HOW TO ACCESS THE SBA AND OTHER WAYS OF PRESERVING VALUE IN YOUR BUSINESS

Presented by:
Mike Trabert, Partner
Ken Haffey, Partner
David Mustin, Partner

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INTRODUCTIONS

Mike Trabert, CPA, CVA, CMAP, CEPA, CM&AA
- Partner, Advisory
- Leader in the Value Acceleration/Exit Planning Services
- Exit Planner of the Year - 2017

Kenneth M. Haffey, CPA, CVA, CEPA, CGMA, CFP
- Partner, Advisory
- 30+ years in public accounting
- Previously CFO of a publicly held bank

David Mustin, MBA
- Partner, Advisory
- 25+ years of management consulting
- Business and IT growth and transformation
Stay up-to-date on how the coronavirus (COVID-19) will impact your business.

marcumllp.com/coronavirus
LEARNING OBJECTIVES

After completing the session, participants will be able to...

- Understand the two available SBA loan programs including structure, eligibility, amounts, timing and how to apply
- Identify impact on current year tax filings and payments
- Understand how to preserve value in the current coronavirus pandemic
- Understand action steps to weather the tide of business challenges

“In the long run, men hit only what they aim at.” – Henry David Thoreau
WE LIVE IN INTERESTING TIMES
FIVE STAGES OF VALUE MATURITY

STAGE 1
IDENTIFY VALUE

STAGE 2
PROTECT VALUE

STAGE 3
BUILD VALUE

STAGE 4
HARVEST VALUE

STAGE 5
MANAGE VALUE
## AREAS OF RISK

<table>
<thead>
<tr>
<th>BUSINESS</th>
<th>FINANCIAL</th>
<th>PERSONAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>CUSTOMERS</td>
<td>ENVIRONMENT</td>
<td>DEATH</td>
</tr>
<tr>
<td>KEY PEOPLE</td>
<td>TECH/MACHINERY</td>
<td>DIVORCE</td>
</tr>
<tr>
<td>INTERRUPTION</td>
<td>OWNER RELIANT</td>
<td>DISABILITY</td>
</tr>
<tr>
<td>ECONOMY</td>
<td>DATA/I.T.</td>
<td>HEALTH</td>
</tr>
<tr>
<td>DISTRESS</td>
<td>COMPLIANCE</td>
<td>ACCIDENTS</td>
</tr>
<tr>
<td>DISAGREEMENTS</td>
<td>LOANS/DEBT</td>
<td>TRAGEDIES</td>
</tr>
</tbody>
</table>

### Areas of Risk:
- **Business**
  - Customers
  - Key People
  - Interruption
  - Economy
  - Distress
  - Disagreements

- **Financial**
  - Market Risks
  - Diversification
  - Loans/Debt
  - Lawsuits
  - Earning Power
  - Long-Term Care

- **Personal**
  - Death
  - Divorce
  - Disability
  - Health
  - Accidents
  - Tragedies
WHAT IS ENTERPRISE RISK MANAGEMENT?

Enterprise Risk Management is a process, designed to identify potential events that may affect the entity, and create issues or problems in the future.

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TYPES OF RISKS

Compliance
Created by failing to follow federal, state or local law, regulation or policy

Financial
May result in loss of physical assets or financial resources

Operations
Affect ongoing day-to-day management processes

Information Security
Failure in the confidentiality, integrity or availability of an information system

Strategic
Affect an organization's ability to achieve its goals and/or objectives
# Enterprise Risk Management Process

## Planning
- Leadership
- Team
- Approach
- Measure & Tracking

## Risk Identification
- SWOT Analysis
- Team Brainstorming

## Analysis
- Probability
- Impact
- Controls

## Response Planning
- Risk Register
- Controls & Mitigations
- Prioritize
- Costs
- Responsibility
- Timelines

## Monitoring, Control & Reporting
- Reporting
- Re-assessment
- Control Testing
- Decision Making
CARES ACT – TAX PROVISIONS

• Cash rebates -$1,200-single; $2,400-married; $500/child
  • If income less than 75,000; 150,000

• Employee retention credit-50% credit up to $10,000 wages/furloughed employee

• Delays payroll tax payments for 2020 until 2021 and 2022

• 2020 estimated tax payments not due until Oct. 15 for individuals and businesses
CARES ACT – UNEMPLOYMENT RULES

