The background of the slide features a dark blue gradient with silhouettes of hands holding several interlocking puzzle pieces. The hands are positioned as if they are carefully placing or adjusting the pieces, symbolizing a process of problem-solving or building a solution.

# TOOLKIT – A 4-Step Process to address COVID-19 Uncertainties



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# Summary

COVID-19 and the ripple effects are wreaking havoc on the American economy and especially small and medium-sized businesses.

Many clients have asked us about “best practices” and “what other people are doing”. The objective of this Toolkit is to assemble that information for you in one place. That includes a recurring 4-step process utilizing best practices to manage in a crisis.

We will maintain and update this Toolkit throughout the crisis. We will post updates to our [COVID-19 Resource Center](#) where you will also find a broad range of information, links, examples and tools.

This Toolkit contains general information and descriptions and is not legal, accounting or tax advice. You should contact your advisors to understand how the applicable laws, regulations and programs apply to your circumstances.

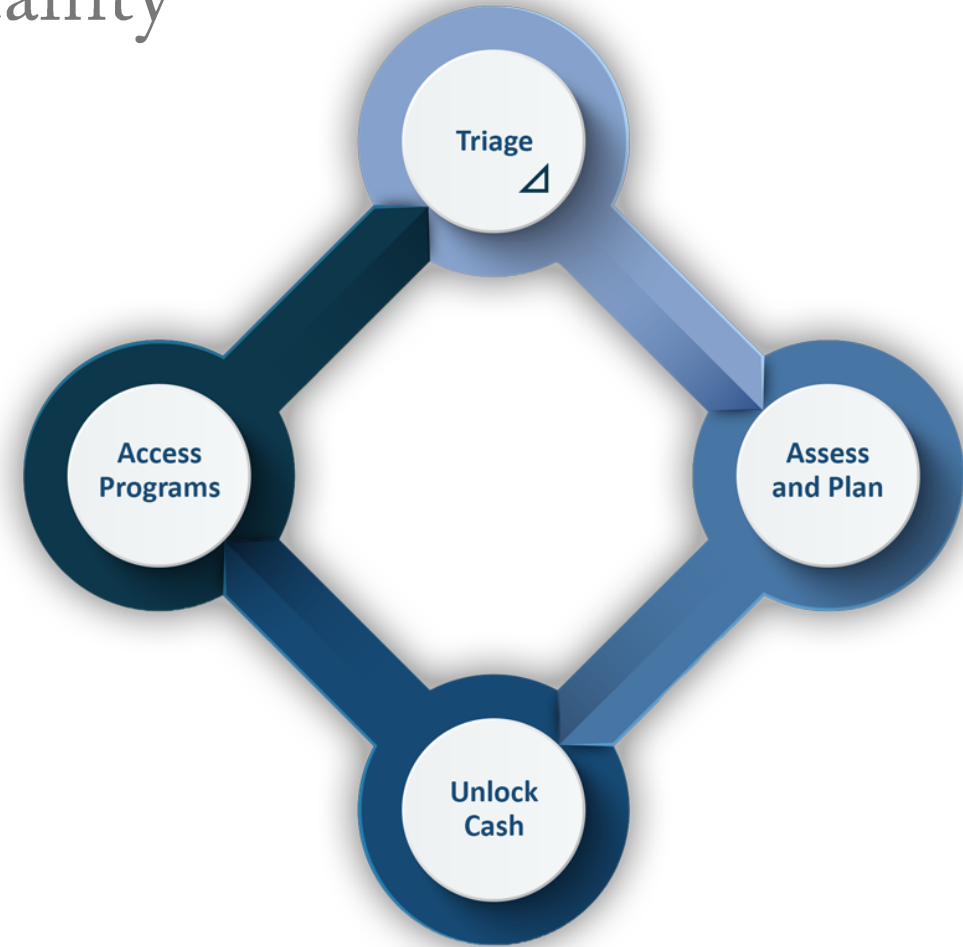


# 4 Steps to Battling Uncertainty

COVID-19 has introduced unprecedented problems for business leaders:

- Your business is or soon will be under enormous pressure
- Your customers, suppliers, employees, lenders and other stakeholders will have an insatiable appetite for information and direction
- You will encounter multiple and evolving external challenges, some of which may be positive

This toolkit provides business leaders a recurring process to implement throughout the pandemic to manage through the uncertainties



# Recurring Processes

The methodology is based on a 4-step process that is repeated throughout the crisis to adapt to inevitable changes

- Economic Injury Disaster Loans (slide 10)
- Paycheck Protection Program “forgivable” loans (slides 11-12)
- Refundable Credit if revenues decline more than 50%

- Examine all “scheduled payments” and request deferrals
- Consider asking for extended terms
- Talk to your lenders and insurers – see what programs they offer
- Understand state and federal deferrals and credits (see slide 9)



- Essential Business? Implications?
- Shutdown and/or Safety - Workforce and Operational Adjustments
- Reductions in force? Compensation?
- New Federal Labor Laws (slide 5)
- Employee Policies and Processes
- Communications including Posters

- Assess your value chain and risks (slide 6)
- Plan, plan, plan . . . (slides 7-8)
  - Develop a 13-week cash flow model (“CFM”)
  - Build an Execution Plan (“EP”) with contingencies
- Develop downside scenarios
- Identify “Leading Indicators” to trigger your contingency plans
- Develop a communications plan



# Step 1 (Triage) Employment Law Changes

## **Federal employment laws continue to be applicable**

- ADA: Prohibits medical inquiries (except for taking employee temperatures), protects employee medical information, requires reasonable accommodation by employers for employees with “disabilities”
- FMLA: Requires up to 12 weeks of unpaid leave for “serious health conditions”

## **“Families First Coronavirus Response Act” effective April 1, 2020**

- Applies to employers with fewer than 500 employees, with tax credit available (see slide 9)
- Expands FMLA protection to employees required to care for children due to school and daycare closures
- Temporary paid leave benefit for employees who cannot work due to being diagnosed with coronavirus, awaiting diagnosis, or caring for someone else

## **Unemployment expansion**

- Ohio eliminated waiting period for unemployment benefit eligibility
- Mutualized charges for contributory employers
- Up to \$600 weekly additional federal benefit available under new CARES Act

*For more information about critical employment law considerations, particularly if you are considering any adjustments in workforce and/or compensation, contact Marc Fleischauer ([fleischauer@coollaw.com](mailto:fleischauer@coollaw.com))*





## Step 2 (Assess and Plan) Ask the Hard Questions

- **Government-imposed Changes** – what state orders apply to our team or operations? Has the state requested our assistance – people, assets, facilities?
- **Industry-specific Implications** – are we an “Essential Business”? Is our industry re-tooling or repurposing? Will events cause material supply shortages?
- **Top Customers** – Are they financially stable? Will A/R collections be delayed/reduced? Are any asking for assurance we’ll perform? How do we respond to cancellations and requests for extended terms?
- **Key Suppliers** – Are they financially stable? Can they perform? Are they limiting supply? Do we need secondary sources? Should we request extended terms?
- **Communications** – Who are the constituencies (e.g., customers, suppliers, employees, lenders, others)? What are their needs?
- **Operational Implications** – Reactions to external changes (e.g., orders drop; projects cancel)? What should we do proactively (e.g., reduce spending and stop projects)? Should we plan for a possible second wave?
- **Labor Implications** – What should we do proactively? What are our mission critical positions? How do we handle mass sick days? Have we implemented social distancing/safety best practices? Have we implemented the infrastructure to administer new government programs?
- **Financial Implications** – Implications for our balance sheet and cash flow? Have we reviewed debt terms and availability? Have we pursued available government “loan” programs, tax deferrals and credits, etc.?
- **Does this create any New Opportunities** – Risk? Cost? Distraction?

