

FUNDING RESOURCES

FITCI has updated and compiled a list of online resources (**strictly related to funding**) that we believe will be helpful for you all during this time:

Federal Relief – On 3/25/20, the Senate approved a \$2 trillion relief package designed to alleviate some of the worst effects of the economic downturn as a result of the coronavirus pandemic. The package provides \$350 billion in loans for small businesses to cover salary, wages and benefits, worth 250% of an employer’s monthly payroll, with a maximum loan of \$10 million. It also includes a tax credit for retaining employees, worth up to 50% of wages paid during the crisis, for businesses forced to suspend operations or that have seen gross receipts fall by 50% from the previous year. The bill will also delay payroll tax for employers, requiring half of the deferred tax to be paid by the end of 2021 and the other half by the end of 2022. *For more detailed information, please see the attachments “CARES Section By Section,” “IEDC Stimulus Update,” and “SBIA CARES Summary”*

Maryland Resource Guide – An [A-Z Resource Guide](#), outlining the latest updates and actions Maryland has taken thus far.

MD Dept of Labor COVID 19 Layoff Aversion

Fund- <https://www.dlrr.state.md.us/employment/covidlafund.shtml>

Governor Hogan and the Maryland Department of Labor launched the new COVID-19 Layoff Aversion Fund, designed to support businesses undergoing economic stresses due to the pandemic by preventing or minimizing the duration of unemployment resulting from layoffs. [Businesses can apply](#) for up to \$50,000 in state money to keep employees on the payroll. Funds from the layoff aversion fund can be used several ways, including purchasing equipment to allow employees to work from home, cleaning services at businesses delivering essential services and other measures aimed at staving off layoffs. One page flyer: <http://www.labor.maryland.gov/employment/covidlafundflyer.pdf>

Maryland COVID-19 Emergency Relief Manufacturing Fund - This \$5 million incentive program helps Maryland manufacturers to produce personal protective equipment (PPE) that is urgently needed by hospitals and health-care workers across the country. More details expected to be announced by Friday, March 27, 2020. When they are, they will be found

here: <https://commerce.maryland.gov/fund/maryland-covid-19-emergency-relief-manufacturing-fund>

Small Business COVID-19 Emergency Grant Relief Fund – [Click here for more information and to access the application](#)

Will provide grants up to \$10,000 not to exceed 3 months of cash operating expenses for Maryland businesses and nonprofits impacted by the COVID-19 with 50 or fewer employees. Eligible uses of the grant include: working capital to support payroll expenses, rent, mortgage payments, utility expenses, or other similar expenses that occur in the ordinary course of operations. Businesses must provide evidence of business disruption, which may include but is not limited to:

- Notices from tenants closing operations and not paying rent caused by loss of income.
- Notice of inability to make loan payments due to reduced sales, suspended operations.
- Increased cost related to COVID-19 prevention measures.
- Notice of disrupted supply network leading to shortage of critical inventory or materials.
- Other circumstances subject to review on a case by case basis.

Relief for Taxpayers Affected by Ongoing COVID19 Pandemic- The President issued an emergency declaration to provide relief from tax deadlines for Americans. **This postpones federal income tax payments (originally April 15, 2020) to July 15, 2020.** The postponed amount for consolidated groups or for each corporation that does not join in filing a consolidated return is \$10m, and for individuals is \$1m regardless of filing status (joint, single, etc).

For more detailed information see the attached document “Treasury Tax delay regulations (002)”

Unemployment Insurance - If a business experiences a temporary or permanent layoff, Labor’s Division of [Unemployment Insurance’s](#) Bulk Claim Services can open unemployment insurance claims for all affected employees. Businesses should contact a Claims Representative by emailing

dluibulkclaims-dllr@maryland.gov or calling (410) 767-3252.

Maryland Business Express- Maryland’s State website/portal has daily updates regarding businesses in Maryland. Governor Hogan has submitted an application for SBA assistance, which was approved for all Maryland counties for **emergency SBA assistance**. This is an extremely useful one-stop shop for all SBA funding-related information (including Employer and Worker Assistance), etc. which will likely be updated by the time you read this email. A link to Wednesday’s informational seminar can be found on this page. Find the portal here: <https://businessexpress.maryland.gov/coronavirus>

SBA Express Loans and Coronavirus: Financial Update- The entire state of Maryland has received designation for SBA assistance. *Economic Injury Disaster Loans* are given in amounts up to \$2m with interest rates set at 3.75% currently. The approval process takes 14-21 days, with a 5 day wait time for funds to be dispersed. There is current legislation to increase SBA funding (outside of the disaster fund) in SBA 7(a) loans and SBA 7 (a) Express Loans. Borrowers may also be able to apply for SBA Express Bridge Loan Pilot Program that allows the SBA to give loans up to \$25k for small businesses in designated disaster areas.

