

Hotel And Tourism Operators Are Laying Off Workers Despite Receiving Millions In PPP Relief Meant To Maintain Payrolls.

SUMMARY: Hotel and Tourism operators have been some of the bigger Paycheck Protection Program (PPP) aid recipients. But while the program is meant to help employers retain employees throughout the pandemic, some hotel and tourism operators are still cutting workers. For example:

- **Sotherly Hotels** laid off 90% of its hotel staff, despite receiving over \$10 million in PPP funds.
- **IMH Financial** announced it had furloughed employees at its Macarthur Place Hotel during the same month the company received approximately \$1.8 million in PPP aid.
- **Procaccianti Hotel REIT** furloughed employees despite receiving over \$1 million in PPP funding.
- **Full House Resorts** laid off 98% of its workforce just over a week before one of its subsidiaries received nearly \$3.4 million in PPP relief.
- Subsidiaries of **LazyDays Holdings**, one of the largest RV dealers in the world, announced a 25-percent workforce reduction, shortly before receiving almost \$7 million in PPP funds.
- **The One Group Hospitality Inc.** took over \$18 million in PPP loans, claiming the funds were “primarily for payroll costs”—but just over a month before, the company had just slashed its staff by 97%, cut its weekly payroll costs to as little as \$100,000, and held \$9 million cash on hand.

The Paycheck Protection Program Was Intended To Help Employers Retain Employees During The COVID-19 Pandemic.

The Paycheck Protection Program Was Created To Help Small Businesses Cover Payroll And Other Costs In Order To Retain Employees During The COVID-19 Pandemic.

The CARES Act Established The Paycheck Protection Program In Order To Provide Small Businesses Negatively Affected By COVID-19 With Funds To Pay Up To Eight Weeks Of Payroll Costs Including Benefits, Interest On Mortgages, Rent, And Utilities. “The Paycheck Protection Program established by the CARES Act, is implemented by the Small Business Administration with support from the Department of the Treasury. This program provides small businesses with funds to pay up to 8 weeks of payroll costs including benefits. Funds can also be used to pay interest on mortgages, rent, and utilities.” [Small Business Paycheck Protection Program, accessed [06/10/20](#)]

- **“The Paycheck Protection Program Prioritizes Millions Of Americans Employed By Small Businesses By Authorizing Up To \$349 Billion Toward Job Retention And Certain Other Expenses.”** [Small Business Paycheck Protection Program, accessed [06/10/20](#)]

Hotel And Tourism Operators Laid Off Workers, Despite Receiving PPP Loans

Sotherly Hotels Laid Off 90% Of Its Hotel Staff, Despite Receiving Over \$10 Million In PPP Funds.

April 29, 2020: Sotherly Hotels, Inc. Subsidiaries Received A Total Of \$10,719,125 In PPP Loans. [Sotherly Hotels, Inc. Form 8-K, [04/29/20](#)]

May 1, 2020: Sotherly Hotels, Inc. Announced That It Had Laid Off Over 90% Of Its Hotel Staff. “Action steps include the closure of food and beverage outlets and other non-essential guest amenities in order to shrink the footprint of the properties; the downsizing of staffing levels and benefits, including the layoff of over 90% of hotel staff with reductions in salary for staff not subject to layoff; and the deferral of all non-vital capital expenditures.” [Sotherly Hotels, Inc. Press Release, [05/01/20](#)]

IMH Financial Announced It Had Furloughed Employees At Its Macarthur Place Hotel During The Same Month The Company Received Approximately \$1.8 Million In PPP Loans.

April 2020: IMH Financial Received Approximately \$1.8 Million In PPP Loans On Behalf Of Its Corporate Offices And Its MacArthur Place Hotel. “The Company applied for two (2) PPP loans, one on behalf of the Company’s corporate offices and the other for MacArthur Place, both of which were approved and funded in April 2020 for approximately \$1.8 million in the aggregate.” [IMH Financial Corporation Form 10-Q, [05/15/20](#)]

May 15, 2020: IMH Financial Announced It Had Furloughed Employees At Its MacArthur Place Hotel While Keeping Open The Possibility Of Future Furloughs. “As a result of the uncertainty with respect to when the MacArthur Place hotel may reopen, we furloughed certain hotel employees. Further employee furloughs or layoffs may be necessary in the future.” [IMH Financial Corporation Form 10-Q, [05/15/20](#)]

- **According to the San Francisco Chronicle, MacArthur Place Hotel laid off 180 employees.** [“Bay Area Layoff Tracker,” *San Francisco Chronicle*, accessed [06/11/20](#)]
- **The State of California reports that employees were laid off effective April 13, 2020.** [“WARN Report: WARN notices processed from July 1, 2019, to present,” *California Employment Development Department*, accessed [06/11/20](#)]

Procaccianti Hotel REIT’s Hotel Management Teams Enacted “Expense Cutting Strategies,” Including Staffing Reductions And Furloughs, While Receiving Over \$1 Million In PPP Relief.

