & DISCUSSION

First, I analyze average net income as a potential indicator of financial distress. Net income provides insight to the profit or loss a company is experiencing, or the bottom-line profit after expenses. Typically, it is concerning for investors when net income is negative, as it is an early indicator of decreasing profits. I expect the 83 public companies, on average, to have a pre-loan (Q1 of 2020) net income averaging below zero. I support this expectation because the COVID-19 pandemic influenced an economic shutdown and nationwide lockdown for multiple weeks in early 2020. Without nationwide access to businesses, it is reasonable to assume that all industries would face decreasing profits. Additionally, I examine the percentage of the 83 public companies operating with a net loss. The percentage of companies with a net loss provides a

consistent metric that is not affected by company size. I expect the majority, or greater than 50% of the 83 public companies, recorded a net loss on pre-loan financials resulting from the economic shutdown in March 2020.

Table 1: Sample Size Financial Statement Analysis from 10-Qs

Panel A: All Public Firm PPP Loan Applicants							
	N	Pre-Loan Qtr.					
		Mean	Median				
Net Income	83	-12,361,298	-5,081,000				
Loss	83	0.759	1				
ROA	83	-0.060	0				
Cash Flow to Debt Ratio	83	-0.036	0				
Current Ratio	83	2.090	1				
Material Loan	83	0.373	0				
Food and Bev Ind.	83	0.108	0				
Food and Bev Ind. Loss	83	1.000	1				

Panel B: All Public Firms that KEPT the PPP Loan							
	N	Pre-Loan Qtr.		Post-Loan Qtr.		Chg Means	% Chg in Means
		Mean	Median	Mean	Median		
Net Income	55	-8,022,539	-5,081,000	-6,908,526	-3,333,000	1,114,014	-0.1388605
Loss	55	0.782	1	0.709	1	-0.073	-0.0930233
ROA	55	-0.071	0	-0.058	0	0.013	-0.1824451
Cash Flow to Debt Ratio	55	-0.036	0	-	-	-	-
Current Ratio	55	1.902	1	-	-	-	-
Material Loan	55	0.455	0	-	-	-	-
Food and Bev Ind.	55	0.073	0	-	-	-	-
Food and Bev Ind. Loss	55	1.000	1	0.750	1	0.250	0.250

Panel C: All Public Firms that RETURNED the PPP Loan							
	N	Pre-Loan Qtr.		Post-Loan Qtr.		Chg Means	% Chg in Means
		Mean	Median	Mean	Median		
Net Income	28	-20,883,858	-6,069,000	-20,096,884	-8,692,000	786,974	-0.0376834
Loss	28	0.714	1	0.750	1	0.036	0.050
ROA	28	-0.040	0	-0.041	0	-0.002	0.045
Cash Flow to Debt Ratio	28	-0.035	0	-	-	-	-
Current Ratio	28	2.460	1	-	-	-	-
Material Loan	28	0.214	0	-	-	-	-
Food and Bev Ind.	28	0.179	0	-	-	-	-
Food and Bev Ind. Loss	28	1.000	1	1.000	1	0.000	0.000

My data analysis in Table 1 suggests that the average net income across the 83 public companies was negative \$12 million in pre-loan financials. The mean and median net income are different from one another, indicating outliers in the data set. As such, I utilize the percentage of loss across all 83 public companies for a more inclusive look at pre-loan net loss. As shown in Table 1, Panel A, approximately 76% of public companies recorded a net loss in pre-loan

financials. The data suggests 63 of the 83 companies were not profitable in pre-loan financials. The extreme losses indicate severe financial distress. I conclude that the majority of the public firms that were operating with a net loss in pre-loan financials had reasonable evidence to support their application for the PPP loan program.

