

# ***\$2.3 Trillion Federal Reserve Loans to Support the Economy***

*Hosted by Connecticut Center for Advanced Technology, Inc. (CCAT)  
& Advanced Manufacturing Employer Partnership (AMEP)*

*April 23, 2020*

# Agenda

- Opening Remarks (Ron Angelo, CCAT President & CEO)
- Made in America Perspectives (Ari Santiago)
- Federal Updates (McAllister & Quinn)
- State Updates for CT Manufacturers (Colin Cooper)
- Manufacturer Perspectives
  - AMEP Co-Chairs: Glenn Ford & Charles Daniels
  - Jill Mayer, CEO, Bead Industries
- CCAT Virtual Workshops and Resources (Alyce Stiles)
- What information/resources do you most need?

# Introduction/Opening Remarks



- Ron Angelo, CCAT President & CEO
- Colin Cooper, CT Chief Manufacturing Officer
- AMEP Co-Chairs



- Hartford-Area: Glenn Ford, Phoenix Manufacturing
- Central CT: Charles Daniels, Wepeco Plastics



- Jill Mayer, CEO, Bead Industries
- Ari Santiago, President, IT Direct
- Alyce Stiles, CCAT Associate Director STEM Education
- McAllister & Quinn



- Chris Fish, Vice President
- Jake Parduhn, Director of Federal Affairs





**Join me weekly on the Podcast!**

**Podcast website:**

<http://madeinamericawithari.com/>

**YouTube channel:**

<https://www.youtube.com/user/itdirect151>

***Or Search for Made in America with Ari Santiago on your favorite podcast app!***

**Connect with me on LinkedIn for more great content for CT manufacturers:**

<https://www.linkedin.com/in/asantiago104/>

## SBA Loan Programs Update

- SBA is providing small business economic relief primarily through two loan programs – **Paycheck Protection Program (PPP)** and the **Economic Injury Disaster Loan Program (EIDL)**.
  - For detailed information each loan program, including a recording of CCAT’s two prior webinars, copies of slides, and FAQs, please visit:  
<https://www.ccat.us/2020/04/helping-ct-manufacturers-webinar/>
- The SBA used the first tranche of funding - **\$350 billion** for the PPP and **\$10 billion** for the EIDL program within 13 days.
  - 1+ million applications approved
  - CT PPP Loans to Date: 18,500 loans approved for \$4.2 billion; Avg. loan size \$225K
  - CT EIDL Loans to Date: 696 loans approved for \$143 million; Avg. loan size \$205K
  - Wide range of processing times from a few days to over a week
  - Many applications in the queue awaiting new funds to be provided by Congress to the program

## SBA Loan Programs Update

- Congress and the Administration are working now on an interim funding package of **\$470+ billion** to provide additional funding for both the PPP Program the EIDL Program.
  - \$310 billion for PPP (\$60 billion set-aside for smaller lenders).
  - \$60 billion for EIDL loans and grants
  - \$75 billion for hospitals/health system
  - \$25 billion for national testing strategy capabilities improvements
- Funding package has been passed by the U.S. Senate. We expect the interim funding package to be signed into law by the end of this week or some time next week.

## SBA Loan Programs Update

- By law, the SBA will not be able to issue new loan approvals once the programs have experienced a lapse in funding.
  - If your application has been processed, but funding hasn't arrived, you are in the queue.
  - Issues with EIDL/PPP, contact SBA 24/7 Helpline: 800-659-2955
- As soon as the interim funding package is signed into law, the SBA will begin processing applications, obligating funds, and assigning loan numbers again.
  - In the time being, if you haven't applied, prepare your application/documentation and continue conversations with a qualified lender.
- Time lapse for accepting new applications will allow SBA administrative “bottleneck” issues to be solved.
  - Issues with the agency's “E-Tran” system that banks must use to authorize loans.
  - Rollout of SBA guidance documents for lenders.

