



**CRISIS MANAGEMENT
STRATEGIC FRAMEWORK
TO COPE WITH
CORONAVIRUS**

CR3 | PARTNERS

Partners For The Road Ahead

March 2020

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EXECUTIVE SUMMARY

Our country is currently under an all out assault by the Coronavirus that is negatively impacting businesses and entire industries in unexpected ways. It is time to urgently pay attention to the near term survival of companies and ensure long-term success

Protect Employees and Customers

- Establish policies on workplace attendance, flexible work schedules, working from home, and cancelation of unnecessary travel
- Follow federal, state, and local government guidelines on workplace availability, preparation, and maintenance
- Review and enhance policies that impact employees financially

Determine Near-Term Liquidity

- Create a cash flow maximization plan including asks of suppliers, landlords, and funding sources for relaxed terms
- Forecast weekly cash position over the next 13 weeks and update often
- Communicate expected cash funding requirements to equity and lender(s)

Plan for Contingencies

- Plan and budget for a temporary reduction or cessation of operations including re-start
- Reconfigure workforce to reduce costs while minimizing impact to employees
- Consider alternative funding sources including government programs

Execute

- Operate business to maximize cash flow
- Maintain an open dialogue with stakeholders, particularly those that have agreed to new terms and conditions
- Have a plan to fund business growth after the crisis

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PROTECT EMPLOYEES AND CUSTOMERS

- Prevent exposure to the COVID-19 virus <https://www.osha.gov/Publications/OSHA3989.pdf>
- Establish policies to ensure that high-risk and potentially infected employees stay home. Utilize flexible work schedules, work from home arrangements, cancelation of unnecessary travel and meetings <https://www.cdc.gov/coronavirus/2019-ncov/downloads/2019-ncov-factsheet.pdf>
- Operating facilities should be adequately prepared and maintained to reduce the risk of virus transmission. OSHA has a helpful guide on preparing workplaces: <https://www.osha.gov/Publications/OSHA3990.pdf>
- Consider providing financial support to employees for childcare and paid leave for those infected with COVID-19
- If possible, in lieu of a layoff, shift schedules so that employees can work part-time in order to maintain income and benefits. Instead of a complete lay-off, reduce salaries and hours across the workforce, eliminate 401k matches and non-essential benefits
- Some states have workshare programs that let businesses temporarily reduce the hours of their employees, instead of laying them off during economic downturns. Check to see if a workshare program is applicable to your employees <https://www.ncsl.org/research/labor-and-employment/work-share-programs.aspx>

DETERMINE NEAR-TERM LIQUIDITY

- During this crisis plan on taking steps to ensure the survival of the business. The first step is to understand the company's cash flow and liquidity over the next 4 - 13 weeks
- Create a weekly, 13-week cash flow budget of direct cash inflows and outflows
 - Goal should be to maximize cash flow and liquidity. Build a cash bridge through the crisis
 - Use conservative estimates of collections but communicate with customers and discuss how to ensure timely payments
 - Negotiate relaxed terms with suppliers, utilities, landlords, health and business insurance providers, and any service provider that is non-essential to the survival of the business
 - In some cases, a Composition with Creditors may be entered into where there is an agreement between the company and its creditors (and among the creditors themselves) that the creditors accept less than what is owed them and/or they accept payment over some definite time period
- Communicate the company's liquidity position through the 13-week projection period to the equity owner(s) and lender(s)
 - The 13-week cash flow projection can be used as a basis for negotiations over modified payment terms, continued financial support of the business, and cooperation during the crisis
- The crisis period will continue to be dynamic and unpredictable over several weeks. It is important that the 13-week cash flow projection be updated at least every 2 – 4 weeks

PLAN FOR CONTINGENCIES

- Plan and budget for the possibility of a temporary reduction or shutdown of the business. The goal is for the business to survive through the crisis
- Consider quarantining finished goods for a few days in order to reduce the likelihood of COVID-19 being transmitted on delivered product to customers
- Companies with large labor costs should plan on reconfiguring the workforce while minimizing the impact to employees if possible
<https://www.dol.gov/newsroom/releases/eta/eta20200312-0>
- Direct human and capital resources toward producing products in demand or other areas of the economy to support the response to this crisis
 - e.g. restaurant servers could be redirected to food service in health care institutions, assisted living facilities that were distressed can be repurposed as temporary hospital facilities
- Consult with your insurance broker to understand business interruption claim events
- Businesses and industries may qualify for government assistance or special tax treatment. Consult with your accountant <https://www.irs.gov/coronavirus>
- Consider alternative funding sources and government programs. The Small Business Administration provides loan guarantees in the event of catastrophic disasters
<https://www.sba.gov/disaster-assistance/coronavirus-covid-19>
<https://disasterloan.sba.gov/ela/Declarations>

