

TUESDAY, DECEMBER 7, 2021

PERSPECTIVE

# Firms help small businesses struggling through pandemic

By Jennifer Chung Klam

*Special to the Daily Journal*

A Federal Reserve study released in April found the first year of the pandemic resulted in 200,000 permanent closures of small businesses, with personal service providers such as hair and nail salons being hardest hit.

The Fed also found that firms owned by people of color were among the businesses most likely to experience financial and operational challenges stemming from the pandemic.

Through their pro bono efforts, California law firms — including Manatt, Phelps & Phillips LLP and Morrison & Foerster LLP — have worked with nonprofits to try to help some of the most vulnerable businesses stay afloat and achieve their goals.

## Morrison & Foerster LLP

Shortly after the start of the pandemic, Morrison & Foerster partner Susan H. Mac Cormac in San Francisco, along with Jay Banfield from the nonprofit All Home and Elliott Donnelley of the White Sand Investor Group, created the California Small Business Enterprise Task Force, a consortium of legal, financial and nonprofit professionals helping small businesses navigate the pandemic.

“The three of us realized early in the pandemic, at week two, when businesses shut down, that the federal dollars were not going to reach them. Small businesses in the poorest communities would just be decimated,” said Mac Cormac, a partner who chairs MoFo’s energy, social enterprise and impact investing practices.

MoFo attorneys put together an online, interactive resource guide in English and Spanish on how



Morrison &amp; Foerster LLP

Susan H. Mac Cormac, Morrison &amp; Foerster LLP

businesses could get funding, and established office hours to let small business owners call in with questions about loans, aid, taxes, bankruptcy and more.

Mac Cormac emphasized that the project required the combined efforts of many law firms, nonprofit organizations and financial institutions.

So far, the fund has raised almost \$150 million and provided 778 loans totaling \$50 million. About 100 MoFo attorneys and staff have contributed 5,350 pro bono hours to CASE and the fund.

Other law firms that contributed to weekly virtual office hours for small businesses include Cooley LLP, Goodwin Procter LLP, Kirkland & Ellis LLP, Wilson Sonsini Goodrich & Rosati and Cozen O’Connor.

The attorneys said they found that a funding gap existed for the most vulnerable businesses, and the California Rebuilding Fund was formed.

Mac Cormac devised the novel

structure for the fund, which combines private, philanthropic and public sector resources and provides low-interest loans to small businesses, especially those located in economically disadvantaged areas where few banks are located nearby. Not a fund in the traditional sense, the California Rebuilding Fund acts as a lender to Community Development Financial Institutions, which in turn provide loans to small businesses.

“The average loan is between \$40,000 and \$100,000,” Mac Cormac said. She estimated 40% of the loans have gone to women-owned businesses, “and almost 50% percent to people of color.”

What’s unusual, she said, “is we have reached small companies in 55 of 58 California counties. One beauty of putting together a platform where we’re working with [community development institutions] is almost every area has CDFIs, so it hits rural and urban areas alike.”

“It’s not a small initiative,” Mac

Cormac said. “It’s a source of pride for many of us at the firm that we take on these large engagements. And people treat them the same as their billable work; you can’t stand something like this up without real commitment.”

## Manatt, Phelps & Phillips LLP

This year, Los Angeles based Manatt partnered with nonprofit Start Small Think Big to develop a two-part clinic focused on helping emerging business owners draft new contracts or review existing ones.

Following an initial one-hour consultation with a client to identify a particular issue and plan of action, Manatt associates draft the work product and receive feedback from supervising partners from the firm’s corporate finance, venture capital/emerging companies and financial services groups. Then associates have a final consultation with the client to review and deliver the work.

This first round of clinics helped five small businesses in New York and California. Since the clinics are conducted virtually, Manatt staffs them with attorneys from the firm’s 10 offices.

“We enjoy supporting and helping small businesses grow, especially Start Small Think Big clients, which are primarily women- and minority-owned businesses,” said Sirena Castillo, a partner and director of pro bono for Manatt.

In addition, the clinics are good opportunities to engage partners, associates and consultants at the firm.

“With the smaller scope, these clinics allow associates to really take the full driving push. It’s a great developmental opportunity for associates, who are fully in charge of client engagement, the first draft and determining where additional resources are needed,” Castillo said.