The average net income is not a perfect measure of the data set as a whole, as the average does not consider each companies' proportional size. As such, I examine the average ROA in pre-loan financials. ROA indicates whether the public companies are increasing profit on each dollar of assets invested. ROA below 1 points to a decline in demand and can leave a company over-invested in assets, unable to pay upcoming debts due. In my evaluation of the 83 public companies, I expect that on average pre-loan ROA will remain consistently below 1. I support this expectation as 76% of public companies recorded a net loss in pre-loan financials. A net loss results in ROA below 1 and does not indicate effective use of company assets.

In Table 1, Panel A, ROA is -0.06 on average in pre-loan financials. My analysis suggests that public companies overall, regardless of size, are not efficiently generating profit from their assets. On average, the public companies are losing 6.0% on every \$1 invested in its assets. An average ROA operating below 0 suggests financial strain on the public companies. Additionally, the average ROA below 0 indicates some of the public companies may struggle to pay upcoming debts.

To further evaluate the public company's ability to pay upcoming debts, I utilize the cash flow-to-debt ratio and current ratio (CR). I expect the 83 public companies to average a cash flow-to-debt ratio below 1 in pre-loan financials. A ratio below 1 indicates the public companies are operating in a weakened financial position. Due to the economic shutdown amid the COVID-19 pandemic, it is reasonable to assume that companies operating cash flows decreased,

weakening their ability to pay future debts. Additionally, I expect the CR to average below 1 in pre-loan financials. The effects of the COVID-19 pandemic suggest the public companies may not be as liquid financially. A decrease in liquidity suggests a CR below 1 and a company's inability to meet short-term obligations.

As shown in Figure 1, Panel A, the cash flow-to-debt ratio was -0.036. The ratio averaging below 1 indicates the 83 public companies are experiencing decreasing operating cash flows during the pre-loan period. Furthermore, the ratio suggests the public companies may struggle to meet long-term debt payments. Figure 1, Panel A, also shows the average CR in pre-loan financials was 2.090. A CR above 2 is considered a healthy spot for companies to operate in. This result is different from my expectation, as I predicted companies' current assets to decrease amid the economic shutdown. The two ratio results suggest the financial strain of the pandemic did not immediately leave the public companies unable to fulfill short-term debt obligations. However, the cash flow-to-debt ratio indicates the public companies may struggle to fulfill long-term debt payments.

Next, I examine loan materiality in my analysis. Materiality is defined as a 5% of assets threshold. Material accounts have a greater effect on the financial statements as a whole (Eilifsen and Messier, 2015). A material loan requires extensive disclosure in public companies' financial statements. Furthermore, the material PPP loan and disclosure could greatly affect the decisions of financial statement users in the market. As such, a public companies' decision to apply for a PPP loan could indicate the extreme financial distress brought on by the COVID-19 pandemic.

I utilize the "5% rule" to formulate my materiality threshold (Eilifsen and Messier, 2015). The "5% rule" is a standard starting point for a materiality threshold and one most commonly used in auditing practices (Eilifsen and Messier, 2015). As such, I analyze materiality as 5% of

the public firm's total assets (Eilifsen and Messier, 2015). I expect more than half, or 50%, of the 83 public companies' loans are material. I support this expectation as the 83 public companies have PPP loans greater than \$5 million; thus, each company would need total assets of \$100 million or more for the loans to be non-material.

In my analysis pictured at Table 1, Panel A, I utilize pre-loan total assets to determine loan materiality because pre-loan total assets are consistent with the timing of PPP loan applications in March 2020. The data suggests only 37% of the 83 public companies examined received PPP loan amounts material to the companies' pre-loan total assets. My analysis is not consistent with my expectations. Through my research, the 83 public companies have total assets averaging \$333 million. The higher than expected average suggests that the public companies did not need to use assets to cover any pre-loan losses. As such, the majority of the 83 public companies recorded consistent total assets with their prior 10-Q filings in 2019.

Finally, I examine the public companies from the food and beverage industry. I expect the data to show public companies with NAICS code 72, the food and beverage industry, to incur even greater losses compared to the group of non-NAICS code 72 companies in pre-loan financials. I support this expectation as hotels and restaurants were forced to completely shut down and decrease capacity during March 2020. Additionally, in an effort to stop the spread of COVID-19, many restaurants and hotels had to implement additional cleaning and sanitization measures. These additional measures increased each companies' overall costs, as the companies were responsible for funding the required cleaning and sanitization (Lucas, 2020).

