



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



SESSION SIX

August 14, 2020 | 11:00 A.M. ET

➤ Housekeeping Items

- The webinar will be recorded and shared as soon as it is available via email
- Today's materials will be shared in the chat box and are 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

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➤ Meet Your Team for Today's Presentation

Pennsylvania and Federal Stimulus/Legislative Updates



JONATHAN CLARK, CPA, MST | *Partner, Tax Services Group*

Jonathan is a Partner in RKL's Tax Services Group. He provides strategic tax planning and compliance solutions to privately held businesses and their owners, including family owned, management owned and private equity owned enterprises. Jonathan also has extensive experience leading teams delivering outsourced tax services to multinational corporations.

Workforce FAQs: Back-to-School Uncertainty



STEPHANE SMITH, SPHR, SHRM-SCP | *Consultant, Human Capital Management*

Stephane is a Consultant in RKL's Human Capital Management Practice. She advises clients on a wide range of human resources policies and programs, including strategic planning and talent and performance management.

Economic Update



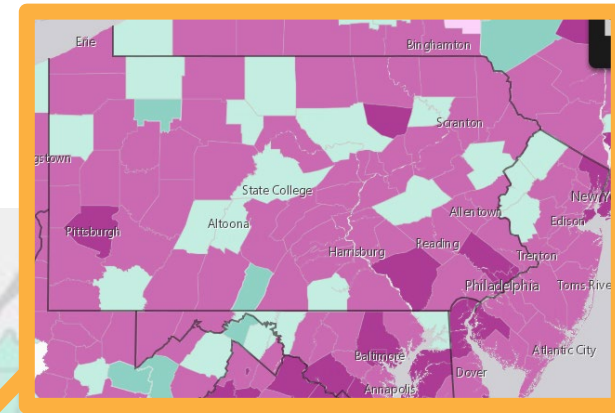
NICHOLAS BOYER | *Partner/Chief Investment Officer*

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.

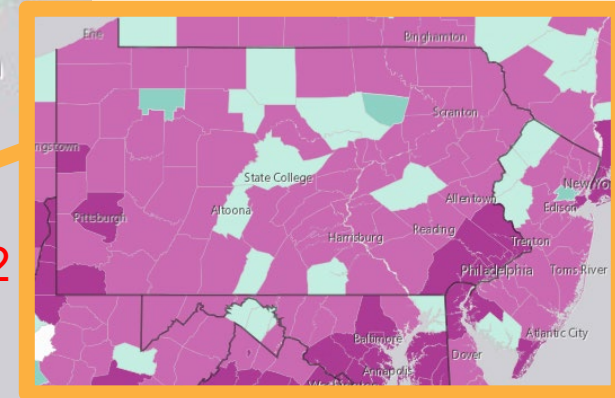
PENNSYLVANIA UPDATE

➤ National Trends and Hotspots

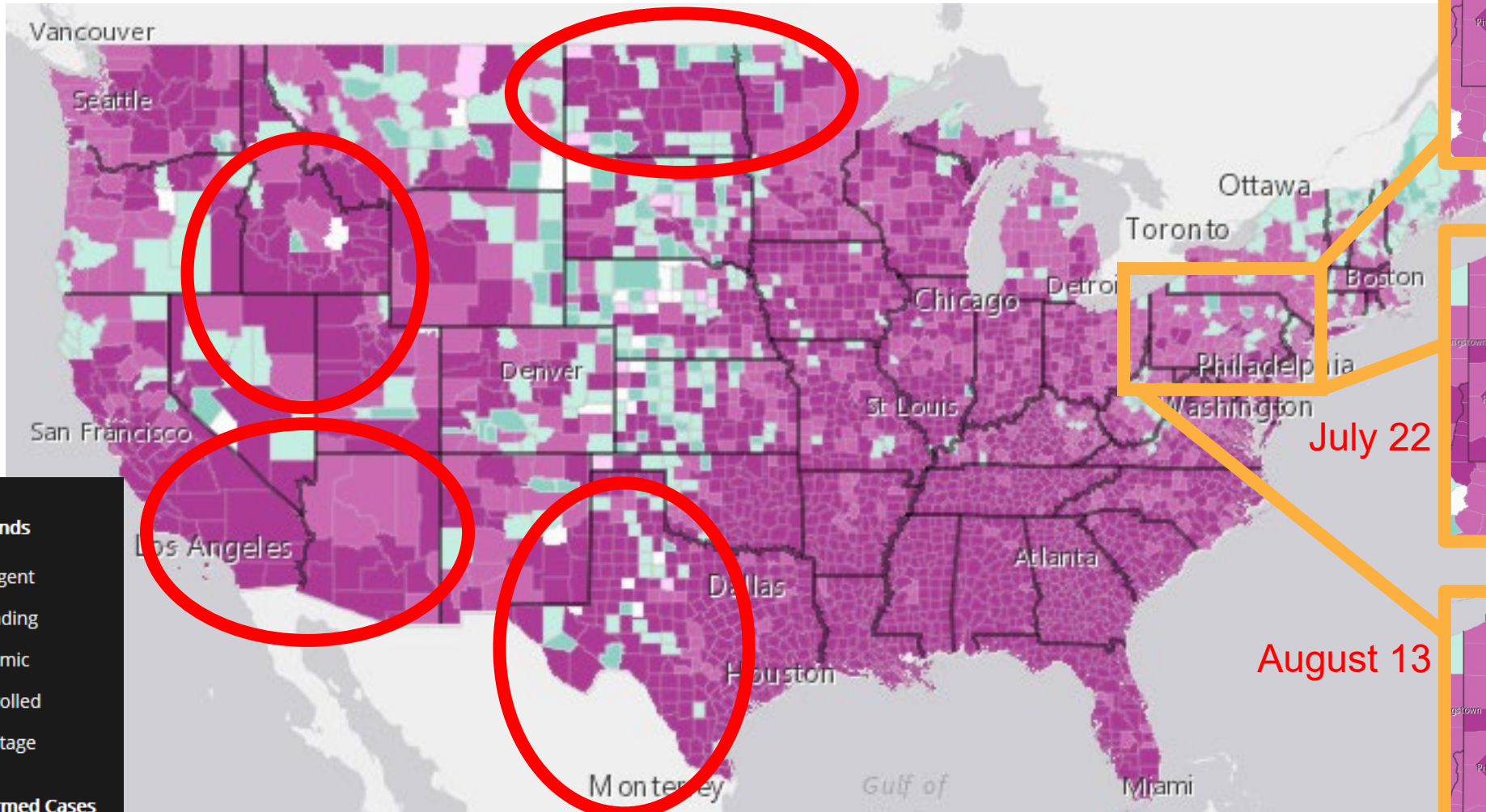
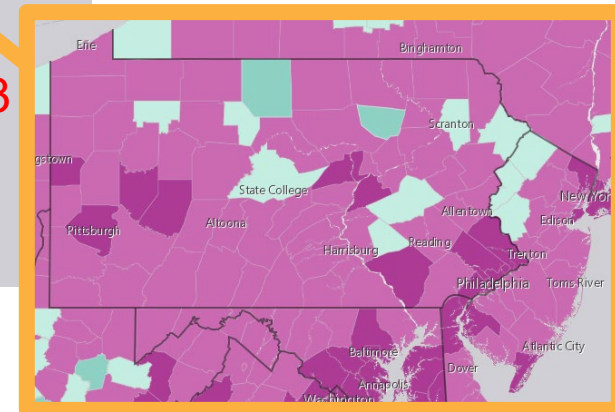
July 9