• Expands benefits to self-employed and independent contractors

• $600/week increase to 7/31

• Additional 13 weeks of benefits beyond what states allow for those needing it

• Jobless claims last week were 3.3m – 4X PREVIOUS RECORD
CARES ACT – SMALL BUSINESS PROVISIONS

• Paycheck protection – forgiveness of loans if maintain payroll

• Portion used for payroll costs, interest on mortgage, rent, utilities

• 8 weeks of assistance retroactive to 2/15

• Debt relief-for 6 months SBA required to pay principal, interest, fees on existing SBA loans
TAX RELIEF – FEDERAL INCOME TAXES

• Automatic Extensions to File and Pay Federal Income Taxes until 7/15
  • Applies to individual, partnership or corporation
  • No interest or penalties
  • Does not apply to gift, estate, payroll or excise taxes
  • Applies to first quarterly estimated payments due 4/15
  • Most states likely to follow
FAMILIES FIRST CORONAVIRUS RESPONSE ACT

TAX RELIEF – REFUNDABLE PAYROLL TAX CREDITS

• Business Tax Credits for Paid Sick Leave and Paid Family Medical Leave

• Private Companies with Less than 500 Employees

• 100% Refundable Tax Credits
FAMILIES FIRST CORONAVIRUS RESPONSE ACT (2)

• Sick Leave

• Pay employees full wages up to $511 for 10 days ($5110, total) if unable to work:
  • Employee subject to quarantine
  • Employee advised by health care provider to self-quarantine
  • Employee experiencing symptoms
FAMILIES FIRST CORONAVIRUS RESPONSE ACT (3)

• Pay employee 2/3 of full wages up to $200/day ($2000, total) if unable to work
  • Employee caring for individual subject to quarantine or advised to self-quarantine
  • Employee caring for child when school/care facility is closed
FAMILIES FIRST CORONAVIRUS RESPONSE ACT (4)

• Family Leave
  • Employee unable to work due to care for child under 19 when school/care facility closed
  • Paid leave - 10 week maximum
  • 2/3 of regular pay, $200/day, $10,000 total

• Credit for health insurance coverage during leave period

• Paid Sick Leave $5,000 $10,000
• Payroll tax liability $8,000 $8,000
• Pay/(refund) $3,000 ($2,000)
FINANCIAL STATEMENT CONSIDERATIONS

• Asset Impairment – Goodwill, Intangible Assets, Long-lived Assets
• Inventory – Net Realizable Value
• Accounts Receivable – Allowance for Doubtful Accounts
• Investments – Equity Method Value
• Loan Covenants
• Going Concern Evaluation
• Subsequent Events
HOW LONG WOULD YOUR BUSINESS SURVIVE IF SALES STOPPED COMPLETELY?

73% of businesses wouldn’t survive past six months

https://www.womply.com/blog/long-business-survive-sales-dropped/
RESTAURANT BOOKINGS – MAR 4TH – 17TH

Source: OpenTable
THERE ARE TWO SEPARATE DISASTER RELIEF LOAN PROGRAMS FOR SMALL BUSINESSES

**ECONOMIC INJURY DISASTER LOAN (EIDL) PROGRAM**

- Suffered substantial economic injury in a declared disaster area (US).
- For-profit or Not-for-profit
- Substantial economic injury means the business is unable to meet its obligations and to pay its ordinary and necessary operating expenses.
- EIDLs provide the necessary *working capital* to help small businesses survive until normal operations resume after a disaster.

**$300B EMERGENCY CORONAVIRUS RELIEF**

- Included in the $2T stimulus relief package working through congress.
- Part of *Keeping Workers Paid and Employed Act* (CARES)
- Funds used to pay workers, lease and utility payments.
### SBA: ECONOMIC INJURY DISASTER LOAN (EIDL) (1)

<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Eligibility</strong></td>
<td>• Small businesses affected by the disaster</td>
</tr>
<tr>
<td><strong>Criteria</strong></td>
<td>• Credit History: Acceptable to SBA&lt;br&gt;• Repayment: Ability to repay&lt;br&gt;• Eligibility: Suffered working capital damage</td>
</tr>
<tr>
<td><strong>Borrowing Limit</strong></td>
<td>• Up to $2 Million</td>
</tr>
<tr>
<td><strong>Interest Rate</strong></td>
<td>• 3.75% - For Profit / 2.75% - Not For Profit</td>
</tr>
<tr>
<td><strong>Use</strong></td>
<td>• Fixed debts, payroll, accounts payable, and other bills</td>
</tr>
<tr>
<td><strong>Collateral</strong></td>
<td>• Required where available</td>
</tr>
</tbody>
</table>

