



ADAPT & RECOVER:
**MOVING FORWARD
TOGETHER**
WEBINAR SERIES



SESSION THREE

June 26, 2020 | 11:00 A.M. ET

➤ Housekeeping Items

- The webinar will be recorded and shared as soon as it is available via email
- All materials were emailed to you this morning – also available on RKL's Business Recovery Resource Center at rklcpa.com
- All lines are muted
- NASBA CPE requirements – in order to receive CPE for this webinar:
 - Participants must be connected to the session (both audio and presentation) for its entirety
 - Participants must answer three questions/elements of engagement
 - One (1) hour of CPE in the field of business law will be granted if you meet these requirements

DISCLAIMER: The presenters, Ryan Hurst, Kathy Gutierrez and Nicholas Boyer, and RKL LLP and its subsidiaries/affiliates are not held responsible for information that has changed or will change and makes no representation or warranty as to the ongoing accuracy of the information presented orally or in writing. Attendees should consult with legal, accounting and other advisors.

➤ Meet Your Team for Today's Presentation

PPP Update



RYAN HURST, ASA | *Partner, Business Consulting Services Group*

Ryan is a Partner in RKL's Business Consulting Services Group and an in-demand transaction consultant. Ryan's areas of expertise include advising clients on buying and selling businesses; succession planning; conducting valuations for a variety of transactions and structures; litigation support for shareholder disputes; and strategic alternatives analyses.

Workforce Recovery Considerations



KATHY GUTIERREZ MSHRD, CPLP, PHR, SHRM-CP | *Director of Human Resources*

Kathy is the Director of Human Resources for RKL. She advises firm leadership on strategies to maximize RKL's human capital and sustain the people power needed to accomplish its growth objectives. Kathy oversees all facets of the firm's HR function, including recruiting, training, professional development, policies and procedures, compensation and benefits and performance management.

Economic Update



NICHOLAS BOYER | *Partner/Chief Investment Officer*

Nick is an RKL Partner and Chief Investment Officer/Executive Vice President for RKL Wealth Management. He directs the firm's wealth management and financial planning services and plays a key role in business development initiatives. Nick oversees RKL Wealth Management's investment philosophy and portfolio strategy as leader of the firm's investment team and Chair of its Investment Committee.

POLLING QUESTION

To be eligible for CPE, 3 polling questions must be answered.

PPP UPDATE

➤ Safe Harbor 1

- Borrower reduced FTEs and HHS, CDC or OSHA safety requirements caused it to be unable to operate between February 15, 2020 and the end of the covered period at the same level of business activity as prior to February 15.
 - **Now includes “direct or indirect” compliance with requirements or guidance, such as state and local government shutdown orders.**
- Can it be used when a business was deemed “essential” or “life sustaining”? Does this extend to customer or supplier shutdowns?
- Must document the requirements/guidance and the change in business activity.
 - Documentation must include copies of applicable COVID Requirements or Guidance for each business location and relevant borrower financial records.
- Eliminates FTE haircut but not the salary/wage reduction haircut.
- Another benefit is the potential to use the EZ application.

FTE Safe Harbor 1

The Borrower is exempt from the reduction in loan forgiveness based on a reduction in FTE employees described above if the Borrower, in good faith, is able to document that it was unable to operate between February 15, 2020, and the end of the Covered Period at the same level of business activity as before February 15, 2020, due to compliance with requirements established or guidance issued between March 1, 2020 and December 31, 2020, by the Secretary of Health and Human Services, the Director of the Centers for Disease Control and Prevention, or the Occupational Safety and Health Administration, related to the maintenance of standards for sanitation, social distancing, or any other worker or customer safety requirement related to COVID-19.

➤ More on the EZ Application

- Eligible if one of three criteria met
 - Also may depend on lender requirements
- Borrower and loan information
- Payroll and non-payroll costs
- Forgiveness limitations
 - Capped at loan amount
 - Cap on non-payroll costs
- Forgiveness amount
- Same as regular application page 1, except this eliminates:
 - Salary/wage reduction
 - FTE reduction quotient (FTE haircut)

Paycheck Protection Program PPP Loan Forgiveness Application Form 3508EZ		OMB Control No. 3245-0407 Expiration date: 10/31/2020
Business Legal Name ("Borrower")		DBA or Tradename, if applicable
Business Address		Business TIN (EIN, SSN)
		Business Phone () -
		Primary Contact
		E-mail Address

SBA PPP Loan Number: Lender PPP Loan Number:

PPP Loan Amount: PPP Loan Disbursement Date:

Employees at Time of Loan Application: Employees at Time of Forgiveness Application:

EIDL Advance Amount: EIDL Application Number:

Payroll Schedule: The frequency with which payroll is paid to employees is:

☐ Weekly ☐ Biweekly (every other week) ☐ Twice a month ☐ Monthly ☐ Other

Covered Period: to

Alternative Payroll Covered Period, if applicable: to

If Borrower (together with affiliates, if applicable) received PPP loans in excess of \$2 million, check here: ☐

Forgiveness Amount Calculation:

Payroll and Nonpayroll Costs

Line 1. Payroll Costs:

Line 2. Business Mortgage Interest Payments:

Line 3. Business Rent or Lease Payments:

Line 4. Business Utility Payments:

Potential Forgiveness Amounts

Line 5. Add the amounts on lines 1, 2, 3, and 4:


Line 6. PPP Loan Amount:

Line 7. Payroll Cost 60% Requirement (divide Line 1 by 0.60):

Forgiveness Amount

Line 8. Forgiveness Amount (enter the smallest of Lines 5, 6, and 7):

➤ More on the EZ Application (continued)

 **Paycheck Protection Program**
PPP Loan Forgiveness Application Form 3508EZ

By Signing Below, You Make the Following Representations and Certifications on Behalf of the Borrower:
The Authorized Representative of the Borrower certifies to all of the below by **initialing** next to each one.

☐ The dollar amount for which forgiveness is requested:

- was used to pay costs that are eligible for forgiveness (payroll costs to retain employees; business mortgage interest payments; business rent or lease payments; or business utility payments);
- includes payroll costs equal to at least 60% of the forgiveness amount;
- if a 24-week Covered Period applies, does not exceed 2.5 months' worth of 2019 compensation for any owner-employee or self-employed individual/general partner, capped at \$20,833 per individual; and
- if the Borrower has elected an 8-week Covered Period, does not exceed 8 weeks' worth of 2019 compensation for any owner-employee or self-employed individual/general partner, capped at \$15,385 per individual.

☐ I understand that if the funds were knowingly used for unauthorized purposes, the federal government may pursue recovery of loan amounts and/or civil or criminal fraud charges.

☐ The Borrower did not reduce salaries or hourly wages by more than 25 percent for any employee during the Covered Period or Alternative Payroll Covered Period compared to the period between January 1, 2020 and March 31, 2020. For purposes of this certification, the term "employee" includes only those employees that did not receive, during any single period during 2019, wages or salary at an annualized rate of pay in an amount more than \$100,000.

☐ The Borrower has accurately verified the payments for the eligible payroll and nonpayroll costs for which the Borrower is requesting forgiveness.

☐ I have submitted to the Lender the required documentation verifying payroll costs, the existence of obligations and service (as applicable) prior to February 15, 2020, and eligible business mortgage interest payments, business rent or lease payments, and business utility payments.

☐ The information provided in this application and the information provided in all supporting documents and forms is true and correct in all material respects. I understand that knowingly making a false statement to obtain forgiveness of an SBA-guaranteed loan is punishable under the law, including 18 USC 1001 and 3571 by imprisonment of not more than five years and/or a fine of up to \$250,000; under 15 USC 645 by imprisonment of not more than two years and/or a fine of not more than \$5,000; and, if submitted to a Federally insured institution, under 18 USC 1014 by imprisonment of not more than thirty years and/or a fine of not more than \$1,000,000.

☐ The tax documents I have submitted to the Lender are consistent with those the Borrower has submitted/will submit to the IRS and/or state tax or workforce agency. I also understand, acknowledge, and agree that the Lender can share the tax information with SBA's authorized representatives, including authorized representatives of the SBA Office of Inspector General, for the purpose of ensuring compliance with PPP requirements and all SBA reviews.

☐ I understand, acknowledge, and agree that SBA may request additional information for the purposes of evaluating the Borrower's eligibility for the PPP loan and for loan forgiveness, and that the Borrower's failure to provide information requested by SBA may result in a determination that the Borrower was ineligible for the PPP loan or a denial of the Borrower's loan forgiveness application.

In addition, the Authorized Representative of the Borrower must certify by **initialing at least ONE** of the following two items:

☐ The Borrower did not reduce the number of employees or the average paid hours of employees between January 1, 2020 and the end of the Covered Period (other than any reductions that arose from an inability to rehire individuals who were employees on February 15, 2020, if the Borrower was unable to hire similarly qualified employees for unfilled positions on or before December 31, 2020, and reductions in an employee's hours that a borrower offered to restore and were refused).


☐ The Borrower was unable to operate between February 15, 2020, and the end of the Covered Period at the same level of business activity as before February 15, 2020 due to compliance with requirements established or guidance issued between March 1, 2020 and December 31, 2020, by the Secretary of Health and Human Services, the Director of the Centers for Disease Control and Prevention, or the Occupational Safety and Health Administration, related to the maintenance of standards of sanitation, social distancing, or any other work or customer safety requirement related to COVID-19.

The Borrower's eligibility for loan forgiveness will be evaluated in accordance with the PPP regulations and guidance issued by SBA through the date of this application. SBA may direct a lender to disapprove the Borrower's loan forgiveness application if SBA determines that the Borrower was ineligible for the PPP loan.

Signature of Authorized Representative of Borrower _____ Date _____

Print Name _____ Title _____

SBA Form 3508EZ (06/20)
Page 2

 **Paycheck Protection Program**
PPP Loan Forgiveness Application Form 3508EZ

PPP Borrower Demographic Information Form (Optional)

Instructions

- Purpose.** Veteran/gender/race/ethnicity data is collected for program reporting purposes only.
- Description.** This form requests information about each of the Borrower's Principals. Add additional sheets if necessary.
- Definition of Principal.** The term "Principal" means:
 - For a self-employed individual, independent contractor, or a sole proprietor, the self-employed individual, independent contractor, or sole proprietor.
 - For a partnership, all general partners and all limited partners owning 20% or more of the equity of the Borrower, or any partner that is involved in the management of the Borrower's business.
 - For a corporation, all owners of 20% or more of the Borrower, and each officer and director.
 - For a limited liability company, all members owning 20% or more of the Borrower, and each officer and director.
 - Any individual hired by the Borrower to manage the day-to-day operations of the Borrower ("key employee").
 - Any trustor (if the Borrower is owned by a trust).
 - For a nonprofit organization, the officers and directors of the Borrower.
- Principal Name.** Insert the full name of the Principal.
- Position.** Identify the Principal's position; for example, self-employed individual; independent contractor; sole proprietor; general partner; owner; officer; director; member; or key employee.

Principal Name	Position
Veteran	1=Non-Veteran; 2=Veteran; 3=Service-Disabled Veteran; 4=Spouse of Veteran; X=Not Disclosed
Gender	M=Male; F=Female; X=Not Disclosed
Race (more than 1 may be selected)	1=American Indian or Alaska Native; 2=Asian; 3=Black or African-American; 4=Native Hawaiian or Pacific Islander; 5=White; X=Not Disclosed
Ethnicity	H=Hispanic or Latino; N=Not Hispanic or Latino; X=Not Disclosed

Disclosure is voluntary and will have no bearing on the loan forgiveness decision


OPTIONAL

Paperwork Reduction Act – You are not required to respond to this collection of information unless it displays a currently valid OMB Control Number. The estimated time for completing this application, including gathering data needed, is 20 minutes. Comments about this time or the information requested should be sent to Small Business Administration, Director, Records Management Division, 409 3rd St., SW, Washington DC 20416, and/or SBA Desk Officer, Office of Management and Budget, New Executive Office Building, Washington DC 20503. **PLEASE DO NOT SEND FORMS TO THESE ADDRESSES.**

SBA Form 3508EZ (06/20)
Page 3

➤ EZ Application: PPP Schedule A Remains Helpful

- For the EZ application, PPP Schedule A was removed.
- This removal simplifies the form but borrowers meeting Form EZ criteria 2 and 3 may find parts of Schedule A to be helpful.
- Lines 1 and 4 pull from worksheets which are no longer included. Elements of these worksheets may also be helpful if payroll providers do not provide sufficient summary data.
- Lines 6, 7 and 8 consider non-cash compensation payroll costs.
- Line 9 calculates compensation to owners.
- Lines 2, 3, 5 and the bottom section, which deal with FTEs and salary reduction, can be ignored.

