

TJ Hale Company
Menomonee Falls, Wisconsin

September 10, 2021

A Success Story That Almost Wasn't

As CFO, I am proud to represent TJ Hale Company for this subcommittee and appreciate the opportunity to discuss our interactions and involvement with the SBA. The Company, based in Menomonee Falls Wisconsin has had a long and successful history of over 70 years, starting originally as a small family business and then migrating to a diverse enterprise. The business started out designing and manufacturing fixtures for the retail industry. Since then, the Company has diversified into a broad range of products and services across multiple industries including business interiors, hospitality, education, experiential, retail, architectural millwork, storage and transportation, and restaurants. By leveraging the strong mid-west work ethic and innovation, the company has weathered many economic downturns through the years.

Covid-19 hit with catastrophic impact across most of the global economy. In March 2020, after the "Safer at Home" directives were made across the country, Congress scrambled to define and execute economy surviving and then reviving programs. Through the SBA and other Federal Agencies, they implemented the Paycheck Protection Program (PPP 1&2), the Main Street Loan Program, Other SBA Loan and Grant Programs and the Employee Retention Credit Program included in the CARES Act.

The impact to TJ Hale from Covid-19 was catastrophic. Our annual revenues hovered around \$25mm to \$30mm over many decades. By March 2020 our revenue stream virtually dried up. Open orders to be fulfilled during the rest of 2020 were cancelled. All completed orders ready to ship were put on hold. Overall, we saw an 80% reduction in revenues from 2019 with the majority of 2020 revenues coming in the first quarter before Covid-19 hit.

Through our existing lender, TJ Hale was successful in procuring a PPP 1 Loan of \$1.8mm which was funded in April 2020. The process was smooth with our lender who did the administrative requirements with the SBA. TJ Hale had no direct contact with the SBA other than the financial and certification requirements on SBA's web portal.

In order of magnitude, TJ Hale had 104 employees in March 2020; at our lowest point we had 13 employees for approx. 6 weeks during July 2020. We furloughed most of the employee base during this 6-week period as we had no business activity to transact. We strived to maintain a skeletal crew of approximately 40 - 50 employees to ensure future business activity could be managed, if and when it returned. We recognized the need to retain key employees throughout this process. Throughout 2020 the company continued to fund medical insurance for those furloughed employees. By January 2021, some of the previously deferred orders were being reinstated and our workforce was back to 58 employees. During this time, we lost many talented employees who we are still struggling to replace.

As of current date we have 73 employees; some of the employees who left us during their furloughed period have rejoined the company. We have been successful in recruiting others.

On October 8th, 2020, we filed for PPP 1 Loan Forgiveness with 96% of loan projected to be forgiven.

In December 2020, through our existing lender, we were fortunate enough to secure a \$3mm Main Street Loan Program which required ownership to put up additional equity as part of the funding.

In January 2021, the company filed (through its current lender) an application for a PPP 2 loan for \$1.8mm, on January 25th, we received confirmation that our application was in the queue. Our expectation was that we would receive the PPP 1 Loan forgiveness AND receive approval for PPP 2 in March 2021.

On February 5th, our lender received a request from the SBA for further information on the forgiveness of TJ Hale's PPP 1 loan regarding affiliation requirements. TJ Hale submitted the executed form 3511 on February 8th.

On March 11th, the SBA requested that we resubmit the form. Within 24 hours of the SBA request the company submitted additional documentation supporting proof of satisfying the affiliation rules. This request by the SBA was made in error as the original documentation previously sent was in order. We were subsequently told that due to the resubmission the "clock" started over on the funding of our application. Despite the documentation being submitted and, unknown to TJ Hale and our lender, the SBA put the PPP 1 loan forgiveness on hold, and by consequence, put our PPP 2 loan on hold.

Between March 11th and May 12th there was no communication by the SBA to TJ Hale or our lender acknowledging the affiliation rule hold was still on our loan which was preventing both the forgiveness on PPP 1 and approval of PPP 2. On May 12th, we were notified by our current lender that our PPP 2 loan had been withdrawn by the SBA because the program ran out of funds, and we had until May 31st to submit a new application with a Community Financial Institution (CFI) lender.

The company moved mountains to try and get a local CFI to provided PPP2 funding. We were provided a list of "CFI lenders", which most of the names were non-profits who were not in the business of lending. On May 14th, we were able to connect with MEDC Wisconsin, who submitted an application on behalf of TJ Hale. On May 18th, we received confirmation that we were in the queue. We were asked again for the affiliation rule documentation, which we provided. On May 21st, our loan activity disappeared from our original lenders view, and was supposed to be available to MEDC. On May 24th, we were told the affiliation hold was still on our account and neither lender thought they could resolve the hold.

On May 25th, we reached out to the Milwaukee SBA office, the entire executive board of the SBA as well as our local Congressman Scott Fitzgerald to resolve the hold placed on PPP 1 which was also holding up lending of PPP 2 Loan by MEDC. We were able to connect with Ellie Berg at the local SBA office. She stated in her correspondence "Please know that the district offices do not have the ability or authority to clear any hold codes in connection with a PPP loan or application. Unfortunately, neither Chris or I have access to the PPP portal to view PPP applications, hold codes or any notes from a PPP reviewer."

On May 26th, we were informed by Martin Andrews of the SBA "SBA reviewed the 1st Draw holds this morning and cleared them, which will allow the 2nd Draw application to advance to Under Review within the next 24 hours. Under Review means that the 2nd Draw application is undergoing the Compliance

Check, which is the final step of the process and usually takes about 48 hours to complete". However, it wasn't cleared. We were continuously checking on the status of the loan, with the SBA, the MEDC, our old lender and not receiving any response on how this issue could be resolved. The PPP funding had to be in place by May 31st, however later we learned there was an extension to June 30th to get the loan approved.

On June 15th, Scott Fitzgerald's office started leading the "charge" to assist TJ Hale. Through divine intervention or other outside efforts, the hold on PPP 1 was lifted on June 25th and PPP 2 was now showing as pending validation. On June 30th, the loan was approved, and TJ Hale was funded on July 8th; one day before the funding deadline.

The company is now projecting a recovery of 60% of the pre-covid revenue levels for 2021. Without both PPP loans and the Mainstreet Loan program we would have had to shut the doors.

The most important takeaway is that although we are making a recovery, we are way behind pre-covid revenue levels. Some of our pre-covid revenue streams are gone for the foreseeable future requiring the company to invest and commit significant resources to cultivate new revenue streams. This will take several yearly business cycles to effectuate. The initial PPP 1 Loan was to survive as a company and to secure employment for as many employees as possible on the payroll. The PPP 2 loan, as I see it, are the funds to revive the business and ensure the best possible chance of recovery for 2021 and rebuilding to pre-covid levels. We are confident with the continued support of the SBA and our elected officials, that small businesses like ours will continue to grow and provide valuable employment opportunities.

Respecting the fact that the program was developed and rolled out in an extremely short period of time our observation with the SBA is they would have benefited from forming a SWAT team to help resolve issues with lenders and potential borrowers in real time.

Other ideas for improvement:

1. Broader marketing effort to advertise complete SBA offerings.
2. SBA Programs that do not require an owner guarantee or limited guarantee offset by higher interest rates.
3. Keeping resources in place during times when small businesses are facing crisis situations, i.e., those in areas affected by protests, crime, economy, pandemic, natural disasters.