* - not for existing debt reduction, replace lost sales or expansion
SBA: ECONOMIC INJURY DISASTER LOAN (EIDL) (2)

Applying
• Online or through mail

Documents
• Loan Application
• Signed and dated IRS Form 4506-T allowing the IRS to provide SBA your tax return information

Payment Terms
• Based on borrowers ability to pay

Timing (Estimated)
• Decision: 2 – 3 weeks
• Disbursement: 5 days

Link
https://disasterloan.sba.gov/ela(Account/Login)
SBA DISASTER LOAN ASSISTANCE LOGIN PORTAL

https://disasterloan.sba.gov/ela/Account/Login
It is critical that the ECONOMIC INJURY box be checked on Page 1 or you are applying for the wrong loan.
$300B EMERGENCY CORONAVIRUS RELIEF (1)

Notes: This Bill has not yet passed the House (as of March 26)
This Bill is different from the SBA EIDL
Business are not eligible for both programs

Covered Loan Period
- March 1 – December 31, 2020

Eligible Businesses
- Up to 500 Employees,
- In business on February 15, 2020

Borrowing Limit
- Increases 7(a) loans up to $10 Million thru Dec. 31

Delegated Authority
- Increases decision making of 7(a) lenders without going thru SBA channels
$300B EMERGENCY CORONAVIRUS RELIEF (2)

<table>
<thead>
<tr>
<th><strong>Repayment Eligibility</strong></th>
<th>• Simply in business February 15, 2020 and employees with payroll</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Fees</strong></td>
<td>• Waives borrower and lender fees for 7(a) loans</td>
</tr>
<tr>
<td><strong>Loan Guarantees</strong></td>
<td>• Increases government guarantees of loans to 100% through December 31, 2020 (*)</td>
</tr>
<tr>
<td><strong>SBA Express Loans</strong></td>
<td>• Increases maximum loan to $1M from $350,000 through December 31, 2020 (*)</td>
</tr>
<tr>
<td><strong>Non-Profits</strong></td>
<td>• Reimbursement for ½ of unemployment costs incurred thru Dec. 31, 2020</td>
</tr>
</tbody>
</table>

(*) – Returns to normal following December 31, 2020
$300B EMERGENCY CORONAVIRUS RELIEF (3)

**Unemployment Comp.**
- Additional $600 per week pay to each recipient of unemployment or pandemic unemployment assistance for up to four months

**Soc. Sec Tax Deferral**
- Allows deferral for employers and self-employed to defer employer ½ of Soc Sec Tax to Dec 31, 2021 and 2022
OTHER CONSIDERATIONS

• Business Interruption Insurance
  • Most BII policies exclude interruptions for viruses
  • Check your policy for specific exclusions

• Contact your lender about other lending options

• Discuss with your lender options:
  • Payment deferment options (principal and interest for three months)
  • Interest only payments
  • Fee suspension programs
  • Other options
MARKET THOUGHTS

• It is too late to de-risk portfolios.

• Huge opportunities in the municipal bond market.

• Corporate credit markets are in the cheapest 5% of history.

• Scaling into equity positions is the prudent approach.

• The biggest risk factors are policy errors on the healthcare and fiscal stimulus fronts.

• There are numerous reasons to be more bullish when looking at the data.

“It is tough to make predictions, especially about the future”
- Yogi Berra
1. BE PREPARED: HAVE A PLAN

- Develop/Refine a Plan
- Conduct Scenario Planning
- Identify Risks / Risk Management
- Identify New Markets, Clients and Products that are Recession Resistant
2. MANAGE CASH FLOW

