

Business Crisis Response Plan

Leading and Mitigating Risk in Challenging Times

If a person's life depended on his ability to solve a certain problem, and he had only 60 minutes in which to solve it, he would be wise to spend 55 minutes thinking about the problem and the remaining 5 minutes executing the solution.

- Albert Einstein

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Dear Friends,

BeckWay's clients are mainly financial sponsors and their portfolio companies. Over the past days, many have asked us to provide concise, actionable guidance on four aspects of running their businesses in times of crisis.

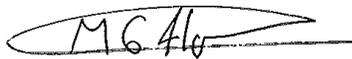
There is no precedent for our current situation. No playbook can adequately address every company's unique challenges. However the practical framework and content here offers immediate value and, we hope, some clarity and relief.

The BeckWay operating partners and experts featured here are ready and able to speak live to provide guidance and insights, or simply to listen and share their perspectives.

We encourage you to reach out to us with any issues or questions you or your teams may be facing; you can contact us at mhabner@beckwaygroup.com for a consultation from our response team, directly linking you to our most focused experts.

We believe this crisis is the ultimate forcing device. The short-term will be stressful and demanding, but we will emerge stronger and better, both as leaders and as companies.

Yours,

A handwritten signature in black ink, appearing to read "M. Habner", with a long horizontal flourish extending to the right.

Mark Habner
CEO

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BeckWay's Rapid Response Framework

Core Principles:

- 1) **Focus on what matters most right now.** Take “80/20” to the limit. Establish a center of intelligence, identify and prioritize issues, and assign your best people to the hardest things (even across departments). Be ready to reprioritize every day to enable the fast, high-quality fact-based decision making.
- 2) **Communicate early and often, share intent, shifts in direction or priorities,** latest and best information and insight directly in stand-up meetings and through direct conversation held in-person, via Zoom or WebEx or phone calls.
- 3) **Establish an operating rhythm and cadence,** with a morning-and-nightly process to reflect on successes, adjust process for the following day, and reprioritize tasks. As with any critical situation, precision and speed are vital to success.

Four Key Elements:



I: Safety & Performance of Your People

Critical Areas of Focus

Essential Workstreams

<p>Communications</p> <ul style="list-style-type: none"> Design and implement a robust multi-pronged communications plan for employees, suppliers and clients. Designate and communicate precisely what your process is for all people-related information to your workforce, web site, central bulletin board, email process. Appoint an individual(s) or team-based control points and a hotline process to drive facts and manage high quality messaging to your teams. Set and follow a cadence for executive and employee team updates. After publication, keep hot items – weekly recaps, webpage updates and FAQ’s for your teams – in a central location to maintain one source of truth. Determine how and what you will communicate when a team member has tested positive. 	<p>Communications</p> <ul style="list-style-type: none"> Assign a Senior team leader to run the Comms play, set up websites and collect data from internal and external sources. Enable a “One Source of Truth” process inside the company. Set up hot line and plan expert counsel availability to support HR or related legal questions. Set up a daily upload process for the executive team. Determine formats, use existing company templates to manage uncertainty and take visible steps to address employee concerns. Reinforce social media and external communications requirements to focus inquiries to the hotline.
<p>Employee Safety</p> <ul style="list-style-type: none"> Determine what immediate changes need to be made to maintenance and housekeeping routines to improve cleanliness and workplace security. Consider implementing workplace rules about employees’ current or existing health conditions (fever, respiratory conditions) and if they must report condition to HR. Determine how other office / plant workers will be supported when there is a definite case in the workforce. Maintain privacy and confidentiality. Consider implementing workplace health screening measures in large plant operations. Implement a call out process for employees unable or unwilling to report to work. 	<p>Employee Safety</p> <ul style="list-style-type: none"> Establish rules around the “burden of proof” for employees who are unable or unwilling to work as needed. What if anything will the company require employees to share to HR. Assign a designated hitter for the company to match company short-term decision making to emerging Local / State and Federal procedure or legal changes in support of employee / businesses and update policies and communicate changes. Set up and implement deep cleaning and emergency containment processes.
<p>Staff Planning</p> <ul style="list-style-type: none"> Identify business requirements by functional area, determine short-term staffing plans for each 	<p>Staff Planning</p> <ul style="list-style-type: none"> Collect daily attendance, update rosters and triage plans for departmental needs and changes resulting from call outs.

