Beyond The Pandemic: Cash Flow And Strategies For The New Economy

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STRATEGY 1:
LEVERAGE FEDERAL ASSISTANCE
• Eligible profits/nonprofits under 500 employees
• Loan program directly from SBA (sba.gov)
• $2 million per company...but now limited to $150K
• 2.75% (non profit), 3.75% (for profit)
• Up to 30 year payback
• $10K advance made within “days” of filing. Not payable if loan is declined.
• SBA Express Loans - $25K if you have an SBA relationship already
Paycheck Protection Program
<table>
<thead>
<tr>
<th>Lender Size</th>
<th>Approved Loans</th>
<th>Approved Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>&gt;$50B in Assets</td>
<td>1,250,924</td>
<td>$101,389,895,902</td>
</tr>
<tr>
<td>$10B to $50B in Assets</td>
<td>375,095</td>
<td>$29,356,820,627</td>
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<tr>
<td>&lt;$10B in Assets</td>
<td>1,060,474</td>
<td>$61,818,537,658</td>
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<tr>
<td>Total:</td>
<td>2,686,493</td>
<td>$192,565,254,187</td>
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# of Participating Lenders   | 5,428          | Avg Loan Size: $71,679 |
Paycheck Protection Program: Getting The Loan

• Big banks, small banks, online lenders (Kabbage, OnDeck, PayPal, Lendio)

• $10 Million available, 2 year term, 1% interest
  Payments deferred for six months

• Formula: 2.5x annual payroll/compensation
  - Use your last 12 months
  - Salary, wages, commissions, tips capped at $100K per employee
  - Includes business owners, earnings subject to self employment tax
  - Vacation, sick/medical leave, group health care, retirement
  - State and local taxes on compensation

• No collateral. No personal guarantees. No fees. No prepayment penalties.

• Can be used in addition to Economic Injury Loans but no double dip.

• One loan allowed per Tax ID.
Paycheck Protection Program - Forgiveness

• Forgiveness period is 8 weeks after getting loan.

• Forgiveness for payroll, mortgage interest, rents, utilities, with a 25% cap on non-payroll expenses.

• Must restore FTE salaries and headcount by 6/30/20. (FTE is 30 hours per week + Part Timer monthly hours/120).

• Documentation: payroll records, tax returns, invoices, bank statement.

• This is an agreement between you and your banker. Read the document before signing!
Payroll Tax Deferral and Credit

DEFERRAL - Beginning this quarter you can defer employer taxes to 2021 and 2022.

CREDIT -

• 50% of every employee’s salary up to $10,000 from March 20 to December 31
• Refundable credit on payroll tax returns against employer payroll taxes
• Cannot overlap with PPP.
• Partially/fully suspends operations due to COVID-19 or suffers revenue loss which is 50% compared to prior period
• Different than the tax credit received for qualified leave under the Emergency Federal Medical Leave Act. However, the salaries must not used again.
Unemployment

• Independent contractors, proprietors are covered.
• Eligible for state plus $600/week federal through 7/31/20
• States are slow
Work Sharing

• Lets businesses temporarily reduce the hours of their employees, instead of laying them off during economic downturns.

• Pros:
  - Businesses retain trained workforce
  - Workers keep their jobs and collect reduced unemployment benefits
  - States save money by paying only partial unemployment claims

• Cons:
  - Only 27 states participating
  - Somewhat obscure
  - Longer term to negotiate

https://www.ncsl.org/research/labor-and-employment/work-share-programs.aspx
State, Local, Corporate

• Facebook
• JP Morgan Chase
• Verizon
• Opportunity Fund
2019 Taxes

• Extended to July 15, 2020

• File now for refunds
Main Street Lending Program

• $600B available by Federal Reserve through banks
• Minimum $1M (maybe $500K) - $150M loans
• Variable interest – approximately 3-4%
• 4 year term
• Working capital, equipment, property but not to re-finance
What Have We Learned?

