

Some surprising big names got PPP funds

Tens of thousands of Illinois companies received up to \$10 million in forgivable federal loans to weather the pandemic—including some prominent firms you might not expect would seek a government subsidy.

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Sterling Bay

Lincoln Yards developer Sterling Bay got a PPP loan of between \$2 million and \$5 million.

Among the Chicago-area companies that received federal Paycheck Protection Program loans, there were some big-name financial, real estate and legal businesses likely to raise eyebrows.

Lincoln Yards developer Sterling Bay, online lender Avant, investment firm Cresset Capital Management and law firm Schiff Hardin were among some of the larger firms that held out their hands for the forgivable federal loans.

The [PPP program](#) was designed to help stabilize small businesses and nonprofits, generally with 500 or fewer employees, so they could cover payroll, and was focused on those negatively impacted by the COVID-19 crisis. The loans of up to \$10 million were based on the size of the payroll and are forgivable if the companies and nonprofits use at least 60 percent to pay their U.S. employees and up to 40 percent for other overhead expenses.

[Click here](#) to see all the Illinois firms that received \$150,000 or more in PPP funds.

In Illinois, about 202,000 businesses and nonprofits had received \$22.5 billion as of the end of June, with the average loan amounting to \$111,239. The Small Business Administration, which administers the CARES Act program, is still seeking to distribute about \$130 billion through commercial lenders. The SBA did not disclose exact loan figures for any firm, and companies receiving \$150,000 and less were not disclosed.

“More than 86 percent of the more than 202,000 PPP loans approved in Illinois were for amounts under \$150,000, and the program provided a vital lifeline to the state’s smallest businesses,” SBA Illinois District Director Robert Steiner said in a statement. “All loans in excess of \$2 million, in addition to other loans as appropriate, will be reviewed following the lender’s submission of the borrower’s loan forgiveness application.”

Still, millions of dollars were directed to well-known companies seemingly able to land commercial loans. That raised questions about whether some loans, all of which were extended through commercial lenders, violated the spirit of the law aimed at bolstering small companies that were undercut by the pandemic’s impact and less likely to find alternative financing.

The program “seems to favor those (businesses) who are well-connected, well-heeled and well-banked,” said Geri Aglipay, a senior outreach manager in the Midwest for the nonprofit Small Business Majority interest group.

She contrasted some large companies receiving millions of dollars with smaller ones, with between 10 and 20 employees, receiving less than \$50. “We would like to see these businesses more equitably distributed to,” she said in an interview.

Among prominent Chicago financial companies that received millions each were Avant, Cresset, futures broker R.J. O’Brien & Associates and Rockford-based wealth management firm Savant Capital Management.

“Amidst the early days of the pandemic, and with information available to us at the time, RJO determined that applying for loans under the SBA Paycheck Protection Program was a prudent course of action to support the economy and use the funds in accordance with the program to remain at full employment,” R.J. O’Brien Chief Financial Officer Jim Gabriele said in a statement. “RJO has been and continues to be financially strong, fully operational and in compliance with all regulatory requirements for the benefit of our customers and employees.”

Savant CEO Brent Brodeski’s responded: “Not applying for the loan would have been irresponsible and would have put our employees and clients at risk. We were able to retain 100 percent of our staff. . . . We were, and remain, unsure how hard the markets and economy will be hit. We may still be in early innings for this pandemic.”

The other financial companies didn’t immediately respond to requests for comment.

Small-business owner Larry Chester, who runs the consulting business of Highland Park-based CFO Simplified and received a PPP loan for it, said big businesses aren't immune to financial failure and have needs just like smaller businesses, but he noted they generally have more wherewithal to tap commercial sources of capital and financing. He was irked by some businesses applying for the money just because the 1 percent interest rate was more attractive than in the market.

LAW FIRMS

Several hundred million dollars went to hundreds of Illinois law firms, including a half-dozen that received at least \$5 million each and scores more that got at least \$1 million.

The heaviest of Chicago's legal heavyweights—Kirkland & Ellis, Sidley Austin, Mayer Brown and others—did not participate in the program. But many familiar names did, among them Schiff Hardin, [ranked No. 10 by local office size](#), and a who's who of middle-market law firms.

