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Teneo Insights

Coronavirus Update: A Weekly Call Hosted by Teneo

A discussion between Andrea Calise, Dr. Jerome Hauer, Dr. Kerry Sulkowicz,
Kevin Kajiwara, Orson Porter and Tony Sayegh

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Kevin Kajiwara (KK): Good day everyone and thank you for joining today's Teneo Insights call. I'm Kevin Kajiwara, Co-President of Teneo's Political Risk Advisory Practice. Thanks for joining our call today, the latest in our series on coronavirus. We have a number of issues and topics to get through today and I'd like to introduce my colleagues who will be joining me to work through all of this.

First, we're going to start with an update on the outbreak, focusing on the United States, and joining me today on this is somebody who's familiar to all of you who have joined our calls in the past, Dr. Jerry Hauer. He's a Senior Advisor to Teneo Risk. He's also a leading expert in emergency response and management and crisis planning. He was previously the Commissioner of the Division of Homeland Security and Emergency Services for the State of New York and Director of the Office of Counter Terrorism. He was the Acting Assistant Secretary for the Office of Public Health Emergency Preparedness at the US Department of Health and Human Services.

Obviously we've also adjusted to a new working normal that has certainly led to a number of leadership challenges as well as the challenge of keeping everybody on board as they work from home. To help with that, we have a new Senior Advisor in Teneo Risk, Dr. Kerry Sulkowicz. He is a trusted advisor on people and culture to many

CEOs and corporate boards, and he advises on myriad leadership challenges really from a clinical perspective. He's the Founder and Managing Principal of the Boswell Group and President-elect of the American Psychoanalytic Association.

The challenges of communicating externally for companies continue to evolve at a rapid pace. Andrea Calise, President of Teneo's US Strategy and Communications business will talk to us about that. She provides investor relations, strategic and crisis communications, reputation management, M&A, activist and executive counsel to many of our clients.

Turning to the developments in Washington, we have Orson Porter, Senior Managing Director at Teneo. He heads our Washington office and spearheads our Government Affairs Office. He was the US Director of Government and Public Affairs for Nike and he served in the White House as a Special Assistant to President Bill Clinton.

And Tony Sayegh, a Managing Director. He advises clients on strategic communications, public affairs and government relations and media. He joins Teneo following a stint in the Trump Administration as Assistant Secretary of the Treasury leading the Office of Public Affairs for Treasury Secretary Mnuchin.

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I should remind everybody that at the end of today's call we will be entertaining your questions, so please think of those and we'll get to them in due course.

Markets this morning are in sort of sell-the-news mode. Many of you have just seen that the US initial jobless claims number was released. It is a record-shattering 3.3 million. That comes from a 281,000-number last week. By the way, the all-time record was 695,000 back in 1982. The big news today, of course, is that the Senate passed the stimulus bill last night, 96 to nothing, and the House is scheduled to vote on Friday.

As for the virus itself, globally we are at over 475,000 cases. Over 21,300 have died, 70% of which have come from Europe. We now have over 3 billion around the world in some form of lockdown. And this morning the government of Kosovo has fallen. That is the first government to fall as a direct result of the coronavirus response or lack thereof.

Jerry let's start with you. Give us an update on where we are and what we've learned about the virus and COVID-19 illness since last weekend and where you think we're headed.

Dr. Jerry Hauer (JH): Well, good morning Kevin, thank you. As Kevin mentioned, we're at over 487,000 cases worldwide, 22,000 deaths. Here in the US we're at over 69,000 cases with 1,048 deaths. New York City is seeing the most rapid rise. New York State is at 30,811 cases with 285 deaths. The city is at over 20,000 cases with 280 deaths.

We're seeing the predicted significant increases in cases and deaths. As you look at the rise over time and the number of cases, the US is seeing a greater rise in a shorter period of time than Spain, Italy and Germany. We're just at the beginning of this rapid rise in cases.

The epidemic in the US will take many forms. The rise in various areas in the country will have different slopes, both in uptick, in stabilization and in recovery. In essence, in the US, there will be many epidemics, but we will not see the same or uniform outbreak throughout the US. Regions like Denver or smaller places like Indianapolis will have different waveforms than we're seeing here on the East Coast, in New York City.