In Table 1, Panel A, my analysis shows that 100% of the public companies operating in the food and beverage industry recorded a pre-loan net loss. My expectation that food and beverage industry companies would see a greater percentage of net loss was correct. The

percentage of net loss was approximately a 25% increase from the overall group. The data suggests that the food and beverage industry companies were experiencing an immediate strain from the pandemic.

Table 2: Sample Size Category Analyzed

Data Analysis Sample Size			
	Total Applicant Sample	PPP Loans Kept	PPP Loans Returned
Number of Firms	83	55	28
Total Loan Amount	790,958,882	448,472,429	342,486,453
Average Loan Amount	9,529,625	8,154,044	12,231,659

My prior analysis of the 83 public companies receiving PPP loans only utilized pre-loan financials, because next I disaggregate the sample into two categories shown in Table 2: firms that kept the PPP loan (55 public companies) and firms that returned the PPP loan (28 public companies). I will examine the same financial indicators from my analysis above (net income (and loss), ROA, cash flow-to-debt ratio, current ratio, loan materiality, and food and beverage industry) for kept and returned PPP loans. Further, I will utilize both pre- and post-loan financials for the two groupings to analyze the PPP loan effects. I will identify any trending differences from the public companies that kept versus those who returned the loans. Ultimately, leading to the final conclusion if the PPP loans were used and worked as intended.

First, I will analyze the percentage of public companies recording a net loss that kept the PPP loan. I expect the majority, or more than 50%, of the firms that kept the PPP loan to operate in a net loss position in pre- and post-loan financials. I support this expectation from the logical perspective that companies operating with a net loss are under extreme financial distress, ultimately leading them to keep the PPP loan. I expect the PPP loan to keep the public companies

afloat or slightly better off financially. Therefore, I would expect the percentage of companies operating with a net loss between pre- and post-loan to stay stagnant or slightly decrease.

As depicted in Table 1, Panel B, above, 78.2% of public companies that kept the loan had a net loss in the pre-loan period. Additionally, the percentage of companies recording a net loss after receiving the loans decreased by 7.3% to only 70.9% of the 55 public companies, which is consistent with my expectation. The data suggests that the public companies that kept the loans actually experienced the intended purpose of the PPP loans, or the PPP loans worked as intended for the majority. My analysis supports this conclusion, as 32 of the 55 public companies, or 58%, lost less money in post-loan financials than pre-loan. It is reasonable to assume that the PPP loans may have halted and improved the financial hardship for the public companies that kept the PPP loan.

Furthermore, I analyze the percentage of public companies recording a net loss that returned the PPP loan. I expect the majority of public companies that returned the PPP loans were not operating in a net loss in pre- and post-loan financials, as they ultimately returned the loan. It is reasonable to assume the public companies' that returned their PPP loans were unable to support financial need for the loan. Since the public companies returned their loans, I would expect the percentage of companies with a net loss between pre- and post-loan to decrease.

From the 28 companies that returned the loans, my analysis in Table 1, Panel C, shows 71% had a net loss pre-loan quarter and that percentage increased to 75% of public companies post-loan. Table 1, Panel C, does not support my original expectation that public companies who returned the PPP loan were less likely to experience a net loss. The data suggests a 4% increase in net loss from pre- to post-loan, which shows the ongoing pandemic effects on the economy. Furthermore, the increase suggests the public companies who returned their PPP loan were

experiencing similar losses to companies who kept the loans. My conclusion questions the reasoning behind the returned loan and if the company met the loan requirements set by the SBA.