EXECUTE

- Operate the business for maximum cash flow and survival while maintaining a safe environment for employees and customers
 - Follow health and safety guidance from state and federal governments
 - Complete closures, staff reconfigurations, production changes, etc. as early as possible to minimize negative economic impact
 - Monitor and minimize purchasing so that inventory levels are optimized
 - Negotiate relaxed payment terms with suppliers and service providers
 - Manage cash with a “keep the lights on” attitude, do not make payments for unnecessary inventory or services
- Maintain clear lines of communication with stakeholders: employees, suppliers, service providers, landlords, and funding sources. Clear communication rapidly creates trust and a willingness to support the business
 - Keep employees, including those furloughed or laid-off, apprised of progress through the crisis and plans to restart
 - Maintain contact with customers to ensure quality and timely payment
 - Honor negotiated payment plans to ensure your credibility and flexibility for further negotiations as needed
- Plan and budget for a restart. Determine cash requirements to fund the restart and support growth after restart

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- Our client with a large call-center operation is allowing selected employees to use “soft phones” from home, staggering shifts to reduce employee density and instituting flexible leave policies. Another client in the food-distribution business is taking the temperature of everyone entering its facility, providing extra hand sanitizer in the office and warehouses and implementing a work-from-home plan for all employees.
- We are serving as interim CEO at a packaging company and have quarantined all finished goods for at least three days in order to reduce the likelihood of COVID-19 being transmitted on delivered product to our client’s customers.
- We are revising near and medium-term financial projections at nearly all of our clients. Most sensitivities we are modeling account for supply-side risks such as disrupted or delayed shipments resulting from quarantines, port closures and below-average production levels at our suppliers; and demand-side risks driven by customers who are disproportionately impacted by COVID-19 such as restaurants, hospitality, leisure, recreation and transportation. Collecting receivables may also be an issue during this time as our client’s customers manage their cash during this period.

CR3 IN THE FIELD

- We estimate that all clients need increased liquidity due to the potential COVID-19 downside, but the added uncertainty is driving more creativity in conserving cash. We are working with our clients using a creditor-composition approach in which we negotiate with groups of creditors rather than individually. One client in the indoor-recreation business, which is particularly impacted by COVID-19, is negotiating with multiple landlords to not pay rent the next two months and to roll the balance into a balloon payment or lease extension at the end of the lease period.
- We are preparing a crisis management liquidity plan for a buffet-style restaurant chain that is initiating a full shutdown following sharp sales declines. The liquidity plan includes sizing up liquidity needs over several time periods and requesting assistance from all parties in the capital structure. We are negotiating rent deferment with landlords, payment terms with vendors, and emergency funding from lenders and equity. Next steps are to develop a comprehensive plan to restart the restaurants in an efficient and cost effective manner.
- We are advising two fast-casual restaurant chains on a liquidity plan to transition to drive-thru and delivery only with a scaled-down labor model and simplified menu mix. We are negotiating with critical suppliers to ensure deliveries and discussing payment options with landlords. Our work includes a plan to support emergency funding from the company's lender and equity.

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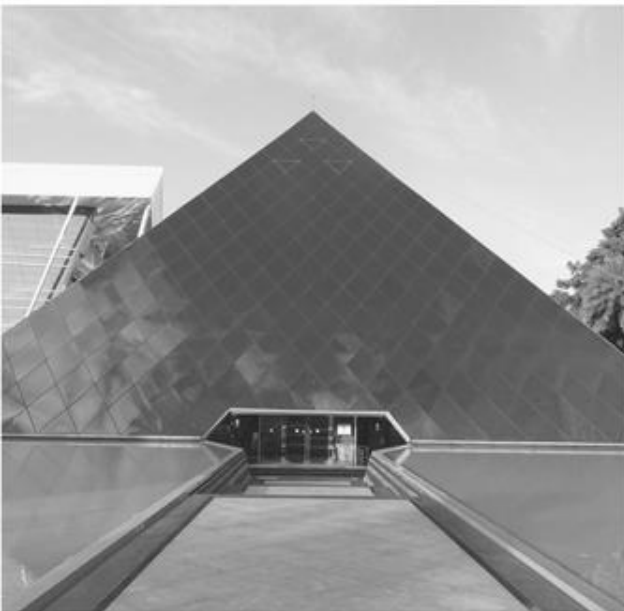
WHO WE ARE

As a national restructuring, turnaround and performance-improvement firm, we assist, guide and collaborate with management teams and their constituents while they face any sort of transition, stress or distress.

