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PPP Loans Now Available to Otherwise-Eligible Companies That Have Ended Their Bankruptcy Proceedings

By: [Michael C. Flynn](#)

The Small Business Administration (“SBA”) has made an adjustment to its guidance to provide that entities which have concluded a bankruptcy proceeding are not, for purposes of PPP eligibility, considered in bankruptcy. Entities which are presently in bankruptcy are not eligible for a PPP loan.

The SBA’s latest Frequently Asked Questions (found at <https://www.sba.gov/sites/default/files/2021-04/PPP%20FAQs%204.6.21%20FINAL-508.pdf>) contain a new FAQ Number 67. It provides that for PPP eligibility purposes, a party is deemed to have left a bankruptcy proceeding under the following circumstances:

Chapter 7 - the Bankruptcy Court has entered a discharge order.

Chapters 11, 12 and 13 - the Bankruptcy Court has entered an order confirming the plan.

Any Chapter - the Bankruptcy Court has entered an order dismissing the case.

For an entity to be eligible for a PPP loan, the above orders must be entered before the date of the PPP loan application.

If an entity is permanently closed as a result of a bankruptcy filing, it is not eligible for a PPP loan.

Thus, an entity that has recently resolved its bankruptcy case, and is otherwise eligible for a PPP loan, must submit its application before the May 31 deadline. If an entity is otherwise eligible for a PPP loan, and is in a bankruptcy proceeding that can be quickly resolved, it may wish to attempt to do so before the May 31 PPP loan application filing deadline.

Buchalter’s Commercial Finance Group has organized its attorneys to create in-depth expertise in every aspect and requirement of the PPP. Buchalter’s Commercial Finance Group is comprised of attorneys with extensive transactional and regulatory expertise, and is one of the largest firms on the West Coast providing sophisticated counseling to both creditors and borrowers. Thus, our commercial finance attorneys are uniquely positioned to advise clients on the PPP. Please feel free to contact any of the attorneys in Buchalter’s Commercial Finance Group if you have questions regarding the PPP or would like to discuss the various options and details under the program.



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