We are also entering an environment in healthcare, one in which we had planned, unfortunately, for over the last 25 years. We are now looking at the use of crisis standards of care, care in which people are making difficult decisions, asking families about end-of-life care, asking about taking people off of ventilators that in a normal environment would be salvageable, so that the ventilator could be used on someone that staff deem more salvageable.

Unfortunately, we're going to see an escalation of this time to care over the next several months. This is wartime triage. Making triage decisions and triaging people to die, triaging people to end-of-life care, where they'll receive humane treatment and allowed to die.

What we don't know at this point is what's going to happen over the next several months. We don't know whether this virus burns out or whether it becomes cyclical, whether we see outbreaks in the Southern Hemisphere that as the weather warms in the Northern Hemisphere we see a reduction in cases. Then as the weather turns cold in the Northern Hemisphere, we see an increase next spring, next fall, next winter.

If that happens, we'll see this cyclical nature in the outbreak. The good news about that, is the time it will allow us to develop the vaccine so that if we see this resurgence in the vaccine next fall or next winter, we will have something in place to prevent a rapid devastating outbreak like we're seeing right now.

KK: Just to follow-up on your initial comments regarding New York, obviously the city is now virtually shut down but it's the nation's epicenter of this outbreak, and while it's quiet on the streets the hospitals are really starting to feel it. Governor Cuomo has become essentially must-see TV.

Can you give us a little bit more specific information on New York and where we are on the curve, in your estimation, and when that apex might be reached? It seems like with the outbreak essentially doubling here every three days, we might reach the apex point sooner which will have serious implications on the healthcare system.

JH: Yes, Kevin, good question. In China we saw a doubling time of five to six days. In New York right now, we're seeing a doubling time of about two to three days. So, we're seeing a doubling in the number of cases in a two to three-day period. Now part of that is because of testing, part of that is the actual number of cases being seen in emergency rooms. New York City is overwhelmed. Having worked in the healthcare system there, the healthcare system is about to be brought to its knees. Emergency rooms are backed up with people waiting to get care for an hour to two hours. People in hallways, on stretchers, sitting on floors in emergency rooms, elective cases canceled, and temporary morgues being set up outside of the hospital emergency rooms.

We're just on the beginning of this upslope. I think that the peak, at least in New York, is two to three weeks away. That doesn't mean the peak is going to be the same as we get across the country, as I said earlier on. The big question in New York City and New York State is that once we hit that peak, how long do we stay at that level and then how long does it take to begin that decline in the number of cases? At this point in time, we just don't know.

KK: One very quick final question on that. The notion that we could really get the economy back up and running by Easter is Pollyanna-ish, at best. Is that fair to say?

JH: No, it's not just Pollyanna-ish. It's disastrous. To try and get people into crowds again by Easter would just enhance the spread of the disease. We would see a greater outbreak with the relaxing of controls. It would be absolutely disastrous for the country.

KK: Thanks Jerry. On that bright note, let's turn to Dr. Kerry Sulkowicz. Kerry, as I said at the outset, we're in a brave new world here as far as working environment is concerned. Work-from-home is the name of the game right now. But clearly people are cooped up. Responses can be delayed. It's got to have productivity impact. People are alone. They're feeling isolated from their colleagues and from their leadership.

This presents a real leadership challenge now and as you've said, we're suffering not just from the pandemic of the virus but we're suffering from a pandemic of anxiety as well. Talk us through this and how leadership should be addressing this at companies.

Dr. Kerry Sulkowicz (KS): Thank you, Kevin. Pleasure to speak with everybody here under difficult circumstances. Let me frame a few of the challenges from the leadership perspective as I see them and hopefully we'll have a little bit of time at the end of the call to take some questions because everybody's situation is somewhat different.

It is an unprecedented time, and when I was asked last week what the best practices are for dealing with something like this, my answer, not intending to be glib at all, is that we are actually inventing those best

practices as we speak since we've never done anything quite like this before. This is quite different than other disasters we have lived through here in New York, 9/11, the economic crisis, Hurricane Sandy. In part because those, as disastrous as they were, they were relatively finite events, albeit with years of recovery afterwards.

This, as Jerry has just been describing, is still unfolding and getting worse before it's going to get better. That in turn has created what I am describing, and I think it's useful to heighten leaders' awareness of this is, as not only one pandemic, but two, the pandemic of the virus and the pandemic of anxiety. It's so important to think about that because they fuel each other. If people aren't dealing with the anxiety, and leaders in particular aren't dealing with the anxiety component reasonably and adaptively, it will worsen the pandemic of the virus.