May 15, 2020: Procaccianti Hotel REIT Confirmed Receiving \$1,019,117 In PPP Loans. [Procaccianti Hotel REIT, Inc. Form 10-Q, [05/15/20](#)]

May 15, 2020: Procaccianti Hotel REIT Stated In An SEC Filing That Its Hotel Management Teams Had Begun Implementing “Expense Cutting Strategies,” Including Staffing Reductions And Furloughs. “Accordingly, our experienced hotel management teams are implementing both best practices revenue management and significant expense cutting strategies. [...] Expense strategies include the implementation of intense cost saving measures such as: staffing reductions, furloughs, limiting services, energy conservation measures, etc.” [Procaccianti Hotel REIT, Inc. Form 10-Q, [05/15/20](#)]

Full House Resorts Laid Off 98% Of Its Workforce Just Over A Week Before One Of Its Subsidiaries Received Nearly \$3.4 Million In PPP Relief.

May 3, 2020: Gaming Entertainment (Indiana) LLC, A Subsidiary Of Full House Resorts, Inc., Received \$3,393,900 In PPP Loans. [Gaming Entertainment (Indiana) LLC Promissory Note, [05/03/20](#); List Of Subsidiaries Of Full House Resorts, accessed [06/10/20](#)]

April 23, 2020: Full House Resorts, Inc. Announced That It Had Laid Off 98% Of Its Employees. “As a result of our closures, we’ve been forced to lay off 98% of our team members, which has been painful for everyone at our Company.” [Full House Resorts, Inc. Schedule 14A, [04/23/20](#)]

- **“Full House Resorts, Inc. Develops, Owns, Operates And Manages Casinos And Related Hospitality And Entertainment Facilities In Regional U.S. Markets.”** [Full House Resorts, accessed [06/10/20](#)]

Subsidiaries Of Lazydays Holdings Received \$6,831,250 In PPP Loans Weeks After Reducing Their Workforce By “Approximately 25%.”

April 28, 2020: Lazydays Holdings Subsidiaries Received \$6,831,250 In PPP Loans. “On April 28, 2020, certain of the Company’s subsidiaries executed promissory notes (the ‘Notes’) in favor of the Lender for PPP Loans in an aggregate amount of \$6,831,250.” [Lazydays Holdings, Inc. Form 8-K, [05/04/20](#)]

April 6, 2020: Lazydays Holdings, Inc. Announced That It Had “Reduce[d] Its Workforce By Approximately 25%.” [Lazydays Holdings, Inc. Press Release, [04/06/20](#)]

Lazydays Is One Of The Largest RV Dealers In The World. “Lazydays, The RV Authority™, is an iconic brand in the RV industry. Home of the world’s largest recreational vehicle dealership, based on 126 acres outside of Tampa, Florida, Lazydays has eight dealership locations in Arizona, Colorado, Florida, Minnesota, and Tennessee.” [Lazydays Holdings, Inc., accessed [06/10/20](#)]

The One Group Hospitality Inc. Took Over \$18 Million In PPP Loans, Claiming The Funds Were “Primarily For Payroll Costs”—But Just Over A Month Before, The Company Had Just Slashed Its Staff By 97%, Cut Its Weekly Payroll Costs To As Little As \$100,000, And Held \$9 Million Cash On Hand.

May 4, 2020: The One Group Hospitality Inc.’s Subsidiaries Took Over \$18 Million In PPP Loans, Claiming They Would Be Used “Primarily For Payroll Costs.”

