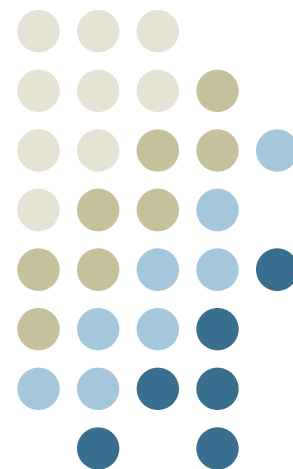
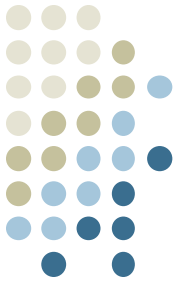


Accessing and Troubleshooting Restaurant and 1099 Relief Programs in Cook County

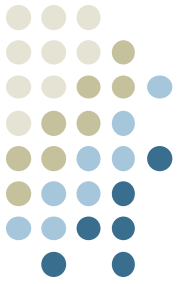
April 22, 2020



Sam Toia, President & CEO Illinois Restaurant Association

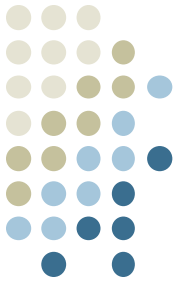


Agenda



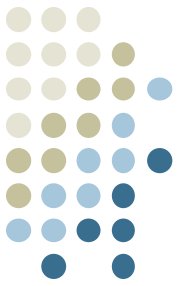
- Sam Toia Welcome
- President Preckwinkle & Cook County Programs for Small Business Assistance
- Paycheck Protection Program (PPP)
- PPP Forgiveness Best Practices
- Unemployment Benefits as an Option
- Market Overview
- Challenges for Banks
- What is Expected in Next Round of Funding
- Tips for Prospective Borrowers

Toni Preckwinkle, Cook County Board President

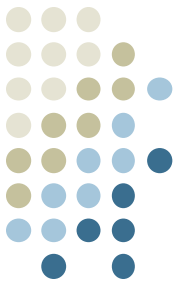


Heather Bailey

Partner, SmithAmundsen

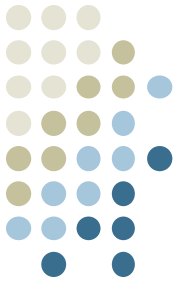


Paycheck Protection Program – Am I Eligible to Participate?



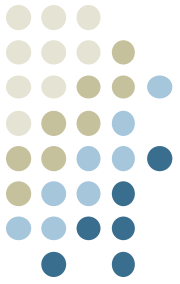
- Creates a loan program (with the potential for forgiveness) for employers with less than 500 employees (including nonprofits).
- Companies in hospitality/lodging or food service/restaurant industries (NAICS codes starting with “72”) are eligible even if they have > 500 employees so long as they have ≤ 500 employees per location and < \$500 million in annual income.
- Sole proprietors, independent contractors, and certain self-employed individuals are eligible.

What Will A Lender Look At?



- Considerations: Borrower was in operation on February 15, 2020 and had employees for whom the borrower paid salaries and payroll taxes or paid independent contractors on a Form 1099-MISC
- Factors Not Considered:
 - No requirement to satisfy “credit elsewhere” test
 - No personal guarantees
 - No collateral

What Will A Lender Look At?



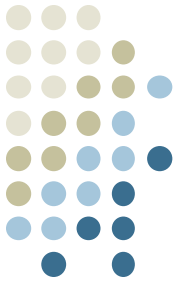
- Good Faith Certification:
 - Necessity of loan
 - Use of funds
 - Have not received and will not receive another PPP loan
 - Will provide verifying documentation for employees and covered costs
 - Forgiveness will only be provided for documented costs
 - Accuracy of information in application and supporting documents
 - Use of tax filings to calculate loan amount
 - Affirmation as to submitted tax documents
- Potential disqualification based on certain circumstances involving applicant and certain owners (e.g., bankruptcy, default on a federal loan, criminal charges)

How Much Money Can I Borrow And What Can I Use The Money For?