There are important leadership implications of that. One is that the anxiety comes from multiple sources, the fear of the illness, the fear of economic disaster, the uncertainty alone is a source of anxiety. Chronic levels of anxiety, which I think we're already at, just because it's so persistent that will undoubtedly continue for some time, have several profound effects that leaders need to be aware of.

One is that anxiety interferes with, or can interfere with our ability to think clearly, and especially to perceive reality accurately, which in turn negatively impacts our ability to make sound decisions, and leaders must be able to make sound decisions.

So, I think that the way of conceptualizing what's going on is that there's a spectrum of anxiety responses at either end of the spectrum. It's not adaptive. On one end of the spectrum there are various forms of denial, minimizing the seriousness of what we're doing or thinking that it can just be business as usual, kind of the head in the sand approach. That has implications

particularly for younger workers. Presumably most of you are in companies that have millennials in them, and I'm concerned about adolescents and people in their 20s, not really heeding the serious warnings and recommendations about the degree of isolation.

On one hand there's denial, on the other end of the anxiety spectrum is what I would describe as panic and hysteria. Clearly that is not helpful either and leads to this distortion of thinking and distortion of the ability to perceive reality and make good decisions. Somewhere in the middle, there's an appropriate level of anxiety that actually fuels appropriate urgent action.

Leaders need to have heightened awareness about these things. They need to be on top of their own anxiety so that they can lead others and model the kind of behavior that they want their organizations to emulate so that they can, to the extent possible, have business continuity, knowing that it's not going to be business as usual.

Leaders need to be communicating frequently with their teams and with their entire organizations. My view is that those communications should be at least weekly and sometimes more frequently than that, obviously depending on the circumstances. But I wouldn't want to go more than a week. I think those communications should be visual, meaning either Zoom or Skype, or through email or over the phone.

I think people need to see their leaders and see their visual images because I think increasingly, we're going to be deprived of that visual contact. These virtual communications platforms are going to be extremely important; communications of leaders need to be authentic and they must tell the truth to the best of their ability.

Trying to put a positive gloss on things is not useful, and if a leader is planning to give a taped presentation, for instance, it should sound like it's coming from them, not from the marketing department, because I think that will backfire in terms of employee morale and cohesion, which is going to be a real challenge to maintain.

Leaders need to be giving permission, in a sense, to their organizations to take good care of themselves. That needs to come first and then business continuity comes second. The two are intimately connected. They need to give permission for a degree of imperfection that might not have been tolerated in the past. The presentation doesn't have to be as polished or quite as timely.

I think leaders need to also encourage not only for meetings to take place by these virtual technologies but for socializing to take place. Lunches over Zoom or simply socializing with colleagues, because I think those social bonds which enable the trust that really fuel healthy cultures is going to be seriously tested. The permission granting effect of leadership cannot be underestimated.

A little tip that I've been giving some of the CEOs that I work with is when you begin a meeting by one of these virtual technologies, don't just launch into the meeting agenda. Spend the first five minutes and go around the virtual table and ask each individual on your team how they're feeling. Very briefly let them talk because everybody's circumstance at home is going to be different.

We need to be attuned to the fact that not everybody has the ability to work virtually. Some workers, clearly healthcare workers and many other kinds of workers are on the frontline out there and not able to work virtually. We need to be careful not to inadvertently create a two-tier workforce.

As for the virtual workforce, which is most executives, the isolation is going to be an increasing problem which can contribute to the psychological issues that I'm describing. Leaders need to be tuned into the people on their teams. Some of them are going to be at home alone and feeling exceedingly lonely. Others are going to be dealing with little kids, trying to educate them and take care of them while also conducting business. The specifics of each member of the team is something that CEOs should be tuned in to.

Finally, two quick points. One is the importance of thinking of your company as not only a business that hopefully you're going to sustain, but to think of it as a community. These are important communities for the people who work for you and to gear your leadership communication in the sense of keeping the community together and encouraging people to talk and maintain the bonds.