May 4, 2020: Two Subsidiaries Of One Group Hospitality, Inc. Received A Total Of \$18.3 Million In PPP Loans. [One Group Hospitality, Inc. Form 8-K, [05/08/20](#)]

One Group Hospitality “Provides Hospitality Management Services For Hotels, Casinos And Other High-End Venues.” “The ONE Group (NASDAQ:STKS) is a global hospitality company that develops and operates upscale, high-energy restaurants and lounges and provides hospitality management services for hotels, casinos and other high-end venues both nationally and internationally.” [One Group Hospitality, Inc. Company Profile, accessed [06/10/20](#)]

In A Later Filing, One Group Hospitality, Inc. Claimed It “Will Use Proceeds From The CARES Act Loans Primarily For Payroll Costs.” “In accordance with the requirements of the CARES Act, the Company will use proceeds from the CARES Act Loans primarily for payroll costs.” [SEC – The One Group Hospitality, Inc. 10-Q, [05/11/20](#)]

But The Company Disclosed Making “Significant Reductions In Employees” In The First Quarter Of 2020...

In The Three Months Ended March 31, 2020, One Group Hospitality Inc. Said It Made “Significant Reductions In Employees” As One Of Its Cost-Cutting Measures During The Pandemic. “In addition to the decline in restaurant revenue, the Company has incurred approximately \$1.3 million of costs directly related to COVID-19 in the three months ended March 31, 2020, composed primarily of payments to

employees for paid-time off during restaurant closures, inventory waste, and rent and rent related costs for closed and limited-operations restaurants from the day that the dining room closed. The Company has implemented measures to reduce its costs during the COVID-19 pandemic, including significant reductions in employees, deferral of capital projects, and negotiations with suppliers and landlords regarding deferral or abatement of payments which could become significant.” [SEC – The One Group Hospitality, Inc. 10-Q, [05/11/20](#)]

...Cutting Staff By 97%, Running “Skeleton Crews,” And Cutting Weekly Payroll To As Little As \$100,000 A Week.

HEADLINE: Denver-Based National Restaurant Company Cuts Staff By 97% To Preserve Cash. [Denver Business Journal, [03/27/20](#)]

March 26, 2020: The One Group Hospitality Inc. Announced It “Cut Its Workforce From Roughly 4,000 Employees To Less Than 100 In Order To Hold Onto Cash During The Coronavirus Crisis.” “Denver's The One Group Hospitality (NYSE: STKS) - parent company to the STK steakhouse and Kona Grill chains - has cut its workforce from roughly 4,000 employees to less than 100 in order to hold onto cash during the coronavirus crisis, its CEO said Thursday.” [Denver Business Journal, [03/27/20](#)]

The One Group Hospitality Inc. Reduced Its Companies To “Skeleton Crews” “Most of its 20 STK locations worldwide and 24 Kona Grill stores are operating with skeleton crews of two to three employees who are cooking and offering the normally full-service restaurant menus for takeout and delivery only because of coronavirus restrictions, CEO Emanuel ‘Manny’ Hilario said during the company’s quarterly earnings call.” [Denver Business Journal, [03/27/20](#)]

The One Group Cut Its Payroll To A Maximum Of \$150,000 Per Week. “However, its it limiting its payroll to only about \$100,000 to \$150,000 a week, in addition to fixed costs such as utilities and insurance.” [Denver Business Journal, [03/27/20](#)]

The One Hospitality Company’s CEO Said Told Investors, “It’s Really A Game Of Preserving Cash” While The Company Had \$9 Million Cash On Saw Its Profits Per Share Increase Six-Fold In 2019.

CEO Emanuel “Manny” Hilario On Its March 26, 2020 Earnings Call: “It’s Really A Game Of Preserving Cash.” [Denver Business Journal, [03/27/20](#)]

As Of March 27, 2020, The One Group Hospitality, Inc. Had “Roughly \$9 Million Cash On Hand. “Hilario said that because of the cost-light game plan, the roughly \$9 million in cash on hand that One Group has will be able to allow it to remain viable for the foreseeable future.” [Denver Business Journal, [03/27/20](#)]

2019: The One Hospitality Group’s Net Income Per Share Jumped From 12 Cents To 73 Cents, And It Enjoyed 8.3% Year-Over-Year Same-Store Sales Increases For One Of Its Restaurant Chains. “Hilario, however admitted that while he would have preferred to spend the call talking about the company’s success of 2019 - including 8.3% year-over-year same-store sales increases for STK restaurants and a jump from 12 cents basic net income per share to 73 cents after the acquisition of Kona Grill - he needed to focus on how the firm is surviving the pandemic.” [Denver Business Journal, [03/27/20](#)]

73 Divided By 12 Equals 6.08. [Google Search for 73 /12, accessed [06/16/20](#)]