

COVID-19

While we have all been working very actively together and know you are already taking proactive measures in response to the COVID-19 business impacts, we compiled steps that a business can take in order to best position themselves to weather this period of time. These steps focus on conserving cash and extending your cash runway. Maybe there's an additional nugget or two here for you to consider.

Please note that these thoughts are subject to change based on government policy changes. Of course, each situation and state is different so let's check with counsel.

Conserving Cash

1. Revenue: consider what ways you can drive online sales in ways that are sensitive to the times; also, are there new uses for existing products that you can market or new products you might be able to make and sell (e.g., hand sanitizer)?
2. Trade spend: cut trade spending (especially OIs that might not get passed along) in the short- and medium-term (likely for the rest of 2020)?
3. Labor: there are many options, and plans can be developed and executed in phases; see below
 - a. Pay deferrals: defer payment of a % of salaries for employees to be paid at a later date?
 - b. Pay reductions: cut a % of salaries for employees (either across the board or with the biggest cuts from the top earners)?
 - c. Furloughs: mandatory time off work with no pay (or reduced pay such as 25% of salary)?
 - d. Layoffs: undesired and potentially not for phase 1 plans, but most effective to cut costs in the short-term?
4. Variable OpEx: cut non-essential variable OpEx such as marketing or business development?
5. Fixed OpEx: rethink what is "fixed"; rent, utilities and other services with contracts should not be paid if cash is low; negotiations and payment plans likely to follow period without payments?
6. A/R & A/P: aggressively push to collect receivables as fast as possible (see "Receivables Forum for Partner Companies" google sheet for shared info) and push out payables as long as possible?
7. Inventory: scrutinize what's essential to order based on cash situation & future sales opportunity and/or any critical raw/pack material with risk to future availability?; use cash wisely

Extending Cash Runway

1. Covenants: seek approval to get covenants waived for as long as possible?
2. Draw on lines: draw on your credit lines to max out availability incase liquidity dries up?
3. Emergency loans: by now, you've applied for the [SBA disaster loan](#) (use Internet Explorer, not Chrome for this website) , but please monitor for additional federal, state and local programs
4. Grants: also as discussed Friday, seek grants as funding pops up (e.g., [Facebook \\$100mm grant](#)); share new grants with the broader group of partner companies as you learn of them
5. Insurance: check your policies to see the language on pandemics under business interruptions

During this time, please consult with each other. Share where you have had success and seek advice where you are encountering challenges. We at 2x Partners are here to help too.