



April 2, 2020

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

The Honorable Jerome H. Powell
Chairman
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, D.C. 20551

Dear Chairman Powell and Secretary Mnuchin:

As the voice of over of over 550 institutional investors around the globe with commitments to private equity and venture capital funds (“LPs” or “Limited Partners”) ¹, including 327 such investors based in the United States, I am writing to encourage you to ensure that venture capital and private equity-backed businesses are able to access necessary capital under the the programs provided in Title IV of the *Coronavirus Aid, Relief, and Economic Security Act* (“CARES Act”), titled “*Economic Stabilization and Assistance to Severely Distressed Sectors of the U.S. Economy.*”

We understand Title IV of the CARES Act authorizes the Treasury Department and the Federal Reserve to provide critical capital, with \$454 billion allocated, to both large and mid-size companies through programs that have not yet been established. In addition, we

¹ILPA is the voice of the institutional investors invested in private equity, colloquially known as Limited Partners or LPs. Our 550+ member institutions represent over \$2 trillion in private equity assets under management globally and include public and private pension funds, insurance companies, university endowments, charitable foundations, family offices and sovereign wealth funds, all of which invest in the U.S. alternative investment market. LPs provide the capital that fuels private equity and venture capital investment, generating economic growth and job creation, across America and around the world.

In addition to providing this critical capital for economic growth, LPs are the trusted financial stewards investing the assets of millions of Americans. Limited partner beneficiaries include teachers, first responders, students receiving university scholarships, charity recipients, and insurance policyholders, among others. ILPA is headquartered in Washington, D.C. with additional offices in Toronto, Ontario. For more information on ILPA’s members, please visit: <http://www.ilpa.org/members>.

understand the Federal Reserve, through its emergency lending authorities under the Federal Reserve Act, can further leverage this funding up to \$4 trillion, providing a significant safety net for thousands of companies and their employees during this crisis. Moreover, Title IV was clear in that limitations were not being imposed on the ability of private equity- or venture capital-backed portfolio companies from accessing these facilities, providing broad discretion to the executive branch to implement in the best interests of the U.S. economy and its workers.

We encourage the Federal Reserve and the Treasury Department to utilize their broad authority under the CARES Act to enable all U.S. companies, regardless of their ownership structure or investment grade rating, to participate in this lending facility, with appropriate safeguards for the U.S. taxpayer.

Private equity-backed businesses in the U.S. employ more than 8.8 million Americans at over 35,000 companies, with at least 965,000 of those individuals employed by small businesses. These companies represent over 5% of U.S. GDP. Seventy percent of these companies are below investment grade, and 80% of US companies that are rated B3 and 68% of Caa rated companies are backed by private equity firms. If there is not sufficient flexibility in the eligibility criteria for the Title IV programs, many companies will not be able to receive the financing they need, potentially resulting in the failure of these businesses and significant job losses across a broad swath of the American economy.

Beyond the immediate impact on American workers, this would potentially have downstream consequences for ILPA's members, who provide the capital that private equity funds ultimately invest. Without access to CARES Act funding, one might reasonably expect the following scenario could occur: 1) private equity managers could be forced to lay off employees or close businesses down entirely, if the crisis persists; 2) where the private equity manager elects to inject additional capital into the business, these funds would be called from ILPA's members, resulting in sales of depressed publicly listed assets to free up liquidity; and (3) at scale, this sequence could not only impact public equity prices generally, but also harm the beneficiaries of these institutions by reducing investment returns due to forced selling. Ensuring access to the Title IV programs under the CARES Act is a better scenario for all involved and the U.S. economy.

ILPA's members invest over \$2 trillion on behalf of a wide range of beneficiaries, including retirees, first responders, teachers, scholarship recipients, insurance policyholders and charitable causes, and in aggregate, are significant direct and indirect investors in American businesses. Our members rely on their private equity and venture capital programs to generate the returns required to fund secure retirements, pursue critical



research, fund scholarships and charitable works, as well as many other worthy causes. Business failures in ILPA members' private equity portfolios have a direct and negative result on their ability to provide sufficient support to millions of beneficiaries.

We strongly believe a private equity or venture capital fund ownership structure should not prohibit businesses from assistance that would allow them to retain employees on the payroll, productively contribute to the U.S. economic rebound, and ultimately, benefit investment programs that serve millions of Americans.

As you implement these financial lifelines for American businesses and workers, we ask that you consider our comments in order to save jobs and protect the retirement and other assets of everyday Americans.

If you have any additional questions or seek additional information on this issue, please contact ILPA's Senior Policy Counsel, Christopher Hayes at (202) 871-9367 or chayes@ilpa.org.

We appreciate your consideration.

Sincerely,

A handwritten signature in black ink, appearing to read "S. Nelson". The signature is stylized and cursive.

Steve Nelson
Chief Executive Officer
Institutional Limited Partners Association (ILPA)