



OVERVIEW:

Coronavirus Aid, Relief, and Economic Security (“CARES”) Act Small Business Administration (“SBA”) Programs

The CARES Act provides funding and expanded eligibility for three primary programs:

1. Paycheck Protection Program loans under Section 7(a) (“7(a) loans”);
2. Economic Injury Disaster Loans (“EIDLs”); and
3. SBA Debt Relief Program

This overview will focus on summarizing the key points of the Paycheck Protection Program, which is designed to provide a direct incentive for small businesses to keep their workers on payroll by providing each small business a loan up to \$10 million for payroll and certain other expenses. In total, the program includes \$349 billion in directed funds.

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Paycheck Protection Program Summary

The table below summarizes the key points of the Paycheck Protection Program. Further detail on the loan size calculation can be found on the next slide

Eligibility	<ul style="list-style-type: none"> ▪ Available to any business meeting current SBA small business size standards ▪ Any employer with 500 or fewer employees ▪ 501(c)(3) with 500 or fewer employees ▪ Sole proprietorships and individuals operating as independent contractors ▪ Some special rules apply to companies who are affiliated (e.g. controlling or controlled by, common ownership, etc.) with other organizations (see <i>page 4 for further explanation</i>) ▪ Special rules and access apply to certain hospitality industry companies (NAICS codes starting with 72)
Loan Size Determination	<ul style="list-style-type: none"> ▪ Up to 250% of average monthly payroll costs (<i>see page 3 for details on the calculation</i>) for the 12-month period preceding the loan, assuming the business was operational in 2019 and is a non-seasonal employer ▪ \$10MM cap
Rate, Term, & Fees:	<ul style="list-style-type: none"> ▪ Not to exceed 4% and 10 years ▪ Zero loan fees and zero prepayment fees
Loan Proceeds Usage:	<ul style="list-style-type: none"> ▪ Payroll ▪ Continuation of healthcare benefits ▪ Insurance ▪ Mortgage, rent, utilities (gas, water, phone, internet, transportation) ▪ Interest on debt pre-dating the 2nd of February 2020
Loan Forgiveness	<ul style="list-style-type: none"> ▪ Eligible for forgiveness equal to the amount of payments made during the 8-week period following receipt of the loan for the following items: <ul style="list-style-type: none"> – Payroll costs (using the same definition of payroll costs as used to determine loan size) – Interest on indebtedness secured by a mortgage that pre-dates the 2nd of February, 2020 – Rent and utilities ▪ Provision made to reduce the forgiveness if the number of full-time employees (or their compensation) decreases during the 8-week period