- Max Loan Amount = lesser of (i) 2.5 times average total monthly “payroll costs” during prior year or (ii) \$10M
 - Special rules regarding employers not in business in 2019 and seasonal employers and certain economic injury disaster loans
 - Certain costs excluded from payroll costs
 - Treasury guidance indicates loan amount will be based on tax documents submitted with application
- Permissible uses include:
 - Payroll costs
 - Costs related to the continuation of group health care benefits during periods of paid sick, medical, or family leave, and insurance premiums
 - Payments of interest on certain obligations like mortgage, rent, and utilities

What Are Payroll Costs?



- Payroll costs are the sum of the following:
 - wages, salary, or similar compensation to an employee or independent contractor (i.e., tips),
 - payment for vacation, parental, family, medical or sick leave,
 - allowance for dismissal or separation,
 - payment for group health care benefits, including premiums,
 - payment of any retirement benefits, and
 - payment of state or local tax assessed on the compensation of employees.



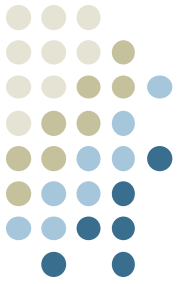
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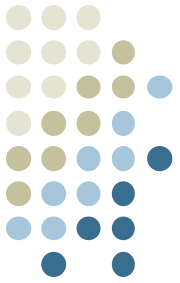
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What Are Payroll Costs?



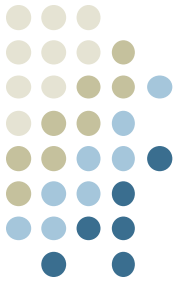
- Payroll costs do not include:
 - the compensation of any individual employee in excess of an annual salary of \$100,000,
 - payroll taxes,
 - any compensation of an employee whose principal place of residence is outside the U.S., or
 - any qualified sick leave or family medical leave for which a credit is allowed under the FFCRA (*double dipping*).

Will My Loan Be Forgiven?



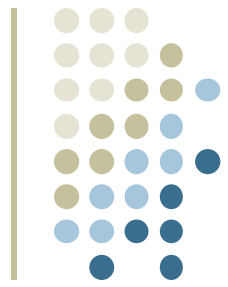
- Loan Forgiveness = amount incurred and paid for eligible expenses during the 8-week period beginning on the loan origination date
 - Cannot exceed principal amount of the financing
 - Potential reductions for reductions in employment and/or compensation
 - Certain employment and/or compensation reductions may be “cured” if done so not later than June 30, 2020
 - Expected that not more than 25% of forgiven amount may be for non-payroll costs – **75% must be used for payroll over 8 weeks from the date of funding!**
 - The remaining 25% - rent, mortgage interest and/or utilities
- Borrower is required to submit loan forgiveness application to lender with verifying documentation and a certification
 - Lender decision within 60 days of submitting application

DOCUMENTATION IS KEY!



- To seek forgiveness, a borrower must submit an application that includes documentation verifying the number of employees and pay rates, and canceled checks showing mortgage, rent, or utility payments.
- Open a new bank account for the PPP funds' use.
- Information and PPP Loan Application:
<https://home.treasury.gov/policy-issues/top-priorities/cares-act/assistance-for-small-businesses>

What Will Happen With the Balance That is Not Forgiven?



- May be prorated – if you reduce workforce by more than 25% or reduce pay by more than 25% during 8 week period
 - Rehire and increase pay
- All loans are expected to have the same terms
 - Maturity of 2 years
 - Fixed interest rate of 1%
- Loan payments deferred for 6 months – interest will accrue during deferral period
- No pre-payment penalty



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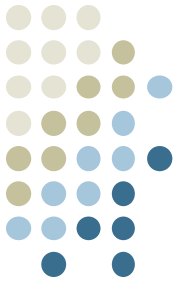
Cook County **Community
Recovery
Initiative**
Rapid relief loans, technical assistance and outreach
for small businesses and gig workers.