July 22

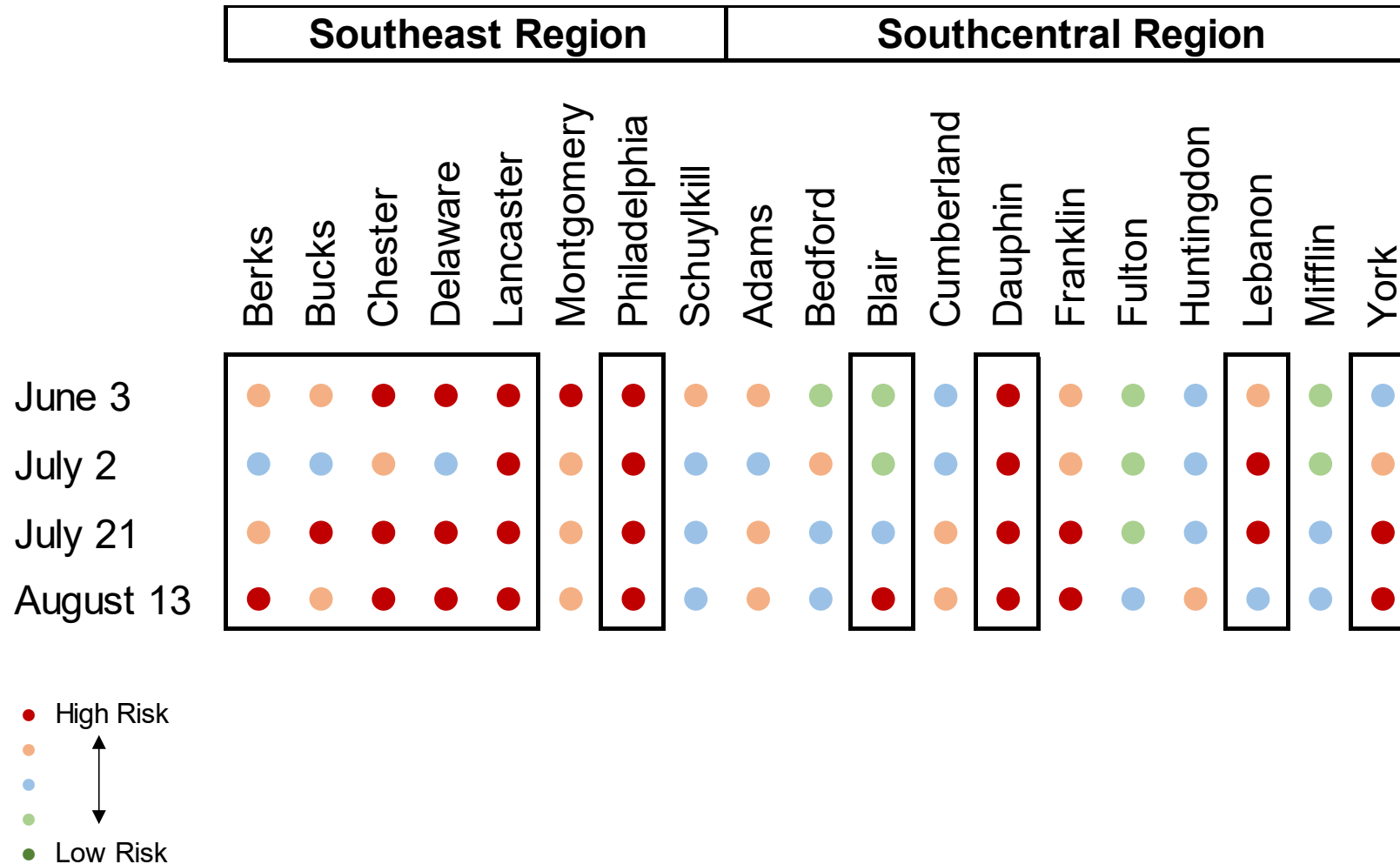


August 13



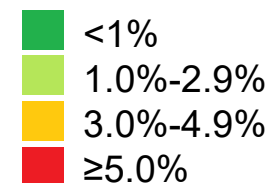
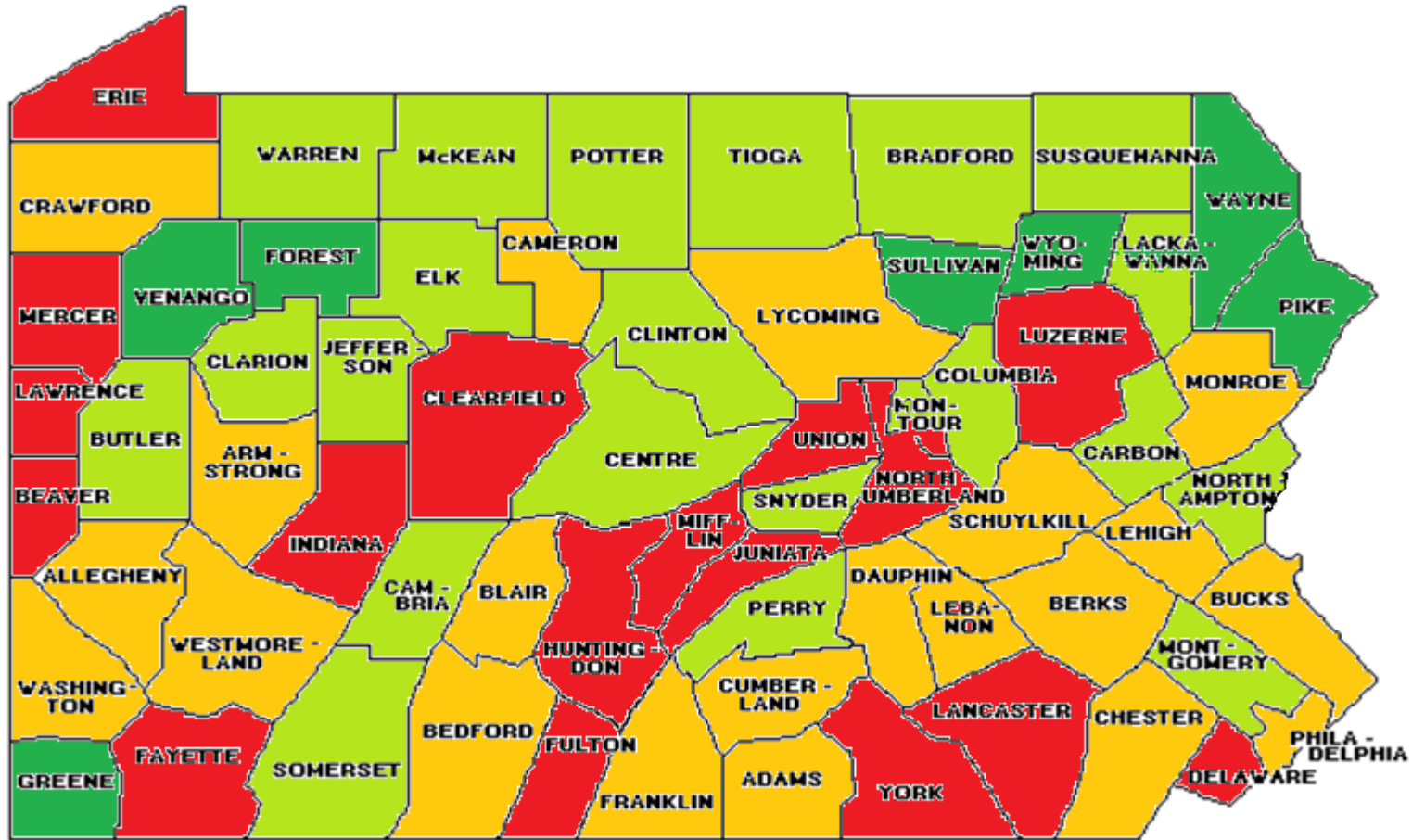
➤ Risk Indices in Carnegie Mellon Analysis – COVID Case Risk

14-Day COVID Case Risk: # of reported COVID-19 cases / population of area



➤ COVID-19 Early Warning Monitoring System

- Various county level metrics reported by county
 - Change in confirmed cases (last 7 days vs. prior 7 days)
 - Incidence rate per 100,000 (7 days)
 - Percent Positive (7 days with PCR test)
 - Change in hospitalizations
 - Vent patients
 - Hospital ED visits



➤ Pennsylvania Updates

- Overall, confirmed case count decreased by 1,252 from July 30 to August 6 but the numbers have ticked back up again from August 7 to 13 (still waiting on final data)
- PA Department of Health reported 991 new cases yesterday (8/13), the highest number of new cases in August and the biggest number since July 28
- 22 states on travel watch list (up from 18 three weeks ago) – recommended 14-day quarantine
- PA school reopening guidance released Monday, August 10:
 - Metrics will be used to identify counties with low, moderate and substantial levels of COVID-19
 - Guidance is based on tracking standard public health metrics for community transmissions that use a county's COVID-19 incidence rate and the % of positive tests
 - Tracking will be done over a 2 week period and will use county statistics
 - State **recommendations**: *Low = full time, in-class instruction; Moderate = hybrid of in-class and online; Substantial = online only*
 - As of August 10, 25 counties are Low, 41 counties are Moderate and one county is Substantial

POLLING QUESTION

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

FEDERAL STIMULUS & LEGISLATIVE UPDATE

➤ Remember how far we've come...

Initial Stimulus – Five acts signed into law during Spring 2020

1. **H.R. 6074: *Coronavirus Preparedness and Response Supplemental Appropriations Act***
 - \$8.3 billion in emergency funding for research, vaccines, etc. related to coronavirus
 - Signed into law on March 6, 2020
2. **H.R. 6201: *Families First Coronavirus Response Act* (Stimulus 2.0)**
 - Emergency Paid Sick & Family Leave provisions
 - Signed into law on March 18, 2020
3. **H.R. 748: *Coronavirus Aid, Relief, and Economic Security Act* (Stimulus 3.0)**
 - \$2.2 trillion in emergency funding (PPP, tax relief & incentives, unemployment insurance, etc.)
 - Signed into law on March 28, 2020
4. **H.R. 266: *PPP and Health Care Enhancement Act* (Stimulus 3.5)**
 - *PPP Refill* – added additional \$320B to PPP program
 - Signed into law on April 24, 2020
5. **H.R. 7010: *PPP Flexibility Act***
 - Relaxed rules around forgiveness and use of PPP funds
 - Signed into law on June 5, 2020

➤ Stimulus 4.0?

Soon after major stimulus acts were passed in the spring, it was generally agreed additional stimulus would be needed to provide more relief to help stimulate the economy. So...

1. In late May 2020, the House passed the \$3 trillion+ HEROES Act.
2. In late July 2020, the Senate GOP released \$1 trillion HEALS Act *(no vote has happened to date)*.
3. Following release of the Senate GOP plan, negotiations between Democratic leadership and the White House began in an attempt to find common ground and bridge the gaps between the House and Senate plans.

➤ Stimulus 4.0 – Comparison of **proposed** legislation

Consideration	CARES Act (from March)	HEROES Act (Democratic)	HEALS Act (Republican)
Status	Law	HOUSE PASSED, NOT LAW	SENATE PROPOSED, NOT LAW
Total Cost	\$2.2 Trillion	\$3.4 Trillion	\$1 Trillion
Individual Recovery Rebates	\$1,200 single, \$2,400 MFJ, \$500 for dependents Income phase-outs apply	\$1,200 single, \$2,400 MFJ, \$1,200 per dependent (max of 3) Income phase-outs apply	\$1,200 single, \$2,400 MFJ, \$500 per dependent (no age limits) Income phase-outs apply
Paycheck Protection Program	\$650 billion in forgivable loans for small businesses; expired August 8, 2020	Expanded eligibility, eliminates 75% payroll requirement and extends application period to 12/31/2020	Injects \$100 billion+ into PPP fund, expands eligibility and allows certain businesses to request a second loan . Extends program to 12/31/2020
Enhanced Unemployment	\$600/week in addition to state benefits through July 31	Extends benefits provided under CARES Act through 1/31/2021	\$200/week from 7/31 to 10/5; then up to \$500/week to match 70% of lost wages when added to state benefits from 10/6 to 12/31
State and Local Aid	Provided \$150 billion to state and local governments; allocated based on population	Provides \$1 trillion for state and local governments	Provides \$0 in new funds to state and local governments
Liability Protection from COVID-19 illness	Did not address	Does not address	5-year liability shield to prevent schools, businesses and other organizations from being sued over COVID-related issues

➤ President Trump's Executive Actions

- After bipartisan negotiations on Stimulus 4.0 imploded on August 7, the President took action to provide additional relief by targeting evictions, unemployment, student loans and payroll taxes.
- Actions consisted of one executive order and three Presidential Memoranda.
- The White House speculated that issuing these orders would help bring negotiators back to the table...*this still hasn't happened...*
- These moves have been widely criticized as unconstitutional extensions of presidential power and could be challenged in court.
- *Significant guidance needed to clarify exactly how these relief efforts will be implemented.*