Please see the attached document “Step-By-Step Guide – SBA EIDL Application Process” for more detailed information on how to apply.

Find more information and links to all the appropriate loan programs here: <https://www.sbaexpress.loans/blog/coronavirus-and-sba-express-loans-update>

For more detailed information on the SBA express loans, visit: <https://www.fundera.com/business-loans/guides/sba-express-loan>

For more information about SBA loans and preparing to apply for them, please see the attachments titled “Demystifying the SBA” and “Preparing for an SBA Loan”

FDIC Regulatory Relief- The FDIC is working with financial institutions to take steps to assist customers and communities affected by COVID-19. Any financial institution’s efforts to modify terms on existing loans for affected customers will not be subject to examiner criticism. They will work with them to reduce the burden that will result from this, the challenges in regulatory reporting resulting from this, and will act expeditiously if institutions need to temporarily close.

More frequently updated, detailed information for consumers can be found on the FDIC’s COVID-19 webpage here: <https://www.fdic.gov/coronavirus/index.html>

Flybridge’s (VC) Advice to their Startup CEOs- 1) Hope for the best, **plan for the worst**, 2) Start your 2020 budget over and cut costs now, 3) Open communication and overcommunicate during this time of crisis, 4) Take advantage of the opportunity to be nimble during this time, 5) be prepared for employees to come in contact or catch COVID-19 and think through your procedures before this happens.

For more explanation of the advice, read here: <https://medium.com/@flybridge/flybridge-advice-to-our-ceos-and-founders-in-light-of-covid-19-c0a0102234d>

Drive Capital’s “Eight Steps Startups Should Take to Survive the Coronavirus Crisis” – Drive Capital is a venture capital fund focused on establishing entrepreneurial ecosystems with a goal to support new



FITCI FREDERICK INNOVATIVE TECHNOLOGY CENTER INC.

businesses in the Midwest. Their interesting 10-minute video details specific steps that startups can take to help their companies survive the Coronavirus crisis and the recession that's likely to follow. Watch here: https://www.youtube.com/watch?time_continue=29&v=r4REEhp35yU&feature=emb_title

UPDATE – MAY 27, 2020

In this email you will find summarized:

1. **Presentation by Chesapeake Corporate Advisors, “Maintaining Focus on Shareholder Value during Extraordinary Times”**
2. **Video by Vistage, “Accounting and Finance Tactics to Survive and Thrive”**
3. **Webinar by Turning Point, “Financial Tips for Businesses during COVID-19”**
4. **Article by Ernst & Young, “COVID-19: Employer Requirements & Considerations”**
5. **Frederick County Jump Start Grant opens tomorrow**

1. Maintaining Focus on Shareholder Value During Extraordinary Times (see attached)

Focus on the following initiatives:

-Implement a business continuity plan that stays true to the Company’s overall strategy. Establish frequent and consistent communication protocols.

-Assess current and future revenue vulnerabilities. Look for new opportunities as markets evolve rapidly.

-Manage costs and invest carefully to preserve EBITDA and operating margins.

-Strengthen existing relationships with customers, suppliers and other critical stakeholders.

-Leverage key people and technology to maximize Company potential and gain efficiencies.