 **Paycheck Protection Program**
Loan Forgiveness Application Revised June 16, 2020

OMB Control Number 3245-0407
Expiration Date: 10/31/2020

PPP Schedule A

PPP Schedule A Worksheet, Table 1 Totals

Line 1. Enter Cash Compensation (Box 1) from PPP Schedule A Worksheet, Table 1: _____

~~Line 2.~~ Enter Average FTE (Box 2) from PPP Schedule A Worksheet, Table 1: _____

~~Line 3.~~ Enter Salary/Hourly Wage Reduction (Box 3) from PPP Schedule A Worksheet, Table 1:
If the average annual salary or hourly wage for each employee listed on the PPP
Schedule A Worksheet, Table 1 during the Covered Period or the Alternative Payroll
Covered Period was at least 75% of such employee's average annual salary or hourly
wage between January 1, 2020 and March 31, 2020, check here ☐ and enter 0 on line 3. _____

PPP Schedule A Worksheet, Table 2 Totals

Line 4. Enter Cash Compensation (Box 4) from PPP Schedule A Worksheet, Table 2: _____

~~Line 5.~~ Enter Average FTE (Box 5) from PPP Schedule A Worksheet, Table 2: _____

Non-Cash Compensation Payroll Costs During the Covered Period or the Alternative Payroll Covered Period

Line 6. Total amount paid or incurred by Borrower for employer contributions for employee health insurance: _____

Line 7. Total amount paid or incurred by Borrower for employer contributions to employee retirement plans: _____

Line 8. Total amount paid or incurred by Borrower for employer state and local taxes assessed on employee compensation: _____

Compensation to Owners

Line 9. Total amount paid to owner-employees/self-employed individual/general partners:
This amount may not be included in PPP Schedule A Worksheet, Table 1 or 2. If there is
more than one individual included, attach a separate table that lists the names of and
payments to each. _____

Total Payroll Costs

Line 10. Payroll Costs (add lines 1, 4, 6, 7, 8, and 9): _____

Full-Time Equivalency (FTE) Reduction Calculation

~~If you satisfy any of the following three criteria, check the appropriate box, skip lines 11 and 12, and enter 1.0 on line 13; otherwise, complete lines 11, 12, and 13:~~

~~No reduction in employees or average paid hours:~~ If you have not reduced the number of employees or the average paid hours of your employees between January 1, 2020 and the end of the Covered Period, check here ☐.

➤ Q: How should employer payments for owners' non-cash compensation payroll costs be treated?

	Employer Contributions for Employee <u>Health Insurance</u>	Employer Contributions for Employee <u>Retirement Plans</u>	<u>State & Local Taxes Assessed</u> on Employee Contributions
C Corporation	Eligible as non-cash compensation payroll (line 6)	Eligible as non-cash compensation payroll (line 7)	Eligible as non-cash compensation payroll (line 8)
S Corporation	Already included in cash compensation and thus capped	Eligible as non-cash compensation payroll (line 7)	Eligible as non-cash compensation payroll (line 8)
Schedule C or F	Already included in eligible income and thus capped	Already included in eligible income and thus capped	Eligible as non-cash compensation payroll (line 8)
General Partners	Already included in eligible income and thus capped	Already included in eligible income and thus capped	Eligible as non-cash compensation payroll (line 8)

➤ Q: If I select the 24-week period, should I apply for forgiveness as soon as I use all PPP funds?

- Borrowers may apply for forgiveness prior to the end of the covered period if all loan proceeds were used.
- Per IFR released June 22 – If the borrower applies for forgiveness before the end of the covered period and has reduced any employee's salaries or wages in excess of 25 percent, the borrower must account for the excess salary reduction for the full eight-week or 24-week covered period.
 - The Salary/Wage Reduction Safe Harbor would need to be fulfilled by the time the application is submitted.
- If a borrower applies early, what will happen to the FTE haircut if no safe harbor is met?
 - Guidance is silent on any impact an early application would have with respect to FTE reductions.
- Applying early also depends on lender readiness.
- **Note:** Borrower must apply for forgiveness within 10 months of the end of the covered period to avoid required payments of principal and interest.

➤ Q: What borrower information will the SBA and Treasury publicly disclose?

- Business name
- Address
- NAICS code
- Zip code
- Business type
- Certain demographic data
- Certain nonprofit information
- Jobs supported by the loan
- PPP loan amount ranges
 - \$150,000 – \$350,000
 - \$350,000 – \$1 million
 - \$1 million – \$2 million
 - \$2 million – \$5 million
 - \$5 million – \$10 million
- For loans under \$150,000, borrower name will not be disclosed
- Data aggregated by
 - Zip code
 - Industry
 - Business type
 - Various demographic categories

POLLING QUESTION

To be eligible for CPE, 3 polling questions must be answered.

WORKFORCE RECOVERY CONSIDERATIONS

➤ Objectives

- Understand the need for **Reflection** when transitioning from **Response** to **Recovery**
- Identify operational considerations and protocols
- Understand the need to plan beyond protocol in order to **Thrive** in the “new normal”

> Why?

1. **GREEN** does not = NORMAL
 - a) We have all been impacted in one way or another
 - b) We are all processing losses experienced in different ways
 - c) We may still be experiencing a range of emotions
2. The way you navigate through recovery will directly impact your brand from an employee and a client perspective and can determine your future competitiveness!
3. The move from **Response** to **Recovery** should be a well thought-out collaborative process within your organization.

➤ Planning: Operational Considerations

1. Physical workspace

- Logistical rework, equipment, technology and signage

2. Policies and procedures

- Evaluation of policies and procedures
- Mitigating exposure risk
- Communication plan

3. Employee preparedness and expectations

- Consider what they have experienced
- Where they are now (What are their obstacles? What is working?)
- Where do they want to be (reorganize workforce where possible, perhaps permanent remote work)
- What makes them feel safe (survey them)

➤ Evaluate Physical Workspace to Ensure Employee Safety

- **Workspace readiness**

- Establish cleaning protocols
- Conduct maintenance to ventilations
- Place signage and decals on doors and all common areas to note social distancing requirements and traffic flow patterns
- Modify workspaces to promote social distancing
- Close and limit access to common areas such as the kitchen
- Control points of entry for employees, guests and vendors
- Establish and communicate rules with employees and visitors

- **Equipment and technology**

- Provide and maintain personal protective equipment (PPE), sanitizers and disinfectant solutions
- Purchase equipment needed to conduct or track health assessments
- Calculate, communicate and monitor capacity rates in your office in order to adhere to social distancing guidelines
- Control points of entry for employees, guests and vendors
- Establish and communicate rules with employees and visitors

➤ Employer Policies and Procedures to Keep Employees Safe

- **Evaluation of policies and procedures**

- Do you need to revise your paid leave or sick policy?
- Will you redefine your travel policy to restrict non-essential travel?
- Limited in-person meetings and restricted events in the building

- **Mitigating exposure risk**

- Will you continue to allow employees to telecommute?
- Will you stagger shifts?
- How are reentry determinations made...what is considered priority?
- Establishing self-monitoring protocols and waivers for temperature readings and requiring sick employees to stay home while ensuring the privacy of your employees

➤ Employee Preparedness and Expectations

- **Reset expectations with a strong emphasis on employee value, safety and security**
 - Provided tools and videos for ease of use of new technology
 - Encourage contactless interactions through an increase use of technology such as video conferencing tools to reduce employee exposure
 - Consider extended benefits to promote health and balance (telehealth, use of PTO, communicating boundaries for work-life integration)
- **Communication plan**
 - Develop a Return to Work action plan
 - What communication tool will you use?
 - Do you have a centralized location for all things COVID?
 - Remember to over-communicate

➤ Return to Work Action Plan

- Action plan may include the following:
 - Timelines
 - Information related to shift and workspace modification
 - Protocols related to how conduct work in your environment including new norms
 - Health monitoring procedures
 - COVID-19 exposure protocols
 - Employee acknowledgments and commitments

➤ Thriving: Beyond Protocol – When Being Safe is Not Enough

- Consider employees needs and wants:
 - Acknowledge the non-work stress on employees
 - Promote engagement with fun virtual team meetings
 - Work through and permit non-traditional work hours/schedules while monitoring production
 - Encourage open discussions related to challenges or obstacles
- Allow for voluntary returns or continued telework
- Reevaluate long-term plans for remote work
- Establish and communicate re-exit plan – if there is a second surge
- Know and understand the plan and next steps

➤ Tips Beyond the Protocols

- Proactive outreach – keep two-way communication open between you and your employees
- Provide leaders with the information they need to provide clarity and direction
- Practice patience – be mindful of all of the complications with school and dependent care closures
 - Reinforce flexibility
 - Establish and promote an Employee Assistance Plan (EAP)
- Practice self-compassion – give yourself a break, be proud of everything you have learned and your ability to change the way you do business
- Prioritize and execute a reflection exercise with the leaders in your organization to continue to succeed and thrive in this new environment

➤ Reflection Process

- **What have you learned, what worked and what is missing?**
 - What did you learn about workforce productivity?
 - How did you engage with your employees, clients and your community?
- **How will work be performed?**
 - More dispersed workforce?
 - Reduced workforce?
 - How will you manage risk?
- **Have you changed work norms?**
 - New technologies implemented (video conferencing, etc.)?
 - Automation?
 - New processes?
 - What will remain?

➤ Closing Thought

With the proper planning and reflection, you and your organization will be able to navigate through times of uncertainties with **clarity** and **purpose**.

POLLING QUESTION

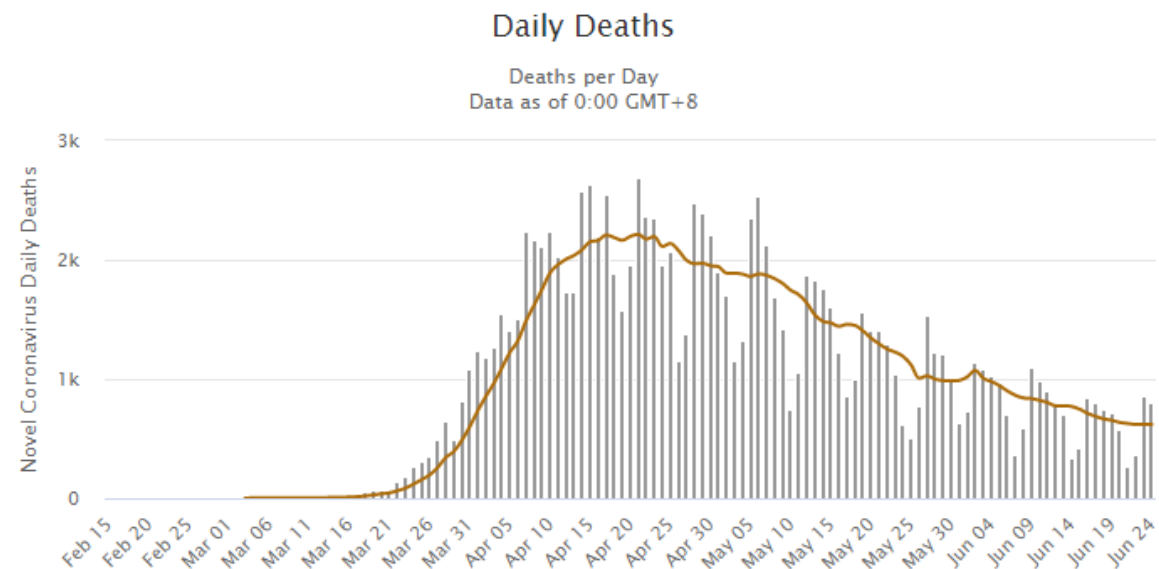
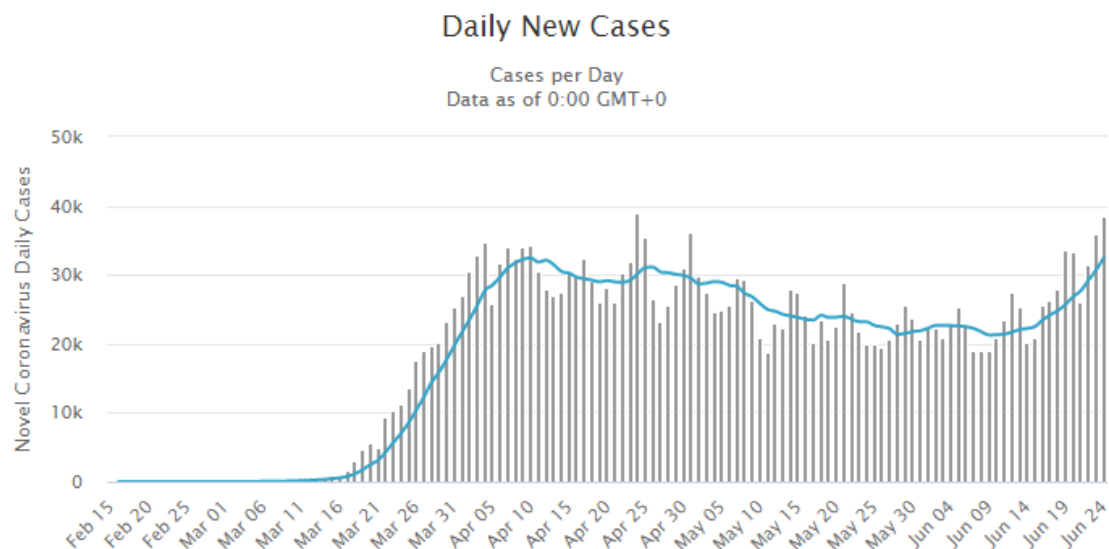
To be eligible for CPE, 3 polling questions must be answered.