## What's Next for Federal Economic Stimulus?

- Interim funding package for an additional \$370 billion of SBA loan programs is being finalized. Expect the funding package to be signed into law this week.
- Expecting a 4<sup>th</sup> Stimulus Package in May/June - Potential Future Economic Stimulus Response Items Related to Manufacturers.
  - Hazard pay and worker protection standards for certain employee classes
  - Workforce development programs and funding
  - Additional tax changes/credits
  - Manufacturing supply chain support

## New Program: Federal Reserve's Main Street Lending Program

- Last week, Federal Reserve released details on plans to make **\$600 billion in loans** available through its Main Street Lending Program.
- The Main Street Lending Program will provide loans for a **broader range of entities** than the CARES Act by focusing on not only small businesses, but also on mid-sized businesses.
- Main Street New Loan Facility (MSNLF) will provide **newly originated** loans to eligible businesses and the Main Street Expanded Loan Facility (MSELF), will allow companies to **increase existing loans**.
- Information on timing and other details about the application processes have not yet been released. Terms of the program are **subject to change**.

# Main Street Lending Program Overview (Tentative)

- **Term:** Four-year maturity.
- **Deferment period:** Principal and interest payments deferred for one year.
- **Rate:** 2.5% to 4%.
- **Prepayment:** Permitted without penalty.
- **Eligibility:** Less than 10,000 workers, or up to \$2.5 billion in 2019 revenue. There has been no indication that the SBA's affiliation rules will apply.
- **Eligibility for Other Programs:** Does not prohibit companies from participating in the SBA's PPP and other programs. Companies cannot, however, participate in both of the Main Street Lending Program facilities.
- **Loan Forgiveness:** No, not a similar loan forgiveness provision like SBA PPP.
- **Collateral Requirements:** New loans under the MSNLF will be unsecured. Existing collateral on upsized loans under the MSELF will secure the upsized loan on a pro rata basis.

# Main Street Lending Program Overview (Tentative)

## Borrower Fees:

- **FED Facility Fee:** For new loans, the lender is required to pay a fee of 1% of 95% of the principal amount, which the lender may pass through to the borrower.
- **Origination Fee:** For both new and upsized loans, the borrower is required to pay a fee of 1% of the principal amount of the new loan or of the upsized loan tranche.

## Size of Loans:

- **Main Street New Loan Facility (MSNLF):** Min. - \$1 million, Max - The lesser of \$25 million or the amount that, when added to the borrower's existing outstanding and committed but undrawn debt, does not exceed four times the borrower's 2019 EBITDA (earnings before interest, taxes, depreciation, and amortization).
- **Main Street Expanded Loan Facility (MSELF):** Min - \$1 million, Max - The lesser of 1. \$150 million; or 30% of the borrower's existing outstanding and committed, but undrawn, bank debt; or an amount that, when added to the borrower's existing outstanding and committed, but undrawn, bank debt, does not exceed six times the borrower's 2019 EBITDA.

## Loan Conditions

- Prohibits the business/affiliates from purchasing outstanding stock or paying dividends for the term of the loan plus one year.
- Must be able to certify that the business is U.S.-based.
- Wage limits for highly compensated employees that last for one year after the loan has been repaid. Employees with total compensation, including salary and other financial benefits, greater than \$425,000 in 2019 couldn't receive an increase over their 2019 compensation or termination pay that exceeds twice that level.
- Loan agreements with publicly traded businesses would have to include a provision that provides for government participation in equity appreciation. For businesses not publicly traded, agreements could include a senior debt instrument issued by the business.
- Proceeds will not be used to repay other loan balances. No repaying other debt of equal or lower priority with the exception of mandatory principal payments.
- Borrower will not seek to cancel or reduce existing lines of credit.
- The borrower will “make reasonable efforts to maintain its payroll and retain its employees” during the loan term.

# Main Street Lending Program - Next Steps

## Interested businesses should consider the following:

- **Review additional guidance:** The Federal Reserve will be issuing additional guidance to potential borrowers and lenders with details on how to access funding. This will be a future webinar topic.
- **Evaluate your options:** Review both the New Loan and Expanded Loan Facilities. Depending on your relationship with your current lender(s), upsizing an existing loan could potentially be a quicker route to access funding due to your existing relationship. In addition, based on the maximum loan size, you may be eligible for a larger loan size by increasing an existing loan.
- **Reach out to your current lender:** Contact your lender to discuss this upcoming program, your company's financial position, potential funding needs, current debt obligations, and which program might be the best fit. Review any current arrangements that may limit participation.

## Questions and Considerations

- Allowable usages of the loan funds – lacks clarity. What can you use the loan for?
- When you expand an existing loan, can you refinance the total loan under Main Street Lending Program terms?
- What type of affiliation rules will apply, if any? Will companies that are majority private equity-backed qualify?
- It's unclear what level of priority these Main Street loans will be given relative to a borrower's existing loans
- Will lenders participate? No mandate to participate. Banks typically prefer to lend around two and a half or three times a borrower's earnings before interest, taxes, depreciation and amortization (EBITDA).