- Liquidity is critical. Therefore, cash flow should be tracked and forecasted. Create a comprehensive cash flow model by analyzing balance sheets:

1. Cash and investments: Current value of any financial investments, fees associated with breaking investments before contractual terms allow.
2. Accounts Receivable: Estimate when each item on A/R will be collected: on time, delayed, at risk to ever be collected. Reassure customers to gain insight.
3. Accounts Payable: Assess which need to be paid on time and which can be delayed with the least risk.
4. Loans: List outstanding loans including actual payments over the next few months.
 - Cash Inflows

1. Forecast cash that will be collected based on the collection of existing accounts receivable.
2. Forecast cash to be collected based on future sales estimates.
3. Consider any other cash inflows, such as liquidation of investments and outside cash infusions.^[1]_[SEP]

- Cash Outflows

1. Forecast cash expenditures to pay current accounts payable.
2. Forecast cash expenditures to pay accounts payable created as a result of future sales or obligations.
3. Forecast outflows for non-accounts payable items like rent, payroll and loan payments.^[1]_[SEP]

- Lenders are willing to work with Borrowers. It is imperative that Borrowers communicate openly with lenders. Prepare: 1) Plan of action, 2) Financial Projections, 3) Collateral review

- Revisit sustainable Cash Flow assumptions. While fundamental metrics have not changed, we expect investors will look at the underlying cash flow and multiple assumptions very differently given all that has happened since the COVID-19 outbreak.

- Impact on M&A Activity

1. Strategic buyers are pulling back
2. PE Buyers remain active but cautious (more focused on valuations, deal structuring, and due diligence).
3. Deals currently under letter of intent will face new considerations

2. Accounting and Finance Tactics to Survive and Thrive

can be found at <https://youtu.be/fKjZm36ThAQ>



[Accounting and finance tactics to survive and thrive](https://youtu.be/fKjZm36ThAQ)

Prudent financial management is critical not only to maintain the cash flow needed to survive this crisis, but to ensure your business will be set up to thri...

youtu.be

- Crisis Team: Attorney, CFO, Banker, CPA, Personal Financial Planner, Insurance Agent, Business Coach

- Review all customers for payment: 3 Categories 1. I know will pay, 2. Iffy, 3. Worried they won't pay.
 1. Increase collection speed and track daily sales outstanding
 2. Make sure invoices are getting out more quickly and more accurately to improve cash flow

- Supply Chain
 1. Double check upstream and downstream
 2. Inventory planning - understand your gross margins by product and what is flowing through

- Performance Goals - running your business by the numbers has never been more important

- Legal Strategy
 1. Look at contracts (termination rights/risks, renegotiation, etc)

- Cash Hoarding
 1. Slow pay AP, collect AR faster
 2. Make sure you're not quick-paying without a discount
 3. Manage daily utilization and accountability
 4. Stop payment - think about who you have to and don't have to pay. Take control of the cash today.

- Cost cutting
 1. Have proactive landlord discussions, get out ahead of negotiating your leases. Think about appropriate use of space, etc.
 2. See federal/state/county guidelines for moratoriums on evictions

3. Negotiate your loans, banks are being helpful with this (SBA loans have a 6 month moratorium on interest payments)
 4. Look at little fees so it isn't death by a thousand cuts
 5. Shop payroll providers. Look at office supplies.
 6. Outsourcing (cutting overhead, HR, payroll, etc)
 7. Insurance - review general liability insurance, business interruption insurance will likely not apply as it is a government-mandated disaster not a natural disaster
- Government Programs
 1. Disaster loans
 2. Payroll tax credit and deferral options (doing this excludes you from PPP)
 3. Tax incentives - you can get refunds by refiling old returns
 4. Help others so you can be helped. Unemployment benefits have been expanded.
 5. PPP (forgiveness requires 75% of the loan go to payroll, 25% is eligible for forgiveness if used for occupancy costs-anything else is non-forgivable)
 6. MSNLF loans can be used for anything if you qualify (no personal guarantees and underwriting, through your BANK not SBA)
 - Ways to Thrive
 1. Restructure costs to a new norm (if remote is working, maybe save money on occupancy costs and do more work from home—make your work culture go up and your costs go down)
 1. CARES act allows you to pay \$5000 per person and pay off school loans, it won't be taxable to employee and company can write it off
 2. IT costs - spending money on the front end to benefit you in the long run
 3. Look at employee benefits - incentivize an accountability culture
 2. Look at staff - cut under-performers, outsource to cut costs.
 3. Travel/entertainment costs - look at per-diems if your employees can sell via Zoom, etc.
 4. Think about sales budgets, measure everything going on in sales but don't micromanage.
 5. Think about your process (ex. accounting— build a cookbook-like process to make it easier and increase accuracy but decrease costs).