The last point I'll make is that one of the other profound effects of anxiety is that it distorts our sense of time. What I mean by that is that we've become very present and short-term focused when under states of high anxiety. We're thinking about how to get food for the next week. We're thinking about how to get by over the next few days. I want to raise awareness about this because leaders do need to keep part of their attention on the longer term.

We will eventually get through this. We don't know exactly how long of course, but I think it's important not only to plan for a future in which there is a recovery and maybe even find business opportunities eventually in that recovery but on a purely emotional basis, from a leadership point of view, it's important to also speak about that future because it's a way of giving hope and I think that's in short supply right now and leaders need to be doing that.

KK: Thanks, Kerry. You've talked a lot about communications internally. But Andrea, I want to turn to you now because I feel like each week the challenges of communicating externally are simply compounding, and one of the imperatives out there is the calendar and there are milestone events coming up. There's a lot of questions on guidance and transparency around that and we've seen responses across the spectrum on this from precise guidance to withdrawal of guidance. What's the latest you're hearing and how you're advising people on that?

Andrea Calise (AC): Thanks Kevin. First, I just want to say that I hope everyone on the call is healthy and safe and so are your families. Yes, I think that it's an interesting time and in the last two days we've seen the first two days straight of gains in the markets. But I think with the job claims report today, we're going to see that quickly disappear, and we're seeing that in the stock futures. All this turmoil certainly makes guidance very difficult. Over the past week and a half, we've seen over a hundred companies in the S&P withdraw their guidance. I think that what we're seeing is that companies are getting a pass right now in terms of not having all that information.

The action for the most part has been that with a shrug and an acknowledgement by investors that this is the prudent action to do and that there's too much uncertainty around supply chain disruptions and for many industries demand as well.

We're entering earnings season and we're starting to prepare companies to think about the message they want to send. We are warning them not to box themselves in too much, providing additional transparency regarding their current operational financial state is really important. We've been doing that with a lot of clients over the past week.

We are really seeing that payoff in dividends in terms of companies being transparent, engaging actively with investors, as well as their other stakeholders, customers, employees, even when they don't have complete information. And of course, frankly nobody does right now. But it is stabilizing, and it's building credibility.

We've been working with clients to strengthen their outreach to investors through equity conferences that are all now virtual, special calls. Additionally, dozens of our CEOs over this past week have appeared on broadcast media. The utilization of broadcast media to get your message out to key audiences is really critical, now more than ever in this environment. We're seeing the pick up of those interviews like never before, including in sell side reports, across social media, being rebroadcasted, employees and customers are also sending it around.

We're also seeing internal videos that CEOs are doing going viral, and that's really helping companies build their credibility and reassure their stakeholders. So, I think it's important for people to remember as we go into earnings season that they don't have to have all the answers. Nobody's expecting you to predict the next quarter. Demand can be resilient tomorrow, but none of us really know at this point what the future holds, and people should keep that in mind as they think about how they approach it.

KK: So, Andrea, while we've got you here, I want to pivot for just a moment here and ask about corporate purpose in the middle of all of this. Obviously, one of the defining elements of the last couple of years has been ESG, something of great importance to many companies and to institutional investors alike. We've seen early on in this company like the luxury goods conglomerate LVMH repurposing perfume factories to make sanitizers

for the French healthcare industry and the like, and we're starting to see others step up in a big way. Can you talk about how companies are thinking through this and how you're advising them?

AC: I think we've been talking over the past several months a lot about ESG and how companies are doubling down on their commitments in the interest of all stakeholders, not just shareholders. This pandemic has really created an urgent and unprecedented opportunity for CEOs to put that promise of purpose-driven leadership and stakeholder capitalism into real action for their employees, customers, the public and investors. We're seeing many companies rise to that opportunity and jump into areas that in the past were solely the domain of the public sector and their reputation is being rewarded for that. Now this is both in our front-line workers and work from home employees and Kerry talked about that a few minutes ago about the challenges around that.

But it's also been very important in terms of being the part of the solution. We've seen a lot of companies over the past few weeks, I think LVMH was one of the first ones, but many other companies have been entering into partnerships and repurposing their manufacturing capabilities to meet the unmet needs around hand sanitizer, ventilators, facemasks and other points of care needs. They're repurposing their marketing efforts to focus on social distancing. We saw a lot of companies doing that this week as well as donating their emergency supplies to healthcare workers.