ECONOMIC UPDATE

> Agenda

- COVID-19 Update
- What Has Changed?
- What to Watch
- What Does It Mean?

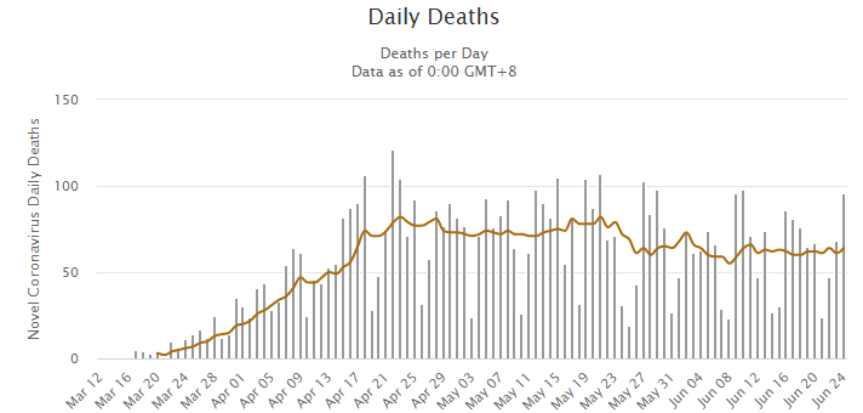
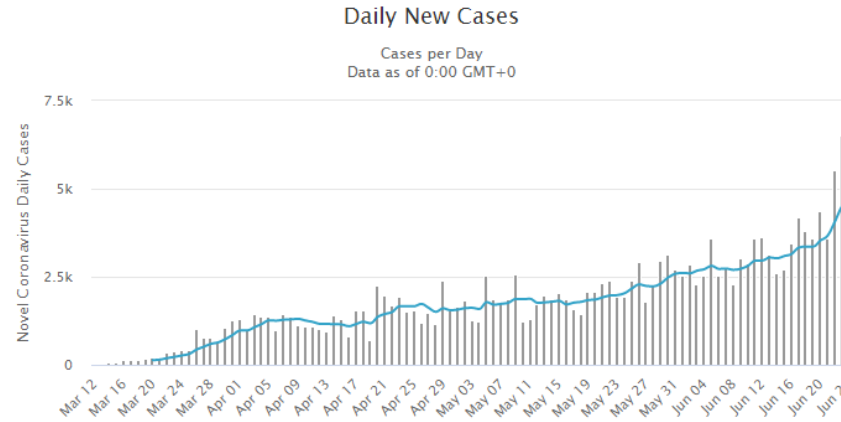
COVID-19: U.S. Daily New Cases & Deaths



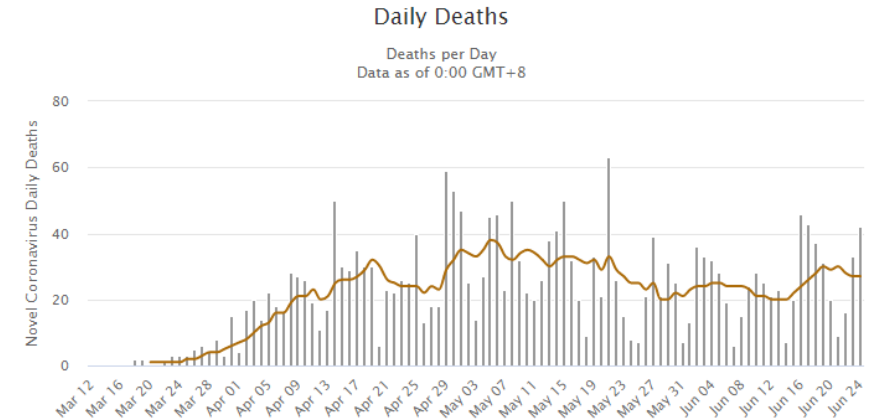
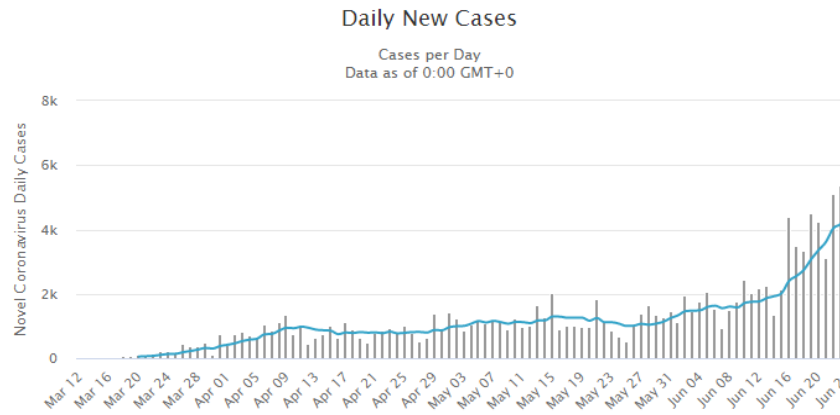
(Source: [worldometers.info](https://www.worldometers.info/coronavirus/), Coronavirus Dashboard, as of 6/25/20)

COVID-19: Daily New Cases & Deaths

California



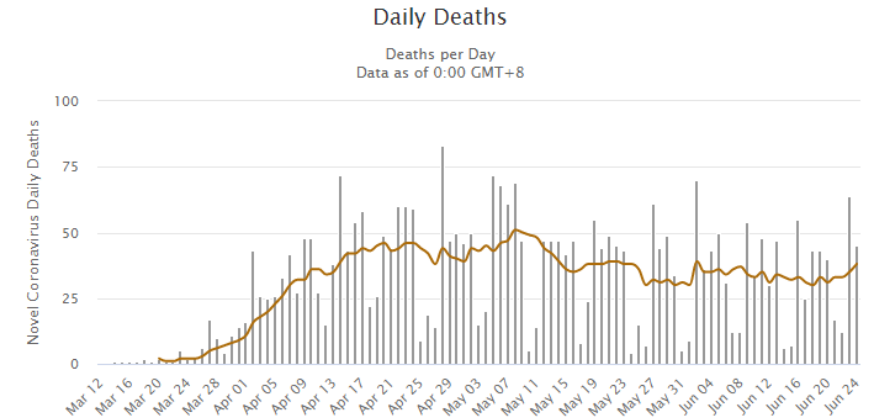
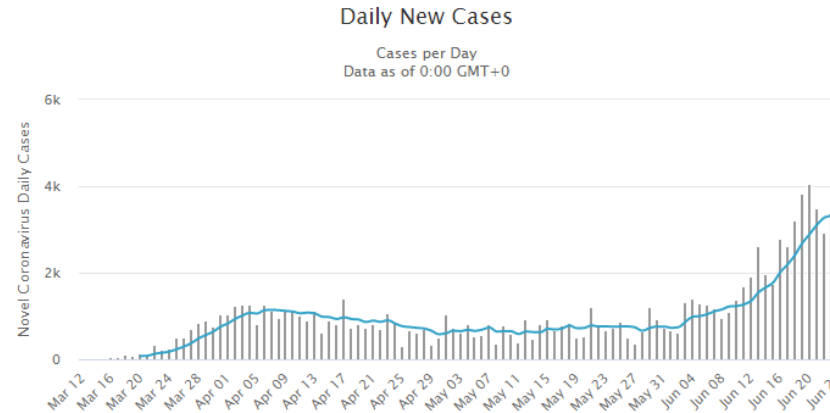
Texas



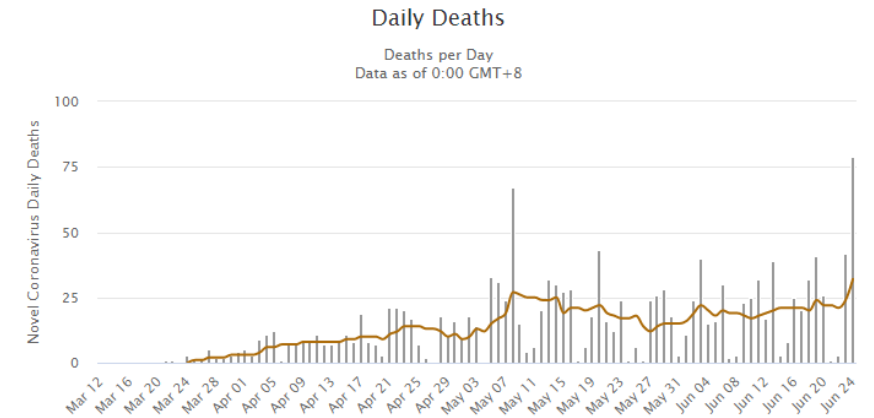
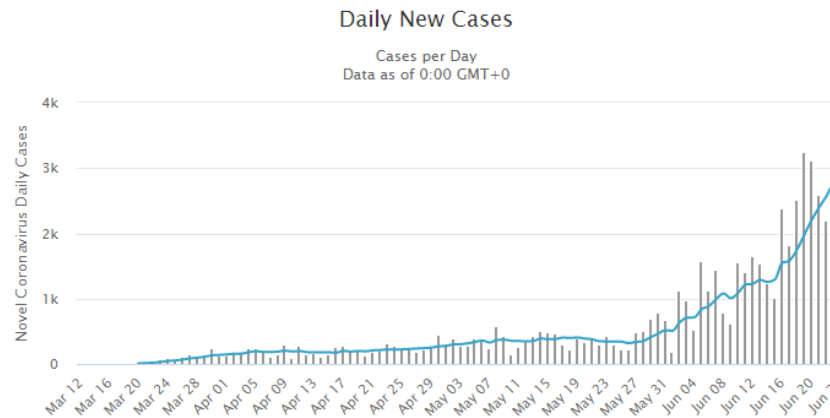
(Source: [worldometers.info](https://worldometers.info/coronavirus), Coronavirus Dashboard, as of 6/25/20)

COVID-19: Daily New Cases & Deaths

Florida



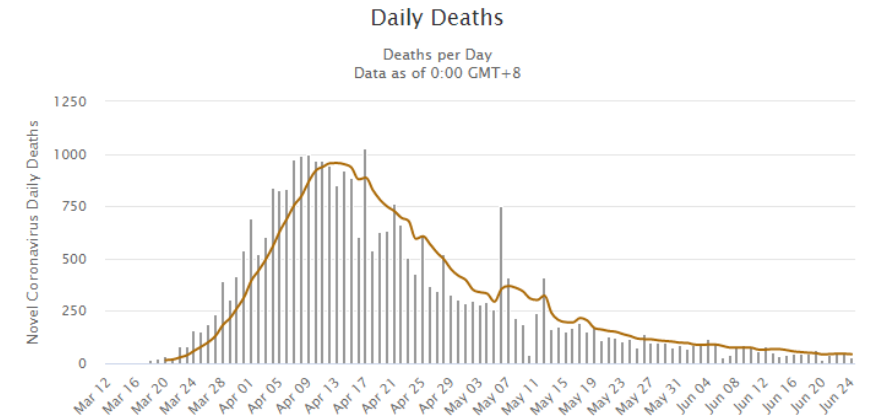
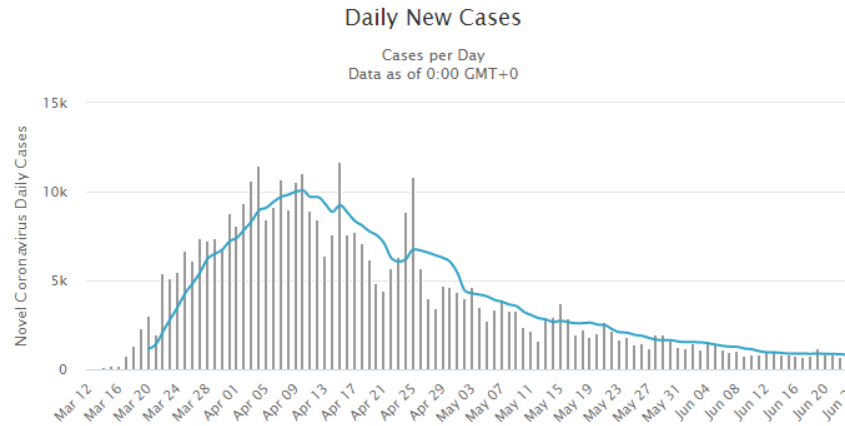
Arizona