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<p>function. Set up back up plans for when a positive test impacts a team.</p> <ul style="list-style-type: none"> ▪ Determine short-term staffing plans, define a process for sizing requirements for a contractor or other non-essential staff. ▪ Determine if there is a need to continue to recruit and hire now for specialized or production assignments, or if you can shift workers without hiring. ▪ Determine your initial approach to furlough or reductions in force, which is the right course of action for the employees and the company at this point. ▪ Consider implementing a “phase 1” for voluntary leaves, alternate work schedules or ways to lower staffing levels before taking longer lasting headcount actions. 	<ul style="list-style-type: none"> ▪ Produce new forecasts for production, distribution and support staffing requirements. ▪ Set up and communicate unemployment processes for employees that are released or furloughed. Provide company notice materials / letters. ▪ Plan for rehire or return to work scenarios. ▪ Set up 3rd party staff augmentation providers.
<p>Compensation & Benefits</p> <ul style="list-style-type: none"> ▪ Determine strategies for existing comp or benefits plans such as merit increases, promotions, bonuses and accruals, 401k match. ▪ Tune or adjust headcount models and pay strategies to align with emerging federal level stimulus or employee protection changes. ▪ Decide on any individual or additional compensation actions for crucial roles or single-threaded contributors. ▪ Determine the company’s pay and benefits position when employees are unable or unwilling to report to work. Under what circumstance, if any, will you continue or stop salary or company / employee benefits shared costs. 	<p>Compensation & Benefits</p> <ul style="list-style-type: none"> ▪ Produce straw case reduction plans with HR/Legal input. ▪ Review handbooks, comp and benefit plans and other company documents for any short-term exceptions that need to be addressed and communicated (e.g., commissions guarantees, bonus plan payout timing requirements or deferral capability). ▪ Contact 3rd party HR services providers to ensure viability and to provide extra support as needed.
<p>Organizational Level</p> <ul style="list-style-type: none"> ▪ Assess if there a need to restructure or resize one or multiple functions in the company now, analyze if this is the time to act more broadly. ▪ Determine a straw case 30 / 60 / 90-day headcount plan for each function. ▪ Determine if external support should be brought in to augment any departmental shortfalls. 	<p>Organizational Level</p> <ul style="list-style-type: none"> ▪ Match departmental forecasts with financial modeling for short- and medium-term staffing by business unit. ▪ Seek and upload leader level designated hitter (CFO, HR, Production, OPS & Sales) daily assessments for employee safety issues.

II: Financial & Operational Vitality

Critical Areas of Focus

Essential Workstreams

<p>Demand Forecasting & Capacity Planning</p> <ul style="list-style-type: none"> ▪ Forecast demand from all top customers that will make up an anticipated 90%+ of go forward demand for products or services, which will in turn define resources required. ▪ Create a capacity plan with key business leaders that will meet the forecast. This will feed the financial model from which to drive business change. 	<p>Demand Forecasting & Capacity Planning</p> <ul style="list-style-type: none"> ▪ Identify immediate short-term demand for each market and customer. Model the short-term changes that may create immediate contraction of the business. ▪ Create a capacity analysis that satisfies the demand, identifying the minimum essential staff, equipment & facilities and materials necessary to support that short-term demand.
<p>Staff, Infrastructure, and Materials</p> <ul style="list-style-type: none"> ▪ Make immediate adjustments to staffing which coincide with the forecast and capacity plan. It is critical to downsize cost to coincide with the contraction of the business. ▪ Identify any equipment and facilities that can be idled as a cost control measure as well. Downsizing inventory will be critical to controlling working capital of the business. 	<p>Staff, Infrastructure, and Materials</p> <ul style="list-style-type: none"> ▪ Evaluate all staff critical to the business required to support the short-term demand and capacity analysis for operations as well as back office and SG&A. Determine if equipment and / or facilities can be idled to contract the business and reduce cost. ▪ Evaluate materials inventory and short-term demand to support forecast and capacity.
<p>13 Week Cash Flow</p> <ul style="list-style-type: none"> ▪ Create a 13 Week Cash Flow model for the business which will define what operating costs the business will be able to support with the forecasted demand for products and services. ▪ Decrease the working capital for the business short-term, and understand the cash position of the business in advance of cash needs in order to maintain viability of the business. ▪ Track operational and financial liquidity using the BeckWay Liquidity Checklist. 	<p>13 Week Cash Flow</p> <ul style="list-style-type: none"> ▪ Update the 13-Week Cash Flow daily and weekly to document the cash needs required for short-term demand and availability of working capital to support forecasted obligations. ▪ Evaluation AP and AR detail by line item to prioritize payments and identify probabilities of receipts, including both in the 13 Week Cash Flow model. ▪ Understand available funds flow of the business by tracking operational and financial liquidity.
<p>Lender Communication</p> <ul style="list-style-type: none"> ▪ Review lender documents to fully understand restrictions and covenants in place. 	<p>Lender Communication</p> <ul style="list-style-type: none"> ▪ Document the current company performance and anticipated performance of the company as it relates to all covenants and lender restrictions.