➤ President Trump's Executive Actions (continued)

- **Evictions:** Executive order calls on federal agencies to identify federal funding and take action to help renters avoid eviction during pandemic
 - Includes HHS, CDC, HUD, the Treasury Department and Federal Housing Finance Agency
 - States that U.S. policy is to minimize evictions and foreclosures during the pandemic
- **Student Loans:** Memo extends the repayment and interest pause on federal student loans through 12/31/2020
 - The moratorium enacted under the CARES Act is scheduled to expire September 30

➤ President Trump's Executive Actions (continued)

- **Unemployment:** Memo directs FEMA to use as much as \$44B from the Disaster Relief Fund for “lost wage assistance” to those receiving unemployment or other short-term benefits
 - Individuals could receive up to \$400/week (75% from federal funds, 25% from state funds)
 - The assistance would be available from the week of unemployment ending August 1, 2020 until December 6, 2020 or the \$25 billion is expended – whichever is earlier
 - This is not an extension of the program that provided \$600 under the U.S. Department of Labor; this is a NEW program under FEMA and will therefore require creation of a new application and reporting mechanism

➤ President Trump's Executive Actions (continued)

- **Payroll tax relief – What we know...**

- Deferral – Memo defers employees' federal Social Security payroll tax payments from September 1, 2020 through December 31, 2020 for workers earning less than \$4,000, before taxes, every two weeks
 - Remember: Employee share of SS tax is 6.2% of taxable SS wages up to \$137,700 of wages for 2020
 - The \$4,000 bi-weekly payroll works out to annual payroll of \$104,000
 - As written, the guidance indicates a cliff rule – if an employee's pay goes over the \$4,000 limit at all, the entire amount of employee OASDI must be withheld and paid for that paycheck
 - The taxes would be due, without penalties or interest, when the deferral expires
- Further guidance – Memo requires the Secretary of the Treasury to issue guidance needed to implement this deferral. **We expect to see this guidance prior to September 1...**
- Possible forgiveness? Treasury will “explore avenues, including legislation” to forgive the deferred taxes
- Remember: Congress previously deferred the employers' portion of Social Security taxes through December 31 under the CARES Act

➤ President Trump's Executive Actions (continued)

- **Payroll tax relief – What it still unclear...**
 - Are these deferrals optional or mandatory for the employer and/or employee?
 - Will there be some kind of formal notification requirement or election process (maybe for employees to opt in to or out of the deferral)?
 - Is there really a cliff effect? What happens if an employees' bi-weekly pay varies during the period and is sometimes over \$4,000 and sometimes under \$4,000?
 - *Will these taxes be forgiven?* If so, when?
 - When would the deferred taxes need to be paid (assuming they aren't forgiven)?
 - How would the deferred taxes be collected?
 - On the individual's tax return?
 - Through the employer? What happens if the individual is no longer employed by the company when the deferral amounts are due?

➤ President Trump's Executive Actions (continued)

- **Payroll tax relief – What it still unclear...**
 - Does this payroll tax deferral apply to self-employed taxpayers?
 - *When can we expect additional guidance* from Treasury and the IRS?
 - Will payroll systems be able to handle the potential need for tracking various changes?

➤ President Trump's Executive Actions (continued)

- **Payroll tax relief – What you can do *now*:**

1. Take a deep breath...and remember this isn't scheduled to kick-in until September 1.
We fully expect additional guidance to be issued prior to 9/1...
2. Prepare to implement this change effective the first pay date in September unless guidance from Treasury provides businesses with opt-out provisions.
3. Prepare a communication for employees to understand the potential impact to their pay.
4. Start thinking about how to update payroll systems since this process takes time to work through all the logistics.
5. If you rely on an outside payroll provider, consider initiating discussions with them sooner rather than later to begin planning.
6. Check out the RKL [Business Recovery Resource Center](#) for future updates.

POLLING QUESTION

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

WORKFORCE FAQs: BACK-TO-SCHOOL UNCERTAINTY

➤ Q: I'm hearing that school districts are adopting in-person, virtual, or a hybrid of virtual and in-person learning scenarios. What should we consider as we prepare our business and employees for back to school?

- Become familiar with the available paid leave options under the Families First Coronavirus Response Act (FFCRA). Some states have developed their own leave options on top of FFCRA.
- Determine the impact to your business operations as you develop a plan on how you can support your employees during this unique time.
- Create back-up staffing plans and cross-train employees.
- Develop solutions to accommodate working parents with children who are in the virtual or hybrid scenario.
- Decide **how you will** accommodate working parents if their child is forced to quarantine for 14 days due to illness or exposure to a classmate.
- Outline options for how you can accommodate employees if schools should close in-person instruction and transition to a full virtual model.
- Review job descriptions to ensure they are accurate and set clear expectations.

Families First Coronavirus Response Act

The Employer's Payroll Cheat Sheet

FFCRA applies to public sector employers and private employers with fewer than 500 employees.

- Employers of health care providers or emergency responders may elect to exclude employees from leave eligibility.
- Small businesses with fewer than 50 employees may qualify for an exemption from the requirement to provide leave due to school closings or child care unavailability if the leave requirements would jeopardize the viability of the business.

Under the FFCRA, an employee qualifies for emergency sick leave if the employee is unable to work (or unable to telework) due to a need for leave because the employee:

1. is subject to a federal, state or local quarantine or isolation order related to COVID-19;
2. has been advised by a health care provider to self-quarantine related to COVID-19;
3. is experiencing COVID-19 symptoms and is seeking a medical diagnosis;
4. is caring for an individual subject to an order described in (1) or self-quarantine as described in (2);
5. is caring for a child whose school or place of care is closed (or child care provider is unavailable) for reasons related to COVID-19; or
6. is experiencing any other substantially-similar condition specified by the Secretary of Health and Human Services, in consultation with the Secretaries of Labor and Treasury.

Under the FFCRA, the first ten (10) days of the expanded FMLA are unpaid. Employees may supplement this 10-day waiting period with the Emergency Paid Sick Leave (also provided under the FFCRA) or other company paid leave benefits. Employers must visibly display and/or distribute this [notice of employee rights](#).

Schedule of Expanded FMLA Leave if Employee Uses the Emergency Paid Sick Leave During the 10-day Waiting Period:					
Employment Status	Leave needed for reason	Days covered	Payment Calculation	Cap on Wages Eligible for Tax Credit through December 31, 2020	Refundable Tax Credit Offsets
Employee	1,2,3	Days 1 to 10	100% of Regular Pay Rate FT = 2 weeks or 80 hours PT = typical # hours worked in 2 week period	\$511/day or \$5,110 in total	Covered employers qualify for dollar-for-dollar reimbursement through tax credits for all qualifying wages paid under the FFCRA.
Employee	4 or 6	Days 1 to 10	2/3 of Regular Pay Rate FT = 2 weeks or 80 hours PT = typical # hours worked in 2 week period	\$200/day or \$2,000 in total	Qualifying wages are those paid to an employee who takes leave under the Act for a qualifying reason, up to the appropriate per diem and aggregate payment caps.
Employee	5	Days 1 to 10	2/3 of Regular Pay Rate FT = 2 weeks or 80 hours PT = typical # hours worked in 2 week period	\$200/day or \$2,000 in total	Applicable tax credits include the employer portion of the Social Security and Medicare tax for all payments as well as amounts paid or incurred to maintain health insurance coverage.
Employee becomes eligible after 30 days of employment	5	Week 3 to 12 (50 days)	2/3 of Regular Pay Rate FT = 2 weeks or 80 hours PT = typical # hours worked in 2 week period	\$200/day or \$12,000 in total	

➤ **Q:** I have an employee who is requesting FMLA because they opted for virtual learning. Their school district is planning in person instruction. Does the emergency FMLA still apply to this employee?

Under this particular scenario, no.

The eligibility for the expanded FMLA depends on the reason for the leave. Employees are eligible for the paid leave under the Families First Coronavirus Response Act if their school is closed for reasons related to COVID-19. In this particular situation, since the parent voluntarily chose a virtual learning model and the district is open to in person instruction it does not meet the eligibility criteria.

For the districts that have selected a full virtual learning model and the schools are closed to in person learning, then because the school is closed for a COVID-19 related reason they would be eligible for the leave either used intermittently or consecutively.

➤ **Q:** I have an employee who previously used six weeks of paid leave in the spring (the first two weeks applied to Emergency Paid Sick Leave) and is requesting Expanded FMLA again due to school adopting a hybrid of virtual and in classroom learning. Does the Expanded FMLA still apply to this employee and can it be used intermittently?

The previously exhausted 10 days of Emergency Paid Sick Leave paid at 100% due to quarantine cannot be used again under any circumstances.

The eligibility for the remaining time under the Expanded FMLA depends on how much leave the employee has already taken. Previously used Expanded FMLA time would count towards the employee's entitlement.

Total eligible amount	12 Weeks
EPSL paid at 100% regular pay rate	- 2 Weeks
<u>Expanded FMLA paid at 2/3 regular pay rate</u>	- <u>4 weeks</u>
Remaining Expanded FMLA	6 weeks

If an employee used 12 weeks of Expanded FLMA at the start of the pandemic then the employee would not be eligible to take additional leave under the Expanded FMLA.

The employee may use the remaining Expanded FMLA intermittently.

➤ Q: How can we help our working parents navigate the uncertain landscape of returning to school?

- Be proactive: Have one-on-one conversations with your employees now before school starts in order to understand what accommodations they may need under the various scenarios and begin planning.
- Review and update company policies and procedures to offer temporary or permanent benefits.
- Prepare to institute flexible work schedules and telecommuting policies.
- Employers are encouraged to implement liberal paid time off for employees who are needing to be home.
- Ensure that sick leave policies are flexible and consistent with public health guidance. Consider allowing sick leave donations or providing advances on future sick leave.
- Perhaps develop a non-punitive emergency sick leave policy if you don't currently offer sick leave.
- Re-evaluate work procedures to ensure continuity if you have working parents whose schedule may be impacted.