Next, I analyze the average ROA in pre- and post-loan financials for differences between the groupings. I expect the ROA to decrease between pre- and post-loan periods for companies that kept the PPP loan. I support this expectation as keeping a PPP loan would increase cash on the company's financials. Additionally, I expect the ROA to remain consistent between pre- and post-loan for companies returning the PPP loan. It is reasonable to assume that total revenue will not experience extreme increases or decreases. Also, I do not expect total assets to increase for public companies returning the PPP loans, as they did not keep the loan proceeds.

As shown in Table 1, Panel B, the public companies that kept the PPP loan averaged a pre- and post-loan ROA of -0.071 and -0.058, respectively. My analysis results fall in line with my original expectation. The ROA decreased 0.011 after the public companies recorded their PPP loans. Additionally, in Table 1, Panel C, the public companies who returned the PPP loan recorded pre- and post-loan ROA of -0.040 and -0.041, respectively. The result stayed consistent as I expected. Overall, public companies who kept and returned the PPP loans experienced negative ROA's in both pre- and post-loan financials.

Next, I analyze the cash flow-to-debt ratio and CR in pre-loan financials for public companies who kept and returned the PPP loans. I will only calculate the ratios from pre-loan financials as this time frame provides the companies' financial position during the loan application. I expect the cash flow-to-debt ratio and CR for companies keeping the PPP loan to average below 1. A cash flow-to-debt ratio and CR below 1 would indicate the public companies' necessity for the PPP loan, thus explaining why they kept the PPP loan.

Additionally, I expect the cash flow-to-debt ratio will average above 1 and the CR will average above 1.5 for public companies returning the loans. Since the public companies returned their PPP loan, I would expect a stronger financial position to meet upcoming debts.

In Table 1, Panel B, the cash flow-to-debt ratio for kept loans averaged -0.036. Additionally, in Table 1, Panel C, the cash flow-to-debt ratio for returned loans averaged -0.035. The data does not suggest a clear difference between the average ratio for kept versus returned loans. The results suggest the entire sample of public companies may struggle to meet long-term debt obligations if they kept or returned the PPP loan.

Furthermore, the average CR for kept loans was 1.902, as shown in Table 1, Panel B. Additionally, Table 1, Panel C, reflects the average CR for returned loans was 2.460. These results are similar to my analysis of all 83 public firms above. The public companies average CR is much higher than I expected, specifically in kept loans. My results indicate the initial financial strain of the pandemic did not affect current assets and liabilities in pre-loan financials.

Next, I examine the materiality of the kept PPP loans. I expect that a material loan would result in a lower likelihood of a loss in the public companies' post-loan financials. Since the materiality of the loan is only relevant if the loan was kept, I only analyze the 55 public companies that kept the loan. The data in Table 1 suggests, 25 of the 55 public companies, or 46%, that kept the PPP loan accepted a material loan relative to total assets. Furthermore, of the 25 public companies that kept a material PPP loan, 12 incurred a lower net loss in post-loan financials. Thus, the data analysis does not provide a clear indication that a material loan resulted in a lower likelihood of a loss.

Finally, I analyze the public companies operating in the food and beverage industry that kept versus returned the PPP loan. I expect the public companies in this industry to be divided

equally in the kept versus returned groupings. As mentioned, there is no clear driver of what ultimately led the public companies to keep or return the loans, as such my expectation is based on the pattern between the two groups thus far. Additionally, consistent with my prior expectations, I expect the percentage of public companies keeping the loans to incur greater losses in pre- and post-loan financials versus the companies returning the loans.

As shown in Table 1, Panel B, only 7.3%, or 4 of the 55 public companies keeping the PPP loan were in the food and beverage industry. In contrast Table 1, Panel C, suggests that almost 18% or 5 of the 22 public companies returning the loans were in the industry. Additionally, 100% of the public companies in both groups recorded a net loss in pre-loan financials. However, only 75% of the public companies that kept the PPP loan recorded a net loss in post-loan financials. For those who returned the PPP loan, 100% still recorded a net loss in post-loan financials. The data show the extreme financial distress the public companies were under, especially in the food and beverage industry.