Legal Aid Chicago, which serves indigent clients, also received money—at least \$2 million—and Vrdolyak Law Group, headed by former Ald. Edward Vrdolyak, got between \$1 million and \$2 million. In March 2019 [Vrdolyak pleaded guilty](#) to a federal tax evasion charge.

Gerald Shapiro, a Northbrook lawyer who represents lenders in foreclosure cases, is among the top borrowers. His was one of six law firms receiving between \$5 million and \$10 million. Shapiro did not return an email seeking comment.

Two dozen Chicago firms landed in the next tier—\$2 million to \$5 million—including [Riley Safer Holmes & Cancila](#), a four-year-old commercial litigation and white-collar defense firm.

“We basically were going to have to lay off or furlough people without it,” says Managing Partner Patricia Brown Holmes. She wouldn't specify how much the firm received, only that the amount was at the low end of the range. She expects the firm to meet the criteria for the loan to be forgiven.

Asked about the fairness of what the public might consider fat cat lawyers participating in the program, she replied: “Talk to my receptionists, mail room people, secretaries, paralegals, to see how they would feel about losing their medical insurance” and possibly having to look for another job. “Our clients were shut down.” She said the firm has about 55 nonlawyer employees and 80 lawyers.

Besides Schiff and Shapiro, law firms that received up to \$10 million were Brinks Gilson & Lion; Freeborn & Peters; SmithAmundsen; and Litchfield Cavo.

In a statement, Freeborn's co-managing partner, William Russell, said: “In the face of financial uncertainty, the PPP loan has allowed Freeborn to maintain our headcount and continue paying salary to our employees. Additionally, the owners of the firm and the most highly compensated employees have taken substantial pay cuts and draw reductions for the benefit of the firm. As a

result, Freeborn has avoided any furloughs or layoffs and is surviving the COVID environment successfully.”

Among the two dozen firms receiving between \$2 million and \$5 million, the biggest were Neal Gerber & Eisenberg and Barack Ferrazzano Kirschbaum & Nagelberg.

Neal Gerber Managing Partner Scott Fisher echoed Russell’s comments, saying PPP funds have helped prevent layoffs and furloughs among the firm’s “hundreds of employees.”

Managing partners at the other firms couldn’t be reached immediately for comment.

Also in that \$2 million to \$5 million group in law firms are Goldberg Kohn; Johnson & Bell; Levenfeld Pearlstein; Much Shelist; Burke Warren MacKay & Serritella; Clausen Miller; McAndrews Held & Malloy; and Cassidy Schade.

REAL ESTATE FIRMS

Several local real estate companies received PPP loans, with the biggest recipient being Inland Group, an Oak Brook-based real estate conglomerate. Five Inland companies took advantage of the program, including Inland Investment Real Estate Service, which received \$5 million to \$10 million in funding, and Inland Real Estate Group, which received \$2 million to \$5 million. An Inland spokeswoman said Inland Securities returned the funds it received, between \$1 million and \$2 million, “because its needs changed.”

“The real estate industry, especially commercial real estate, has been negatively affected by the COVID-19 pandemic,” said Nicole Spreck, vice president of media relations at Inland.

“Commercial rent collections have been materially and negatively impacted due to the temporary closing of businesses and rent forbearance, capital raises have been substantially reduced, dividends have been curtailed, lenders are increasing their lending standards and are making margin calls due to perceived reduction in property values. The PPP loan proceeds have allowed these borrowers to retain employees in the face of this unprecedented business dislocation.”

Chicago-based Sterling Bay also received a loan between \$2 million and \$5 million. Sterling Bay is one of Chicago’s biggest developers, with the Lincoln Yards project west of Lincoln Park and multiple developments in the Fulton Market District, including the McDonald’s headquarters.

“Sterling Bay applied for PPP assistance to help avoid future layoffs and pay reductions for our Chicago-based team of employees,” the company said in a statement. A Sterling Bay spokeswoman declined to comment further but confirmed the company had a small round of layoffs before it applied for PPP funding.

Many real estate firms have been hit hard by the pandemic, especially those with investments in retail property or hotels. Other local PPP recipients included Baird & Warner, a residential

brokerage; RMK Management, an apartment property manager; Habitat, a multifamily landlord; MCZ Development, a residential developer; and Pine Tree Commercial Realty, a shopping center owner.

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