I think if you look at how the virus has impacted the reputation of tech it's certainly very interesting. Weeks ago, there was enormous pressure to rein in big tech. They were in the hot seat for privacy. DC was talking about breaking them up. Today they're our lifeline to the outside world. They're our supply chains. They're bringing us our education system. They're making huge

donations across the board like no other industry can. They're helping to get tests into hands of those who don't have them.

As a result, their reputation has skyrocketed in a way that only a crisis could do. Granted, I'm sure there will be people that will be critical of them in the months to come and may say they used it to further entwine themselves into our lives but who isn't grateful right now for them? And I think it shows that every company right now has the responsibility to be part of the solution. The impact of what they do now will have a lasting affect and there will be scorecards. In fact, JUST Capital has already put out a scorecard to track companies and how they're treating all their stakeholders during this crisis. And of course, more importantly than the scorecard, it is just the right thing to do.

KK: Thank you Andrea. in just a few minutes I'm going to open the floor to questions so please think of them but before we do, we're going to turn out to Washington. I think it's not an overstatement to say that the challenge of responding to this is really going to be the defining moment in the careers of a lot of economic policymakers in this country. As a society, we choose how aggressively we're going to take measures to halt the virus and it's pretty clear that economic contraction is necessary. It's also clear that it's going to be brutal.

Morgan Stanley right now is forecasting the GDP will fall on an annual rate of 30% in the second quarter. So, the question is, who's going to bear the costs of this choice? Action has already been taken. The Fed with unlimited QE protecting near-term liquidity but the government is now acting. Phase 3 of the coronavirus response as I mentioned at the outset is big, \$2 trillion roughly. That's 10% of US GDP and if you couple that with Fed action, it could amount to as much as 30% of GDP. And

that dwarfs what we saw in the financial crisis, \$700 billion for TARP, \$800 billion stimulus program five months after the 2008 crash.

So, Orson, the Senate voted last night 96 to nothing. The House is being called back tomorrow. Give us the update on this. How is the House going to vote? Are there potentials for any further delays before this hits the President's desk? And, I know you sent out a very comprehensive note to a lot of clients last night covering what was in the final bill, so probably people are aware of the headlines but were there any major surprises in there?

Orson Porter (OP): Thanks for the opportunity and as Andrea noted before, the main deal is that I'm hoping everyone, and their families are ok and you're able to take this call without thinking about so many other things that are going on around us. With that in mind and what happened in Congress, I want to look back to two months ago in DC when it was super partisan and we had just gotten through an impeachment vote. There was no sight for appetite for any real legislation to be moved before the election. Suddenly because of this crisis the Senate considers the largest fiscal package in the nation's history just ten days ago to start the debate. They shared the package with the full Senate just yesterday and with no debate and with no hearings they pass it as you indicated at 96 to nothing. That is unheard of in DC and it is unheard of because of the sense of urgency and the need to get this done.

As you mention, this is twice the size of the bank bailout. During TARP, the congressional debate lasted nearly four months before they decided to move forward. For Congress to move as speedy as they have and for Nancy Pelosi and minority leader Kevin McCarthy to even consider taking this up tomorrow is an historic feat in DC and I expect it to move forward.

Where it stands now is Steny Hoyer last night sent a note out to the Democratic caucus basically saying that he and the speaker would like to proceed on Friday at 9:00 am for consideration for a potential vote. This gives the House members 24 hours to look over the bill. The reason why they gave the House members 24 hours of course is Nancy Pelosi and the minority leader would like to potentially have a voice vote on the bill on Friday which eliminates the need to bring all of the members back in Congress because of the virus and people being under self-quarantine.

What I expect here is that there will be a pretty conservative effort for Nancy Pelosi and minority leader McCarthy to keep their caucuses in check. You probably saw that representative Ortez, AOC, earlier today that she may object. Last night we also saw Bernie Sanders and Lindsey Graham object to some of the parts of the bill but ultimately after discussion they all came on board.

I would suspect this to be the same. If there is an objection and this is delayed, I don't see it being delayed more than a half day. I can't see it going into the weekend. The President, to his credit, has been very vocal about his willingness to sign this immediately. So, at the end of the day I see a potential Oval Office signing. I can't say that you'll have Speaker Pelosi, Mitch McConnell and Schumer all in one room, but they all should be commended for moving as swiftly as they have. We'll see over the next 24 hours how well Nancy Pelosi, who usually comes out on the winning side on these issues, is able to control her caucus. Due to the sense of urgency I do think that most members, which is unusual, will allow for the largest fiscal package in US history to go through without any debate and pass on a voice vote.