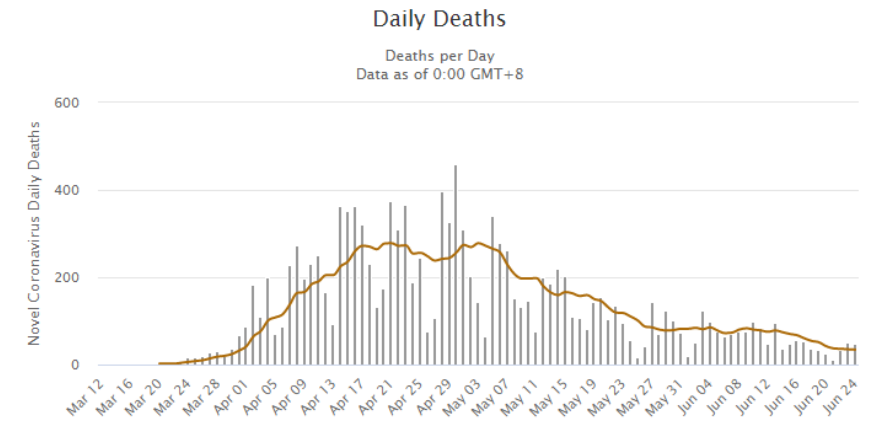
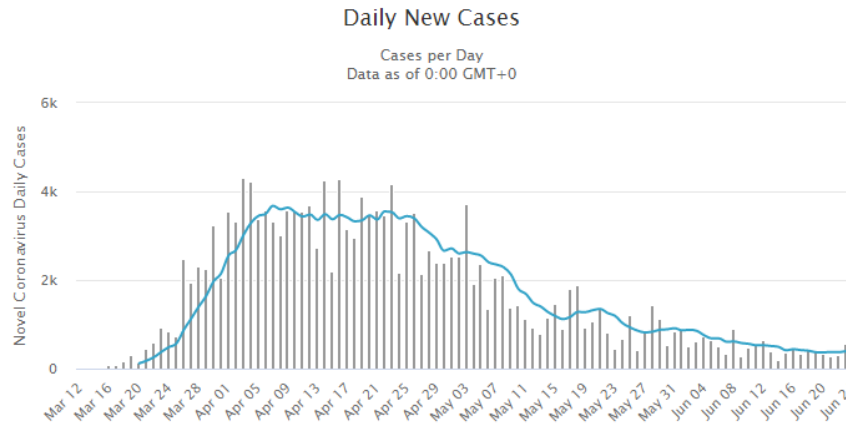
(Source: [worldometers.info](https://worldometers.info/coronavirus), Coronavirus Dashboard, as of 6/25/20)

COVID-19: Daily New Cases & Deaths

New York

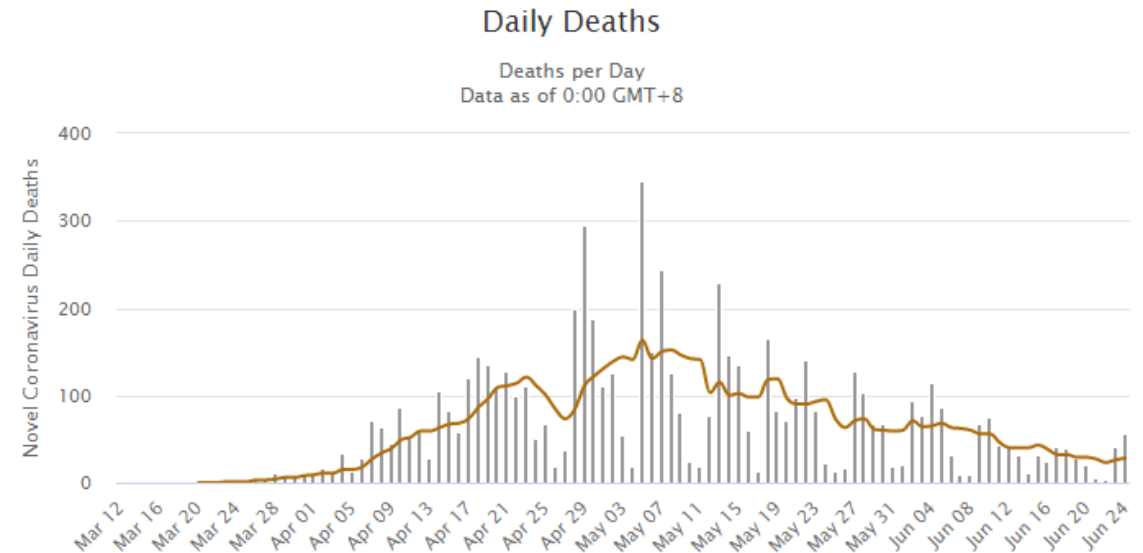
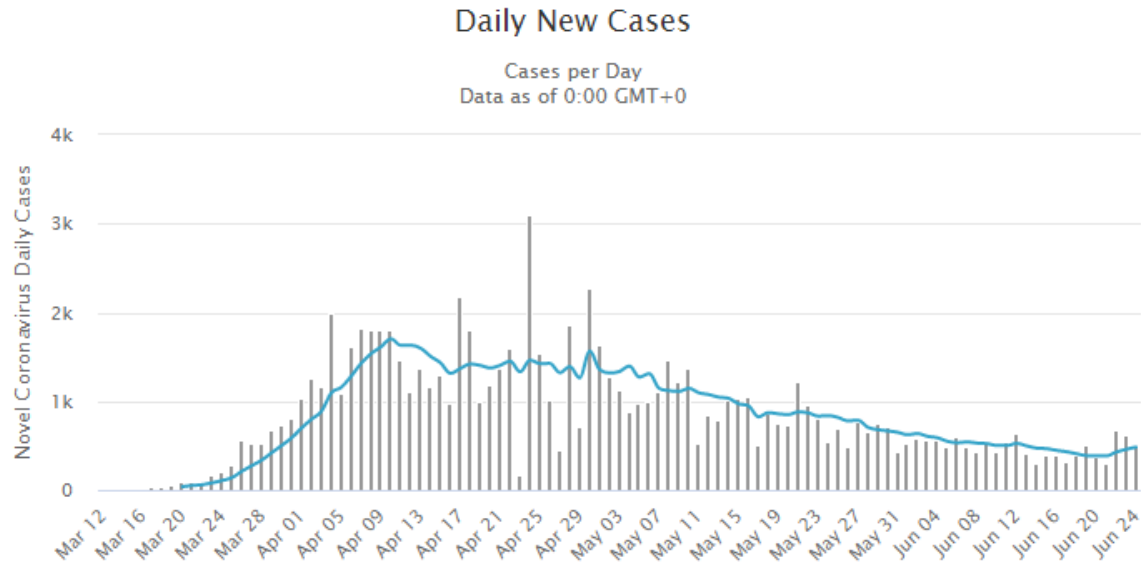


New Jersey



(Source: worldometers.info, Coronavirus Dashboard, as of 6/25/20)

➤ COVID-19: Pennsylvania Daily New Cases & Deaths



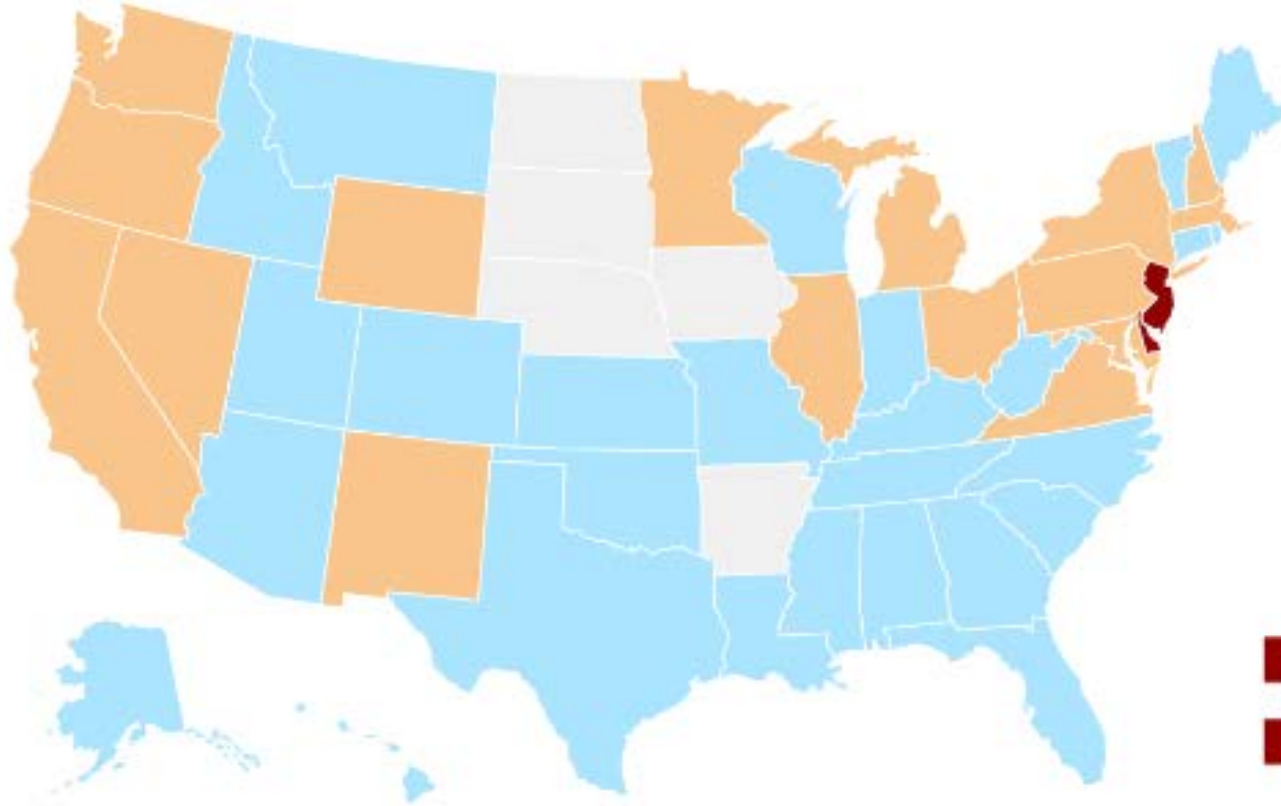
(Source: [worldometers.info](https://worldometers.info/coronavirus/), Coronavirus Dashboard, as of 6/25/20)

➤ Healthcare Commentary

- Stay-at-Home orders for a prolonged period of time could cause ***“irreparable damage.” “I don’t want people to think that any of us feel that staying locked down for a prolonged period of time is the way to go.”***
– Dr. Anthony Fauci, CNBC, May 22
- ***“Countries will get through it, but we must build the architecture of public health, the architecture of our health system, if we’re going to get out of an interminable cycle of economically punishing lockdowns and shutdowns. We must get back to be able to control this virus, live with this virus, develop the vaccines we need to finally eradicate this virus.”***
– Dr. Michael Ryan, World Health Organization, virtual press conference, April 1
- ***“A universal quarantine may not be worth the costs it imposes on the economy, community and individual mental and physical health.”***
–
Dr. Eran Bendavid and Dr. Jay Bhattacharya, Wall Street Journal, March 24
- On balancing the risks of COVID-19 with the risks of deferring healthcare or social isolation: ***“We’re very worried about that. With my family physician hat on, I’m very worried about that too. We certainly saw that, at the height of the pandemic in April there were vulnerable populations that were not coming in and now into May and June we’re seeing the progression of their illness. When they finally present, whether that’s in the ER or in the office, that progression of illness could get to the point where it’s going to be harder for us to get what is now out of control, back into control.”***
– Dr. Michael Ripchinski, Chief Clinical Officer, Penn Medicine Lancaster General Health, RKL webinar interview, June 19

➤ U.S. Status by State – May

■ State-wide lockdown ■ Partial lockdown/reopen ■ State reopen



% of U.S. GDP*:

Lockdown (Red): 4%

Partial lockdown (Tan): 61%

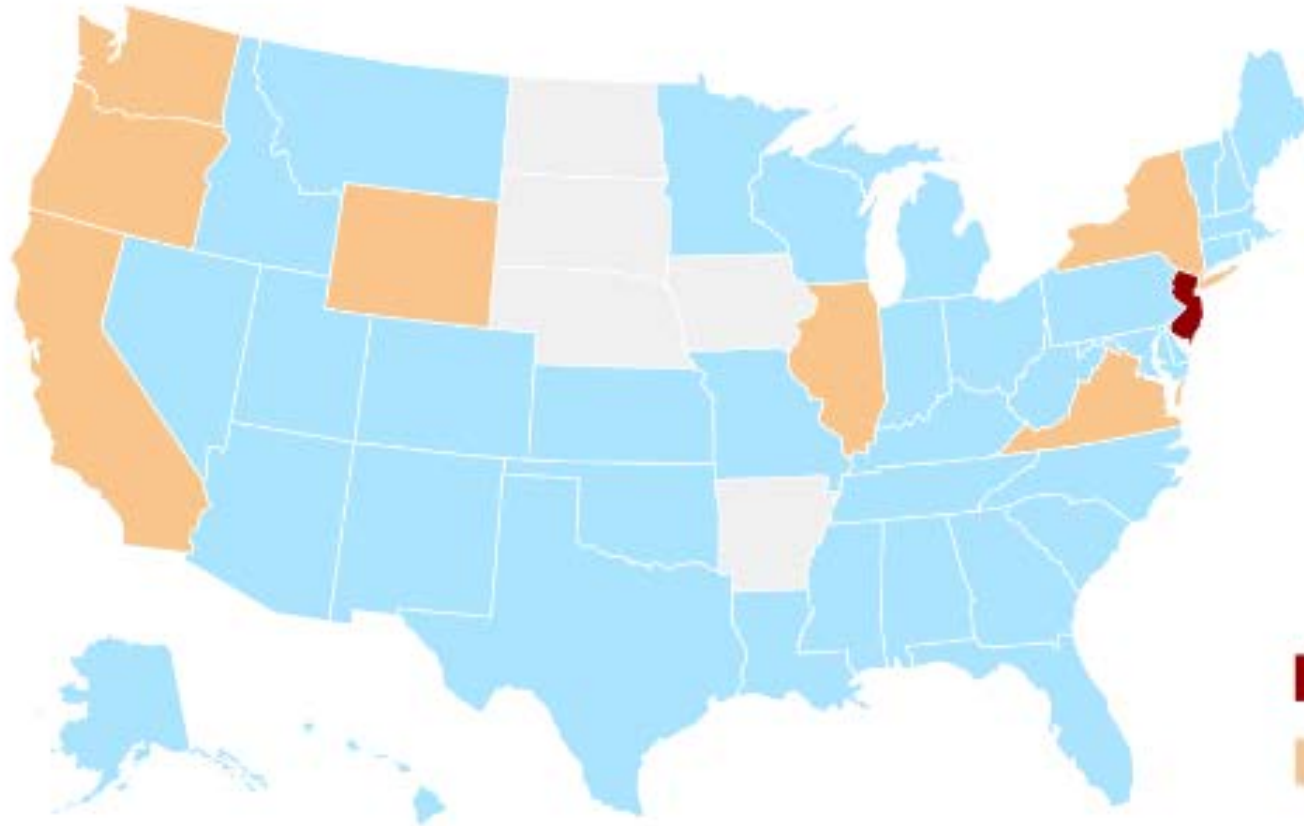
Open (White & Blue): 35%

■ DC*
■ PR*

(Sources: Business Insider, businessinsider.com, updated as of 5/27/2020; *Bureau of Economic Analysis, YE2019)

➤ U.S. Status by State – June

■ State-wide lockdown ■ Partial lockdown/reopen ■ State reopen



% of U.S. GDP*:

Lockdown (Red): 4%

Partial lockdown (Tan): 34%

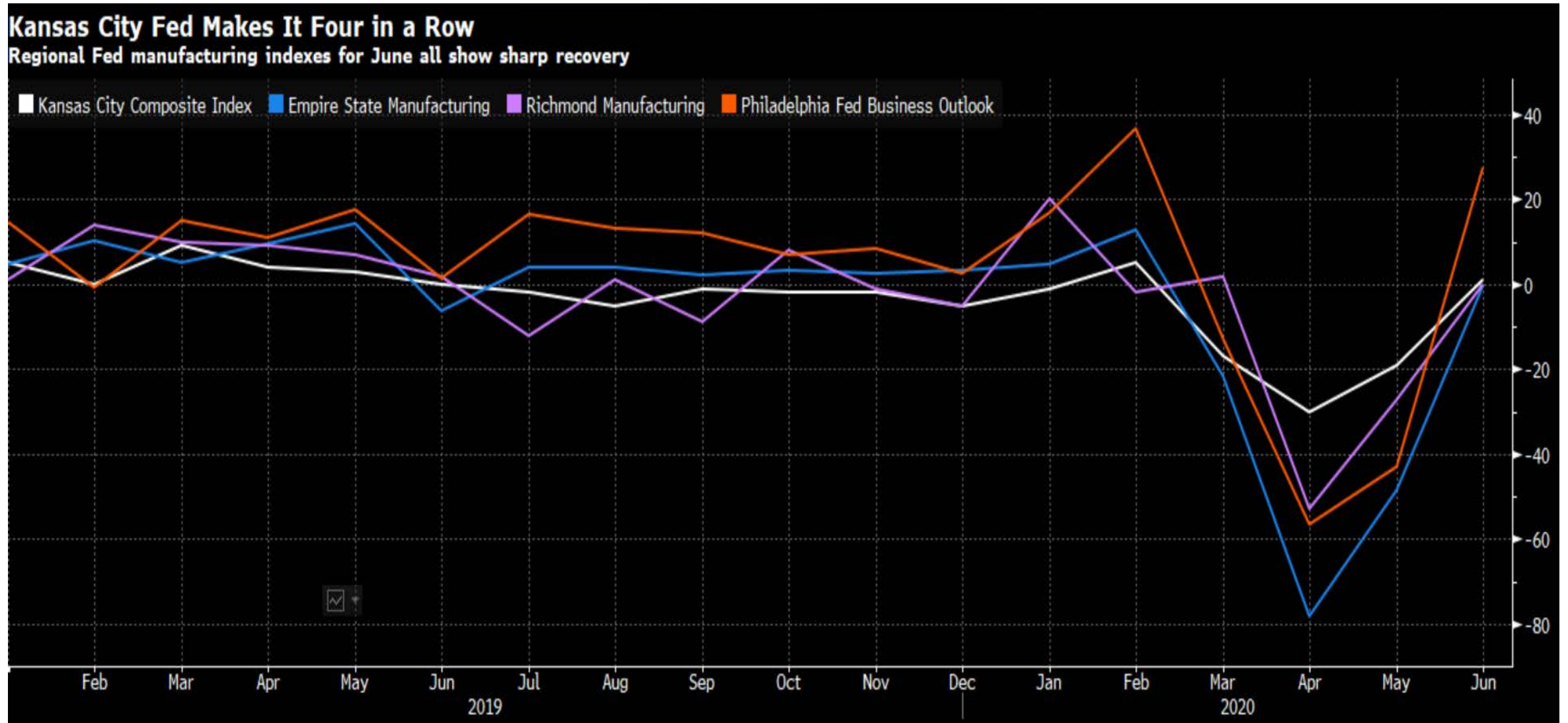
Open (White & Blue): 62%

■ DC*

■ PR*

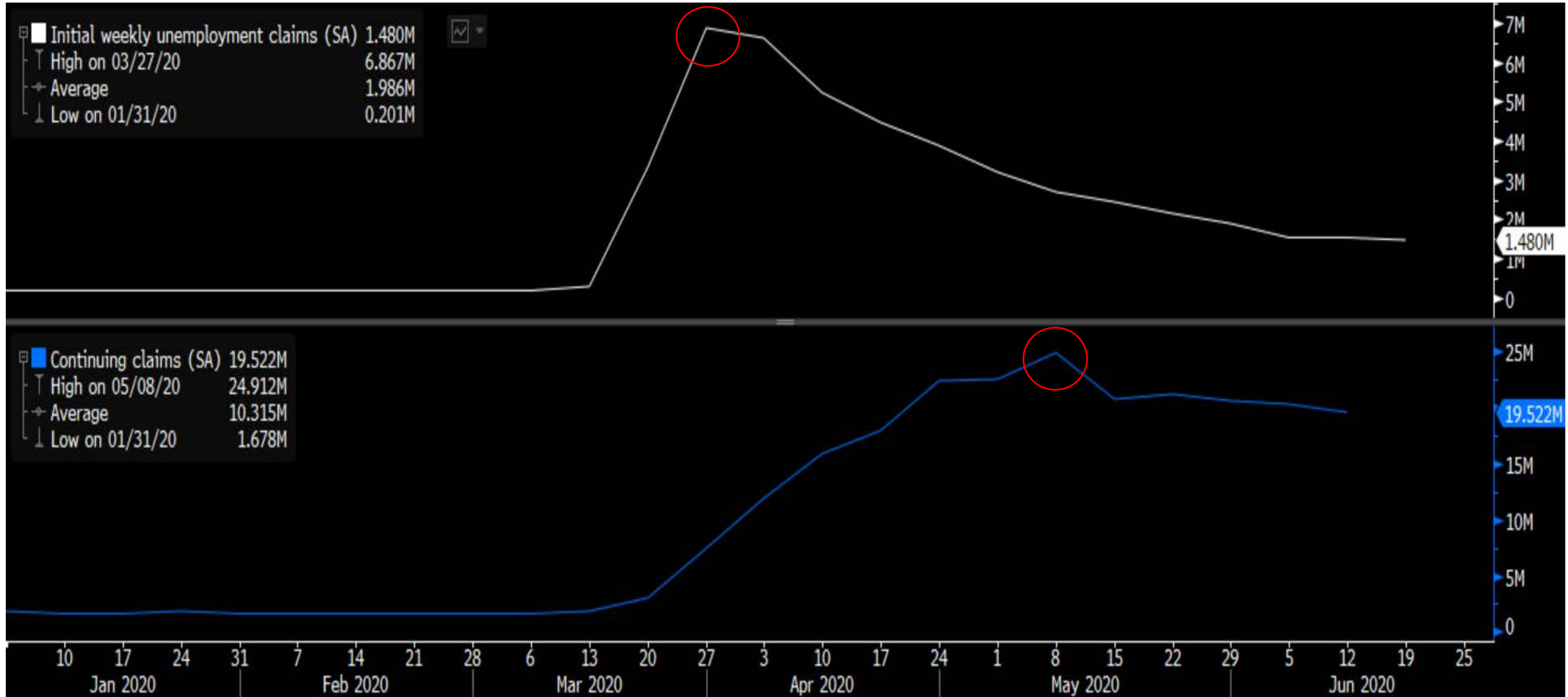
(Sources: Business Insider, businessinsider.com, updated as of 6/18/2020; *Bureau of Economic Analysis, YE2019)

➤ U.S. Economic Activity



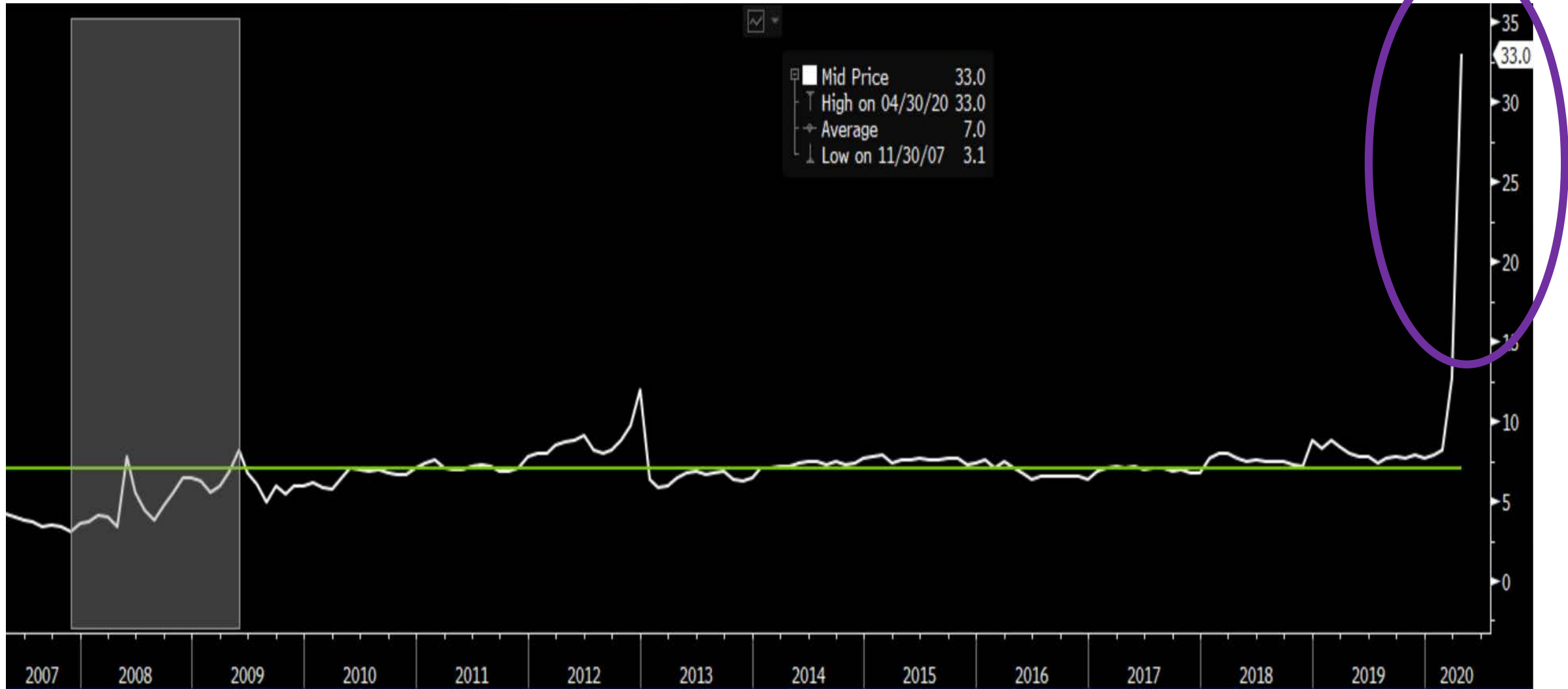
(Source: Bloomberg, as of 6/25/20)

