

WEBCAST RECAP

CRISIS RELIEF FOR BUSINESSES

Since the coronavirus pandemic began, small-business crisis relief programs have been circulating at nearly all levels of government, from the federal Small Business Administration all the way down to Chicago's City Hall. Knowing which loan and grant programs are right for a business and sorting through the requirements have been daunting. Many restaurant, retail and other business owners have been looking to access financial payments through their insurance contracts.

On April 29, Crain's Content Studio hosted "Crisis Relief for Businesses," a webcast discussion to help listeners sort out the details. Crain's Publisher and Executive Editor Jim Kirk moderated the discussion, which featured three panelists:

MICHAEL GRAY, a partner in the Corporate & Securities practice group at Neal Gerber Eisenberg, a Chicago-based global law firm, and one of the largest single-office law firms in the nation. He works with private companies on complex transactional and corporate governance matters, including M&A, private equity and venture capital investments, intellectual property agreements and the structuring of corporations and partnerships.

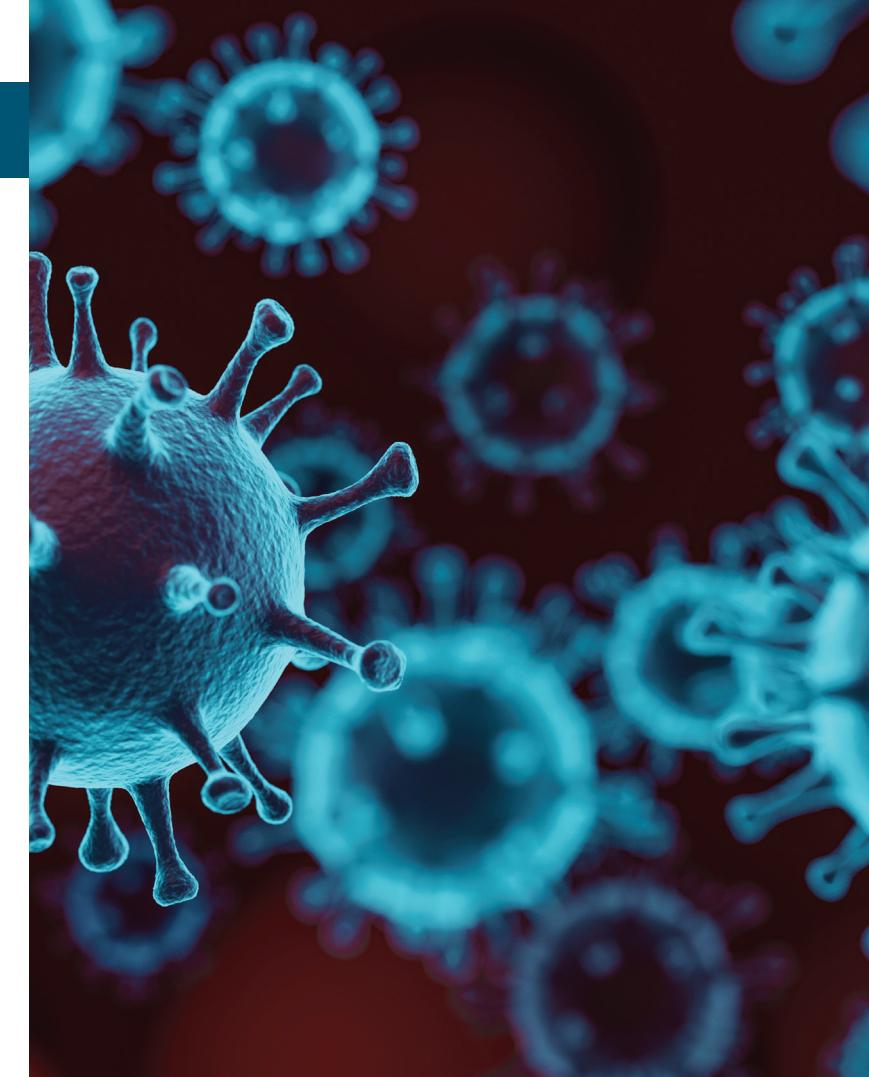
ANTONIO ROMANUCCI, a founding partner of Romanucci & Blandin, LLC. The Chicago-based national law firm has a trial practice committed to fighting for victims of negligence, abuse and wrongful death arising from corporate negligence, civil rights actions, business interruption, medical malpractice, mass torts and class actions, as well as police misconduct. He is currently the president of the Illinois Trial Lawyers Association.