➤ Q: We have employees who have asked to telecommute due to school. What advice do you have for businesses that have already agreed to these accommodations?

- Maintain regular communication with telecommuting employees. Encourage regular open dialogue about challenges.
- Consider allowing flexible schedules. For example, perhaps your employee can start work early and work from 6 a.m. to 10 a.m., take a break to help the children with school between 10 a.m. to 3 p.m. and log back on later and work from 3 p.m. to 7 p.m.
- Ensure your employees have everything they need to successfully work remote. Provide the necessary equipment or consider paying an equipment bonus to allow them to procure the necessary items they need to be successful.
- Determine how performance will be evaluated remotely.
- Prepare to pivot. At any time a hybrid model could become all virtual and will impact employee availability.

➤ **Q:** Our business does not meet the criteria for paid leave under the FFCRA and we have an employee that works on our production line with school-age children having virtual school instruction. We can't accommodate a remote work option and we can't afford to have the position vacant. Are we allowed to terminate employment?

Yes, with some exceptions.

You'll want to do your best to find an agreeable solution if possible. However, you have a business to run and someone needs to fulfill the role in order to maintain business operations. The majority of the states are at-will and can generally terminate an employee at any time, except for under illegal circumstances. An exception to this would be if you have union employees or employees who are working under a contract. The terms of their employment may indicate otherwise.

➤ Q: How should we handle spikes in absenteeism?

Develop a plan in order to continue your essential business functions should you experience higher than usual absenteeism.

- Your response plan should address absent employees as a result of becoming sick or caring for a family member who is sick.
- Consider employees who need to remain at home to care for children whose daycare, school or summer camp has closed.
- Cross-train employees to perform essential functions to maintain business continuity regardless of who is absent.

➤ Q: How do we manage an employees workload if they need a flexible schedule due to school conflicts?

- Open communication
 - Ask employees about their challenges and what they anticipate.
 - Have them propose a reasonable schedule, remain flexible.
- Accountability
 - Ask employees to develop a plan to meet work commitments and deadlines.
 - Outline who is the dedicated back-up should the job require someone.
- Help prioritize
 - You may need to help your employees prioritize their workload. They may be struggling to juggle helping kids with virtual learning and completing their own tasks. Reduce some of that stress by helping to establish a daily/weekly workload priority list.
- Utilize video calls
 - Remain connected and productive through video calls. Working parents will feel connected to the team and will remain productive.
- Practice patience
 - Employees will experience complications with finding the right balance.

➤ **Q:** I'm concerned about some of my employees and their ability to cope with the stress of everything. What can I do to help?

Employee Assistance Program (EAP)

Community Resources:

- Dial 2-1-1 <http://211.org/>
- 1 (800) 273-8255 – National Suicide Prevention Lifeline
- National Suicide and Crisis Hotlines <http://suicidehotlines.com/national.html>
- Contact the Crisis Text Line by texting PA to 741-741
- Pennsylvania Suicide and Crisis Hotlines <http://suicidehotlines.com/pennsylvania.html>
- Lancaster Crisis intervention line: 717-394-2631
- United Way: <https://oneunitedlancaster.com/>

POLLING QUESTION

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ECONOMIC UPDATE

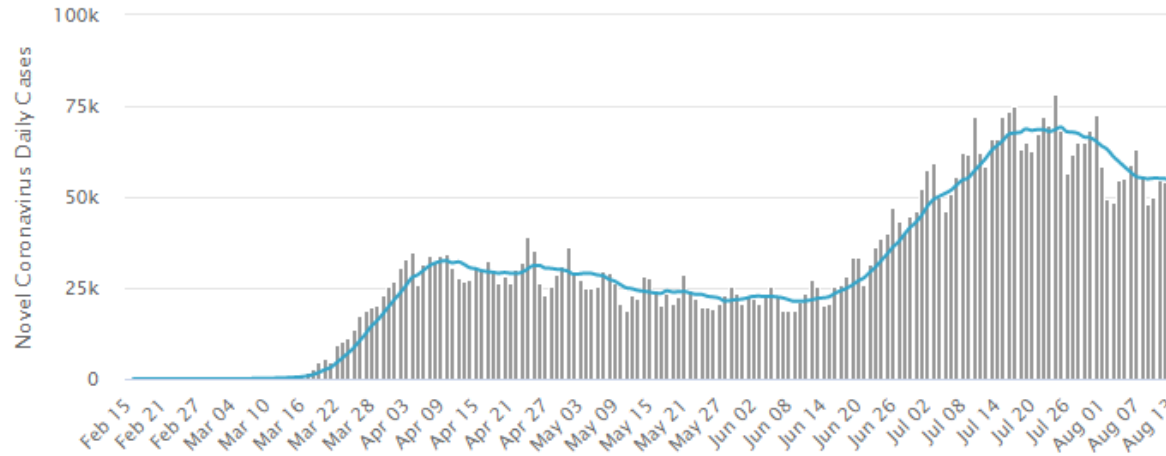
> Agenda

- COVID-19 and U.S. Status Update
- Economic Recovery: V-shaped vs. U-shaped
- U.S. Consumer and Jobs
- Business Cycle and Corporate Profits
- What Does It Mean?

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

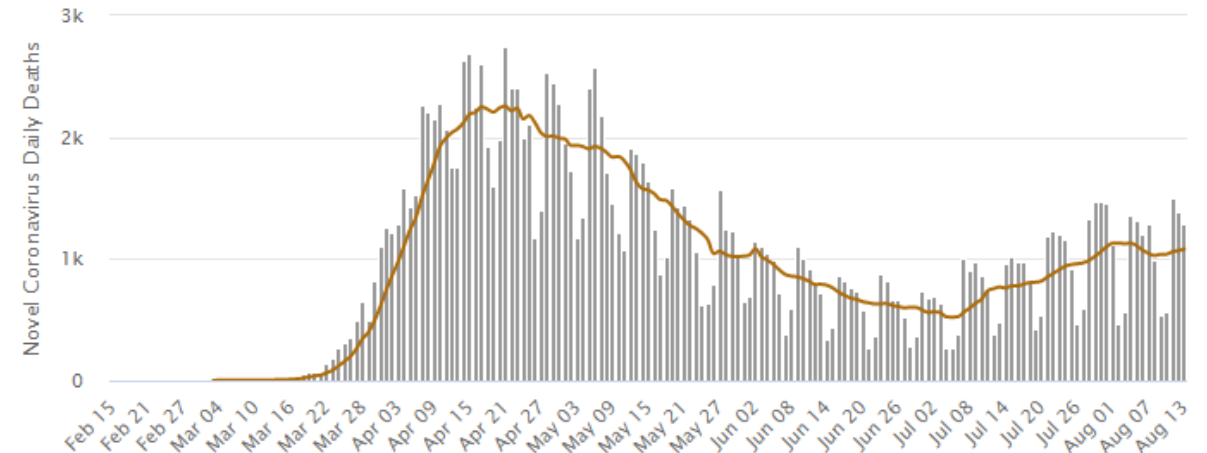
Daily New Cases

Cases per Day
Data as of 0:00 GMT+0



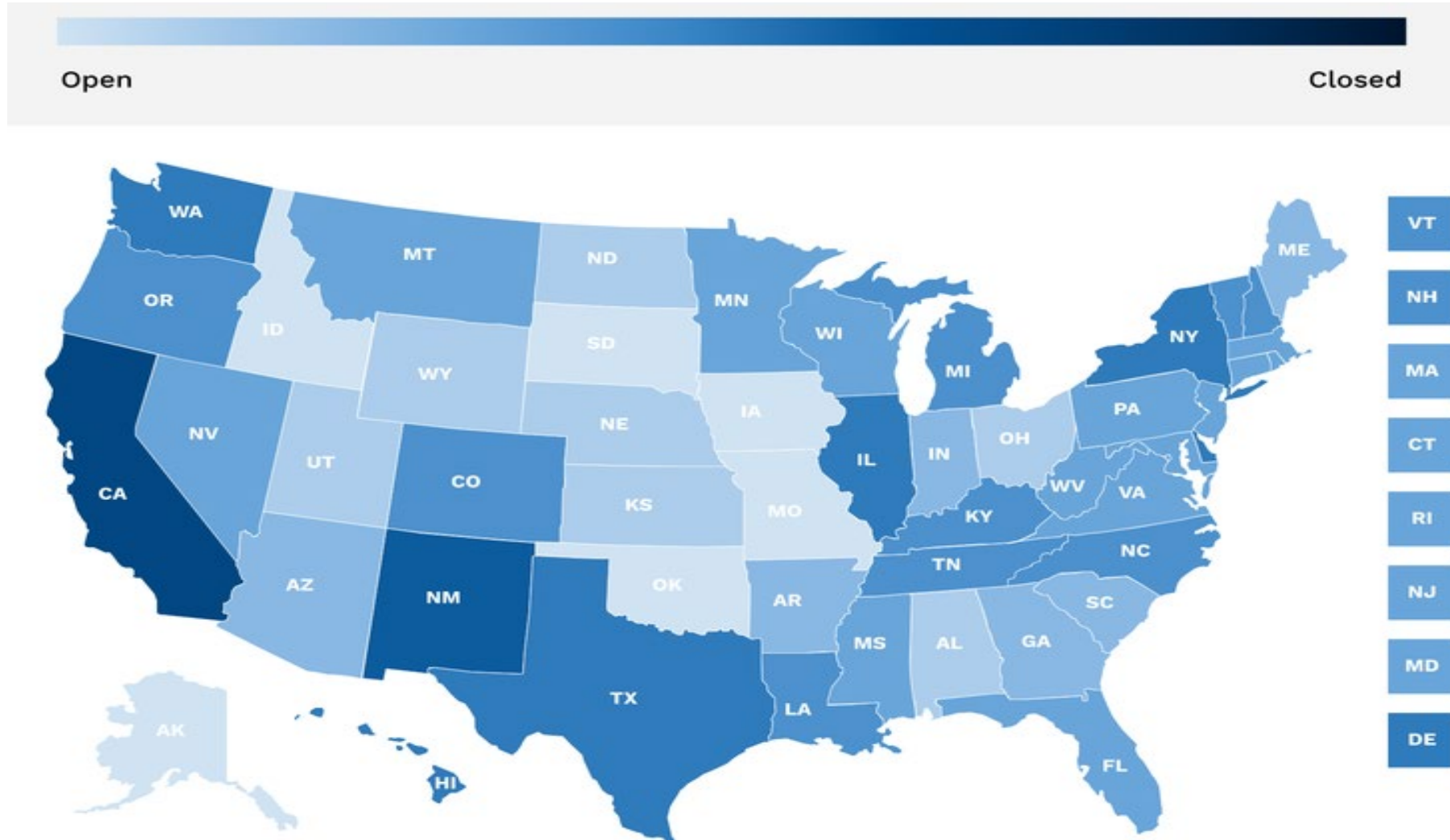
Daily Deaths

Deaths per Day
Data as of 0:00 GMT+8



(Source: [worldometers.info](https://www.worldometers.info/coronavirus/), Coronavirus Dashboard, as of 8/14/20)

