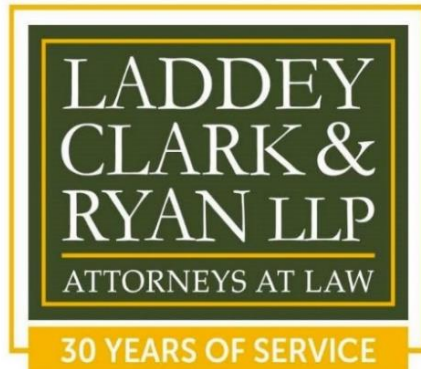


Time to Reopen Your Business- What You Need to Consider

May 21, 2020



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WHEN CAN WE RE-OPEN?

WHEN CAN WE REOPEN ?

1. Governor-reduction new cases, expand testing, contact tracing, isolation places, economic restart commission. Announced on May 12th will be developing time table
2. CDC and County/Local Health Departments-guidance-check for updates
3. Regulatory agencies-state licensing guidance
4. May 13th good news EO 142
 - a. May 18th non-essential construction can start
 - b. May 18th non-essential retail can provide curbside pick-up
 - c. Vehicle gatherings-drive in theaters, churches, farm...
6. More good news-EO May 26 surgeries and procedures can resume

When Can We Reopen?

- Executive Order 142 provides guidance
 - Social distancing
 - Limit meetings to 10 or less
 - Stagger hours
 - Identify high risk areas-breakrooms, rest rooms, elevators, reception areas
 - Stage breaks
 - Face coverings, gloves (at employer expense)
 - Frequent sanitation
 - Curbside service

Update May 18th

- Governor Murphy, 5 Stage approach-no date specific time frame
- We're entering Stage 1 from Stage 0 (maximum restrictions)
 - Relaxed restrictions for low risk activities-parks, beaches, golf, tennis clubs...
 - Stay at home as much as possible
 - Stage 2-moderate risk activities-restaurants, outdoor dining, limited personal care services, limited summer camp activities.
 - Stage 3-small social activities with limited number of friends and family, shoppers entering stores, workers returning to workplaces, schools return with reduced capacity, bars and entertainment facilities, with limited capacity
 - "New Normal"-once proven vaccine widely available

RE-OPENING CONSIDERATIONS

- Plan-Safety of employees and customers-PPE, sanitizing, direction, limiting occupancy, touchless doors, hand sanitizer stations, barriers, signage
- Adapt to customer expectations-curbside, home delivery, from home pick up...
- Touchless payment options
- Social Media-what you are doing to protect employees, customers...experience at your business
- Staffing-concerns with unemployment
- Some innovative business practices will continue-video medical, legal consultations...online work outs
- Vendors/Contractors-consider prohibiting nonessential vendors and deliveries inside building; off hours; request health assessments

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STIMULUS PROGRAM UPDATE

FEDERAL SBA PAYCHECK PROTECTION PROGRAM

1. Funding Status-PPP still has \$\$
2. Issues encountered
 - a. Loan closed before business opened-8 week period
 - b. What if I don't use all the funds?
 - c. Forgiveness status-application released
 - d. Potential exposure-certify "current economic uncertainty makes the loan request necessary to support the ongoing operations of the Applicant"

PPP

3. SBA-issued FAQ #46-provides a safe harbor. If Borrower and its affiliates received less than \$2 million it will be deemed to have made the certification of necessity in good faith. However, this does not protect borrowers that made fraudulent applications or other violations of the law.

Over \$2 million will be audited. If determine lacked an adequate basis for the certification concerning necessity for the loan SBA will seek repayment of the outstanding loan balanced and not be entitled to forgiveness. If repay SBA will not pursue administrative enforcement or referrals to other agencies.

New Stimulus Proposal

- May 15th the House approved \$3 trillion in additional stimulus funds (HEROES Act)
 - Being negotiated in the Senate
 - As introduced includes \$1 trillion for state, local, territorial and tribal governments
 - \$200 billion fund for essential workers
 - \$75 billion for testing, contact tracing and isolation
 - \$10 for grants involving the Economic Injury Disaster Loan program
- Murphy administration plans to pledge \$50 million to support small businesses. Funds will be administered through the Economic Development Authority (details to follow)

Helpful Resources SBA Support Programs

- **Emergency Assistance Eligibility Wizard:** <https://assistance.business.nj.gov/>
- **COVID-19/Novel Coronavirus Information for New Jersey Businesses:**
<https://faq.business.nj.gov/en/>
- **Paycheck Protection Program Borrower Application Form:**
<https://www.sba.gov/sites/default/files/2020-04/PPP%20Borrower%20Application%20Form.pdf>
- **PPP Frequently Asked Questions**
- <https://home.treasury.gov/system/files/136/3245-0407-SBA-Form-3508-PPP-Forgiveness-Application.pdf>
- **PPP Forgiveness Application:**
<https://home.treasury.gov/system/files/136/3245-0407-SBA-Form-3508-PPP-Forgiveness-Application.pdf>
- **EIDL Application:** <https://disasterloan.sba.gov/ela>

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MAIN STREET LENDING PROGRAMS

FEDERAL RESERVE SUPPORT PROGRAMS

Main Street Lending Program: the federal government will make capital available to lenders to make loans to small and medium-size businesses, by means of a Special Purpose Vehicle (SPV) to purchase a 95% participation interest in eligible new and existing loans from eligible lenders. Lenders will retain 5% of the loan. Through this program, the Federal Reserve will purchase up to \$600 billion of eligible loans. The Treasury will place \$75 billion of funds allocated in the CARES Act into the SPV.

