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FIRM NEWS

Kimberly Smith Comments on CARES Act Loans for Private Equity-backed Businesses

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In a recent article in *Middle Market Growth*, National Private Equity Co-Chair Kimberly Smith addressed how many Private Equity (PE)-backed businesses may fail to qualify for Paycheck Protection Program (PPP) loans under the Coronavirus Aid, Relief, and Economic Security (CARES) Act, which was passed into law by the United States government on March 27 to provide emergency relief to small and midsize businesses in the wake of the coronavirus (COVID-19) pandemic.

"For some PE-owned companies, the funds would be a lifeline and true game changer in terms of the ability to make payroll and avoid cutting employees," Kimberly said. "If hoping for the best is even still possible at this point, everyone is preparing for the worst. And a PPP loan offers a compelling way to do that."

The CARES Act, the largest stimulus package in US history, will provide hundreds of billions of dollars in emergency assistance to help small and midsize businesses cover payroll and operational expenses through PPP loans administered by the Small Business Administration. However, many businesses with PE backing may not qualify for PPP loans due to the SBA affiliation rules.

Included in the CARES Act are exemptions that would allow PE-backed businesses to qualify if they are receiving financial assistance through the SBA's Small Business Investment Company program, or if they are categorized under the North American Industry Classification System as an accommodation, such as hotels or restaurants.

According to Kimberly, the guidance that was being anxiously awaited by the PE industry to potentially loosen the application of the affiliation rules did not serve to create more opportunity for PE-backed businesses to qualify for PPP loans.

Read, "Companies Could Fall Through the Cracks of Stimulus Bill," in its entirety.

CONTACTS

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