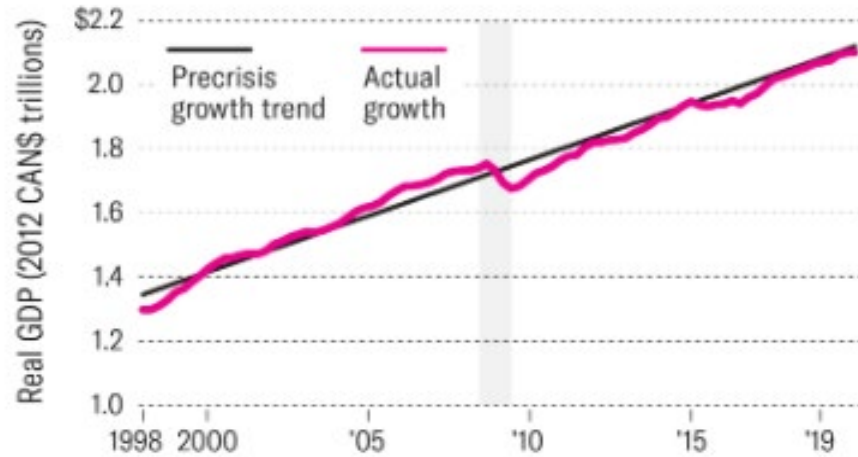
➤ U.S. Status by State



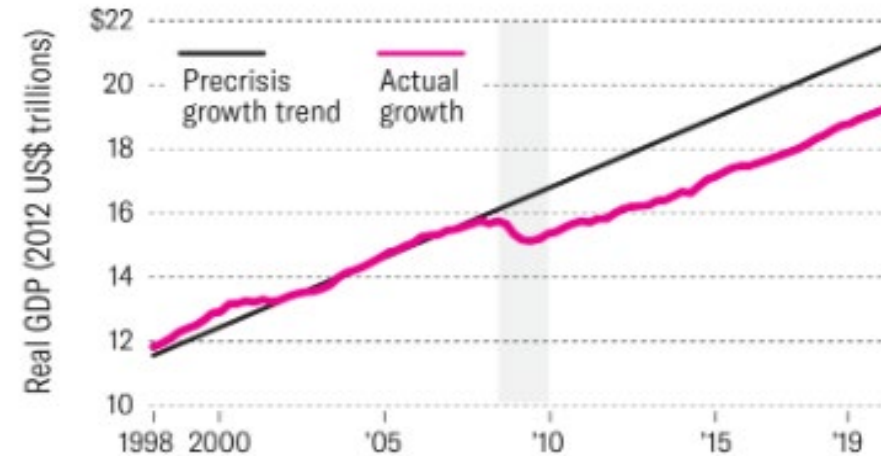
(Sources: MultiState, COVID-19 Policy Tracker, multistate.us, as of 8/13/2020)

➤ Shape of the Recovery ???

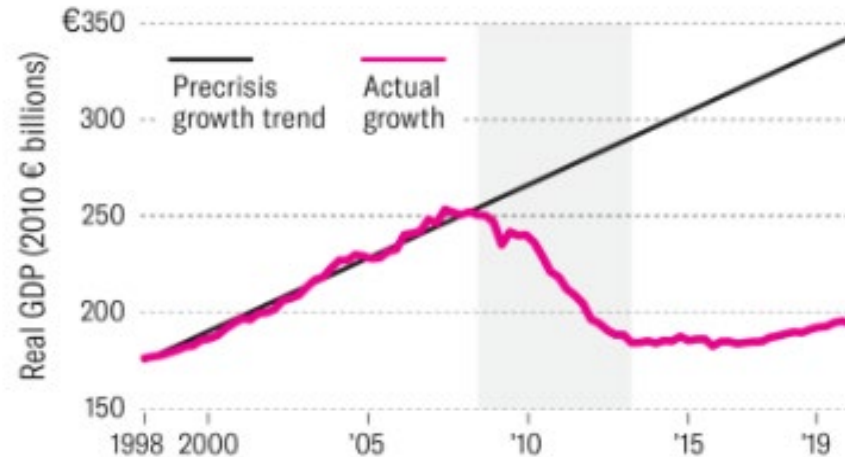
V-shaped (Canada)



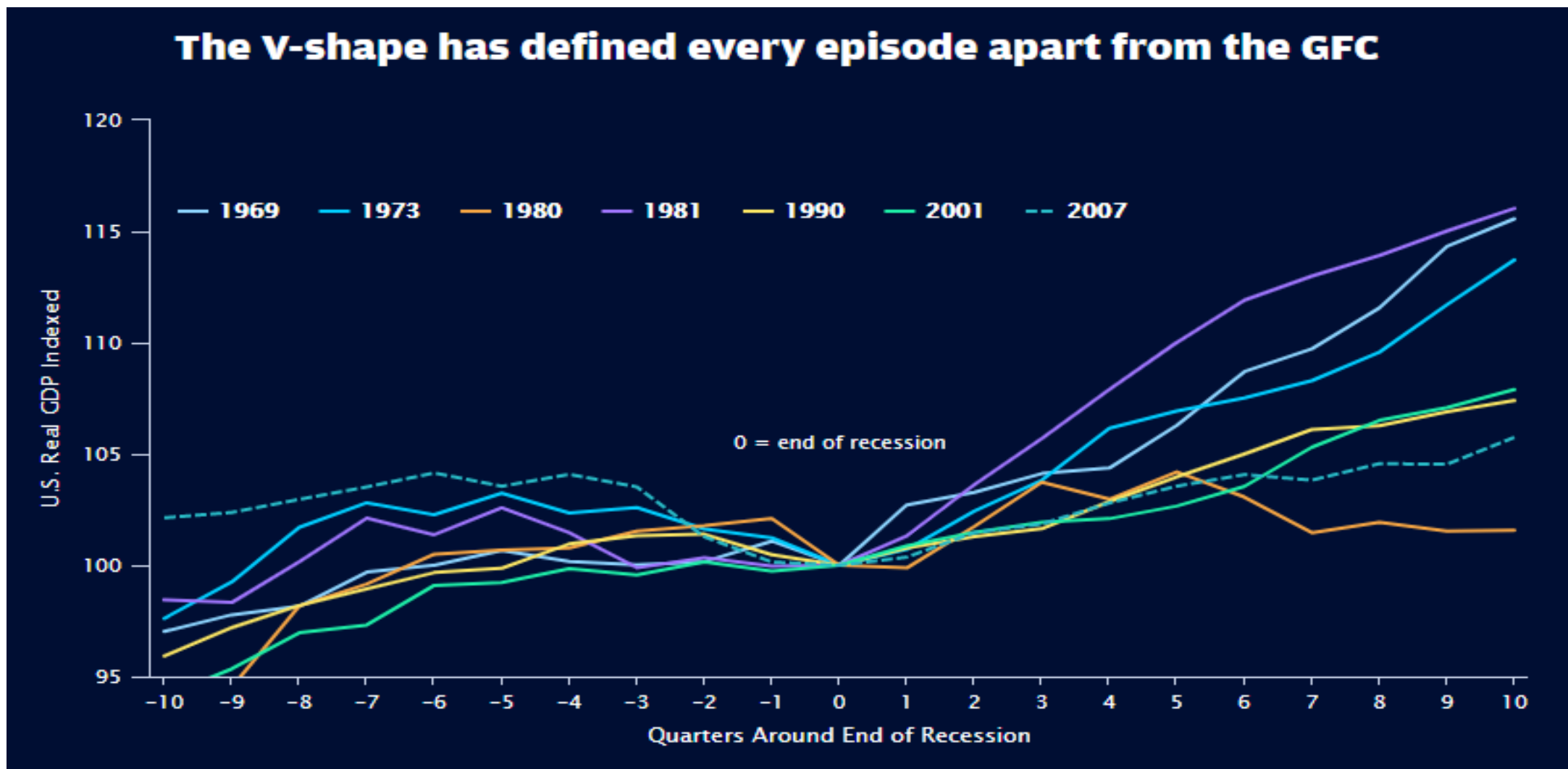
U-shaped (United States)



L-shaped (Greece)




➤ Past Recessions



(Source: JP Morgan, Global Research, "What will the recovery look like from COVID-19 recession?," as of 5/7/20)