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<ul style="list-style-type: none"> Reach out to lenders to proactively to notify them of the current company condition and if any covenants will be violated. 	<ul style="list-style-type: none"> Pursue waivers and any other acknowledgement from lenders of the current company performance. Lenders will be much more tolerant when covenants are broken if the company is open and transparent regarding current conditions and forecasted performance.
<p>PMO Reporting & Execution</p> <ul style="list-style-type: none"> Assign a PMO (Project Management Office) as a means to document immediate actions required of the business, and hold key operators accountable. Create a Dashboard of critical metrics for the business including both operational and financial measures. This will give greater insight into changing business operations and market changes. 	<p>PMO Reporting & Execution</p> <ul style="list-style-type: none"> Review frequent updates from the PMO (Project Management Office) to document the action items for contracting the business and align timing to the 13 Week Cash Flow model. Use a critical operating and financial metrics dashboard to monitor the business through contraction, validate actions taken, and highlight issues before they impact the business.

III: Customer & Partner Management

Critical Areas of Focus

Essential Workstreams

<p>Growth</p> <ul style="list-style-type: none"> Apply a data, marketing and customer insights-driven approach to understanding demand (absolute, mix and shift) for products and services. Translate demand into production planning and manufacturing processes, revise sales forecasts and targets and marketing campaigns and investments. 	<p>Growth</p> <ul style="list-style-type: none"> Prioritize and quantify growth opportunities and spikes in demand for products/services across 1 to 3, 3 to 6, 6 to 12-month time horizons. Assess impacts of immediate reduction in demand / sales and aggressively revise resourcing plans and budgets (people, capacity and corporate support) based on 20%, 40% and 60% downside scenarios.
<p>Marketing</p> <ul style="list-style-type: none"> Be on the right side of the problem – be respected as a source of reliable information and support for customers, distribution and channel partners. Provide clear, high-quality information on business continuity, changes in product / service levels and impacts on production and delivery schedules. Reduce marketing expense (AdWords, SEO, etc.) to only immediately and essential marketing, and avoid – at all costs – any marketing that might be perceived as “opportunistic” or “mercenary.” 	<p>Marketing</p> <ul style="list-style-type: none"> Be on the right side of the problem – be respected as a source of reliable information and support for customers, distribution and channel partners. Provide clear, high-quality information on business continuity, changes in product / service levels and impacts on production and delivery schedules. Reduce marketing expense (AdWords, SEO, etc.) to only immediately and essential marketing, and avoid – at all costs – any marketing that might be perceived as “opportunistic” or “mercenary.”

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<p>Pricing</p> <ul style="list-style-type: none"> ▪ Evaluate immediate, short and long-term impacts to production, sales and distribution costs (positive and negative) to determine which ones can be passed through to customers. ▪ Consider supply-demand dynamics and customer and product profitability to make coordinated, targeted pricing “moves.” ▪ Utilize this difficult moment-in-time to address price discrepancies across key customer segments, e.g., notoriously stubborn customers. 	<p>Pricing</p> <ul style="list-style-type: none"> ▪ Assess the impacts of changes to supply chains, suppliers and service providers to cost structures and COGs. ▪ Gather best-available competitor data and information on product availability and price (“ghost shopper” calls and online requests for quotes from competitors), generate 4-5 testable hypotheses on pricing moves and conduct testing: 5%, 10%, 15%+ increases. ▪ Revise pricing and equip salesforces (field, inside and distributors) with tools, communications and special incentives to successfully execute a price change. Appoint a Pricing Czar or Czars from the marketing, sales and finance to ensure compliance. ▪
<p>Selling</p> <ul style="list-style-type: none"> ▪ Have an objective, complete and balanced scorecard for customers to drive customer prioritization coverage and service levels, e.g. helps determine which customers to over or under-invest in. ▪ Aggregate and disseminate customer information and insights smartly and efficiently, use this intelligence to actively protect and serve the most valuable and important customers. ▪ Force innovation in BD / lead generation, sales and sales operations / support models and processes. Transition customers to online, direct inbound and digital (WebEx, ZOOM). 	<p>Selling</p> <ul style="list-style-type: none"> ▪ Segment and profile customers based on the value framework that best defines your industry and business conditions, e.g., revenue and margin contribution, strategic and reference value, cost to serve, payment or credit risk, etc. <ul style="list-style-type: none"> - Convert this 80 / 20% (or perhaps 90 / 10%) analysis into selling / service priorities, i.e., ensuring product availability, priority delivery, platinum-level service and same-day response times, etc. ▪ Conduct daily stand-up meetings with sales team, ensure daily touch points with the most valuable 30% of customers and weekly direct calls with the top 3-4 relationships within each customer / account. ▪ Transition 20-40% customers to online, direct inbound and digital (WebEx, ZOOM). ▪ In-person selling, with commensurate time and costs will always be required for the highest-value customer segments.