In conclusion, my analysis suggests that the public companies qualified under the initial PPP loan guidance released. The data analysis in Table 1 indicates the majority of public companies were facing financial distress when they applied for a PPP loan. In conclusion, my data analysis suggests that the PPP loans worked as intended for the public companies who kept the PPP loans, as pre- to post-loan financials saw improvement. However, the public companies' who returned their PPP loans were facing comparable financial strain in pre-loan financials, but did not experience the intended effects of the PPP loans. As some public companies returned their loans while under financial distress, I raise the question: what pushed the companies to give their PPP loan back?

Extended Media Analysis

Aside from my pre- and post-loan financial statement analysis, next I will examine additional external factors at play in public companies' involvement in the PPP loan roll-out. For example, aforementioned public, media, and government outcry occurred immediately following public companies' loan disclosures. As more than 75% of the 28 public companies who returned the PPP loan were still operating with a net loss in post-loan financials, I expect these other external factors ultimately influenced their decision to return the PPP loan.

Through the use of the FACTIVA database, I will analyze if all 83 public companies did or did not get highlighted in the media from March to May 2020. I utilize the March to May 2020 date range as this time frame includes the largest number of PPP loan reversals. My analysis suggests multiple media outlets, with a high viewership and audience, called out specific public companies that received PPP loans. More specifically, the media outlets include the Wall Street Journal, Forbes, New York Post, CNBC, Business - Insider, and NPR.

Table 3: Public Companies & PPP loans Media Analysis

Public Companies PPP Loans & Media Analysis			
Public Company	Explicitly called out in Media?	Returned Loan?	
Ashford Hospitality Trust, Inc.	Y	Y	
Ruth's Hospitality Group, Inc.	Y	Y	
Braemar Hotels & Resorts, Inc.	Y	Y	
J. Alexander's Holdings, Inc.	Y	Y	
OneWater Marine Inc.	Y	Y	
Ashford Inc.	Y	Y	
IDT Corporation	Y	Y	
Potbelly Corporation	Y	Y	
Shake Shack Inc.	Y	Y	
Fiesta Restaurant Group, Inc.	Y	Y	
MiMedx Group, Inc.	Y	Y	
CalAmp Corp.	Y	Y	
Hallmark Financial Services, Inc.	Y	Y	
Wave Life Sciences Ltd.	Y	Y	
Manning & Napier, Inc.	Y	Y	
DMC Global Inc.	Y	Y	
Lindblad Expeditions Holdings, Inc.	Y	Y	
Legacy Housing Corporation	Y	Y	
Veritone, Inc.	Y	Y	
TherapeuticsMD, Inc.	Y	Y	
Kura Sushi USA, Inc.	Y	Y	
ADMA Biologics, Inc.	Y	Y	
Castlight Health, Inc.	No	Y	
Kewaunee Scientific Corporation	No	Y	
AxoGen, Inc.	No	Y	
Harvard Bioscience, Inc.	No	Y	
Aviat Networks, Inc.	No	Y	
Escalade, Incorporated	No	Y	
Drive Shack Inc.	No	Y	
Public Companies called out in Media vs. total returned loans	22	28	79%

In Table 3, I identify all public companies that were called out by major media outlets during the PPP rollout between March to May of 2020. The quick and negative response from the public and media renders the question: Did the public believe the companies did not qualify for the PPP loan? Or did the public not want the companies taking PPP loans from small businesses in a time of panic? My prior analysis and data suggest that the public companies qualified under the initial SBA guidance. As such, next, I will analyze the timing and context of the media call outs, and public companies' response to examine the important timing of events.

The first media outlet to cover any public companies' involvement was the Wall Street Journal on April 17, 2020, only 17 days after the PPP loan program became available (Scott,

2020). The article calls out Ruth's Chris Steak House in the headline and throughout the article (Scott, 2020). The article takes the side against public companies' involvement stating, "many small-business owners are still waiting" for their PPP loan, while Ruth's Chris already received their PPP loan money (Scott, 2020).