➤ U.S. Economic Growth



United States

Browse

Private

Official

Actual / Forecasts

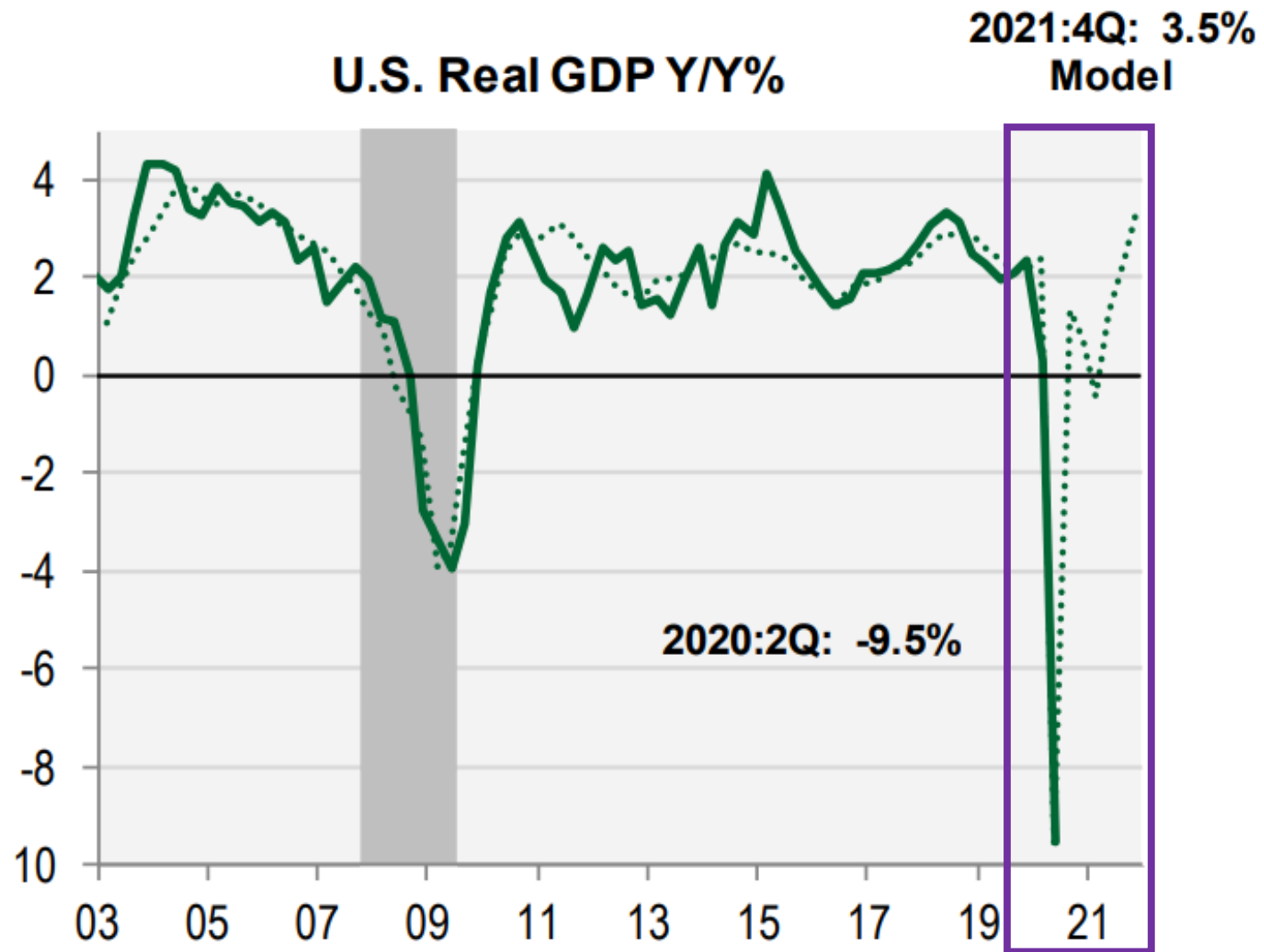
Probability of Recession

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	-9.5	-6.2	-5.0	-2.7	8.8	5.1	4.2
Real GDP (QoQ% SAAR)	2.6	2.4	-5.0	-32.9	18.0	6.5	5.0	4.1	3.5	3.0
Consumer Spending ...	2.7	1.6	-6.9	-34.6	23.9	7.3	4.2	3.9	3.8	3.2
Government Spendin...	2.1	2.4	1.3	2.7	2.5	1.6	1.5	1.4	1.5	1.4
Private Investment (...)	1.8	-3.7	-9.0	-49.0	2.0	7.5	10.4	7.2	6.9	4.9
Exports (QoQ% SAAR)	0.8	3.4	-9.5	-64.1	15.0	9.4	5.0	5.0	4.5	4.2
Imports (QoQ% SAAR)	0.5	-7.5	-15.0	-53.4	16.6	10.0	6.0	5.1	5.7	5.0
Industrial Production (Yo...	0.2	-0.7	-1.9	-14.5	-10.6	-8.2	-4.6	7.9	6.1	4.4

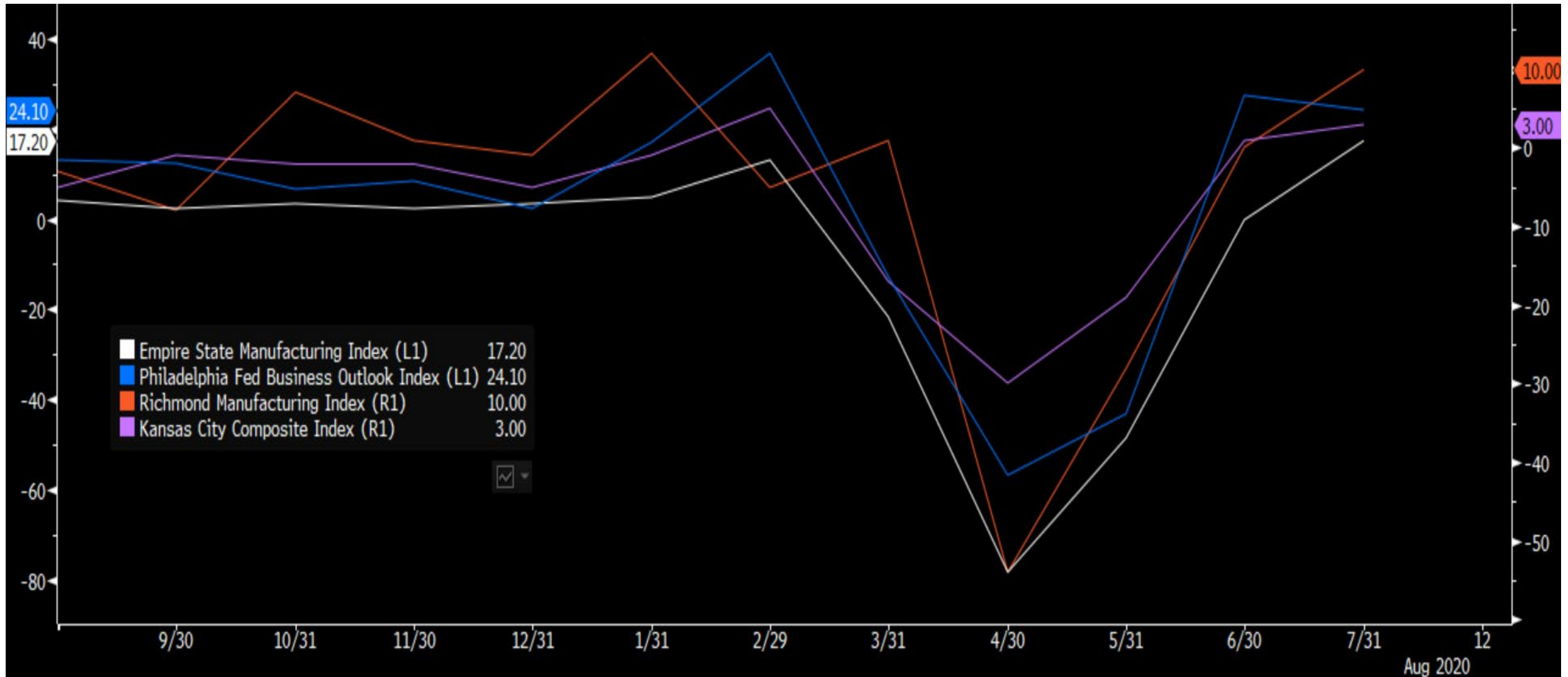
(Source: Bloomberg, Economic Forecasts, as of 8/13/20)

➤ U.S. Economic Growth



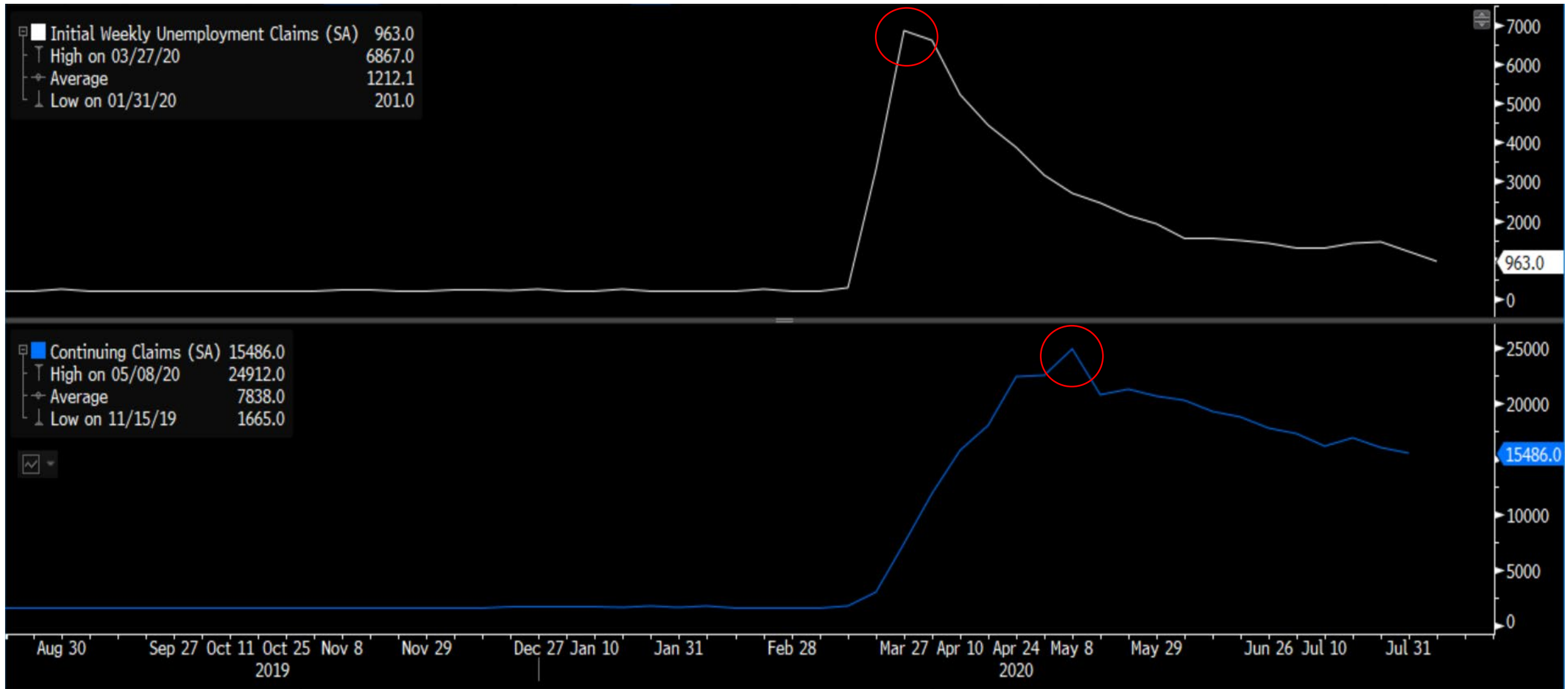
(Source: Cornerstone Macro, Economic Research, as of 8/11/20)

