



Association for Corporate Growth

March 30, 2020

The Honorable Steven Mnuchin  
Secretary  
U.S. Department of the Treasury  
1500 Pennsylvania Avenue, NW  
Washington, D.C. 20220

The Honorable Jovita Carranza  
Administrator  
U.S. Small Business Administration  
409 3rd Street, S.W.  
Washington, D.C. 20416

Dear Secretary Mnuchin and Administrator Carranza:

The Association for Corporate Growth (ACG) would like to thank you for your support of U.S. small businesses and their workers during this unprecedented national emergency. Congress' actions in recent weeks reflect the urgency with which we must support small businesses as they work to retain their workers in compliance with state shelters in place as part of our collective concern to stop the spread of COVID-19.

ACG's 15,000 professional members operate within the middle market, where they drive growth at more than 200,000 companies that employ more than 45 million people<sup>1</sup>. ACG members are employed by nearly 2,000 private investment firms that primarily focus their investment activities on the U.S. middle-market; and many of which solely focus on companies operating in the lower middle market (annual revenue between \$5 million to \$50 million).

We are advocating for the lower middle market companies with private backing, under current Small Business Administration (SBA) "affiliation rules", that may be precluded from applying for assistance available through the *Coronavirus Aid, Relief, and Economic Security (CARES) Act*.

We respectfully urge you to clarify that small businesses with equity investors will not be excluded from the 7(a) loan program under the CARES Act. While the Act takes many positive steps forward to provide relief to the U.S. economy, the "Affiliation Rules" will prevent many small companies with equity investment from qualifying for the emergency relief provided to companies with less than 500 employees, as well as those who qualify as small business concerns, or those who already have an explicit waiver.

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<sup>1</sup> National Center for the Middle Market,  
[https://www.middlemarketcenter.org/Media/Documents/NCMM\\_Info%20Sheet\\_2019\\_web.pdf](https://www.middlemarketcenter.org/Media/Documents/NCMM_Info%20Sheet_2019_web.pdf)

Current rules would force these companies to aggregate the employees of all of the unrelated companies in which their investors are affiliated and count them in their employee count, pushing many above the 500-employee threshold. Private equity firms and private family offices alike, have on average of a dozen companies in their portfolios. Under the current affiliation rules, all of these firms would be aggregated, pushing the total number of employees over the 500 mark in many instances, even though each startup is a separate entity. The current affiliation exemption in the CARES Act does not address this.

Without clear guidance many of these companies may be ineligible. Congress intended to ensure relief to small businesses and some employment security, not layoffs. We encourage the Department of the Treasury and the SBA to honor Congressional intent, and include startups and other small businesses with equity investors, as eligible for loans under the Paycheck Protection Program.

To help you understand how Private Equity firms are supporting their portfolio companies, I encourage you to read a series that our editor at Middle Market Growth magazine<sup>2</sup> published last week. The consensus of leaders from nine private equity firms: “Nearly everyone cited the health and safety of employees as their top priority.”

We believe that consensus is shared by business owners, legislators and policymakers and we urge the SBA and Department of the Treasury to review our concerns and provide flexibility so that vitally important jobs that will be instrumental in our economic recovery are not lost. ACG greatly appreciates the opportunity to provide these comments and recommendations to you.

Respectfully,



Thomas Bohn  
President and CEO  
Association for Corporate Growth



Martin Okner  
Chairman, ACG Global Board of Directors  
President and COO, dpHUE

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<sup>2</sup> Middle Market Growth magazine, PE Perspectives // Navigating an Economic Crisis: <https://middlemarketgrowth.org/middle-market-investors-respond-to-coronavirus-upheaval/>