• There are at least six forms of funding available for companies to help cash flow through the pandemic crisis.
STRATEGY 2:
MAKING YOUR WORKPLACE SAFE
Families First Coronavirus Response Act (FFCRA)

Employers with less than 500 employees
Must post/display all benefits
Available through 12/31/20
EMPLOYER MUST PAY:
80 hours paid at regular rate or the applicable minimum wage, whichever is higher, up to $511 per day and $5,110 in the aggregate (over a 2-week period).

Sick Employee:

• is subject to a Federal, State, or local quarantine or isolation order related to COVID-19

• is experiencing COVID-19 symptoms and is seeking a medical diagnosis;

• has been advised by a health care provider to self-quarantine related to COVID-19;
Employee Caring for Family Member:

- caring for an individual subject to an order described or self-quarantine as described previously;
- experiencing any other substantially-similar condition specified by the Secretary of Health and Human Services;

**EMPLOYER MUST PAY:**
80 hours paid at 2/3 their regular rate or 2/3 the applicable minimum wage, whichever is higher, up to $200 per day and $2,000 in the aggregate (over a 2-week period).
Additional Paid Extended Family Leave:

• caring for a child whose school or place of care is closed (or child care provider is unavailable) for reasons related to COVID-19;

EMPLOYER MUST PAY:
10 Additional Weeks: employees taking leave shall be paid at 2/3 their regular rate or 2/3 the applicable minimum wage, whichever is higher, up to $200 per day and $12,000 in the aggregate.
Dollar-for-dollar reimbursement through tax credits for all qualifying wages paid under the FFCRA. Qualifying wages are those paid to an employee who takes leave under the Act for a qualifying reason, up to the appropriate per diem and aggregate payment caps. Applicable tax credits also extend to amounts paid or incurred to maintain health insurance coverage.
Your Workplace

• Frequent temperature checks and testing
  • TrueCare: Onsite nursing, 60,000 provider network
  • EasyBadges: Temperature checking kiosks
  • 986Labs: Checks, screenings by scans

• Hand sanitizer, gloves, cleaning schedule

• Social distancing, masks, no meetings, minimize break room
Working from home: technologies

• Collaboration: Microsoft Teams, Slack, Box.net

• Communication: Zoom, Microsoft Teams, Google Meet, GoToMeeting

• CRM: Salesforce, Zoho, Microsoft Dynamics

• Managed Services: Right Networks

• Documents/Processing: Adobe, DocuSign, Receipt Bank/Bill.com

• Security: Upgrade OS, KnowBe4, MalwareBytes
Working from home: Best practices

• Upgrade written policies
• Trial period
• Balance work from home with in office
• Demand availability
• Use as a recruitment tool
401k Benefits for Your Employees

• March 27, 2020, and lasting for 180 days thereafter, the CARES Act doubles the amount that a participant can borrow to the lesser of $100,000 or 100% of the participant’s vested account balance in the plan.

• For plan participants with outstanding loans at the time the CARES Act is passed, any payments due through December 31, 2020, can be deferred for one year.

• Withdrawals if affected by CV19 financially, of up to $100,000 without the 10% penalty.
What Have We Learned?

• There are at least six forms of funding available for companies to help cash flow through the pandemic crisis.

• Successful strategies for re-opening will include having a safe workplace, abiding by paid leave regulations and expanding your work from home options.
STRATEGY 3:
CONSIDER NEW OPPORTUNITIES
New Opportunities

• Labor market disruption
• Real estate
• Equipment and inventory
• M&A
• Bankruptcy as a cash flow strategy
Lessons Learned

• Cash

• Supply Chain Diversification

• Technology

• Profitable/Unprofitable Product Lines
What Have We Learned?

• There are at least six forms of funding available for companies to help cash flow through the pandemic crisis.

• Successful strategies for re-opening will include having a safe workplace, abiding by paid leave regulations and expanding your work from home options.

• Look to take advantage of labor market disruptions, deals on property and equipment and potential M&A opportunities.

• Learn your lessons: always have cash, diversify your supply chain, lean on tech and abandon less profitable product lines.
Email me with questions!

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