➤ U.S. Employment Picture



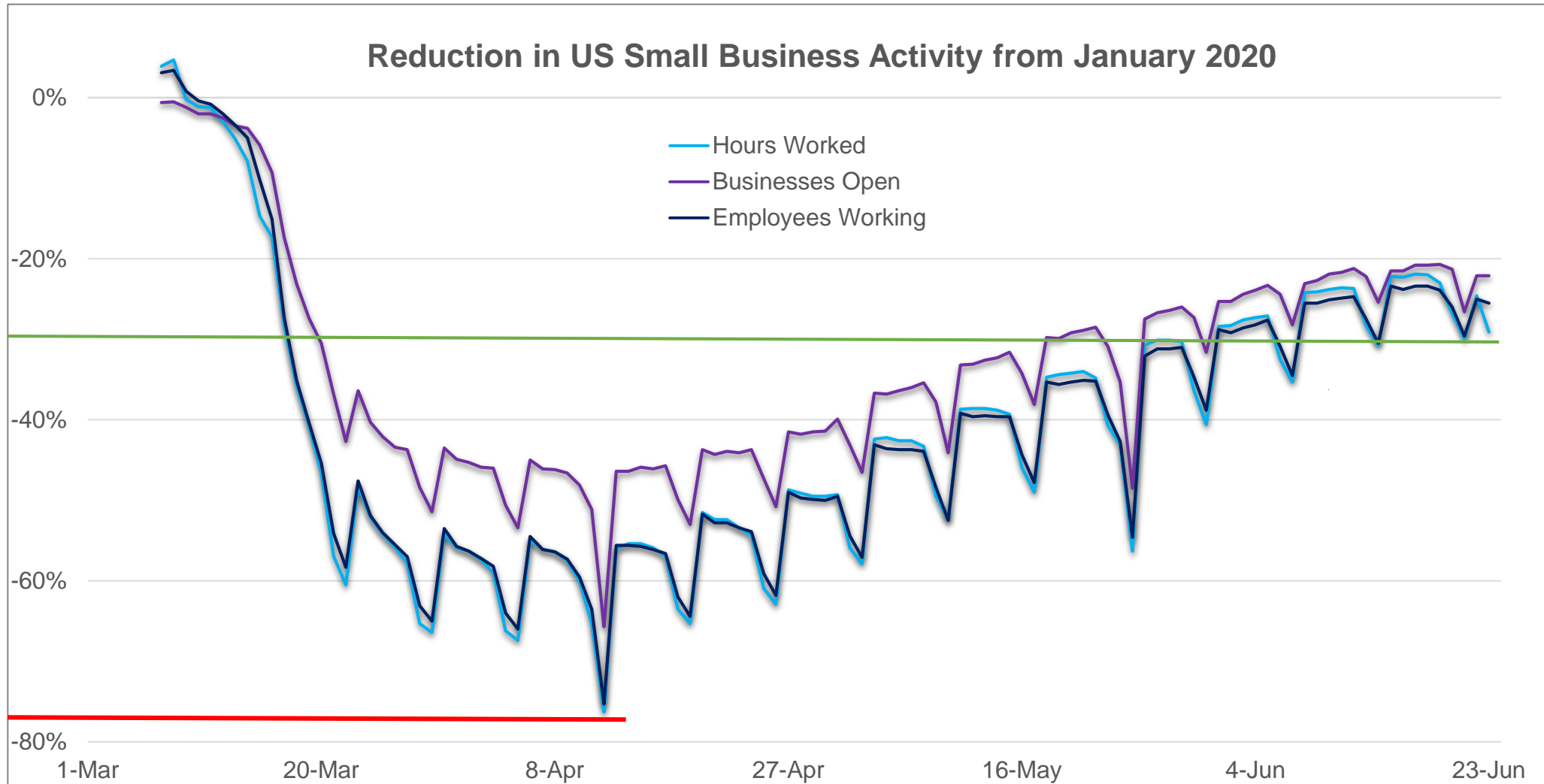
(Source: Bloomberg, as of 6/25/20)

➤ U.S. Consumer Savings



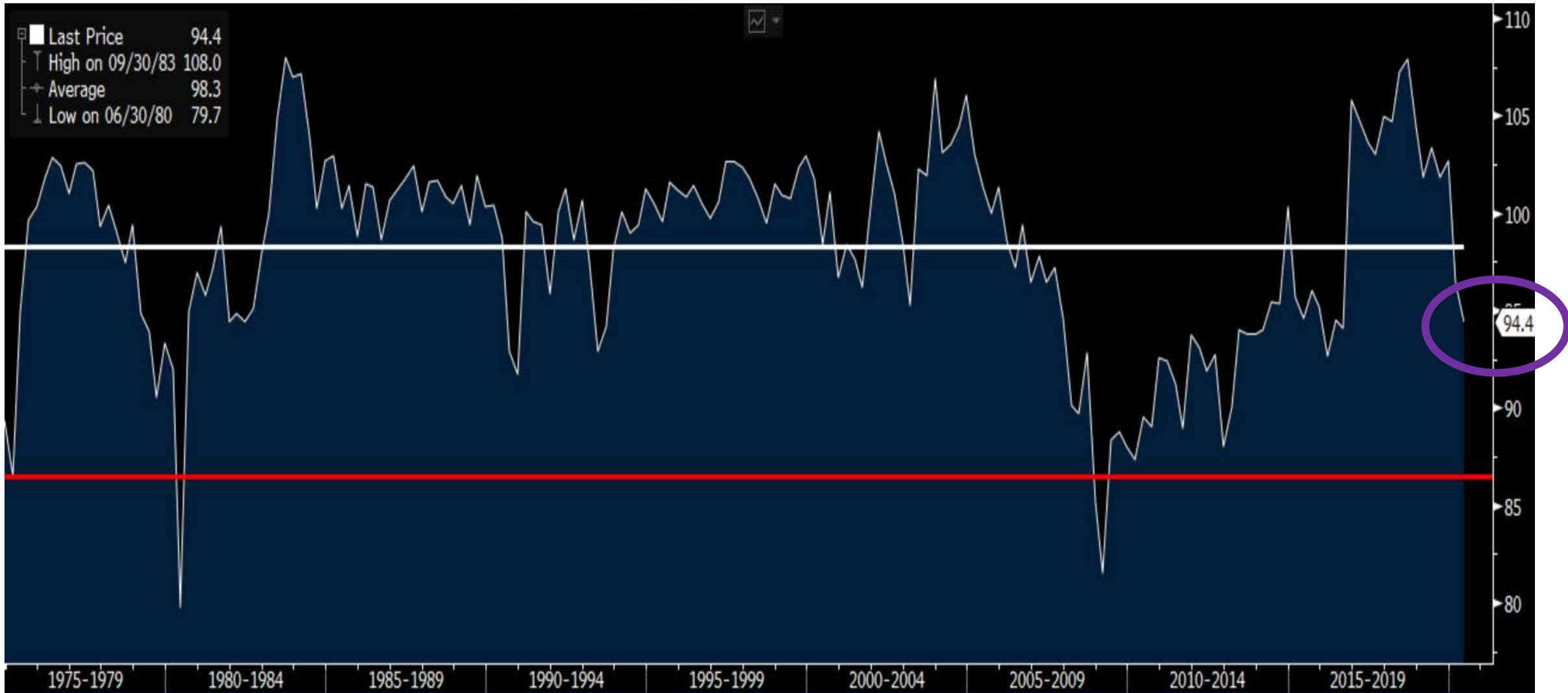
(Source: U.S. Personal Saving as % of Disposable Personal Income, Latest April 2020, as of 6/25/20)

> U.S. Small Business



(Source: *homebase.com*, National Data, as of 6/25/20)

➤ NFIB Small Business Optimism Index



(Source: NFIB U.S. Small Business Optimism Index, Latest Release May 2020, Bloomberg, as of 6/25/20)

➤ NFIB Small Business Optimism Index (Five-Year)



(Source: NFIB U.S. Small Business Optimism Index, Latest Release May 2020, Bloomberg, as of 6/25/20)

U.S. Economy

United States

Browse

Private

Official

Actual / Forecasts

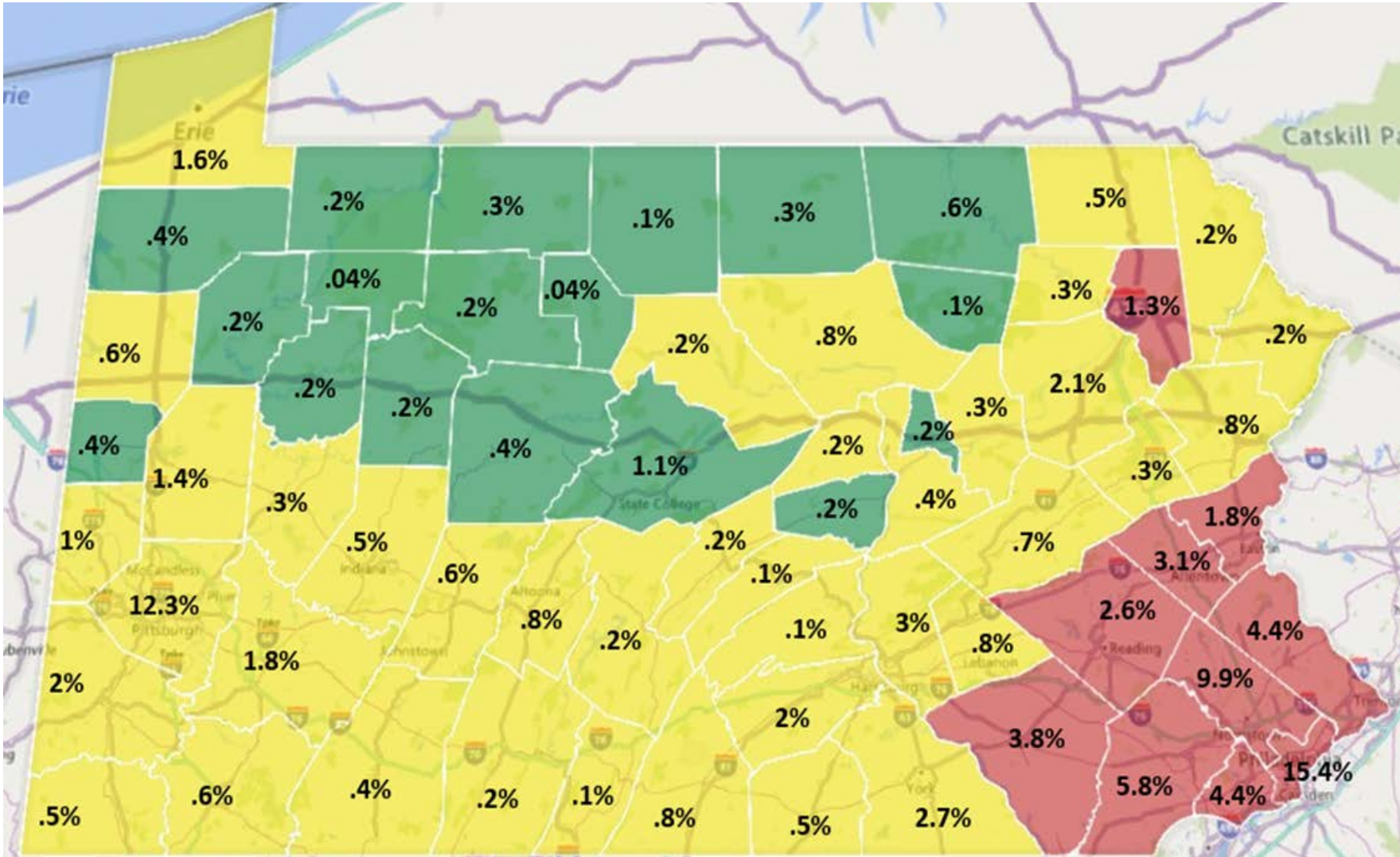
Probability of Recession

100.0%

Indicator	Q3 19	Q4 19	Q1 20	Q2 20	Q3 20	Q4 20	Q1 21	Q2 21	Q3 21	Q4 21
Economic Activity										
Real GDP (YoY%)	2.1	2.3	0.3	-10.4	-6.8	-5.1	-2.3	9.7	5.5	4.4
<div><div></div>Real GDP (QoQ% SAAR)</div>	2.1	2.1	-5.0	-34.7	20.0	7.9	5.1	4.0	3.8	3.1
<div><div></div>Consumer Spending ...</div>	3.2	1.8	-6.8	-39.7	24.4	9.5	4.5	4.0	4.0	3.1
<div><div></div>Government Spendin...</div>	1.7	2.5	1.1	1.8	3.2	2.1	1.5	1.4	1.6	1.4
<div><div></div>Private Investment (...)</div>	-1.0	-6.0	-10.2	-37.7	-1.7	7.6	10.4	8.2	6.9	5.0
<div><div></div>Exports (QoQ% SAAR)</div>	1.0	2.1	-9.0	-40.3	10.6	6.8	5.0	4.9	4.5	4.5
<div><div></div>Imports (QoQ% SAAR)</div>	1.8	-8.4	-15.7	-33.6	8.5	9.5	6.0	6.3	5.9	5.0
Industrial Production (Yo...	0.2	-0.7	-1.9	-13.5	-8.9	-6.3	-2.2	7.5	5.2	4.5