ROBERT SCOTT, regional administrator for Region V of the U.S. Small Business Administration. He oversees delivery of the agency's financial assistance, technical assistance and government contracting activities throughout Illinois, Indiana, Michigan, Minnesota, Ohio and Wisconsin. Previously, he ran his own consulting firm, practiced law and served as the vice mayor in Kettering, Ohio.

Following is an edited transcript of the discussion.

JIM KIRK: How have you been assisting clients during the coronavirus pandemic?

Michael Gray: We've been spending a lot of time helping



people navigate the current situation, including Paycheck Protection Program (PPP) loans, which encourage small businesses to keep their workers on their payrolls. We've been helping clients figure out whether they can get the loans, how they should apply, and how to do all of the required calculations. Given the time frame and the amount of capital, the SBA has done an amazing job. Everything is changing on a day-to-day basis, though, so we've been trying to keep up.

Antonio Romanucci: We're representing literally hundreds of businesses right now that have been denied business interruption coverage that they thought they had, and that insurance companies have now told them they don't have. We're suing the insurance companies, seeking judgements to provide coverage to the businesses that thought they were covered.

"BECAUSE PPP LOANS CAN BE FORGIVEN... BUSINESS OWNERS WHO RECEIVED THEM SHOULD GET IN TOUCH WITH THEIR LAWYERS, ACCOUNTANTS AND OTHER ADVISORS TO MAKE SURE THEY'RE GOING TO BE IN COMPLIANCE."

-ROBERT SCOTT

Robert Scott: The last few months have been intense as we've launched the PPP as well and the separate economic injury disaster loan program servicing the small business community in the Great Lakes region, as well as the rest of the United States. We're working with small business owners and nonprofits and also the lending community, assisting them with any technical or other issues or questions about SBA policies.

Kirk: What's the number one COVID-related business concern you're hearing from clients?

Gray: People are wondering when this is going to end and how they're going to get back to business. After the initial shock of being at home, they're wondering how they'll get themselves and their employees back to their offices or places of work. People's kids are out of school, and they're wondering how to get childcare. It all relates to how businesses can get running again amidst incredible uncertainties. People who typically had a decent ability to anticipate what's coming for their businesses no longer have that kind of insight.

Romanucci: I represent a lot of restaurants, and the owners are frustrated, anxious and confused. They had purchased insurance for business interruption. But when they

Scott: We're hearing from small business owners wanting to get access to the various SBA programs that have been passed by the CARES (Coronavirus Aid, Relief, and Economic Security) Act as well as the economic injury disaster loans that were offered before that.

We're providing general business counseling, along with resource partners such as the Small Business Development Center, Women's Business Development Center, Veterans Business Development Center, and other local and state entities. We're also working with lenders who are helping people with PPP loans.

Lots of people are hurting, they're not sure what's happening, and they don't have visibility beyond the next couple of weeks, let alone the next couple of months. We're doing our best to accommodate everyone's questions and needs, working seven days a week at our offices in Chicago and Springfield. In this time of social distancing, we're doing things like this webcast to try to help as many people as possible.

Kirk: What do you see as the greatest financial impact the pandemic has had on the Chicago economy—now and looking forward?

Romanucci: We had nearly 50 million tourists in 2019, but currently there are none. There's no energy in River North, no business in the central business district, and no people going to restaurants. We'll likely see a butterfly effect when tourists return, when people start dining out again and returning to establishments they used to enjoy in the city and suburbs. The pandemic hasn't affected just an individual establishment, but the entire supply

chain, from restaurants to suppliers to distributors to farmers and growers and trucking—it's a constant flow.

It's a serious situation. The question is how severe the impact will be, and how long it will take to recover.

Gray: M&A, private equity,

venture financings, lending and general business transactions in the lower middle market businesses that I represent has slowed at an unprecedented rate and there's little new activity. People are trying to figure out how to transact in the current environment, but I haven't seen the pick-up yet.

Kirk: What should companies that obtained PPP loans be doing now?