Additionally, two well-known fast food empires were seen in headlines related to the PPP loan controversy. First, on April 20, 2020, Forbes called out the famously-known fast food empire, ShakeShack, in headlines (Vardi, 2020). The article continued with the WSJ's original stance on the issue, that public companies are stealing the PPP loan money from the hands of small business owners (Vardi, 2020). The article went on to call out additional companies including: J. Alexander's Holdings, DMC Global, Wave Life Sciences Ltd., CalAmp Corp., and Hallmark Financial Services (Vardi, 2020). Secondly, on April 20, 2020, CNBC released an article on the fast food giant, Fiesta Restaurant Group, who is known as the parent company of Taco Cabana and Pollo Tropical (Franck, 2020). The article includes a statement from former Starbucks CEO, Howard Schultz, condoning Fiesta Restaurant Group's actions stating, "I think you've seen some pretty shameful acts by some large companies to take advantage of the system" (Franck, 2020). The public defamation of ShakeShack and Fiesta Restaurant Group's acceptance of the PPP loan could cause additional losses due to public boycotting of the businesses. The applicants were shed in a very poor light and risked long-term public damage to their companies.

Furthermore, an article in Business Insider on April 21, 2020, covered a petition for Ruth's Chris to return the loan (Taylor, 2020). As of that date, almost 200,000 people signed the petition (Taylor, 2020). The article and petition basis included the large salary amounts many of the public company's CEOs had taken in the previous year (Taylor, 2020). It appears the public

believes public companies have plenty of cash to spare and thus should not be taking the PPP loan. Overall, my analysis in Table 3 depicts 22 of the 28, or 79% of public companies who returned their PPP loan were called out in the media.

Further, I analyze the public companies' responses and timing of returned loans. On April 21, 2020, ShakeShack was the first of the public companies called out in the media to return their loan (Vardi, 2020). The remaining public companies followed suit quickly after. My analysis suggests a definitive trend of the media call out dates and the date the company returned their PPP loan. The analysis suggests that the media call outs and public backlash drove the public companies called out to return their loans. A Washington Post article on April 23, 2020, emphasizes my conclusion further, citing that fierce blowback from the public, the government, and lawmakers resulted in large chains such as Potbelly Sandwich Shop, Kura Sushi, and Ashford hotels returning their PPP loans (O'Connell, 2020).

Table 4: Public Companies called out by Media and Kept the PPP loan

Public Companies PPP Loans & Media Analysis		
Public Company	Explicitly called out in Media?	Returned Loan?
Hallador Energy Company	Y	No
Quantum Corporation	Y	No
ZAGG Inc	Y	No
Ramaco Resources, Inc.	Y	No
New Age Beverages Corporation	Y	No
Public Companies called out in Media that <i>kept</i> the PPP loan	5	55
		9%

Furthermore, in Table 4, I identify the five public companies called out by various media outlets but kept the PPP loan. The five companies identified: Hallador Energy Company, Quantum Corp., Zagg Inc., Ramaco Resources, and New Age Beverages Corporation. Due to the public backlash received, Greg Gould, CFO of New Age Beverages Corporation released a statement stating, "It's my job to constantly be worried and make sure that we have enough cash

to pay everyone's salary and keep as many employees and families an active part of society" (Manskar & Kosman, 2020). Greg Gould is emphasizing his company's need for the intended purpose of the PPP loan.

In conclusion, quick media callouts and rapid response from the government shows the panic set on by holes in the PPP loan program rollout. Ultimately, the first draw of PPP loan assistance ran out on April 16, 2020 (U.S. Treasury, 2020). Immediately following the assistance fund running out, all eyes easily fell on public companies, as they received the highest averaging loans. In conclusion, it wasn't a question of loan qualification, but rather public companies taking large sums of money from an assistance fund that ran out before all small businesses could apply.