➤ U.S. Economic Activity



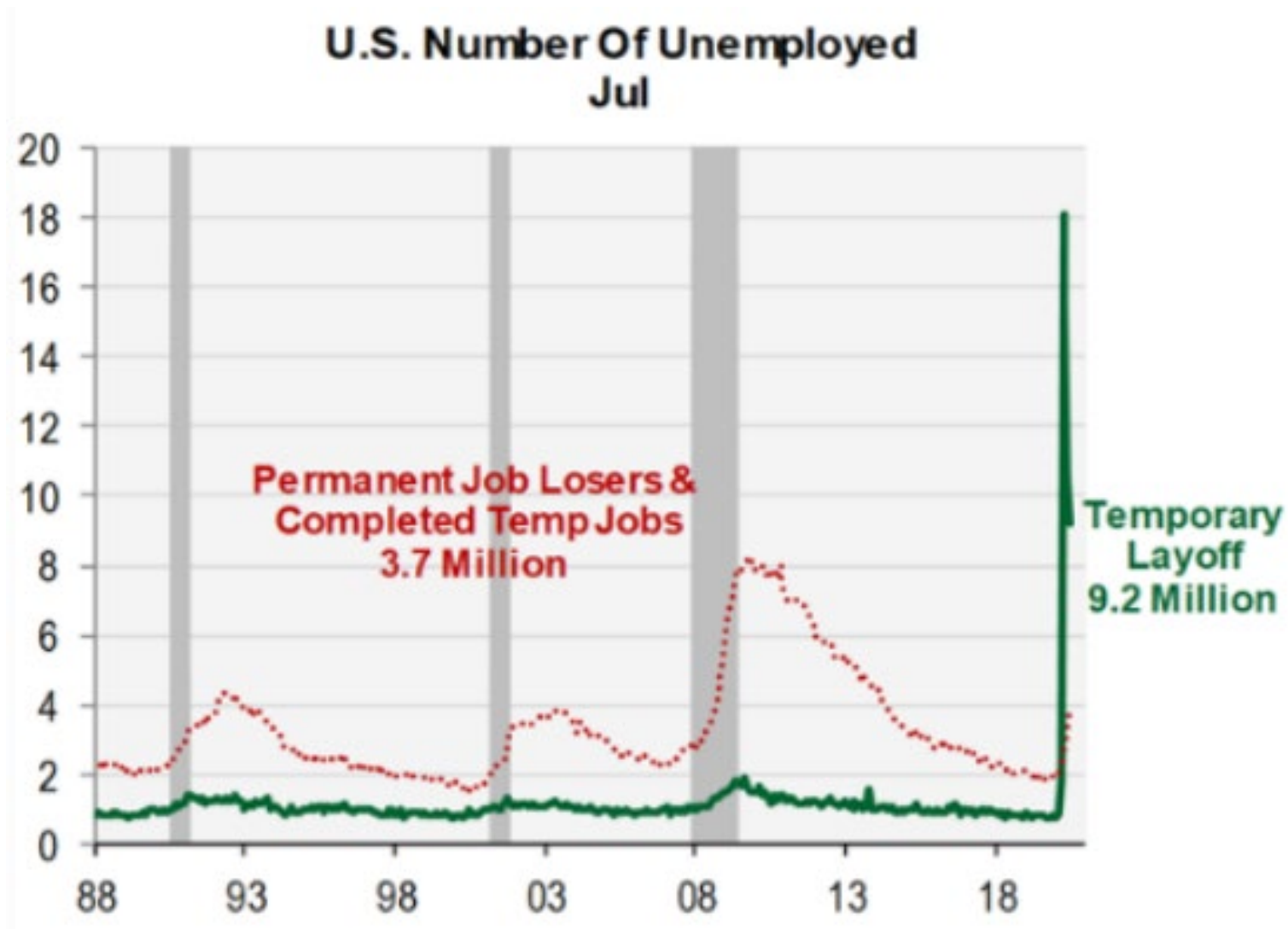
(Source: Bloomberg, as of 8/13/20)

➤ U.S. Employment Picture



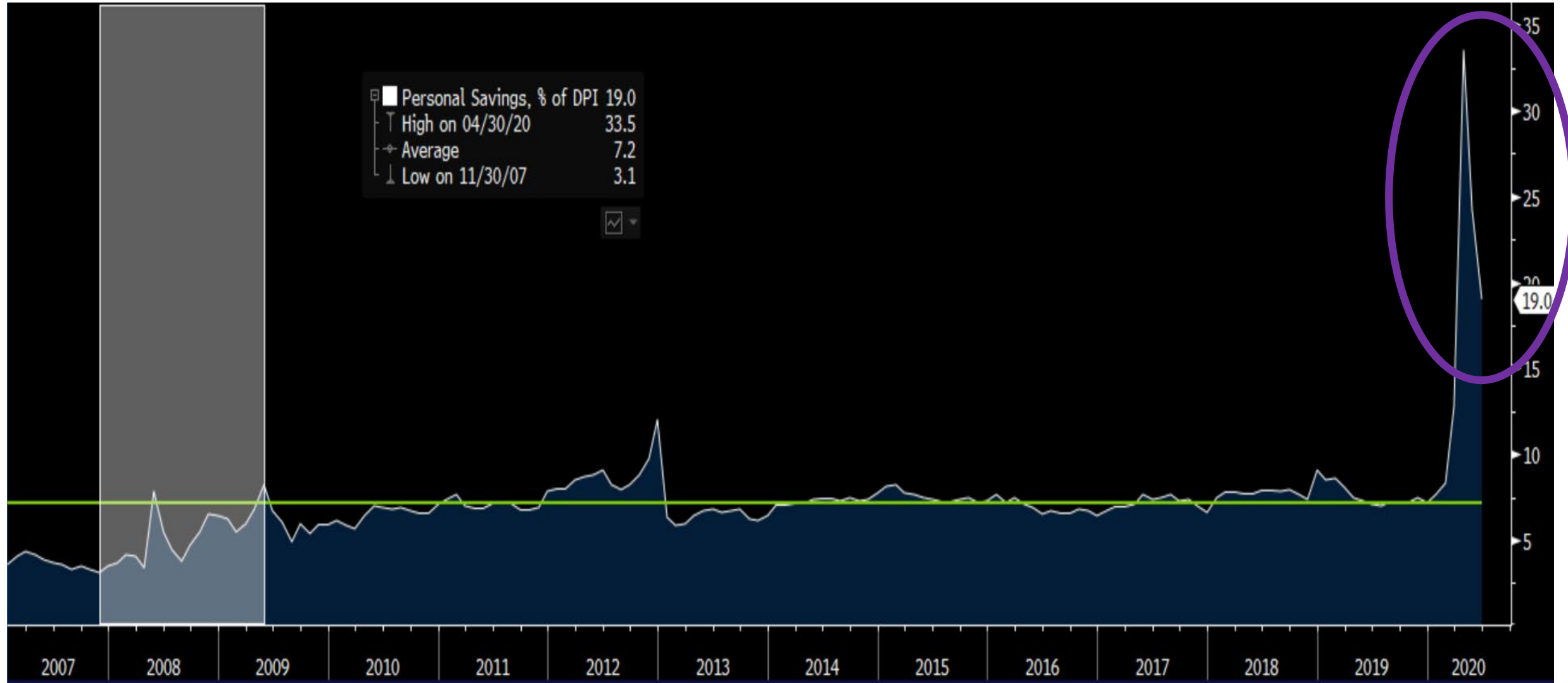
(Source: U.S. Initial and Continuing Jobless Claims, Bloomberg, as of 8/13/20)