WHAT WE DO

We provide experienced leaders to identify and implement operational and financial improvements that achieve quick and measurable results, whether as CxO or advisor.





CREDIBILITY

- Straight-shooting, collaborative partners
- Fast and efficient at identifying issues and roadblocks
- Rely on our experience and reputation with stakeholders
- Practical solutions
- Intelligent forecasting

HANDS-ON LEADERSHIP

- Deep industry knowledge derived from working in operating (CxO) positions within companies
- Extensive process expertise in restructuring and turnaround
- Bias for action
- Rebuild stability, credibility and value at every step of the engagement
- Dexterity of implementation

SERVICES

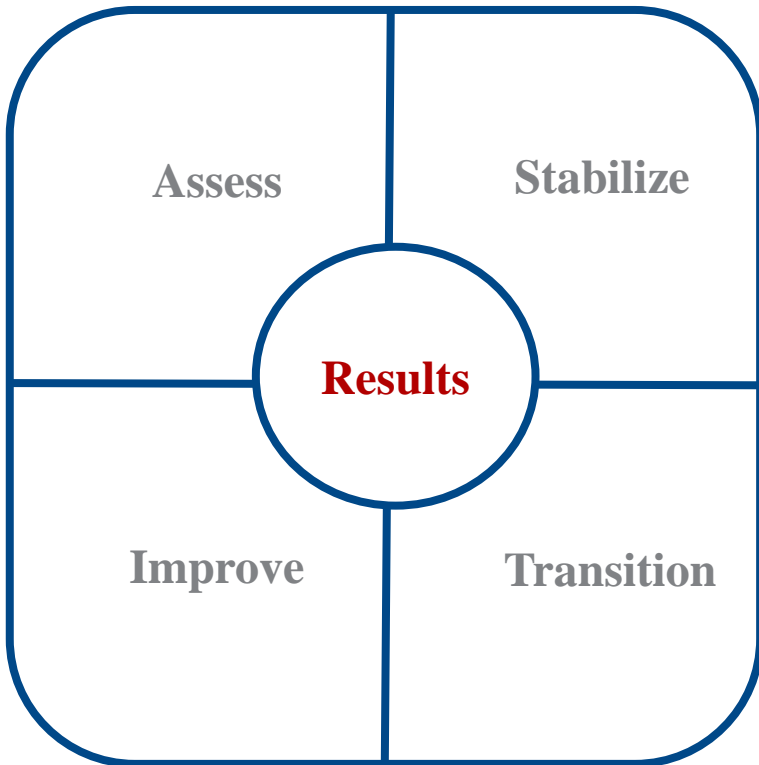
- Business assessment
- Due-diligence support
- Performance improvement
- Turnaround management
- Interim management
- Bankruptcy advisory
- Asset monetization
- Trustee, examiner and fiduciary

OUR INDUSTRIES

We bring industry knowledge to every engagement, but we cross-pollinate as well. Bringing learning cross-industry accelerates change and helps us avoid insular thinking. Industry experts? You'll see them on every project, but we'll push for breadth of experience on our teams too.

- AEROSPACE
- AGRICULTURE
- APPAREL
- AUTOMOTIVE
- AVIATION
- BUILDING PRODUCTS
- CHEMICALS
- CONSTRUCTION/CONTRACTING
- CONSUMER PRODUCTS
- DISTRIBUTION & LOGISTICS
- ENERGY, PRODUCTION, EXPLORATION & SERVICES
- ENGINEERING SERVICES
- ENVIRONMENTAL
- FOOD & BEVERAGE
- HEALTHCARE
- HOSPITALITY
- LIFE SCIENCE & BIOTECH
- MANUFACTURING
- MEDIA & ENTERTAINMENT
- NONPROFIT
- OIL & GAS
- PROFESSIONAL SERVICES
- PUBLISHING
- REAL ESTATE
- RESTAURANTS
- RETAIL
- STAFFING
- TECHNOLOGY
- TELECOMMUNICATIONS
- TRANSPORTATION
- UTILITIES

