

## Weathering the Economic Storm: Are PPP Loans and Bankruptcy Reorganizations Mutually Exclusive Options'

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Introduced by the Coronavirus Aid, Relief, and Economic Security (“**CARES**”) Act, the Paycheck Protection Program (“**PPP**”) seeks to provide short-term cash flow through federally guaranteed loans administered by the Small Business Administration (“**SBA**”) and SBA lenders. However, several SBA lenders have rejected PPP loan applications by Chapter 11 debtors, and the U.S. Treasury and the SBA have instructed borrowers to withdraw their PPP loan applications and decline funding, even if such applications have been approved, if the borrower files for bankruptcy prior to the funding of its PPP loan.

Such limitation presents a difficult choice. Must a company choose between applying for a PPP loan and filing for bankruptcy? A growing number of federal judges are saying “no” and have enjoined the SBA. This alert discusses the recent developments and unfolding options for companies trying to stay afloat while reorganizing, and SBA lenders trying to assist those in need while adhering to regulations.

Read the full article [here](#).