

Fund Finance Friday



Recommended Reading

May 29, 2020 | Issue No. 79

- Private equity funds in the middle-market space are increasingly using earn-out provisions to bridge the bid-ask divide, according to a recent report in [Forbes](#). Earn-out provisions allow acquirers to address uncertainty around an acquisition target's future cash flow by structuring part of the acquisition price to be contingent on the future performance of a business metric such as revenue or EBITDA.
- Funds are using recycling provisions in the LPA to help shore up capital at portfolio companies, reports the *Wall Street Journal* in a May 20 story, "[Buyout Firms Seek Capital Recycling as Coronavirus Bites](#)" (WSJ subscription required). The article quotes from Ropes & Gray attorneys who report that, in some instances, funds are pursuing changes to their recycling provisions to facilitate additional investments in portfolio companies as a more efficient option than navigating the conflicts landscape of establishing and investing through a follow-on fund.