## Connecticut Safe Workplace

- An evolving set of workplace rules trying to balance:
  - The workplace health & wellness priorities vs. the desire to allow essential business to keep operating.
  - The rights of individuals vs. the needs of the collective workforce.
  - Providing enough detail for guidance vs. being overly rigid

## Connecticut Safe Workplace

- Modifications are made based on input from public health officials, employers, employee groups and individuals and reflect an evolving understanding of the pandemic and the public health situation.
- Manufacturing companies have had challenges but implementation of protective measures by employers have prevented them from becoming “hot spots”.

## Connecticut Safe Workplace

- Modifications announced last week strengthened requirements for employers to provide masks/face coverings and for employees to wear them in the workplace.
- Focus on “universal source control”
- Modifications this week clarified that masks don’t need to be worn while eating and drinking and permitted removing masks/face coverings while in a segregated workspace (i.e. cubicles with walls, private offices, etc.).

# Perspectives from CT Manufacturers

## 2020 Unexpected Leadership

Phoenix Manufacturing, Glenn Ford, President

- **Vision**

- Leadership without Vision isn't Leadership
- A Vision inspires and motivates people
- If you have Vision, now make a plan
- Crisis Test

- **Plan**

- A 'Map' that guides your Team from 'Here' to 'There'
- Specific things your Leaders do
- Defines measures to success
- Flexible

- **Containing**

- Ability to soothe distress
- Make sense of a confusing predicament
- Gives clear direction
- Enhances a sense of Unity



- **Holding**

- Crystal clear thought
- Reassurance
- Orienting people
- Help people stick together

# Managing Cash Flow

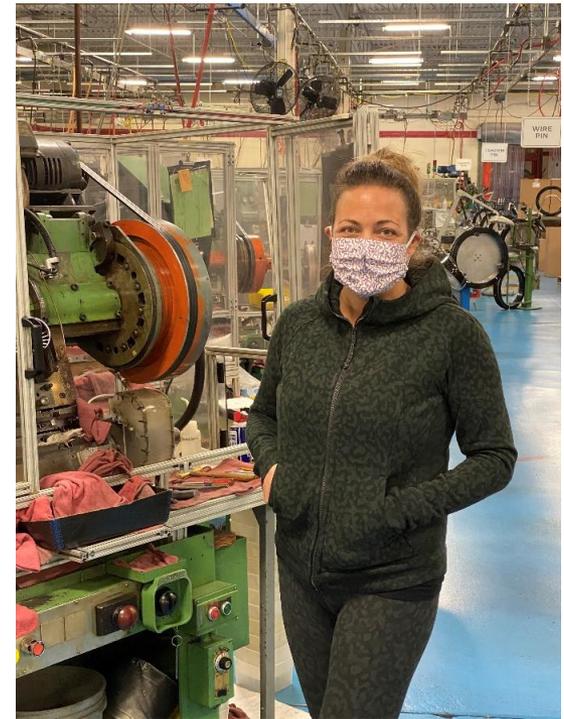
Wepco Plastics, Charles Daniels, CFO

- It is crucial to know exactly where you stand
- Shift focus from P&L to Balance Sheet
- Learn and use Quick Ratio (cash + accounts receivable/current liabilities) Goal is a ratio over 1
- Look more granularly at weekly cash forecasts
- Make cases for likely scenarios and worst case scenarios
- Develop contingencies with your team
- Monitor your plan daily and adjust as needed

# Bead Industries, Inc.

Jill Mayer, CEO

- 5<sup>th</sup> Generation Family Business, in business for more than 100 years.
- 48 employees across two locations: Milford and Cheshire
- Financial Impacts of COVID
  - Line of Credit
  - SBA loan process
- Maintain Communication & Cadence
- Reactive to Proactive – Agile and Flexible



Production Planner, Alana Montano sporting her new mask.