(Source: Bloomberg, Economic Statistics, as of 6/25/20)

➤ PA Economy: GDP Share by County – May



% of PA GDP:

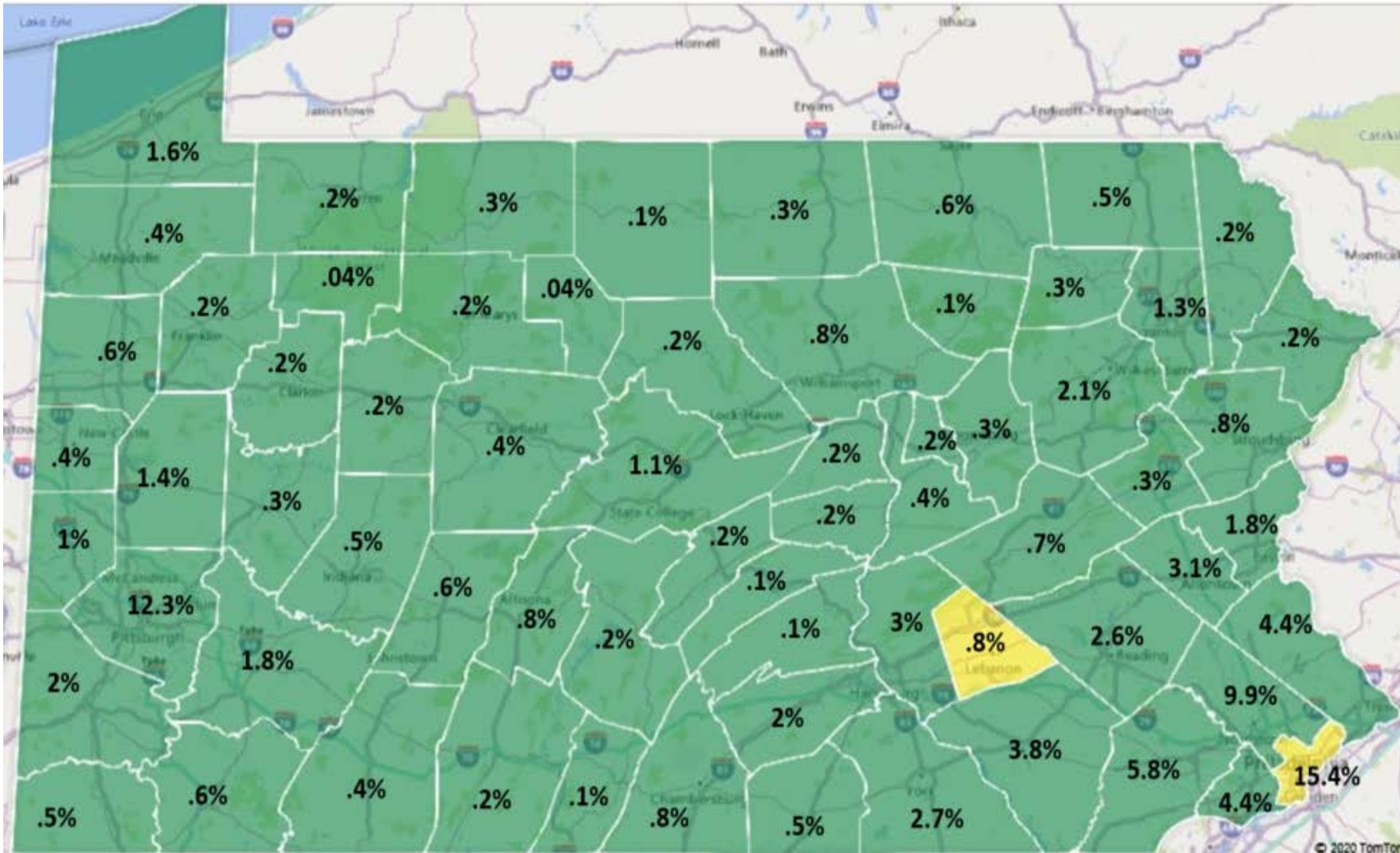
Red Phase: 52%

Yellow Phase: 42%

Green Phase: 5%

(Source: Phases as of 5/27/20; Bureau of Economic Analysis, share of GDP data as of 2018)

➤ PA Economy: GDP Share by County – June



% of PA GDP:

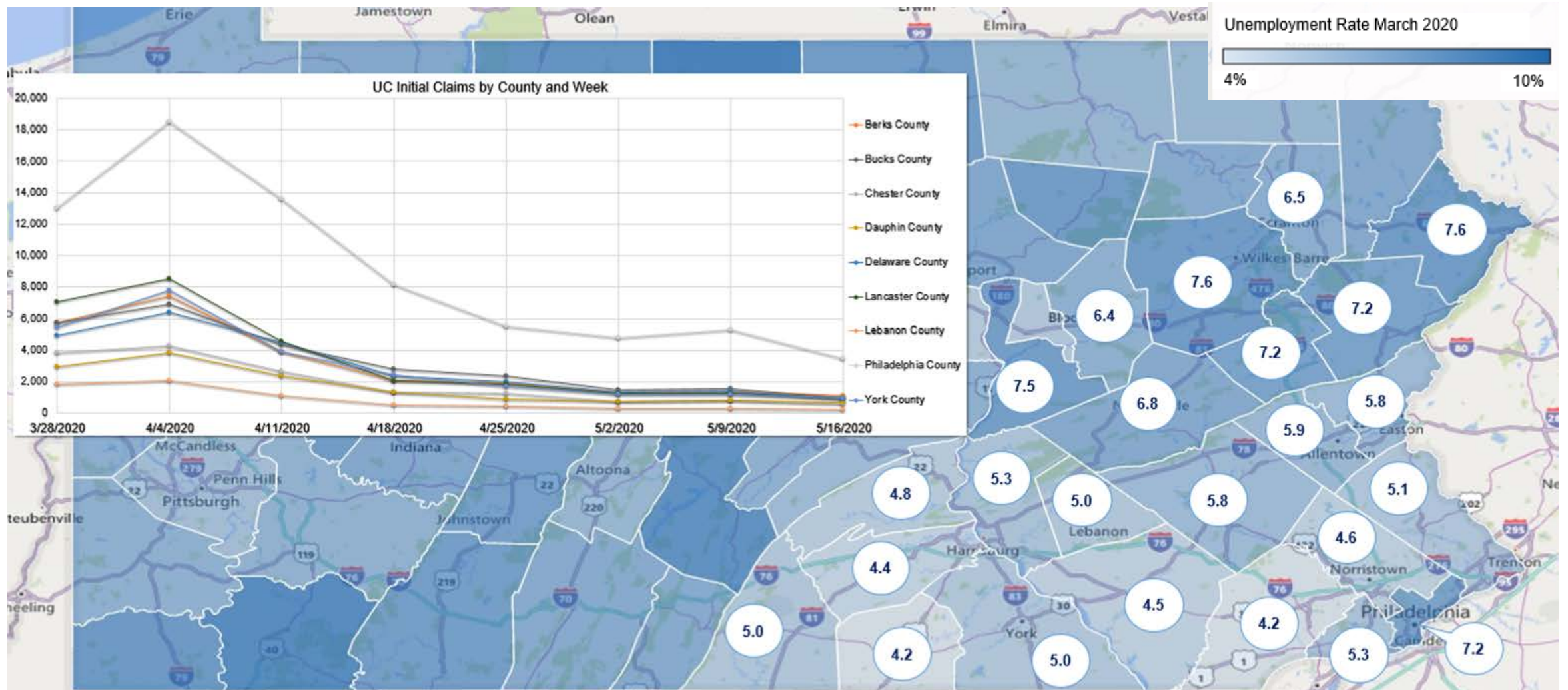
Red Phase: 0%

Yellow Phase: 16%

Green Phase: 84%

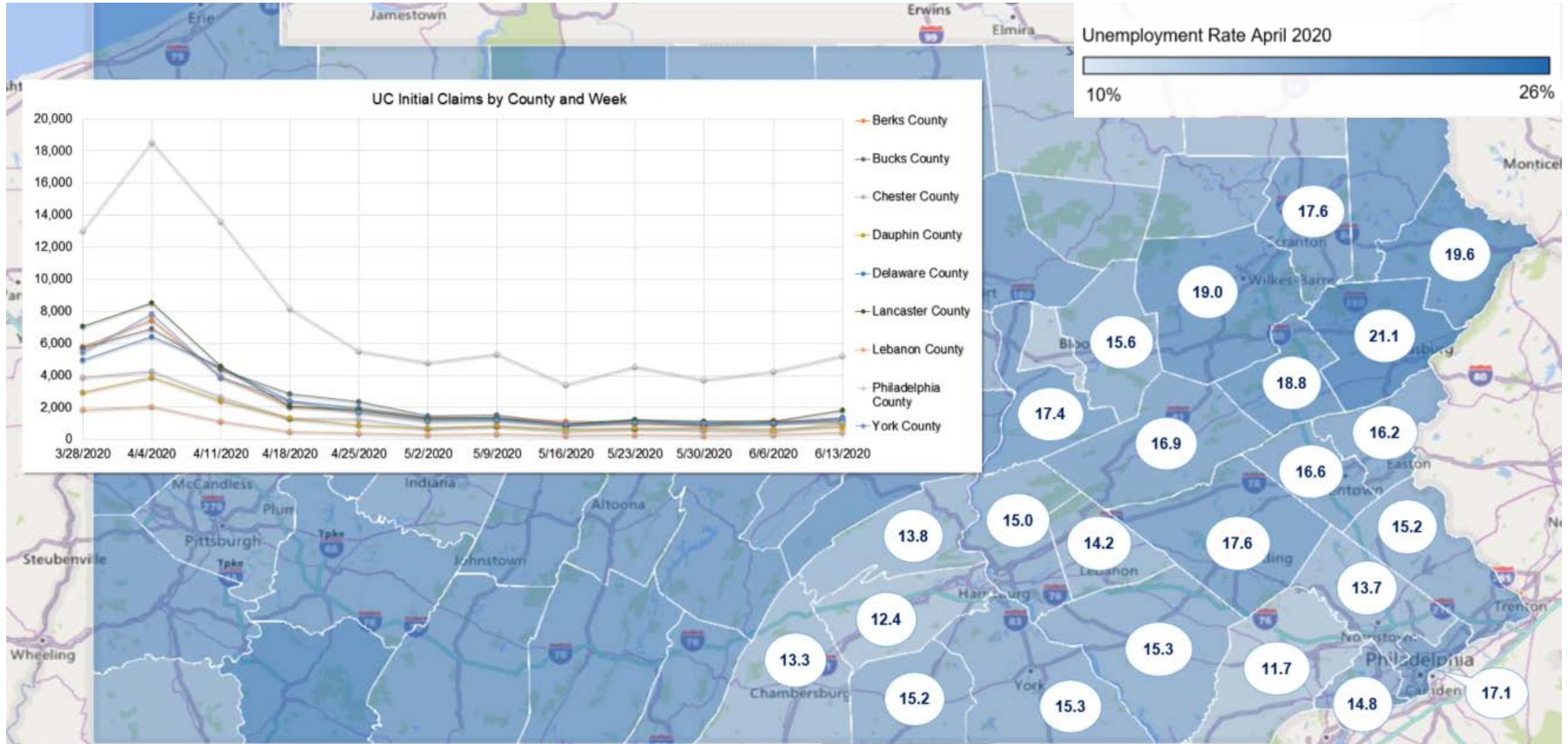
(Source: Phases as of 6/26/20,*Philadelphia County voluntary yellow; Bureau of Economic Analysis, share of GDP data as of 2018)

