

## Dear All,

We hope you and your loved ones continue to stay safe and in good spirits as we get through this unprecedented time. Although it will be a challenge, it's definitely uplifting to see restrictions ease as our country begins to take the first steps in the recovery process. We at Longnecker & Associates have been blessed in that we have been fully operational despite working remotely. We are working on plans to return to our offices but in the mean time, we will continue to provide top-level service to our clients.

We have some great articles in this L-Blast we hope you find helpful during these times. Our first piece is an L&A article in relation to the compensation cuts we've seen as a result of COVID-19. In our article we highlight the effects and consequences these salary reductions can have, and therefore are important to keep in mind during crisis, when pay cuts become inevitable.

The next article seeks to communicate an updated framework for executive compensation centered around a mission/purpose-driven approach, specifically for long-term incentive design. It's relevant to current times as companies need to remember to try and adhere to the philosophical fabric of pay programs in the midst of volatility to the extent possible.

The final piece provides good considerations as companies continue to navigate the crisis as it relates to executive compensation. Specifically in this article, performance goals and incentives are addressed. We expect most companies have already taken into account the majority of these points, but it's a very comprehensive "to-do list" that serves as a good reminder nonetheless.

We hope soon we are all able to return to work safely and life will slowly start to get back to normal. Don't hesitate to reach out to us if you have concerns about your compensation programs, or if a restructuring is imminent in your organization, we are here to help. Continue to stay safe and remain optimistic.

Sincerely,



Brent Longnecker and the L&A Team  
Chairman and CEO  
Longnecker & Associates



## Salary Reductions and Their Unintended Consequences



As the weeks go by, the effects of COVID-19 have entered nearly all aspects of life and business. The month of February marked the first death from the virus on American soil which soon began the series of events that led the country to shut down as a whole. As citizens nationwide adapt to the changes of everyday life during the pandemic, American businesses have seen some of the worst financial times since the recession of 2008. As markets retract and businesses strain to acclimate to the changing landscape; massive layoffs, furloughing, and pay cuts have been the measures taken to reduce G&A expenses and increase cash flow to keep businesses afloat. While this is intended to be a temporary solution, long-term consequences could potentially cause some ill-effects to employers and employees.

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## A New Framework for Executive Compensation

The nature of change in business today differs from the past in both magnitude and pace: Technology is disrupting fundamental business models, forcing transformation across whole industries. According to a 2019 Accenture study, 71 percent of 10,000 companies in 18 industry sectors are "either in the throes of or on the brink of significant disruption." Similarly, McKinsey concluded a major study of automotive, electronics, aerospace, and defense industries, saying, "The industrial sectors will see more disruption within the next five years than in the past 20 years combined."

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## COVID-19 Impact on Executive Compensation – Amending Performance Goals under Equity and Other Incentive Awards

We continue our blog series on COVID-19 implications on executive compensation matters with a post that addresses considerations relating to amending performance goals under equity and other incentive awards.

Setting meaningful and effective performance goals often requires significant focus and analysis by compensation committees with the assistance of their advisors and management.

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## Restructuring and Bankruptcy Assistance

We know many organizations are facing financial turmoil and as a result may need to restructure or file for bankruptcy. L&A is a leader in this space and is here to offer support and professional guidance through this process. In addition, we develop post-emergence plans and full compensation programs aimed at retaining and motivating the team to rebuild and generate significant shareholder value. Learn more about our restructuring capabilities, or contact us if you are ready to get started.

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281.378.1350

## COVID-19 HELPFUL RESOURCES



NACD's resource center offers board-relevant guidance to help companies confront COVID-19 and mitigate its business impact. Resources are being frequently updated.



SHRM's resource center offers ways to prepare your workforce for business closures, working from home, quarantines and other outcomes of a disease outbreak.



WorldatWork's planning and response page offers practical steps and pandemic information as well as official resources from DOL, SEC and others. Navigate to the bottom of the page to access links.

## Let's Work Together

We know what it takes to attract, retain and motivate key talent. Contact us to develop a customized plan that works for your business.

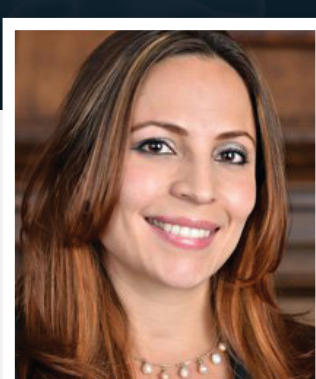
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Compensation Services  
Incentive Plan Design  
Litigation Support  
Strategic & Governance Advisory  
Restructuring Services

## Get to Know Us

**Erika Ruiz**  
MARKETING DIRECTOR



**How long have you been with L&A?**

3 years

**Alma Mater:** The Art Institute of Houston

**Words to live by:** You reap what you sow

**Pets:** A Doberman named Ruby and a Boston Terrier named Tinkerbelle

**What are you passionate about?**

Faith, family, and creative expression

**Favorite Food:** Mexican and Cuban cuisine