## **BEAD** ELECTRONICS

Manufacturer of End-to-End,  
Solid Wire, and Tubular  
Electronic Contact Pins



## **BEAD** CHAIN

Supplier of Bead Chain®  
For Use on Window Blinds,  
Key Chains and More



## **MCGUIRE**

Producer of High Quality,  
Commercial Grade Plumbing  
Fixture Trim



# CT Manufacturing Innovation Fund Voucher Program (MVP)

- Grants up to \$75K to address the short term need for critical equipment & medical supplies due to the COVID-19 pandemic
- Program Commitment: \$1.3MM
- Criteria: Companies in Good Standing with <300 Employees
- Priority and focus will be given to manufacturers realigning or expanding capacity and capabilities to respond to shortages
- Processing non-COVID-19 related projects will be put on hold at least through the end of April.
- Application and full details: [ctmvp.ccat.us/](https://ctmvp.ccat.us/)

## FREE VIRTUAL WORKSHOPS

DIGITAL TECHNOLOGY & INDUSTRY 4.0

### Attend These Virtual Workshops - On Demand Any Time

- [Intro to Data Dashboards and Applied Artificial Intelligence](#)
- [Intro to Predictive Maintenance Technologies](#)
- [Intro to Internet of Things/Cloud Computing and Cognitive Computing](#)
- [Modernization – Strategies for Implementing New Technology in Manufacturing](#)
- [Introduction to High Speed Contact Metrology](#)

Targeted for Connecticut's small to medium-sized (less than 500 employees) manufacturers with a focus on aerospace and defense manufacturing suppliers.

[ccat.us/incumbent-worker-training/](http://ccat.us/incumbent-worker-training/)

# VIRTUAL RESOURCES

[ctdidi.com/resources/](http://ctdidi.com/resources/)



## TOOLS & RESOURCES FOR EDUCATIONAL & CAREER PATHWAYS



### [What's So Cool About Manufacturing?](#)

Explore student-created videos featuring CT manufacturing companies.



### [Cool Stuff Made In CT](#)

Start your journey to a career in manufacturing. Learn about CT-made products and who makes them.



### [Augmented Reality Smart MFG Comic Book & App](#)

Use augmented reality to design, manufacture, and test a flying drone!

# Questions for CT Manufacturers

- What information/resources do you most need?
- What topics are recommended for upcoming webinars?



## Weekly webinars *for* CT Manufacturers *from* CT Manufacturers

- Thursdays @ 12pm
- Next Webinar 4/30

Resources  
available at  
[ccat.us/AMEP](http://ccat.us/AMEP)

## COVID-19 Resources for Employers

### CCAT/AMEP Manufacturing Webinar Series

Weekly webinars for CT Manufacturers from CT Manufacturers

Register for upcoming opportunities and view resources from past webinars focused on challenges and opportunities for CT businesses during this time.

- [\\$2.3 trillion Federal Reserve loans to support the economy \(April 23\)](#)
- [Supporting CT Manufacturing Workers During COVID-19 \(April 16\)](#)
- [Helping CT Manufacturers Handle Disruptions to their Business Webinar \(April 9\)](#)
- [FEDERAL RESOURCES – How can Manufacturers access the COVID-19 Stimulus Package? Webinar \(April 2\)](#)

### MIF Manufacturing Voucher Program (MVP) COVID-19 Response

In response to the COVID19 impact, the MVP will give priority and focus to manufacturers realigning or expanding capacity and capabilities to respond to the shortages of critical medical equipment and supplies.

- [Application and full details](#)

### CT.GOV Resources

- [Safe Workplace Rules for Essential Employers from CT DECD](#)
- [Governor Lamont's Executive Order on Workplace Safety](#)
- [State of CT Coronavirus Website](#)

### Additional Resources

- [CTCovidResponse.org](#) – CONNSTEP and CBIA are working together with the Connecticut Department of Administrative Services, the Connecticut Hospital Association, and others to organize resources to serve the urgent needs of those on the frontline battling COVID-19
- [Guidance from CBIA](#)
- [AdvanceCT Resources](#)
- [Supervisor Guidance on Dealing with Employee Health Issues](#) – Supervisor guide to asking questions about employee health from the Rhode Island Manufacturers Association
- [CARES Act 1.5 Summary](#)

# Follow-Up

- Slides have been posted on the CCAT website:  
[ccat.us/2020/04/federal-reserve-loans-webinar/](https://ccat.us/2020/04/federal-reserve-loans-webinar/)
- CCAT Point of Contact:  
  
Lynn Raicik, Associate Director, Workforce Pipeline Programs  
lraicik@ccat.us, (860) 982-6637
- For questions or suggested topics for upcoming webinars, email:  
[workforce@ccat.us](mailto:workforce@ccat.us)

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