KK: So, Orson, you've basically indicated that Congress has rarely moved so fast, it's never moved so large. I guess the big question is, have they moved fast and large enough really? I mean what's the word out there now on a Phase 4 or even Phase 5 or is this it for a while?

OP: Great question. The Senate is on recess until mid-April. Congress, after their vote, will be on recess through mid-April. I think the issue will be that a lot of these states that have been hard hit, like New York and California, will have issues with budgets. They'll have issues with keeping streetlights on. They'll have issues with picking up the garbage because, at some point they're going to have to decide what's essential and nonessential. They're going to rely heavily on services and the federal government is going to have to help them in some way.

I do think you'll hear members of Congress complain a little bit about their cities or states not being as covered as they would like and I could easily see over the course of the next two weeks, Congress potentially coming back or finding ways remotely to address some of the budget gaps that these states may be facing. Then of course, as we move towards the recovery and not to forget the fact that should things slow down three months from now we have a national election. So, I could see the recovery piece of this getting a lot more political and a little bit more partisan than what you're seeing today on the immediate stimulus package.

KK: So, Tony, now that the legislation has passed, the execution is going to swing back towards the executive. And so, obviously there's a lot in here. It's very, very complex. I guess the basic question if we focus mostly on the corporate side is how is this going to work? What do businesses need to know if they are going to avail themselves of the potential? For industries impacted, how do they avail themselves on what's offered? Who do they call?

Tony Sayegh (TS): Thanks for having me Kevin and thank you to everyone for joining the call. Your question actually reminds me of something Secretary Mnuchin used to often say after tax reform was passed. He said, "Congress pops the champagne, but the hard part begins at Treasury." That's largely because then we have to come up with all of the tax guidance and rulemaking through our Office of Tax Policy that really defines the fine print of what TCJA was.

Just imagine the secretary feeling similarly now after weeks of marathon negotiations on Capitol Hill producing this 880-page piece of legislation as Orson said, the largest fiscal package in the history of the company, certainly the most consequential legislation in the past decade. I think Treasury now has this mandate to try to administer and implement this \$500 billion component which basically creates a lending authority that Treasury's going to administer, largely with the Federal Reserve as well.

It's important to remember that what really is driving the administration's policy and view on this is the assumption that businesses were fundamentally healthy, the economy was fundamentally strong, there weren't really any structural issues then all of a sudden here comes this public health crisis. The behemoth issue that just destroys the labor market, destroys small business, completely creates uncertainty and volatility which doesn't help other businesses. To no fault of their own, as you've often heard the Secretary, the President and the Vice President say, these businesses are now thrown into the degree of chaos. I think everything the administration is trying to do is to stabilize the current situation and prepare the economy for a V-shaped recovery on the assumption that there were really no other structural issues that make this a traditional financial crisis.

Two of the three components of this package highly target individual taxpayers, families and small businesses. This is what Larry Kudlow refers to as the

largest Main Street financial assistance in history. The third part, the one I mention, is the \$500 billion that will go to critical industries that have suffered some sort of an acute downfall in the past several weeks as a result of complications in their businesses due to the virus.

These lending authorities are going to, of course, have oversight. There's going to be an inspector general. But really, they're going to be run out of Treasury. I think the component of this that has got the most attention is the \$100 billion to the airline industry. This will come as direct loan payments from Treasury. The terms of those loans are being negotiated and being set and may have generous terms, but these are going to be loans that the government will make money off. Much like they did off the bank investments during TARP.

They're going to get preferred shares of these companies no doubt and they're going to take equity and positions in these companies. But the government is going to be a silent investor. They're not going to have voting rights and they're not going to be able to tell these companies how to run their day to day business although obviously strings are attached. We've heard about the restrictions on executive compensation and buyback. There's a bit more debate around dividends but, for the time being clearly all of this money is hopefully designed for these businesses to keep operating and keep making their payrolls.