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Unemployment: Option for 1099s



- State unemployment doesn't cover everyone
 - For example, if you are sick with COVID-19, you're not otherwise available to work and don't qualify for unemployment.
 - Or, if you're an independent contractor, you don't qualify for unemployment
- CARES enacted \$600/week for up to 39 weeks for individuals with qualifying reasons:
 - The Pandemic supplement available through CARES covers individuals that might not otherwise get unemployment – 1099s \$600 per week
 - If you DO QUALIFY for state benefits, you get the \$600 on top of your state benefits.
 - In IL for example, individuals could get about \$400 as a weekly benefit, approximately \$100 in dependent allowance, AND \$600 as a pandemic supplement = approximately \$1,100 in weekly benefits.



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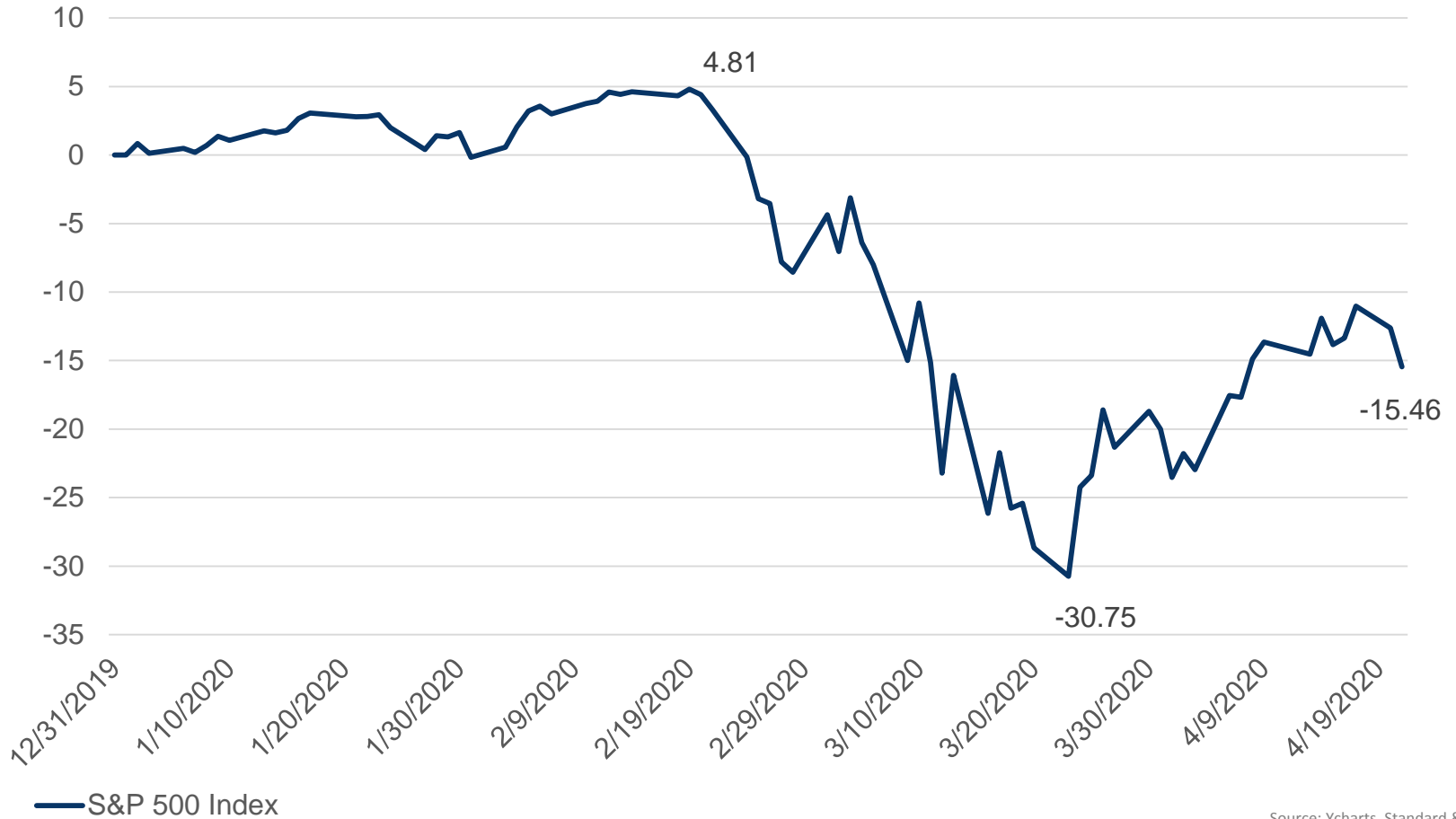
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ECONOMIC AND MARKET OVERVIEW