<table>
<thead>
<tr>
<th></th>
<th>Jan-Wk1</th>
<th>Jan-Wk2</th>
<th>Jan-Wk3</th>
<th>Jan-Wk4</th>
<th>Feb Wk</th>
</tr>
</thead>
<tbody>
<tr>
<td>OPENING BALANCE</td>
<td>32,030</td>
<td>26,852</td>
<td>19,535</td>
<td>16,395</td>
<td>8,00</td>
</tr>
<tr>
<td>RECEIPTS</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customer A/R</td>
<td>1,196</td>
<td>7,222</td>
<td>5,467</td>
<td>5,328</td>
<td>5,91</td>
</tr>
<tr>
<td>VAT</td>
<td>10</td>
<td>2,611</td>
<td>4,204</td>
<td>3,884</td>
<td>6,91</td>
</tr>
<tr>
<td>Intercompany Funding</td>
<td>0</td>
<td>3,285</td>
<td>4,311</td>
<td>4,401</td>
<td>4,44</td>
</tr>
<tr>
<td>Corporate Tax</td>
<td>0</td>
<td>1,196</td>
<td>2,174</td>
<td>2,509</td>
<td>3,06</td>
</tr>
<tr>
<td>Dividends</td>
<td>4,741</td>
<td>1,100</td>
<td>5,104</td>
<td>6,104</td>
<td>2,71</td>
</tr>
<tr>
<td>External Interest</td>
<td>1,000</td>
<td>1,641</td>
<td>1,418</td>
<td>1,407</td>
<td>2,65</td>
</tr>
<tr>
<td>Debt Factoring</td>
<td>1,367</td>
<td>2,572</td>
<td>4,404</td>
<td>1,191</td>
<td>4,75</td>
</tr>
<tr>
<td>Special Projects</td>
<td>4,241</td>
<td>4,158</td>
<td>8,378</td>
<td>2,184</td>
<td>4,10</td>
</tr>
<tr>
<td>Foreign Exchange</td>
<td>287</td>
<td>1,528</td>
<td>1,353</td>
<td>832</td>
<td>1,64</td>
</tr>
<tr>
<td>Intercompany Trade</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>TOTAL RECEIPTS</td>
<td>12,842</td>
<td>25,313</td>
<td>36,811</td>
<td>27,838</td>
<td>36,21</td>
</tr>
<tr>
<td>PAYMENTS</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Outflow</td>
<td>3,139</td>
<td>4,838</td>
<td>5,273</td>
<td>7,065</td>
<td>5,33</td>
</tr>
<tr>
<td>Salaries</td>
<td>1,682</td>
<td>6,629</td>
<td>1,682</td>
<td>4,177</td>
<td>3,54</td>
</tr>
<tr>
<td>VAT</td>
<td>0</td>
<td>804</td>
<td>707</td>
<td>343</td>
<td>57</td>
</tr>
</tbody>
</table>

- Develop 13-Week Rolling Cash Flow Forecast
- Accelerate A/R
- Decelerate A/P
- Expand Lines of Credit
- Eliminate Expense
3. MANAGE CAPITAL

- Reduce Inventory
- Limit Capital Purchases
- Reduce Debt
- Expand Lines of Credit
- Sale/Leaseback of Capital Assets
4. ATTEND TO CLIENTS

- Prioritize Critical Clients
- Address Clients Needs
- Seek New Clients
- Diversify Clients
5. ATTEND TO STAFF

- Address Low Performers
- Retain Valuable Staff
- Utilize Temps for Demand Fluctuations
- Outsource Non-Strategic Centers
- Train, Train, Train

Common Response is Fear
Drop Everything (Including Staff) and Run
6. FOCUS ON SALES AND MARKETING

- Continue Marketing
- Understand Your Value in Times of Crisis
- Train/Retrain Sales Staff
- Accelerate Time to Close
- Increase Marketing to Key Customers
7. UTILIZE A DASHBOARD AND TRACK EARLY WARNING INDICATORS

• Monitor, Monitor, Monitor
• Track What Drives Your Business
• Include Early Warning Indicators
SOURCES OF ADDITIONAL INFORMATION


marcumllp.com/coronavirus
UPCOMING WEBINARS

**Coronavirus and the Construction Industry**
Friday, March 27
1:00 – 2:00 PM EDT

**How Might the Value of Your Business Be Impacted as a Result of the Coronavirus Crisis?**
Tuesday, March 31
2:00 – 3:00 PM EDT

**Coronavirus Stimulus Overview and the Tax Implications**
Tuesday, March 31
3:30 – 4:30 PM EDT
QUESTIONS

Mike Trabert, CPA, CVA, CMAP, CEPA, CM&AA
(P) 440.459.5760
(E) mike.trabert@marcumllp.com

Kenneth M. Haffey, CPA, CVA, CEPA, CGMA, CFP
(P) 440.459.5745
(E) ken.haffey@marcumllp.com

David Mustin, MBA
(P) 440.459.5755
(E) dave.mustin@marcumllp.com