OUR APPROACH

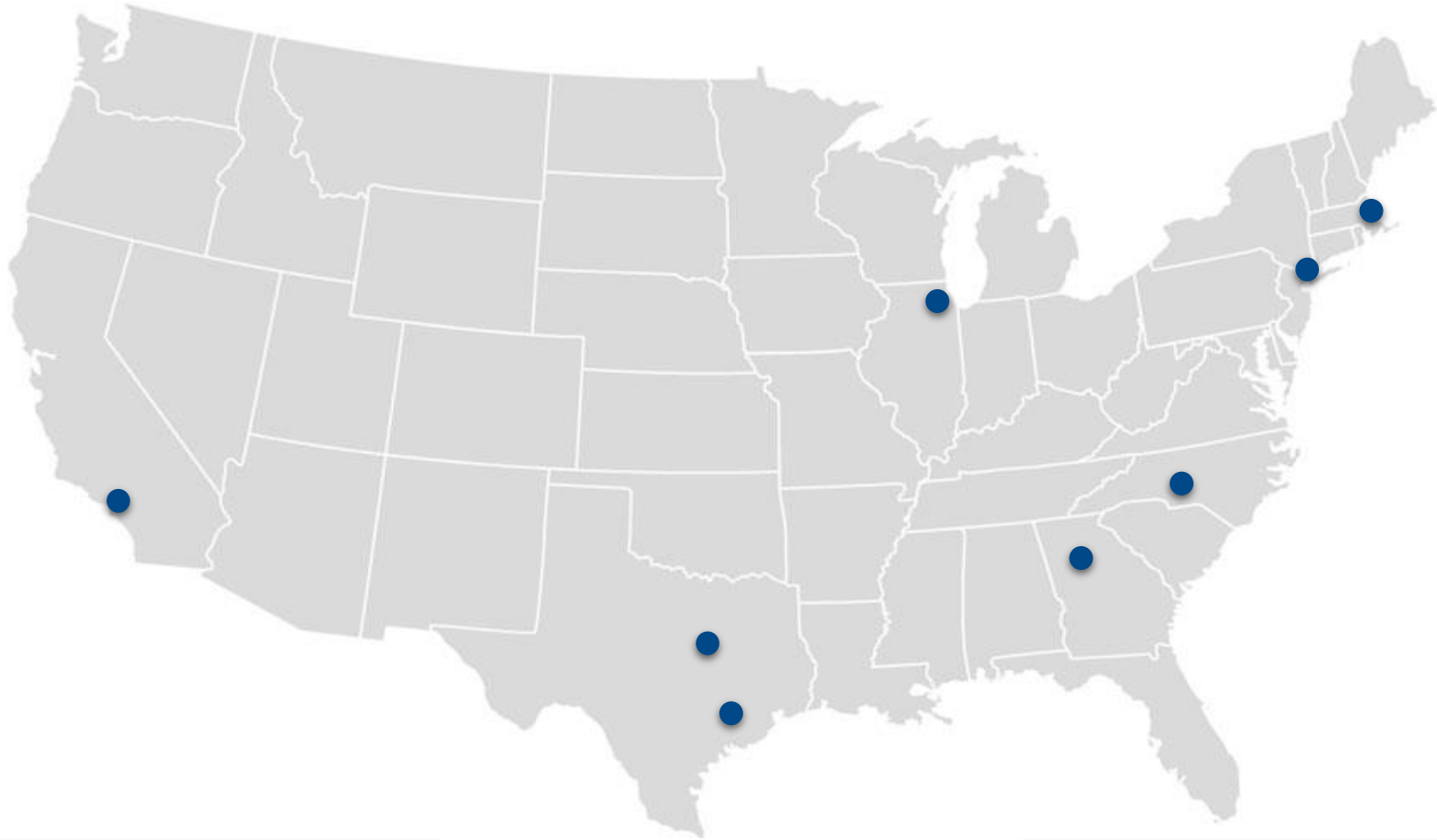


What we do

- **We plan.** If you don't know where you're going, you'll never get there.
 - **We implement.** A plan without execution is a hopeful wish.
 - **We drive change.** We lead as advisor, interim manager or executive coach.
 - **We achieve results.** Whatever it takes, we get it done.
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How we get there

1. **Assess** the situation – identify opportunities for improvement.
2. **Stabilize** the business – financially and organizationally.
3. **Improve** performance – clarify metrics and track progress to goals.
4. **Transition** to the next stage – an improved business model, leadership team, execution strategy and/or growth opportunity.



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