ECONOMIC AND MARKET OVERVIEW

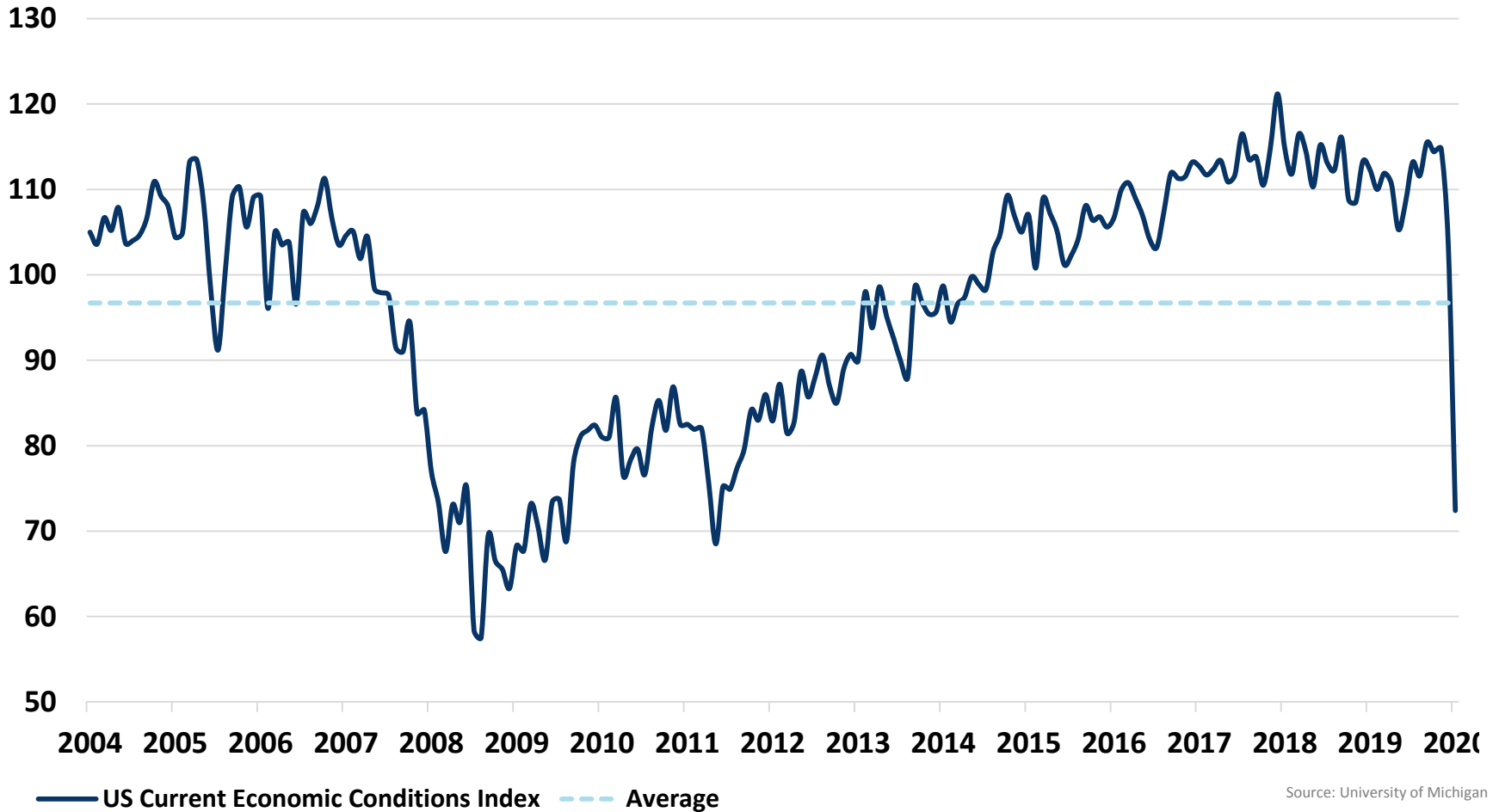
EQUITY MARKET PERFORMANCE YEAR-TO-DATE



Source: Ycharts, Standard & Poors

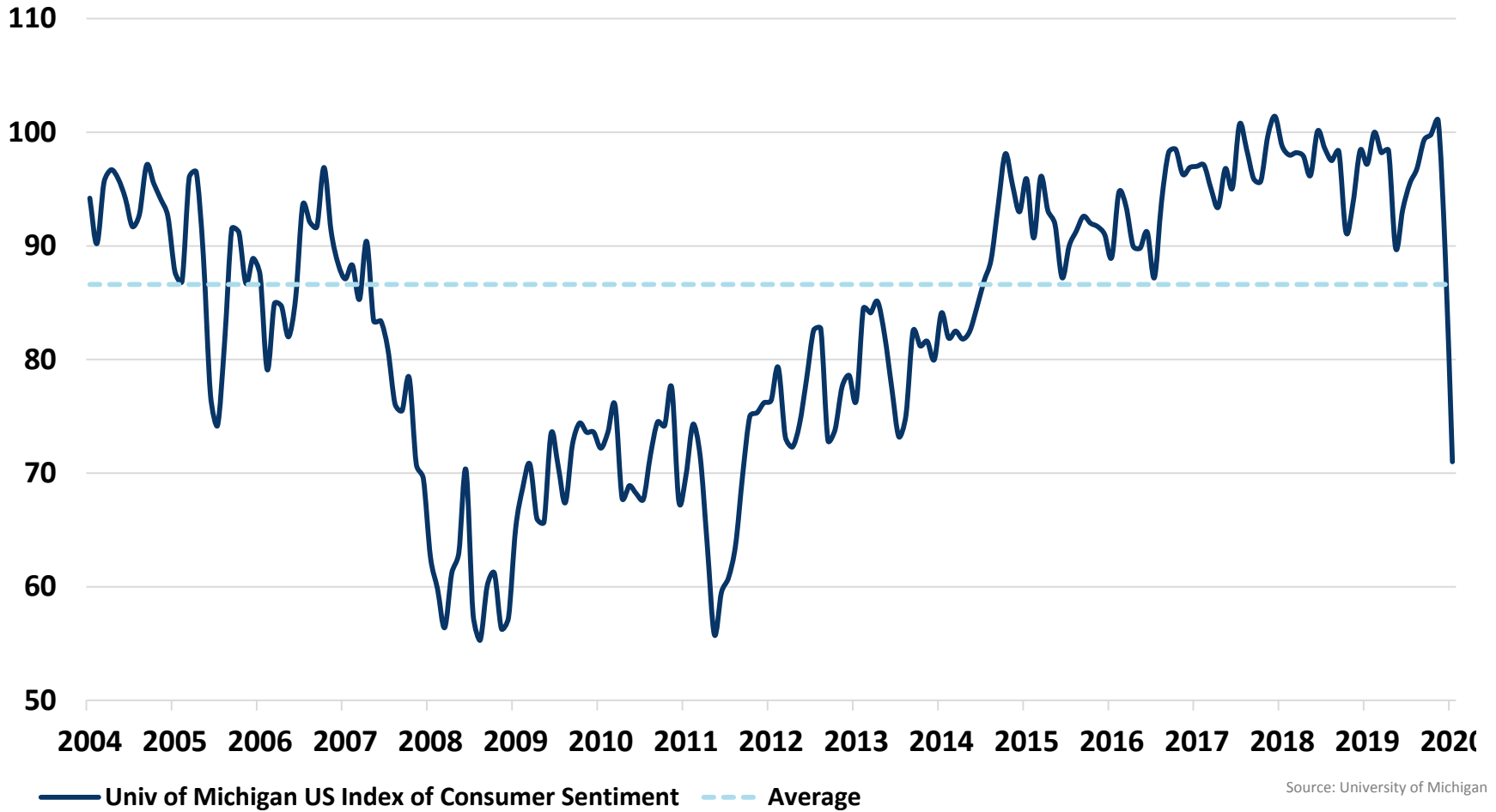
ECONOMIC AND MARKET OVERVIEW

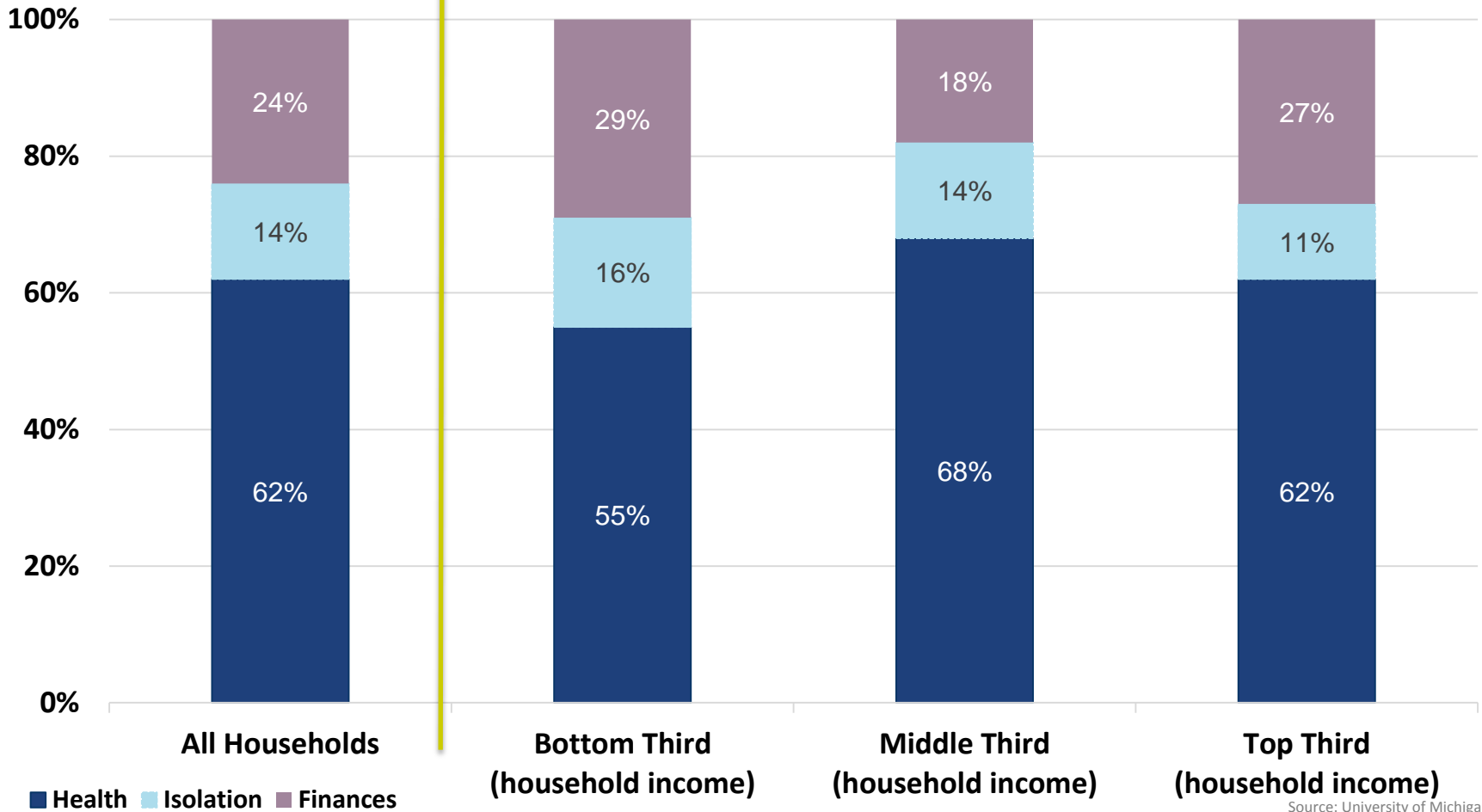
ECONOMIC CONDITIONS INDEX



ECONOMIC AND MARKET OVERVIEW

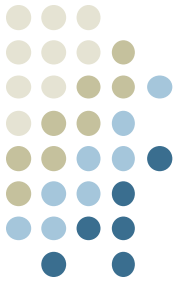
CONSUMER SENTIMENT





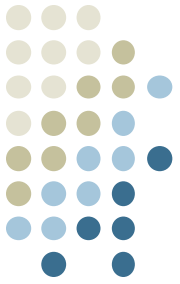
Source: University of Michigan

How to Work With Your Bank



- If you are new to the bank, you might need to provide some of the following:
 - **Article of incorporation, Bylaw, and / or operating agreement**
 - **The company must be in good standing with the State.**
- Application Documents needed include:
 - **SBA's Paycheck Protection Program Application Form**
 - **Payroll Calculator – you can use either the bank's or accountant's version.**
 - **IRS 941 (Federal) - All four quarters for 2019.**
 - **Health Insurance and /or retirement contribution supporting documents.**
 - **1099 for independent contractors.**
 - **2019 Schedule C for sole proprietors even if you have not filed taxes yet.**

How to Work With Your Bank



- Large Bank versus Community Bank?
 - **Large banks have sufficient backlog at this time. Not likely to fund new PPP applications.**
 - **Small banks have fast turnaround/ processing**
 - **Small banks have little to no backlog.**
- Alternative lenders:
 - **SBA non bank lenders have been problematic. Several took applications but were unable to fund due to lack of funding from warehouse lenders.**
 - **If you currently have a relationship with PayPal or Square, they would be a good source of funding under this program.**
 - **Other non bank lenders may come on line with PPP round 2. More to come.**

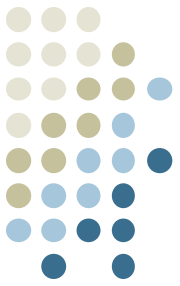
Emergency SBA EIDL Loans



- What is an EIDL Loan?
 - Economic Injury Disaster Loan is a direct lending program from the SBA.
 - Loan amounts up to \$2MM for small businesses.
 - Generous repayment terms up to 30 years with low rates of 3.75%.
 - Loan proceeds can be used for working capital, debt payments, payroll, rent and other bill that could have been paid had the disaster not occurred.
 - No cost to apply.
 - Application via online portal: disasterloan.sba.gov
 - For loans over \$25,000, the SBA will require collateral include 2nd or 3rd mortgages on principal shareholder (any shareholder with 20% ownership or more) personal real estate.
 - If collateral is not sufficient, the SBA will still process to make the loan.



THANK YOU



Thank You! Questions?

- **Cook County Community Recovery Initiative**
 - www.cookcountyil.gov/service/covid-19-community-recovery-initiative
- **Illinois Restaurant Association**
 - www.illinoisrestaurants.org/
- **Wintrust**
 - <https://www.wintrust.com/>
- **SmithAmundsen COVID-19 Resource Center**
 - www.salawus.com/practices-covid19-task-force.html