6. Tighten objective metrics and accountability metrics.
 7. Upgrade your culture. Increase accountability and communication.
 8. Automate and innovate to increase productivity
 9. Get better pricing and deals when buying
 10. Beef up on sales, track your winners and cut your losers. Give better opportunities and prices than your competitors.
- PPP
 1. Maximize the opportunity of forgiveness
 2. Loan number, SBA number: you'll have to sign SBA approval form, then you're in the queue to get paid
 3. You need to use the funds over an 8 week period once you get the funds
 4. Forgiveness calculator for \$99 <https://tgg-accounting.com/covid-19-resources/ppp-payroll-tracker/>
 5. PPP funds can only be used for state income taxes
 6. If you already had a disaster loan first, you have to use PPP to refinance it
 7. Make the core the PPP loan, the other loans need to be paid back
 8. Economically this will effect us for a long time, not back to normal after rebooting

3. Financial Tips for Businesses during Coronavirus

can be found at <https://youtu.be/fKjZm36ThAQ>

- The Wedinar Covers:
 1. Overview of the best things for businesses for the CARES act
 2. Tips on budgeting and organizing during these times
 3. Tips on working with cash flow
 4. Loans and Lines of Credit
 5. Analyzing expenses to find savings

3. COVID-19: Employer requirements and Considerations (See Attached)

- The pdf covers:
 1. FFCRA: requirement for paid leave
 2. FFCRA: paid sick and family and medical leave tax credits
 3. CARES Act: employee retention tax credit
 4. Social Security payment deferral
 5. Claiming the FFCRA and CARES Act tax credits
 6. COVID-19 tax credit recordkeeping requirements
 7. CARES Act: Paycheck Protection Program
 8. CARES Act: employee benefits and executive compensation
 9. Employee disaster relief payments
 10. Taxation of teleworker equipment and tools
 11. Teleworker state and local payroll tax considerations
 12. Expanded unemployment insurance benefits
 13. State extensions on the due date for payroll tax returns and payments
 14. Temporary halt in garnishments for student loans

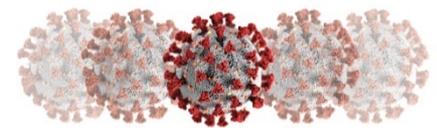
4. Jump Start Grant from Frederick County

- Frederick County's Jump Start Grants application process will go live on Thursday, May 28 at 7AM. Apply anytime between Thursday at 7AM and Friday, June 5 at 11:59PM. This program does not operate on a first-come, first-served basis. Anyone who applies within that time period will be considered. FAQs on the program are [here --> FAQ's](#).

CCA's Response to COVID-19

Maintaining Focus on Shareholder Value During Extraordinary Times

Prepared by:
Chesapeake Corporate Advisors, LLC
March 2020



COVID -19

March 27, 2020

Dear Friends:

I want to start by passing on my best to you, your staff and your families during these extremely unprecedented times. None of us had much time to prepare for COVID-19. It came on fast and with vengeance. Who could have predicted a pandemic in 2020? It is fair to say, we are all responding through these times with significant anxiety and less than adequate information about the future. We are truly all in this together.

While we at CCA made an early decision to work remotely, we have been careful as to what we have released to our clients/ prospects/ strategic relationships given our responsibility as advisors and given the rapidly changing world. We have spent hours over the past weeks gathering information from our strategic relationships (i.e. clients, prospects, capital sources, corporate attorneys, governmental agencies, etc.) and have summarized this information for you to hopefully provide you valuable and actionable intelligence to address the business impacts of this terrible virus.

COVID-19 is different than other major crises, including September 11th and the financial meltdown of 2008. With these previous calamities, as a people we were called to rally, were called to be united and called to physically gather. Today our enemy is invisible, and we are again called to unite but this time to do so alone, sheltered in place and with no clear answer for how long. Likewise, in our business life, we are called to rally and respond, but to do so remotely, sheltered in place and to rely on Zoom or Go to Meeting as our gathering spot. Indeed, a new paradigm.

From a business perspective we ask ourselves two questions every day: How long? How deep? No one knows the answers.

What we know from past experiences is that the leadership teams that communicate, collaborate, develop a plan of action and execute without hesitation will be the ones who will do the best during this unprecedented time of risk and uncertainty.

The entire CCA team remains available to discuss this information and available to assist you in developing responsive strategies in these extremely challenging times.