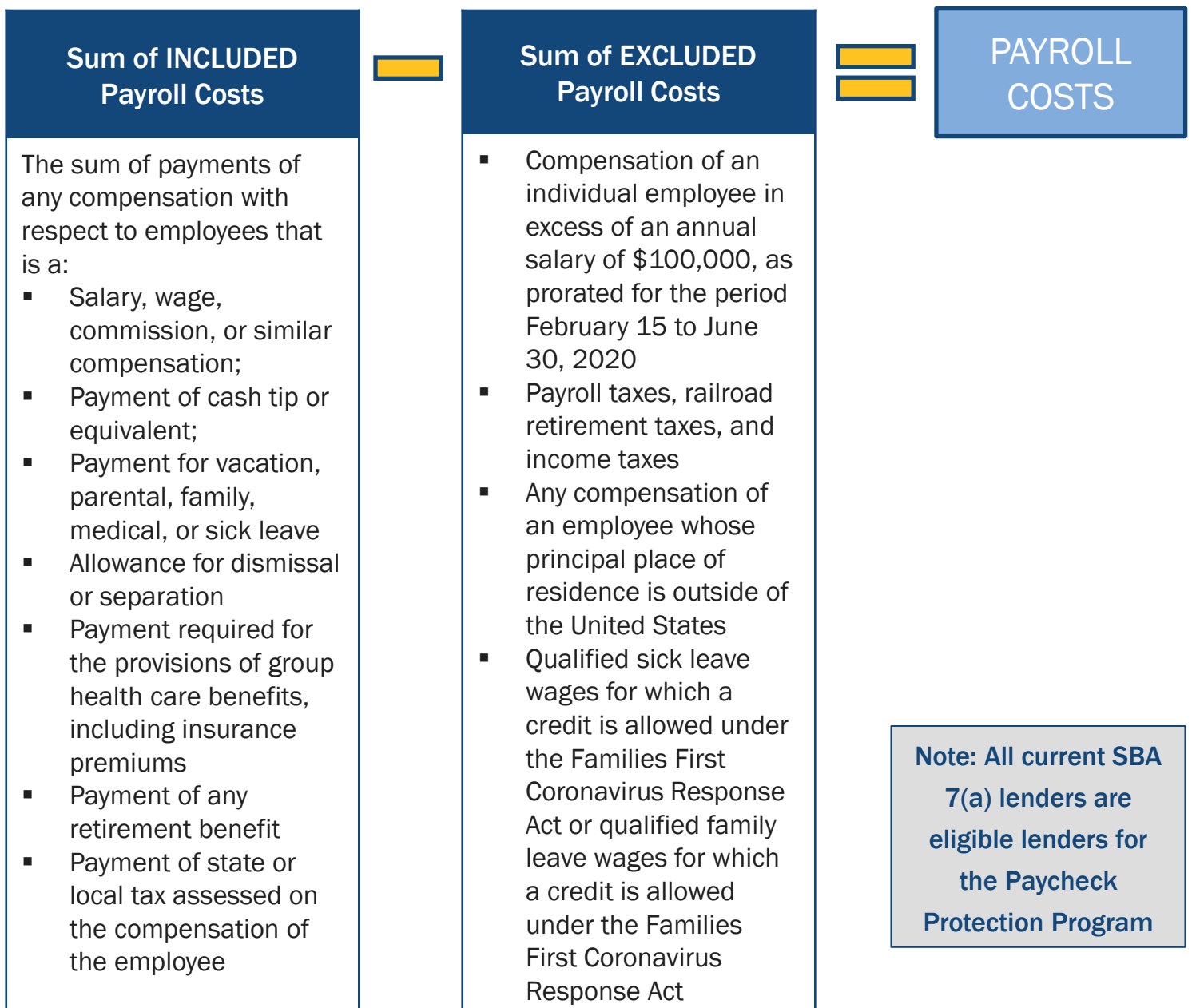
Source: U.S. Small Business Administration

Loan Size Determination

Loans can be up to **250% (or 2.5 times)** the borrower’s **average monthly payroll costs** for the trailing 12-month period preceding the loan

The maximum loan amount is **\$10 million**

The graphic below shows the methodology for calculating payroll costs:



Other Relevant Information

Number of Employees Limitation

When meeting the CARES Act size measure via the number of employees limitation, the applicant needs to account for its own employees and the employees of “affiliated” companies

Affiliation can be established in several ways. The most common would include any business, company or individual that:

- Controls or has the power to control or is common control with the applicant by virtue of majority ownership, shareholder agreement, charter, by-laws, etc. including a minority investor
- Is managed by the same Board or other managing officers
- Has substantially identical business or economic interests

Other CARES Act SBA Programs

In addition to the Paycheck Protection Program, the following programs are available:

Economic Injury Disaster Loan

- Small business owners are eligible to apply for an Economic Injury Disaster Loan advance of up to \$10,000. The SBA’s Economic Injury Disaster Loan program provides small businesses with working capital loans of up to \$2 million

SBA Debt Relief Program

- The SBA will pay the principal and interest of new 7(a) loans issued prior to September 27, 2020
- The SBA will pay the principal and interest of current 7(a) loans for a period of six months

To find additional resources on these programs and identify assistance near you, visit the SBA website linked below:

www.sba.gov/page/coronavirus-covid-19-small-business-guidance-loan-resources

About Avondale Partners

Avondale Partners is an investment banking firm focused on the healthcare services and healthcare technology sectors. We differentiate ourselves by achieving superior outcomes for our clients through senior-level attention from bankers averaging more than 20 years of experience. More information can be found at www.avondalepartnersllc.com

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