- Eligible lenders include U.S. insured depository institutions, U.S. bank holding companies, and U.S. savings and loan holding companies, a U.S. intermediate holding company of a foreign banking organization, or a U.S. subsidiary of any of the foregoing.

The Program will now operate through three facilities:

1. Main Street New Loan Facility (MSNLF)
2. Main Street Priority Loan Facility (MSPLF) (New Facility) (SPV will purchase 85% participations and eligible lenders will retain 15% of Eligible loan)
3. Main Street Expanded Loan Facility (MSELF)

New Main Street Lending Program v. PPP

New Main Street Lending	Paycheck Protection Program
Any financial hardship caused by COVID-19 Must make reasonable efforts to maintain payroll and workforce	Maintain Payroll and Workforce (75%) and Business Related costs (25%) for 8 weeks
2.5-4% Variable Interest Rate	1% Fixed Interest Rate
Four Year Maturity	Two Year Maturity
Minimum \$500,000	No Minimum
No Forgiveness	Full or Partial Forgiveness
Reasonable basis to believe it has ability to meet its financial obligation	Current economic uncertainty makes this loan request necessary

New Main Street Lending Program - Eligibility

- **Eligibility:**

- (i) Has 15,000 employees or less; or (ii) Less than \$5 billion in 2019 annual revenues;
- Cannot be a type of business ineligible for SBA funding;
- In operation before March 13, 2020;
- Created or organized in the United States, or under the laws of the United States
- Has significant operations and a majority of its employees based in the United States.

New Main Street Lending Program – Ineligible Businesses

- 13 CFR 120.110(b)-(j) and (m)-(s)
 - Financial businesses primarily engaged in lending;
 - Passive businesses owned by developers and landlords;
 - Life insurance companies;
 - Businesses located outside United States;
 - Pyramid sale distribution plans;
 - Businesses engaged in gambling;
 - Businesses engaged in illegal activity;
 - Private clubs or businesses with limits to membership;
 - Government-owned entities;
 - Loan packagers;
 - Associate who is incarcerated, on probation, parole, or indicted for felony or crime of moral turpitude;
 - Business where Lender, CDC, or its Associates owns equity interest;
 - Adult businesses;
 - Businesses that previously defaulted on Federal loan or Federally assisted financing;
 - Businesses primarily engaged in political or lobbying activities;
 - Speculative businesses.

New Main Street Lending Program - Certification

- **Required Borrower Certification:**

- Refrain from repaying any other debt until Eligible Loan is repaid in full
- Commit that you will not seek to cancel or reduce any of its committed lines of credit
- Certify that you have a reasonable basis to meet financial obligations for at least the next 90 days and does not expect to file for bankruptcy
- Commit that you will follow distribution restrictions under section 4003(c)(3)(A)(ii) of the CARES Act
- Eligible under section 4019(b) of the CARES Act

The Main Street New Loan Facility (MSNLF)

- Terms:

- 4-year maturity
- principal and interest deferred for one year
- Adjustable rate of LIBOR (1 or 3 month) + 300 basis points
- Principal amortization of one-third at the end of the second year, one-third at the end of the third year, and one-third at maturity at the end of the fourth year;
- Minimum loan size of \$500,000
- The available loan amount will be the lesser of (i) \$25 million or (ii) an amount that, when added to the Eligible Borrower's existing outstanding and committed by undrawn debt, does not exceed four times the Eligible Borrower's 2019 earnings before interest, taxes, depreciation, and amortizations. The loans will be unsecured.
- Prepayment permitted without penalty

The Main Street Priority Loan Facility (MSPLF)

- Terms:

- 4-year maturity
- principal and interest deferred for one year
- Adjustable rate of LIBOR (1 or 3 month) + 300 basis points
- Principal amortization of 15% at the end of second year, 15% of the end of the third year, and a balloon payment of 70% at maturity at the end of the fourth year
- Minimum loan size of \$500,000
- The available loan amount will be the lesser of (i) \$25 million or (ii) an amount that, when added to the Eligible Borrower's existing outstanding and committed by undrawn debt, does not exceed six times the Eligible Borrower's 2019 earnings before interest, taxes, depreciation, and amortizations. The loans will be unsecured.
- Prepayment permitted without penalty

The Main Street Expanded Loan Facility (MSELF)

- Terms:

- 4-year maturity
- principal and interest deferred for one year
- Adjustable rate of LIBOR (1 or 3 month) + 300 basis points
- Principal amortization of 15% at the end of second year, 15% of the end of the third year, and a balloon payment of 70% at maturity at the end of the fourth year
- Minimum loan size of \$10 million
- The available loan amount will be the lesser of (i) \$200 million, (ii) 35% of the Eligible Borrower's existing outstanding and committed by undrawn bank debt, or (iii) an amount that, when added to the Eligible Borrower's existing outstanding and committed but undrawn debt, does not exceed six times the Eligible Borrower's 2019 earnings before interest, taxes, depreciation, and amortization.
- Prepayment permitted without penalty

Helpful Resources for Federal Reserve Support Programs

- **Main Street Lending Program Policy Tools:**

<https://www.federalreserve.gov/monetarypolicy/mainstreetlending.htm>

- **Ineligible Business Lists:**

https://gov.ecfr.io/cgi-bin/text-idx?SID=fa53a93b56da0512f225f4fbcf044d0c&mc=true&node=se13.1.120_1110&rgn=div8

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BUSINESS PREPARATION FOR SECOND COVID-19 WAVE: HOPE FOR THE BEST, PLAN FOR THE WORST

Business Preparation (cont.)

1. Invest in online infrastructure
2. Modify business plan
3. Address weaknesses in first response
4. Address how your business is reporting their expenses / bookkeeping
5. Prepare company worksite/ employee training
6. Follow federal, state, municipal, and regulatory bodies on COVID-19 guidance
7. Mitigate against consumer lawsuits

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WORKING WITH CUSTOMERS AND CREDITORS

Working with Customers and Creditors

- Cascading effect
- Business owners increased pressure from all sides
 - Customers want longer payment terms
 - Vendors wants to be paid now
- Assess the risk-past history, current circumstances, ask for financial information, guaranties, letters of credit..
- Review agreements-vendors, lease, loans...
- Payment relief-spread payments out over time
- Loans-pre-negotiation agreement-not binding, don't waive rights, cease discussions, cover costs
- Principal deferrals
- Forbearance agreements

Working With Creditors

- Landlord may be constrained by mortgage documents-lender approval
- Explore rent holiday or delay or spread over time
- Rent reduction
- CAM only
- Government action may toll dates-fit out, access
- Be consistent when dealing with customers, tenants...

FIVE STEPS EVERY SMALL BUSINESS OWNER MUST TAKE BEFORE REOPENING FROM A COVID-19 SHUTDOWN

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STEP ONE: IDENTIFY AND ANALYZE THE BUSINESS DEBT

- Identify and categorize debt.
- Is the debt secured or unsecured?
- Who is liable for the debt?
- Is the debt subject to a personal guaranty?

STEP TWO: BE STRATEGIC WITH PAYMENTS

- What funds are available?
- If funds are obtained through government programs, be sure to make payments as required.
- If funds remain available, pay those creditors that are absolutely essential to maintain an ongoing business.
- Pay debts subject to personal guarantees.

STEP THREE: COMMUNICATE WITH CREDITORS

- Communication is essential.
- Be honest.
- Recognize that the creditor might also be suffering.
- Get a sense as to how reasonable the creditor will be.

STEP FOUR: DECIDE IF THE BUSINESS CAN SURVIVE

- Make revenue and expense projections.
- Don't forget to include additional costs imposed by governmental entities.
- Don't forget to take into account any social distancing requirements and consumer confidence issues.
- Identify available working capital as well as sources for ongoing working capital.
- Obtain independent advice to determine viability.

STEP FIVE: UNDERSTAND YOUR BANKRUPTCY OPTIONS

- If a reasonable accommodation cannot be made with all creditors, bankruptcy is a legal remedy that should be considered.
- The Automatic Stay
- Three types of bankruptcy available to small businesses
 - Chapter 7
 - Chapter 11 - Small Business Reorganization Act
 - Chapter 13 (only available to sole proprietors)

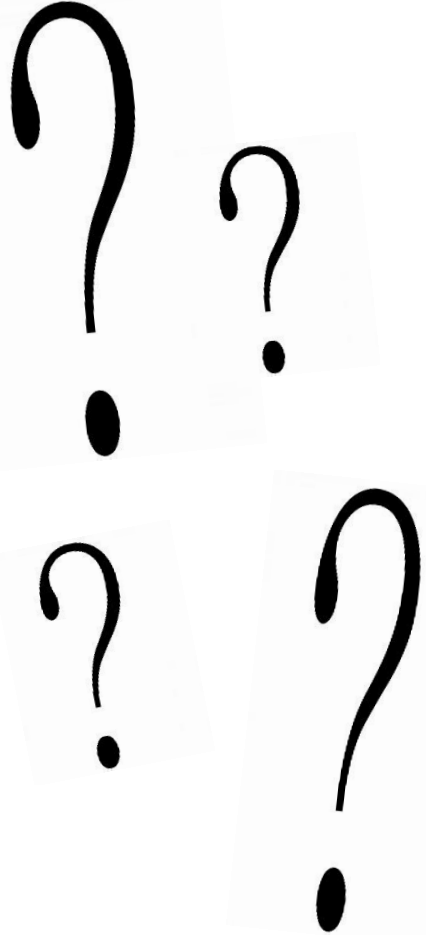
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Questions?



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