Sincerely,



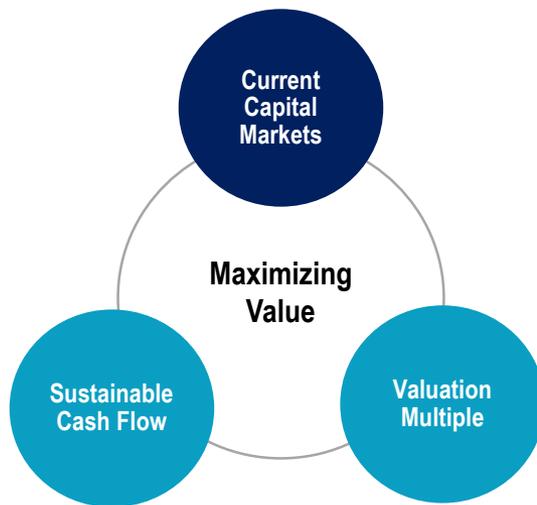
Charles L. Maskell
Managing Member

There is a significant probability of a dramatic decrease in revenues leading to liquidity issues for many businesses. Uncertainty is driving the capital markets, conditions on the ground, as well as Federal and State level guidance which will drive many of our business decisions. We need to plan and think ahead in new and creative ways. In this short COVID-19 response document, we at CCA, with our unique perspective and competencies, have outlined a six (6) part approach for facing the financial challenges ahead of our clients.

➤ Maximizing Shareholder Value Remains an Imperative	4
➤ Impact on Revenue & Profitability	5
➤ Managing Cash Flow During Uncertainty	6
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➤ What Impact is COVID-19 Having on Valuations?	8
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➤ Consider CCA as You Look for Guidance	10

We are constantly monitoring this evolving situation, and we are available for consultation during this time of uncertainty.

- *In order to best preserve and maximize shareholder value during this period of uncertainty, Company leaders must focus on the following critical initiatives:*



While we cannot control the current capital market conditions, a well-executed strategy will provide business owners with the best opportunity to maximize sustainable cash flow and preserve their multiple despite difficult global economics.

The COVID-19 pandemic is unlike any previous crisis facing leaders in our business community. Crisis response techniques that have been used in the past will not be adequate. There is a high probability of a decrease in revenues leading to liquidity issues in many businesses. Leaders should consider their Company's current position based on the following three scenarios and continue to reassess as they obtain new information.



TAP THE BREAKS

- *Flat to mild revenue decline.*
- *Manageable disruption.*
- *Manage workforce and suppliers.*
- *Scalpel approach to cost reduction.*
- *Work with bank to secure additional financing.*



SEVERE DOWNTURN

- *Sudden and dramatic impact on P&L with seemingly uncontrollable losses.*
- *Focus on significant cost reductions – reduction in workforce.*
- *Consider alternative customer retention strategies - aggressive contract terms.*
- *Maintain regular communications with your lenders.*
- *Explore non-traditional sources of funding operations.*



CASH CRISIS

- *Revenue drop and earnings loss leading to liquidity crisis.*
- *Immediate cost reductions to include key staff and core offerings.*
- *Daily discussions with lenders, suppliers and customers.*

Price Reduction Considerations



Lower prices carefully – studies from the 2009 recovery indicate a high rate of failure during the recovery due to locked in bad contracts.



Address each customer separately – working with a customer on price and contract terms will engender trust and appreciation.



Examine your pricing and cost structure – consider extending terms on critical services and look for alternatives to the supply chain.



Offer a 'new' product or service – distinct from the original offering in order to protect the brand for future sales.

Liquidity is critical. Therefore, cash flow should be tracked and forecasted. A two week daily forecast should be built, and 30-60-90 day forecasts should be developed with best case, medium case, worst case scenarios for each.

To create a comprehensive cash flow model, balance sheet items need to be analyzed...

- **Cash and investments** – Quantify current liquidity position including current value of any financial investments (CD's, stocks, bonds). Make sure to consider any fees associated with breaking an investment before the end of its contractual term (for example, a CD).
- **Accounts Receivable** – Estimate when each item on the A/R aging will be collected - on time, delayed, at risk to ever be collected. Communicate with customers to gain insight and reassure them. Consider expanding the current A/R coordination to include salespeople and/or others to contact customers.
- **Accounts Payable** – Review A/P aging to determine which items need to be paid timely and which can be delayed without causing major risk. Communicate with key vendors to gain insight and reassure them.
- **Loans** – Make a list of each outstanding loan including the actual payments that will be due over the next three months, broken out between principal and interest.
- **Non-Core Assets** – Consider selling non-core or non-operating assets to improve liquidity position.