IV: Supply Chain Reliability

Critical Areas of Focus

Essential Workstreams

<p>Demand Forecasting / Validation</p> <ul style="list-style-type: none"> Focus on key and strategic customers that drive the most revenue and margin – 80/20. Establish a standard communication process and touchpoints with key customers. Better understand customers’ current situation and short-term expectations; how have their demand patterns changed? Can they provide updated short-term forecasts? 	<p>Demand Forecasting / Validation</p> <ul style="list-style-type: none"> Identify a key point of contact for demand planning and forecasting. Prioritize ~top 20% of customers that comprise ~top 80% of annual revenue; add in any strategic customers not in the top 20%; incorporate seasonality, EDI forecast, future orders. Contact key / strategic customers; standardize communication (script, for example). Review demand from last month shipments compared to historical demand. Validate current and future trend.
<p>Capacity / Manufacturing</p> <ul style="list-style-type: none"> Confirm in-house and contract manufacturers have adequate workforce and machine capacity to meet new demand patterns. Understand in-house production / workforce flexibility to maximize production utilization; better utilize resources to meet the change in demand. 	<p>Capacity / Manufacturing</p> <ul style="list-style-type: none"> Identify a key point of contact for capacity planning and manufacturing. Review workforce and machine capacity based on new demand trend. Utilize a minimum amount of production lines to better utilize reduced workforce in order to maximize machine capacities. Reduce shifts and create teams within shifts (reduce changeover and downtime).
<p>Procurement / Purchasing</p> <ul style="list-style-type: none"> Collaborate with key and strategic suppliers to safeguard supply and identify alternate sources for critical components. Establish a standard formal communication process; reach out directly to key suppliers. Better understand suppliers’ current situation and short-term requirements; do they have the capacity to meet new demand? What pain points do they feel that will reflect within the business. 	<p>Procurement / Purchasing</p> <ul style="list-style-type: none"> Identify key point of contact for procurement and purchasing. Contact highest-spend / single sourced / strategic suppliers, secure allocation positions <ul style="list-style-type: none"> Validate lead times Find alternate sources for critical components and as required. Create new reorder points and safety stocks based on new demand and lead times. Evaluate open orders with suppliers (push out or cancel). Identify non-essential POs to cancel or realign receipt date.

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	<ul style="list-style-type: none"> ▪ Stop and Review any automatically PO's generated from your system. ▪ Standardized weekly receipt date to better utilize receiving manpower and assets. ▪ Collaborate internally via virtual means (MS Teams, for example) of supply chain cross-functional leads to help integrate Demand/Supply needs and communication as defined by the corporate level cross-functional strategy sessions.
<p>Logistics</p> <ul style="list-style-type: none"> ▪ Collaborate with key and strategic partners to secure shipment and warehouse capacity. ▪ Establish a standard formal communication process; reach out directly to key carriers. ▪ Understand carriers' and 3PL partners current situation and short-term restrictions. 	<p>Logistics</p> <ul style="list-style-type: none"> ▪ Develop a key point of contact for logistics. ▪ Analyze current warehouse situation; space and resources required during the time of uncertainty. ▪ Contact temp labor partner to ensure back up plan for warehouse team members. ▪ Understand supplier and customer profile; identify regions/locations most likely to cause logistics issues. ▪ Amp up communication with your logistics partners. ▪ Monitor critical logistics KPIs watching for significant variances. ▪ Review current contracts and/or establish new contracts; freight expenses likely to increase.