My conclusion is further supported by examples such as the Potbelly Corporation, who returned their PPP loan in April of 2020 following public and media backlash (Henney, 2020). Potbelly Corporation reapplied for a PPP loan in August of 2020, after their media spotlight faded (Henney, 2020). Ultimately, Potbelly Corporation requalified for the funding and received a \$10 million PPP loan. Potbelly Corporation's reapplication was rarely highlighted in the media and the public did not call for the company to return the loan (Henney, 2020). Potbelly disclosed the PPP loan in their Q3 10-Q and kept the PPP loan (SEC, 2020).

The data suggests that the 21 companies that returned their loans after being called out in the media, did so under pressure from outside sources. The remaining 7 that returned the loans did so with the understanding that they were in financial position to survive with other forms of funding. The data suggests that public companies called out in the media risked public defamation if their PPP loan was not returned. In conclusion, the public, media, and government played a major role in the public companies' decisions to return or keep their PPP loan.

Economic Aid Act

Finally, I will discuss the New Economic Aid Act, which further supports my conclusion that public companies did qualify for a PPP loan. On January 6, 2021 the PPP loan program was amended by the Economic Aid Act (SBA, 2020). The SBA published two interim final rules to put the Economic Aid Act changes into the PPP loan program (SBA, 2020). One amendment for existing and first draw PPP loans and another for the second draw of PPP loans (Cowley, 2021). Amid controversy related to the PPP loan borrowing by public entities, the interim final rule for the second draw of PPP loans addressed the issue (Cowley, 2021). One notable amendment stated that, “certain business concerns that may have been eligible for PPP loans under prior rules are ineligible to receive new PPP loans” (Gibson Dunn, 2021). Public companies, or companies where securities are listed on a national stock exchange, were included in the business concerns and interim final rule (Gibson Dunn, 2021).

It is important to note that the Economic Aid Act also included an amendment for the first draw of PPP loans, or the round of loans the public companies originally applied under (Cowley, 2021). The amendment did not revise the first draw loan qualifications to exclude publicly traded firms (SBA, 2020). The SBA’s lack of change to the first draw loans indirectly confirms publicly traded companies could have, or did, qualify under the first draw PPP loan guidance.

The SBA is narrowing its guidance for the second draw of PPP loans after the controversy with the first draw (Cowley, 2021). President Joe Biden and his administration have openly criticized the original PPP rollout rules and called out the larger companies who kept the PPP loans (Gregg, 2021). President Biden is openly quoted saying, “When the Paycheck Protection Program was passed, a lot of these mom-and-pop businesses got muscled out of the

way by bigger companies that jumped in front of the line” (Gregg, 2021). The Biden administration worked to revise the PPP rules for the second rollout, specifically looking out for the smallest businesses (Gregg, 2021). The second draw of PPP loan guidance ensures that the loans are strictly intended for small businesses who have felt extreme financial distress (SBA, 2020).

CONCLUSION

Overall, my analysis suggests the public companies did not misuse the PPP loans and the majority qualified under the initial PPP guidance. Their qualification is supported in my analysis looking at pre- and post-loan financials where the public companies’ positions indicate financial distress, especially in pre-loan financials. Additionally, kept loans worked as the program intended and improved the financial health of those public companies. The public companies that kept and returned the loan experience comparable levels of financial distress, which supports the important role the media played. My results imply that the majority of public companies were improperly called out in the media. As such, the public companies who kept their PPP loans should not expect to receive any ramifications if the loan funds were used properly. As such, the public companies keeping their PPP loan may qualify for complete loan forgiveness.

As such, my study offers initial findings on how the PPP loan was utilized for public companies and highlights the need for additional future research. My research does not factor in which PPP loans were forgiven by the government. At this time the forgiveness loan data has not been released. Future research could evaluate the PPP loan forgiveness data to conclude which public companies qualified. Additionally, in the coming months and years, audits will be conducted on the PPP loans greater than \$2 million, just as the Treasury Secretary promised. Since companies were required to utilize the PPP loans funds for payroll, utilities, and other

related expenses, misuse of the funds is possible. It is unclear what will come of those audits at this time, but the future results could provide an interesting spin-off for a future research project.

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