# Step 2 (Assess and Plan) Approach It Like a Turn-Around



**\*Execution Plan:**

- Key Actions from the “Assessment”
- Who/what/when and what if it doesn’t go as planned

Important reading for executives of companies of all sizes  
[CEOs, Cash and Covid: What Every Company Must Do ASAP](#)



## Step 2 (Assess and Plan) “Cash Is King” Like Never Before

Managing cash under challenging circumstances and for an extended period will be critical. Many businesses are not accustomed to managing cash so tightly. The 13-week rolling Cash Flow Projection is an essential tool to effective cash management

- Following is a link to a [template for a 13-week cash flow model and instructions](#)
- If you need assistance with the template or a review of your model, contact Herman Chandiramani ([chandiramani@coollaw.com](mailto:chandiramani@coollaw.com))

Important reading for executives of companies of all size:

[Projecting Cash Flow When There Is None](#)

[Reassessing Your 13-Week Cash Flow in the Face of COVID-19](#)





# Step 3 (Unlock Cash) – Temporary Tax Deferrals and Credits

## Deferrals

- 2019 income tax returns and payments deferred to 7/15/2020
- Employers that **do not** take out a Paycheck Protection loan (slides 13-14) may defer 100% of the employer's share (6.2%) of the Social Security payroll tax that accrues from March 27, 2020 through December 31, 2020

## Credits

1. Credits Under the Families First Coronavirus Relief Act
  - A refundable tax credit equal to 100% of qualified family leave/sick leave wages that are paid for each calendar quarter
  - The amount of qualified family leave wages is capped at \$200 per day and \$10,000 in aggregate for each employee, for each calendar quarter
  - The amount of qualified paid sick leave wages taken into account for each employee and for each calendar quarter is capped at \$511 per day and \$5,110 in the aggregate for employees with personal COVID-19 concerns
  - Or \$200 per day and \$2,000 in the aggregate for leave paid for employees caring for others



# Step 3 (Unlock Cash) – Temporary Tax Deferrals and Credits

## 2. Employee Retention Credit Under the CARES Act

### – Eligibility Condition:

- The operation of the business was fully or partially suspended during any quarter during 2020 due to a government order, or
- The business remained open, but during any quarter in 2020, gross receipts for the quarter were less than 50% of what they were for the same quarter 2019
- For each eligible quarter, the business will receive a credit against its 6.2% share of Social Security taxes equal to 50% of the wages paid to each employee for that quarter
- Wages may not exceed \$10,000 (which equates to a \$5,000 credit) for each employee for the entire year
- For businesses with more than 100 employees, the credit is limited only to wages paid to employees who are not providing services to the business
- For businesses with 100 employees or fewer, all wages paid to employees during an eligible period described above are included

## 3. Overall Potential Benefit

- Combining the deferral and the credits, an employer can: (a) defer its 6.2% share of the Social Security tax in 2020, and (b) receive an immediate tax credit against those yet-to-be paid payroll taxes via the sum of the emergency medical leave credit, sick leave credit, and new employee retention credit

*For more information about these deferrals and credits, contact TW Langevin ([langevin@coollaw.com](mailto:langevin@coollaw.com))*



## Step 4 (Access Programs) SBA Economic Injury Disaster Loans

SBA disaster loans to cover COVID-19 losses are available in all 50 states. Several normal requirements for disaster loans have been eliminated or lessened. These are direct loans from the SBA (i.e., simple application and not through a bank) and will be funded quickly. For small businesses with limited access to capital, these may be a very attractive option:

- **Terms**
  - Up to \$2 million @ 3.75% interest; repayment up to 30 years; no prepayment penalty
- **Eligibility**
  - Must be a “small business concern” (based on revenues . or numbers of employees depending on borrower’s industry)
  - Must have “substantial economic injury” (working capital losses as a result of the outbreak and not an economic downturn or general business operations)
- **Permitted Uses**
  - Fixed debts, payroll, accounts payable and other costs
  - Cannot be used for certain purposes, including to refinance debt, make payments on loans owed to another federal agency, to pay tax penalty obligations or to pay dividends to stockholders
- **Other Considerations**
  - Loans over \$200k will require a personal guarantee from owners > 20%
  - If a company also secures a loan under the Payroll Protection Program (slides 11-12; “PPP”), care must be taken not to comingle the funds and to use the proceeds in a manner that does not reduce loan forgiveness under the PPP
  - \$10k grants also available (no repayment required if loan is not granted)

*For the application, supporting materials and additional information, see [the Coolidge Resource Center](#)*



## Step 4 (Access Programs) SBA Paycheck Protection Program

These limited time loans are up to 100% forgivable based on retention of full-time employees and maintaining wages and salaries of all employees (excluding those above \$100k) during an 8-week period after the loan has been received. These can effectively become grants as a result.

- **Terms**
  - Amount - 2.5X average monthly “payroll costs” (all payroll including benefits) over prior 12 months (excluding the portion above \$100k for applicable employees)
  - Portion not forgiven will be a 2-year term loan at 1.0% interest
  - No guarantee, no collateral, all principal and interest deferred for 6 months (but interest accrues), and no prepayment penalty
  - Special rules for hotel and foodservices industries, certain franchisees and companies that have been financed through an SBIC
- **Eligibility**
  - Any “small business concern” and any business or non-profit with fewer than 500 employees (some industries allow a higher number; SBA rules allow limited exceptions based on net worth/net income)
  - Removes assessment of ability to pay; based instead on having employees on the payroll prior to the loan
- **Permitted Uses** – During the 8 weeks after the loan (“measuring period”), the proceeds must be used only for “payroll costs”, rent, mortgage and other interest and utilities

# Step 4 (Access Programs)

## SBA Paycheck Protection Program

- **Loan Forgiveness** – Portion of loan actually spent on permitted uses during the measuring period will be forgiven. Forgiveness is reduced by:
  - Percentage reduction if average monthly FTEs reduced compared to either of 2 comparison periods selected by borrower
  - Dollar-for-dollar reduction for any reduction of more than 25% in “salary or wages” of “any employee” compared to quarter prior to measuring period (excluding reductions for employees with wages or salary >\$100k in 2019)
  - No more than 25% of the forgiven amount may be spent on items other than “payroll costs”
- **Other Considerations**
  - The loans will be processed through banks. Applications are expected to be allowed as early as April 3 but may be delayed as banks absorb the interim regulations issued by the SBA
  - There is concern that this program will quickly become over-subscribed. The SBA has been clear - **loans will be on a “first come, first served” basis. We recommend that you evaluate this quickly, contact your lender and begin assembling the required information if this is a fit.**
  - The forgiveness rules are complicated. If you secure one of these loans, carefully evaluate in advance the potential consequences of any contemplated reductions in force or compensation during the measuring period. See the examples at [the Coolidge Resource Center](#)
  - Employees terminated between February 15, 2020 and April 26, 2020 who are rehired by 6.30.20 will be excluded from the forgiveness reduction calculation (i.e., borrowers will not be penalized).
  - The permitted uses of PPP funds are narrow. Further, the rules prohibit using proceeds from disaster loans received before April 3 for the same purposes as permitted by a PPP. Borrowers must take extra administrative care in tracking uses of proceeds.

*For the links to the application, supporting materials and additional information,  
see [the Coolidge Resource Center](#)*

# Resources and CSAS Contact Information

Throughout the crisis, visit the [Coolidge Resource Center](#) for additional information

If you would like to discuss this 4-Step process, available capital programs or tools for the 13-week cash flow projection and contingency planning, contact Coolidge Strategic Advisory Services:

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