**Dr Binru Zhao Presents Research on Private Equity and Law Firms at 8th ENTFIN Conference**

At the 8th Entrepreneurial Finance (ENTFIN) Conference Annual Meeting, held in Munich, Germany, on 10-11 June 2024, Dr Binru Zhao presented his co-authored paper titled, “Private Equity Sponsors, Law Firm Relationships, and Loan Contracts in Leveraged Buyouts.” The research delves into how private equity (PE) firms influence law firms involved in leveraged buyout (LBO) transactions, raising concerns about the impact on creditor protections.

The paper focuses on potential conflicts of interest when PE sponsors select law firms that represent creditors in LBO deals. While leveraged buyouts can be highly profitable, they also carry significant risks for creditors. Dr Zhao’s research reveals that relationships between PE sponsors and the lender side’s law firms can weaken creditor safeguards, leading to fewer covenants and more lenient loan terms, thereby increasing financial risk. In addition, Dr Zhao’s study suggests that these weakened protections can contribute to higher default rates in the years following LBO transactions.

These findings echo concerns previously raised by journalist Andrew Ross Sorkin in his 2016 article on Wall Street buyouts, which highlighted how such relationships probably would benefit PE sponsors at the expense of creditors.

The ENTFIN Conference brings together scholars, industry experts, and policymakers to discuss the latest advancements in entrepreneurial finance. Topics covered include venture capital, private equity, and crowdfunding, with a focus on understanding key issues affecting financial markets. Dr Zhao’s work addresses pressing concerns in the LBO market, offering valuable insights into how these sponsor-law firm relationships affect financial stability and market practices.