The fed facilities are going to be the very interesting component here because what people don't realize is that the Treasury's investment of \$400 billion into these Fed facilities really translates to \$4 trillion when you consider the leverage that the Fed is able to use. This is what people don't really understand as well, and why would they, not many people know the intricacies of Fed policy unless you're a bank or a financial institution that has to engage with our central bank. But the Fed can also buy debt and securities and other things.

What the Fed can't do is take risk. They can't be an emergency lender and take risky positions. They can't be in what's called the first loss position, but Treasury can and that's what Treasury assumes with this \$400 billion investment which then again gets leveraged into \$4 trillion distributed through Fed facilities to companies. I think the way they'd like to view it is they will proactively be giving this money out to prevent companies from collapsing and failing but also monitoring the economy to make sure certain sectors that are suffering outside the stress are getting access to this money because the ultimate goal is again stabilization. So that's kind of where we are, and I think it's going to be very interesting to see how Treasury and the Fed administer this half a trillion-dollar lending authority over the next few weeks.

KK: Thanks Tony. I know there's a lot here on a variety of subjects which really reflect how things are moving on all fronts. But with that I want to move now to your questions.

Caller 1: Good morning. I just wanted to double down a little bit more on the question of the seasonality of the virus because I think it is critical to whether or not we're going to have a comparatively quick recovery or a longer recovery if in fact we're looking at successive waves. In other words, do you anticipate in the northern hemisphere potentially a fall wave but a fairly quiet summer or are we actually thinking about successive waves that potentially continue through the summer? I know a lot of this is unknown what I'd love to get your thoughts on that. Thank you.

JH: At this point in time we simply don't know. We are hoping that it falls off but the concern we have is that we are seeing cases in the southern hemisphere in warm climates. So, we're not sure whether we'll see that drop off during the summer. Just as important, if we do see a drop off, will we see the cases escalate in the southern hemisphere and then come back around in the fall and

winter of next year? I wish I could give you a clearer answer. There's so much we don't know about this virus but we're hoping at this point that we will see drop off.

KK: One thing I want to follow-up on with you Jerry is at the outset you said that a thought to an early return to business as normal is just not in the cards. But one concept is that as people get ill and recover or even if they don't get ill they recover, they develop anti-bodies and they can essentially build up a resistance to getting sick again. It's important, and I think China is intending to do this right now, is to get those people back into economic activity. The tough part from a policy perspective is identifying who those people are and facilitating their return to work to keep the economy running at least at a low level and prepare for the jumpstart. But can you comment on that?

JH: Sure Kevin. At this point in time there is an indication based on what we've seen in other countries that there is a development of antibodies which makes sense in a viral outbreak. The problem that we're going to run into is as you just mentioned defining who those people are that we can allow to go back into the workforce. What we don't want to do is allow people back into the workforce that really don't have the antibodies and we wind up seeing a second wave of the virus. So hopefully the testing will get to a point where, as we get through this, we can start testing large swaths of the population, so we know who has antibodies and who doesn't and allow people with antibodies back into the workforce.

KK: Let me ask one last question to Orson and Tony. There's been some confusion over the President's invoking of the Defense Production Act. It's been commented on extensively at one point, but I don't think it's actually been implemented. What's the status there and what is he attempting to do? How is the corporate response looking on that front with it looming out there?

TS: That's a very good question as there is reasonable confusion. The President has indicated obviously his intent. I think it's a multiple step process and it's already begun. I know that for example Peter Navarro, who's one of the President's top advisers on trade and economic matters, has already begun a process of coordinating companies in removing regulations to start producing more of what are essential items that we need to combat obviously the coronavirus, ventilators, masks and other items. So, I know part of that process has already begun and it has other steps that need to continue to be taken and you've heard other CEOs ask for the president to continue to do this but I know for certain the process has already begun and it has given the government increasing flexibility in working with businesses to try to ramp up production of essential and critical items.

KK: Thank you. If there are no further questions, I want to thank everybody for joining today. If a question does arise please do not hesitate to reach out to your Teneo contact or you can email us at Teneoinsights@teneo.com. Due to the fast-moving nature of this and the ever-evolving policy responses and corporate responses, we will be holding this conference call weekly at this time; Thursday at 8:30am ET so please be on the lookout for the invites. Thank you very much Jerry, Kerry, Andrea, Orson and Tony for your participation today. And for everybody for joining the call. Again, please stay safe, please stay healthy. Thank you for joining us and have a good day.



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