

Some of our clients have been notified their loan applications for their Economic Injury Disaster Loan (EIDL) has been approved. We want to share information we know about the loan before you decide whether or not to take the loan. For clients who have already taken this loan, please review the information to adhere to the loan provisions.

#### Terms

- 30 years, 3.75% per annum, 12 months deferral with interest accrued, no prepayment penalty.

#### Conditions

- Use of loan proceeds is to pay for regular and ordinary business expenses. It can not be used to refinance existing loan(s), expansion of business (i.e.: remodel or equipment purchase), and payment of personal expenses.
- For S-Corporation owners, no shareholder distribution, bonus, or loan to shareholder use of EIDL loan proceeds. The salary of S-Corporation owners is permitted. For LLCs and partnership, the members do not receive salary so distributions are permitted. The distributions paid must be reasonable (i.e.: 30% to 40% of collections). Any unauthorized distributions could result in loan default and all or part of loan is immediately due.
- If loan proceeds exceed \$25,000, borrower will provide collateral on all business assets such as equipment, accounts receivable, and intangible assets. If you have an existing business loan, please review the loan documents to avoid a duplicate pledge of your business assets. Borrowers cannot sell or transfer any collateral without prior written consent of the SBA. This may mean you can't sell your practice without asking the SBA for permission. If the loan is paid off before sale of a practice, the permission is not required.
- If loan proceeds exceed \$225,000, borrower needs to provide a personal guarantee.
- Borrower is required to keep thorough documentation of receipts and invoices (electronic or paper copy).
- Borrower will furnish to the SBA, no later than 3 months following year end, financial statements. The financial statements may or may not be financial reports you can print from QuickBooks. The SBA may require compiled or reviewed financial statements prepared by an independent public accountant. Reviewed financial statements requires additional scrutiny as compared to compiled financial statements. This will result in a significant accounting cost of \$5,000 or more per annum.
- Within 12 months from loan disbursement, borrower has to purchase hazard insurance. (If your business currently has a hazard insurance policy, you may have to increase the coverage level.)
- Accepting EIDL may prevent future federal government assistance.

The intent of the EIDL is to provide necessary working capital to pay for operating expense and help practices to survive until they return to normal operations following a disaster. The EIDL may not be a good loan if you intend to keep it as an emergency cash reserve. You may want to explore other financing options.