...then overall cash inflows and outflows can be forecasted:

Cash Inflows/Outflows Forecast:

Cash Inflows

1. Forecast cash that will be collected based on the collection of existing accounts receivable.
2. Forecast cash to be collected based on future sales estimates (keeping in mind 100% will not be collected and sales will likely decline from prior run rates).
3. Consider any other cash inflows, such as liquidation of investments and outside cash infusions (for example bank loan proceeds, money “put in” by owners).

Cash Outflows

1. Forecast cash expenditures to pay current accounts payable.
2. Forecast cash expenditures to pay accounts payable created as a result of future sales or obligations.
3. Forecast outflows for non-accounts payable items like rent, payroll and loan payments.

The cash inflow and cash outflow estimates should be analyzed on a spreadsheet that includes a line for each inflow and outflow, Total Cash Inflows, Total Cash Outflows and the Net Difference between the inflows and the outflows for each period being forecasted (daily, 30-60-90 days).

- Banks are sending a consistent message – **they are willing to work with Borrowers**, and regulators are allowing Banks flexibility to do so. This includes:
 - Allowing term loans to be converted to interest only for a period of time.
 - Extending additional credit to support cash flow shortfalls.
 - Waiving covenant violations.
- **It is imperative that Borrowers communicate openly with their lenders.** Banks are considering modifications on a case by case basis, so Borrowers should prepare:
 - A comprehensive plan of action outlining how business has been impacted and the changes and contingencies that have been put in place.
 - Financial projections including balance sheet, income statement and cash flow.
 - Consider adding an expense line item called COVID-19 to track all COVID-19 related expenses, including staff and personnel time spent dealing with the crisis, additional supplies, etc. This will help quantify the one time expenses that are incurred as a result of COVID-19.
 - A collateral review. Be prepared to discuss requests for additional collateral such as personal guarantees (if not already in place) and/or other non-business assets.
 - If possible, have a specific request that would cover the next 90-120 days – for example, interest only for “x” months or a specific amount of additional borrowing.
- Additional Federal government stimulus and aid will be available when the CARES Act is signed into law. There are also several federal, state and private loan/ grant programs designed to help businesses. Information can be found at the following websites:
 - For information on SBA Disaster Assistance Loans visit **[sba.gov](https://www.sba.gov)**.
 - For information on how Maryland is supporting businesses visit **businessexpress.maryland.gov/coronavirus**.
 - Additional relief coming with the **Coronavirus Aide, Relief, and Economic Security (CARES) Act**.
- **Additional Federal government stimulus and aid will be available when the Keeping American Workers Paid and Employed Act is signed into law.**

An Evolving Situation with Case-by-Case Implications on Valuation

While the outbreak of COVID-19 may bring new dynamics to the M&A landscape, the fundamental aspects of business valuation have not changed. The vast majority of all transactions are valued using the very basic equation shown below, but investors will look at the underlying cash flow and multiple assumptions differently due to COVID-19.

Enterprise Value	Example
Sustainable Cash Flow (generally EBITDA)	\$1,000
Times: Multiple	5.0x
Equals: Enterprise Value	\$5,000

Revisiting Sustainable Cash Flow Assumptions

- Is the Company able to quantify or specifically carve out the financial impact of COVID-19, either by demonstrating lost revenues or additional expenses that may have been incurred.
- Does historical financial information and current operating results still accurately reflect future sustainable cash flow potential?
- Have proper considerations been made for any changes in working capital requirements (supply chain disruptions, unusual levels of inventory, collectability of receivables, etc.)?
- Do the financial projections and their underlying assumptions take into consideration the new reality of COVID-19 economics?

COVID-19 Impact on EBITDA	Impact	Value
Threats to Existing Revenue	High	↓
Threats to Future Revenue Growth	High	↓
Threats to Operating Margins	High	↓
Supply Chain Disruptions	High	↓
Collectability of Receivables	Moderate	↓
New Revenue Opportunities	Moderate	↑

COVID-19 Impact on Multiple	Impact	Value
Economic Uncertainty	High	↓
Volatility in the Capital Markets	High	↓
Recession Concerns	High	↓
Unemployment Concerns	High	↓
Political Uncertainty	Moderate	↓
Capital Costs (all-time lows)	Moderate	↑

While fundamental metrics have not changed, we expect investors will look at the underlying cash flow and multiple assumptions very differently given all that has happened since the COVID-19 outbreak.