➤ PA Unemployment Rate & Claims by County – March



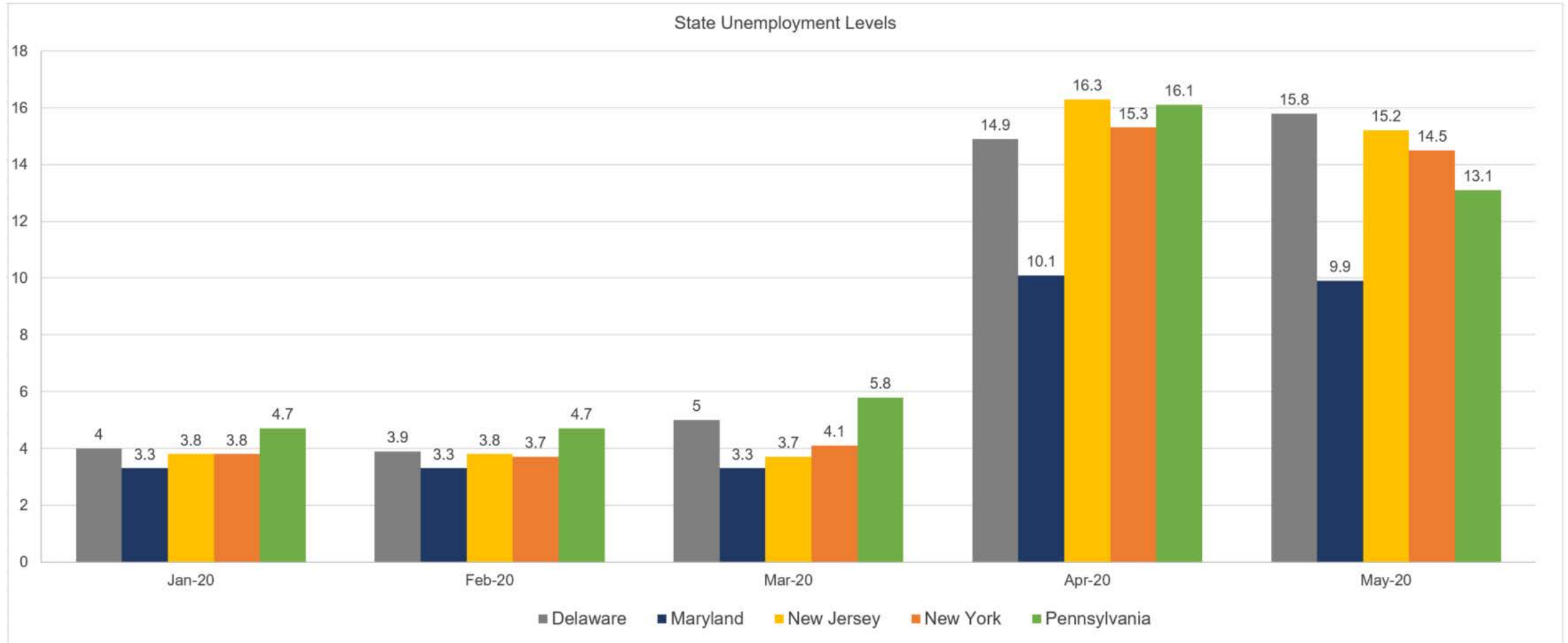
(Source: PA Department of Labor & Industry, paworkstats.geosolinc.com; Unemployment Rates as of March 2020)

➤ PA Unemployment Rate & Claims by County – April



(Source: PA Department of Labor & Industry, paworkstats.geosolinc.com; Unemployment Rates as of April 2020)

› Unemployment Rate by State

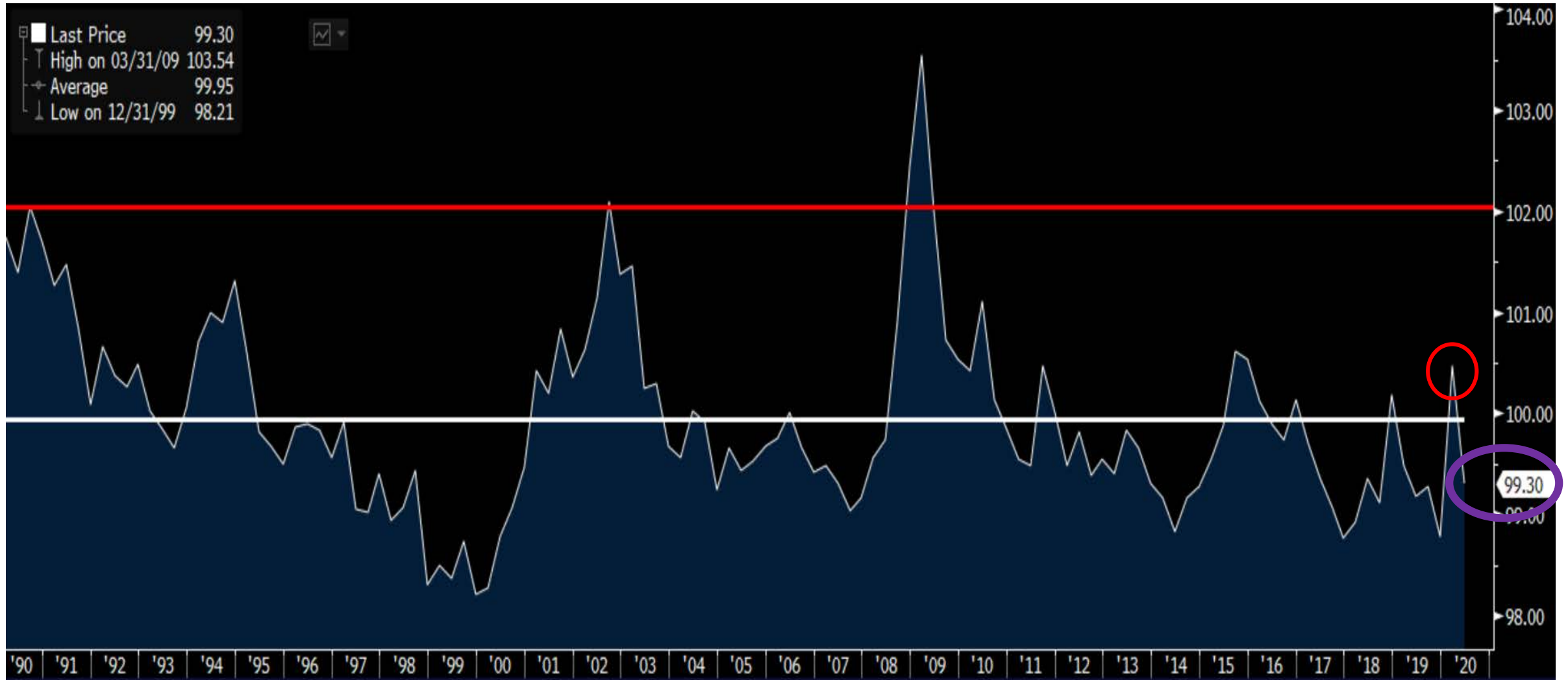


(Source: U.S. Bureau of Labor Statistics, TED: The Economics Daily, as of May 2020)

➤ Monetary & Fiscal Stimulus

Global Monetary And Fiscal Stimulus To Fight COVID-19 Impact 2020 Feb to June (CSM)						
	Potential Central Bank Liquidity Injection		Potential Fiscal Stimulus		Central Bank Liquidity Injection and Fiscal Stimulus	
	\$ Tln	% GDP	\$ Tln	% GDP	\$ Tln	% GDP
U.S.***	\$6.21	29.0%	\$3.30	15.4%	\$9.51	44.4%
Eurozone	\$1.78	13.3%	\$4.02	30.2%	\$5.80	43.6%
Japan**	\$1.03	20.0%	\$2.08	40.3%	\$3.11	60.3%
U.K.	\$0.37	13.6%	\$0.14	5.1%	\$0.51	18.7%
China****	\$1.33	9.3%	\$1.22	8.4%	\$2.54	17.7%
Others*	\$0.68		\$2.38		\$3.05	
Total	\$11.39	13.2%	\$13.14	15.2%	\$24.53	28.3%
*incl RoW and ADB, IMF, WB ****China CB stimulus incl liq injections and other activities, e.g. re-lending, RRR, direct small biz lending, etc						

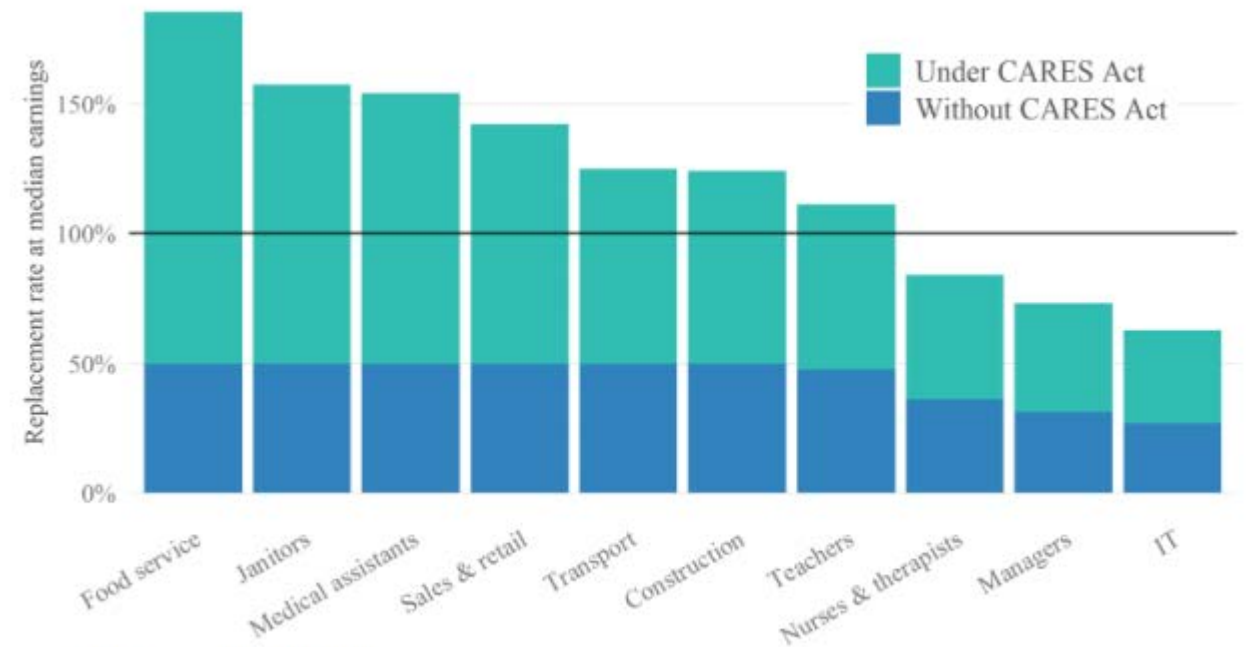
➤ U.S. Financial Conditions



(Source: Goldman Sachs U.S. Financial Conditions Index, Bloomberg, as of 6/25/20)

> Policy Options

	High Odds Of Passage	Closer to 50/50 Odds
Unemployment Insurance Reform	200	
State & Local Relief and Flexibility	200	
COVID Liability Protections	*	
Another Round of Rebates		300
PPP or Retention Credit Reform		200
Business Tax Relief / Other		100



Source: Ganong et al (2020).

(Source: Cornerstone Macro, Policy Research, 6/25/20)

➤ What to Watch

- **Lockdowns:** Stay-at-Home orders and mandatory business closures remain a possibility in “hot spots”
- **Employment Picture:** ADP employment report (7/1), BLS payroll report (7/2) and unemployment claims (weekly)
- **Consumer Confidence:** Conference Board survey (6/30) and University of Michigan survey (7/17)
- **Fiscal Stimulus:** Phase four package debate is still in full throttle but so are election-year politics

➤ What Does It Mean?

- While COVID-19 cases have risen in certain areas, fatalities have not yet followed and healthcare capacity appears adequate across the majority of the country. While stay-at-home orders or business shutdowns may occur, particularly in “hot spots,” it appears unlikely a significant number of governors/states revert back to full lockdowns. However, it is impossible to predict and remains the biggest near-term risk to the economy.
- The U.S. economy has reopened swiftly, supporting a V-shaped recovery. Consumer spending and small business have begun to recover and will remain key. Recovery will continue to be asymmetric by region and industry group, as some businesses will not recover and others will take much longer to reach pre-pandemic activity.
- Pennsylvania has also reopened but at a more modest pace, however the employment picture appears to have bottomed and with most of the Commonwealth now in green the recovery will take shape swiftly. Yet, as we’ve stated, the ongoing status of reopenings will dictate the pace of the recovery.
- Fiscal and monetary stimulus is unprecedented and has clearly served its purpose in avoiding a financial crisis and creating conditions for a quicker recovery, but stimulus by itself does not create economic activity. We believe another stimulus deal is likely this summer.

➤ Pennsylvania DCED \$225 Million Grant Program

- Opens June 30, 2020
- Not first come, first served (initial 10-day funding round)
- For-profit small businesses, with preference or additional consideration given to disadvantaged businesses
- **Main Street Business Revitalization Program:** For small businesses that experienced loss as a result of the governor's March 19, 2020 order relating to the closure of all non-life-sustaining businesses and have or will incur costs to adapt to new business operations related to COVID-19. **\$100 million**
- **Historically Disadvantaged Business Revitalization Program:** For small businesses that experienced loss as a result of the business closure order, have or will incur costs to adapt to new business operations related to COVID-19 (socially and economically disadvantaged individuals must own at least a 51 percent interest and control management/daily operations). **\$100 million**
- **Loan Payment Deferment and Loss Reserve Program:** Allows forbearance and payment relief for existing portfolio businesses that are struggling due to the impact of COVID-19, as well as shore up the financial position of the CDFIs that are experiencing significant increased defaults in their existing loan portfolios. **\$25 million**

Note: Small business means ≤ 25 FTEs and $\leq \$1$ million revenue on 2019 tax return (or 2018 if 2019 not filed). Grants are based on annual revenue ranges, up to \$50,000 in grant amount.

THANK YOU FOR PARTICIPATING

Questions?

- Contact your RKL advisor
- Visit RKL's [Business Recovery Resource Center](#) for more updates and guidance

Schedule update:

- No webinar next Friday, July 3 (due to holiday)
- Series will resume Friday, July 10

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