SANDBOX

As we are all navigating these unusual times, we thought we'd pass along some of the research, best practices and other updates that our clients have provided. Sandbox is working with 30+ local and national startups from <$1 MM in revenue to >$50 MM in revenue and we thought we can all benefit from our collective knowledge. If you find these useful, **please take a moment to complete this 30 second survey to tell us what else you want us to report out on**. Read on for our COVID-19 Survival Kit to include: HR policies, expense cutting ideas, non dilutive financing resources and more.

I. Company Emails:

Template Work from Home and COVID-19 Updates - Six sample emails that you can use to update your employees on COVID-19 and set work-from-home expectations.

II. Industry Research:

Goldman Sachs and McKinsey Research and Updates - Our favorite articles on the disease and how it will impact the economy. Also, in case you missed it, read this excellent note from Sequoia Capital:

Sequoia Capital, one of the world's top venture capital firms, sent a note to the founders and CEOs in its portfolio last week warning that coronavirus could usher in a prolonged global economic slowdown, fundamentally altering the business environment and urging them to brace for coming economic shocks. ***Sequoia's advice to their portfolio companies is as follows:***

- *Get ready, cut expenses, preserve cash.*
- *Private money is going to dry up.*
- *Sales might just fall apart.*
- *Cut advertising and marketing expenses.*
- *Be prudent with capital spending.*

III. Non Dilutive Financing Options:

Federal Grants**:**
State/Federal Disaster Relief Programs - These loans may be used to pay fixed debts, payroll, accounts payable and other bills that can't be paid because of the disaster's impact. The interest rate is 3.75% for small businesses without credit available elsewhere; businesses with credit available elsewhere are not eligible.

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AR Financing:
If you have existing contracts that will pay at a later time in the year, consider exploring financing options. There are different ways to do this but generally you can explore factoring or bank financing. Factors buy your invoices at a discounted rate, while banks require you to pledge or assign the invoices as collateral for a loan. Terms vary but below are two real-life example terms:

- **AR Financing Line of Credit:** Bank provides an amount of money to lend to the company. Company can draw on the line of credit, up to the maximum amount paying annual interest of 5% on the borrowed amount.
- **Factoring:** Factor company pays 80% of AR upfront and 20% upon cash receipt. Company upfront fee of .4% and an annual interest of 8% on the financed base.

Note that Lines of Credit are difficult to obtain for companies without a history of strong cash flow. As a result, many early stage companies will likely find more success with factoring.

IV. Furlough/Layoff Information

Changes in funding prospects and/or reduced revenues may force companies to evaluate strategies to temporarily or permanently reduce headcount. A furlough means a company-initiated short-term temporary unpaid leave of absence. The main difference between a furlough and a layoff is that a furlough is made with the intention to allow workers to return to their jobs as soon as they are available.

Read this compilation of Furlough FAQs to help you decide whether a furlough might be a good option for your company.

V. Other Ideas

- Negotiate with existing vendors - ask them to put you on a payment plan or to accrue payments until economy recovers
- Contact credit card company - many are offering interest payment assistance for at least one month
- If you are actively fundraising, consider adjusting the terms of your offering to induce earlier investment (ex. if raising a convertible note consider a tiered discount 30% for the first money in, 20% for next money in etc.)

Stay healthy and hang in there. We're here to help!

Team Sandbox