Scott: Because PPP loans can be

forgiven—up to \$10 million, based

on eight weeks of payroll—business

owners who received them should

get in touch with their lawyers,

accountants and other advisors

to make sure they're going to be

in compliance. The key is to set

aside 75% of those funds or above

for payroll and the other 25% for

qualified business expenses, as

outlined in our rules. Businesses

will work with their lenders—not

us—to get the PPP loans forgiven. Along with the U.S. Treasury, we'll be issuing additional guidance on this process.

Additionally, the SBA is offering debt relief on regular SBA loans, where the payments are automatically deferred for six months, and we—the SBA—make the payments. There's another program called an SBA Bridge Loan Express, which is a \$25,000 quick loan made through SBA lenders to assist businesses during this time. Finally, businesses can access a credit via the Employee Retention Act. But if a business uses that, it can't get a PPP loan.

Gray: There also are some state and city programs available that business owners can find pretty easily. There

are a lot of tax benefits, some of which

businesses can still take advantage of if they get a PPP loan. While there's a lot of complexity and you really have to understand the facts for different

Gray: We haven't seen a lot of

payout for business interruption insurance. We certainly think some people will be successful, and there are merits based on how the policies are drafted. We don't think this is going to be a quick path to getting any money out of the carriers. We're preparing lawsuits right now to sue a number of carriers, although my understanding is this isn't taking place in Illinois.

Meanwhile, some states are looking

at passing laws that will likely back insurance carriers looking to set up funds to pay some business interruption insurance claims. But we

don't think there's going to be a lot of fast money to help people with their current cash flow, based on having their policies pay out. Unfortunately, we think most of the money is going to have to flow out of lawsuits.

Kirk: Are there alternatives for Chicago companies that need money now, but don't have time to wait for the courts to re-open?

Scott: The City of Chicago has

announced the start of its own small business grant program. Local governments are also offering low-

interest small business loans through a U.S. Department of Housing & Urban Development (HUD) program. I'm also hearing about lenders that are

Romanucci: Businesses must

document their losses, because at a certain point if a claim is accepted or adjudicated that it should be paid, that documentation will be used to determine the actual losses under the

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business interruption. I encourage "extreme documentation" of receipts or anything that shows what the losses are. Because at some point someone will come in and make an appraisal, then someone else will make a decision, similar to arbitration.

Romanucci: There are a couple of ways that we might be able to see a path. Litigation is certainly one path, and we expect to move as expeditiously as possible. But it still will take some time.

PANELISTS



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There are other programs for restaurants, such as Frontline Foods Chicago, where if a restaurant participates it might get reimbursed for certain types of expenses. It might be a way for a restaurant, at a minimum, to get out there in the community and have some of its expenses covered.

Another route that could supersede litigation is a bailout of the insurance industry. We know that our government has a history of bailing out big business. It bailed out the banks, it bailed out the auto industry and it bailed out the aviation industry. The insurance industry needs a bailout to help the people who are starving and who paid for benefits of policies they thought they had. Maybe it's time for something like that.

Kirk: What other actions should companies be considering or taking?

Gray: If you've got a good business that's struggling because of the pandemic, there still are lenders you can talk to who aren't looking to be predatory and who will loan money. The biggest thing that I'm starting to think about and help our clients think about is how do they get back to the office. How do they start getting their people to come to their manufacturing facilities? How do they get people to go to their restaurants? How do they start reengaging?

Another thing we're spending a lot of time talking about is what people need to do in their offices or restaurants in terms of spacing people or enforcing face masks. Some places are saying anybody over a certain age should stay at home, or only people under a certain age should come to work. People need to be thoughtful about the laws as they get back to their offices so they don't try to do something for the good of everybody, but inadvertently trip over discrimination or other issues.

Kirk: What would you suggest for businesses just getting started that have been hit with this crisis?

Scott: Reach out to the SBA. We have folks fielding questions all day long. We'll counsel you and hook you up with one of our small business development centers, try to get you other resources and advise you on which way to go. We obviously care deeply about our start-ups, and our resource partners do as well. Go to sba.gov to find all the contact information you need.

stepping up and offering low-interest loans on their own—not government-backed—to support their local communities.

Romanucci: There are a couple of ways that we might be able to see a path. Litigation is certainly one path, and we expect to move as expeditiously as possible. But it still will take some time.

To view this webcast in full, go to the chicagobusiness.com/webcast-archive.