We started 2020 with Brexit, global trade wars, geo-political tensions and a pending US Presidential election as the concerns for the upcoming year. Seemingly out of nowhere, COVID-19 is upon us and has changed daily life for every US citizen.

The Dow started 2020 at 28,868 and the S&P started at 3,257 – recent lows were 19,174 and 2,304, respectively – with tremendous volatility along the way. So, what does this mean for US M&A activity for the rest of 2020 and beyond? We have received this very question from many of our clients, prospects and strategic partners. Based on discussions with buyers, investors, lenders and others, we have reached the following conclusions:

1 Strategic Buyers are Pulling Back – *It is certainly industry and company size dependent but many Strategics are focused on revisiting cash-flow planning, supply chain disruptions and contingency plans. It is likely that for now, this is a pause and not a complete withdrawal from M&A. Also, given the current general devaluation and volatility of equities, the option to use stock as currency is no longer viable, forcing would-be buyers to use cash in a time when liquidity is at a premium.*

2 PE Buyers Remain Active but Cautious – *Our research reminded us that at the end of 2019, PE firms had nearly \$1.5 trillion dollars of cash to invest, also known as “dry-powder.” This is good evidence that the PE firms will remain active in pursuing quality investments. We expect to see the following three changing dynamics:*

Valuations – PE firms will be more focused on valuations taking into consideration the impacts of COVID-19 and the related future economic consequences.

Deal Structuring – PE firms will place more focus on “risk sharing” in the deal structures. Investors will ensure that if the future brings eroding financial performance, the impact will be shared by the buyer and the seller.

Due Diligence – Given the increasing travel restrictions, quarantines and other COVID-19 restrictions, due diligence activities will slow down and take longer to complete.

3 Deals Currently Under Letter of Intent will Face New Considerations – *It is likely that deals under LOI will move to closing, unless due diligence uncovers financial, operational or legal issues. Three considerations that could present challenges given the current environment are:*

Regulatory Approvals – If the deal requires government or regulatory approvals, the approvals could be slowed by the lack of government resources or adjustments to leverage levels or overall deal structure.

Material Adverse Change Provisions (“MAC”) – Many LOI’s contain MAC provisions to protect against circumstances which could change a deal significantly. An open question remains on whether COVID-19 represents a MAC allowing either party to choose not to proceed with the transaction.

Lenders – We are certain that lenders will be significantly more careful with underwriting and funding deals. If your transaction is dependent on lender financing, be open to potentially new and additional requests for information.

We find ourselves in a unique position to lead business owners through this period of economic uncertainty. While we do not know how long the effects of COVID-19 will last, we do know that our disciplined process will be valuable as you navigate these extraordinary times.

How CCA is Responding to COVID-19

- **Listening** – Over the past several weeks, we have been reaching out to our clients, and strategic partners to gain a better understanding of the various challenges they are currently facing. We will continue to listen and will share best practices.
- **Advising** – Many of these conversations have served as a reminder that our business is not transactional, and we strive to be a “Trusted Corporate Advisor” to each one of our clients, in good times and in bad.
- **Assessing** – As the COVID-19 situation continues to evolve, we are responding to our clients’ daily changing needs so that we can provide more valuable advice and assessment tools to the middle market.
- **Planning** – During these times of uncertainty, we will continue to rely upon our consistent processes and methodologies as we lead our clients on value preservation and value creation initiatives.
- **Implementing** – While the M&A landscape may have changed over the past several weeks, we believe that buyers will continue to seek opportunities and sellers will continue to seek liquidity. We are prepared to remain active with our M&A advisory support.

Our Core Competencies



Our firm was formed on the foundation that our clients are our top priority at all times. We are a culture of professionals passionately dedicated to the success of our Clients and our Firm. Our core values prevail in everything that we do.

We are constantly monitoring this evolving situation, and we are committed to being available to you during this time of uncertainty. Please feel free to contact us for a conversation or for assistance with more complex matters.

- Thank you

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