➤ U.S. Employment Picture



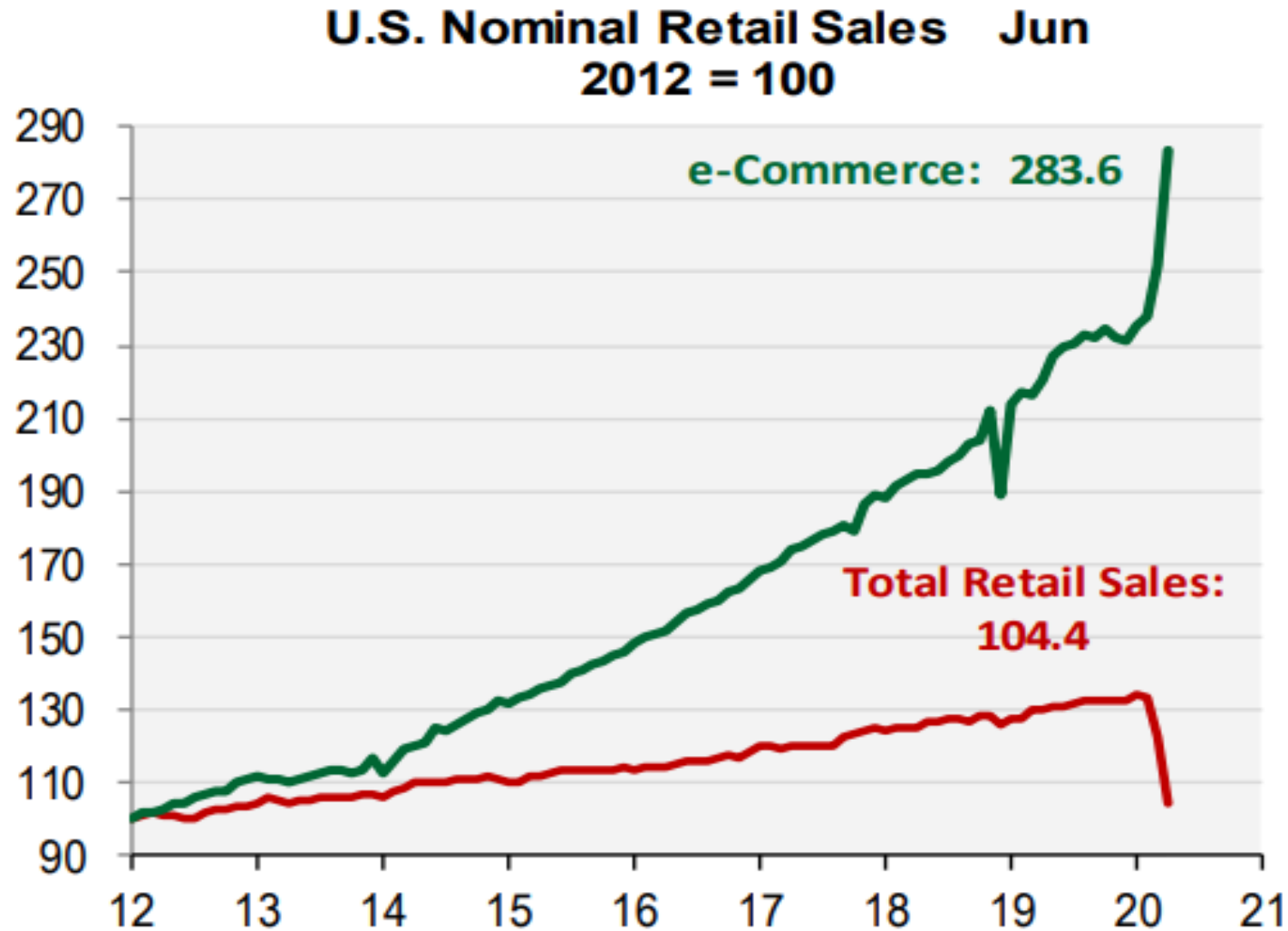
(Source: Cornerstone Macro, Economic Research, 8/9/20)

➤ U.S. Consumer Savings



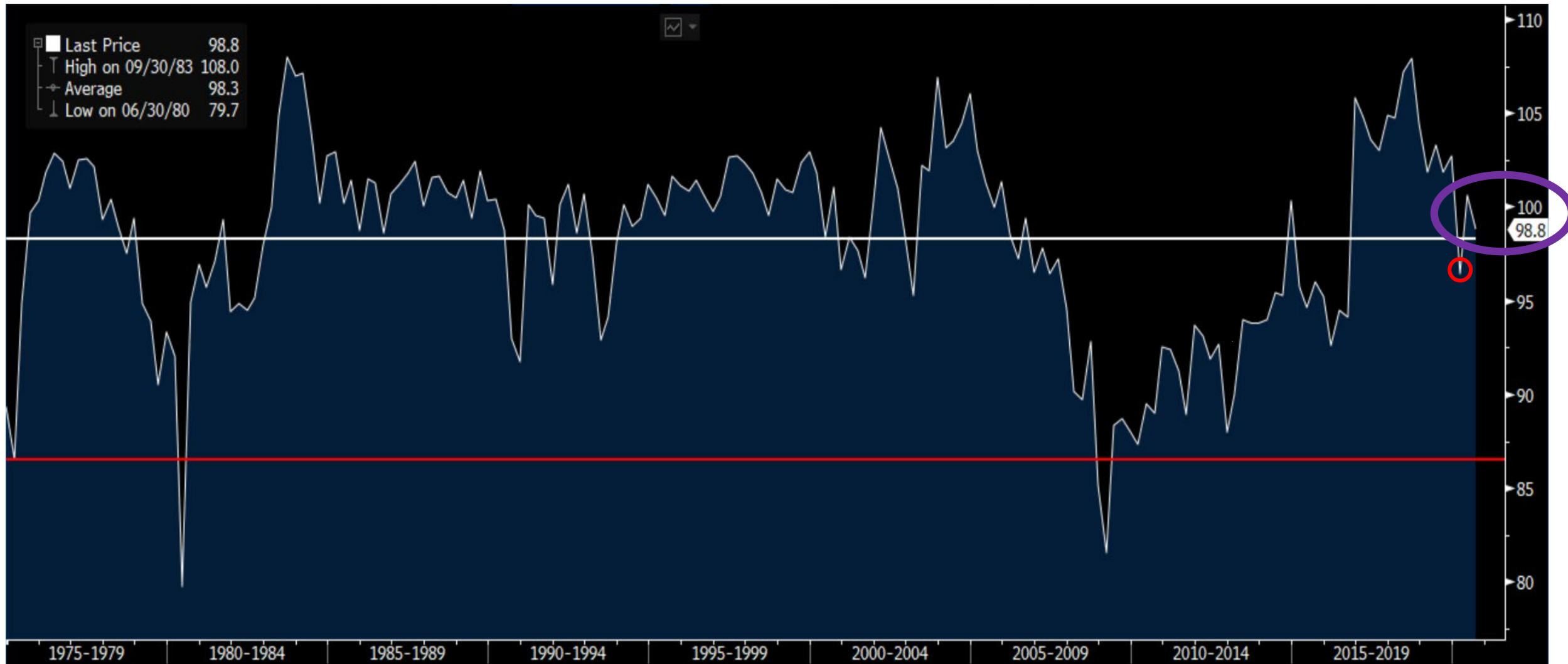
(Source: U.S. Personal Saving as % of Disposable Personal Income, Latest June 2020, as of 8/13/20)

➤ U.S. Consumer Spending



(Source: Cornerstone Macro, Economic Research, 8/9/20)

➤ NFIB Small Business Optimism Index



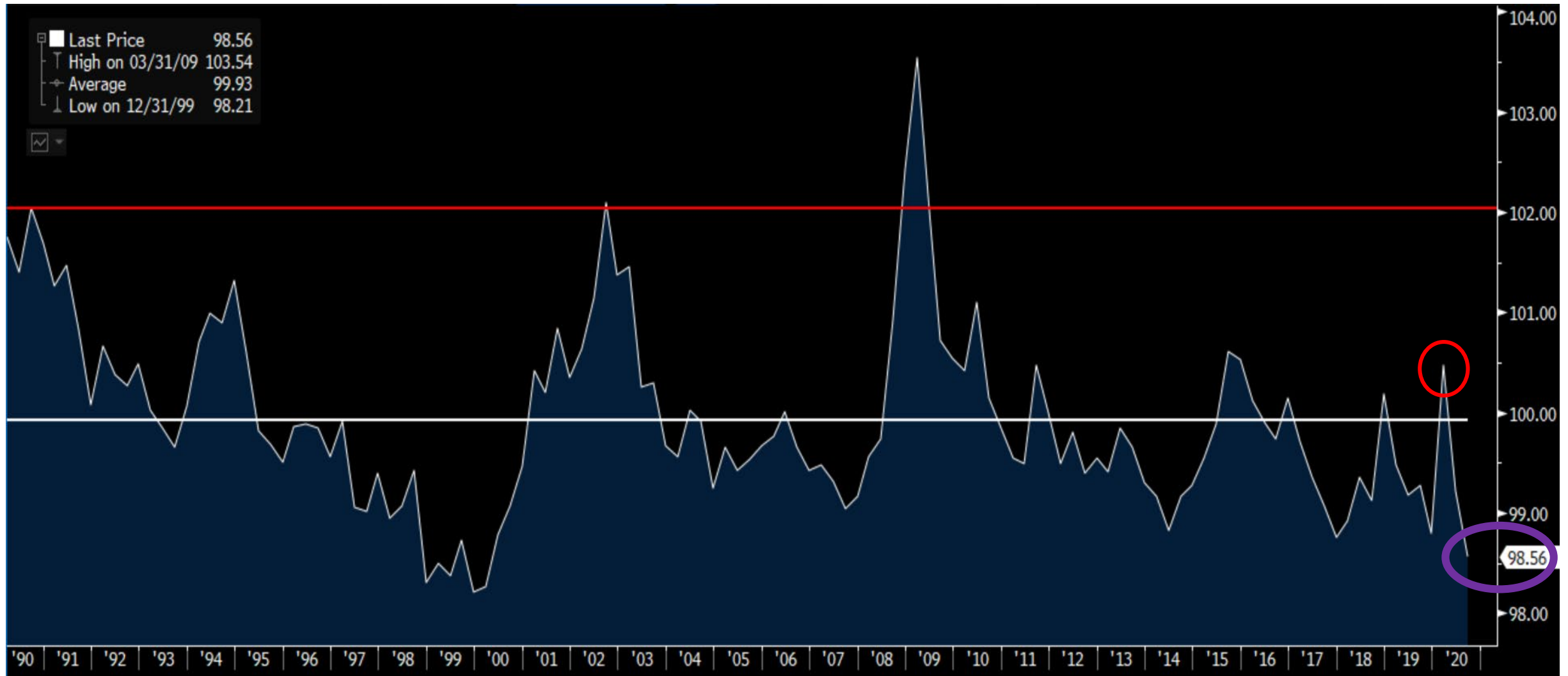
(Source: NFIB U.S. Small Business Optimism Index, Latest Release July 2020, Bloomberg, as of 8/13/20)

➤ Monetary and Fiscal Stimulus

Global Monetary And Fiscal Stimulus To Fight COVID-19 Impact 2020 Feb to July (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%	\$4.13	31.0%	\$5.90	44.3%
Japan**	\$1.03	20.0%	\$2.08	40.3%	\$3.11	60.3%
U.K.	\$0.37	13.6%	\$0.19	6.9%	\$0.56	20.5%
China****	\$1.33	9.3%	\$1.22	8.4%	\$2.54	17.7%
Others*	\$0.84		\$2.84		\$3.68	
Global	\$11.56	13.3%	\$13.75	15.9%	\$25.31	29.2%

*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 8/13/20)

➤ U.S. Fiscal Stimulus

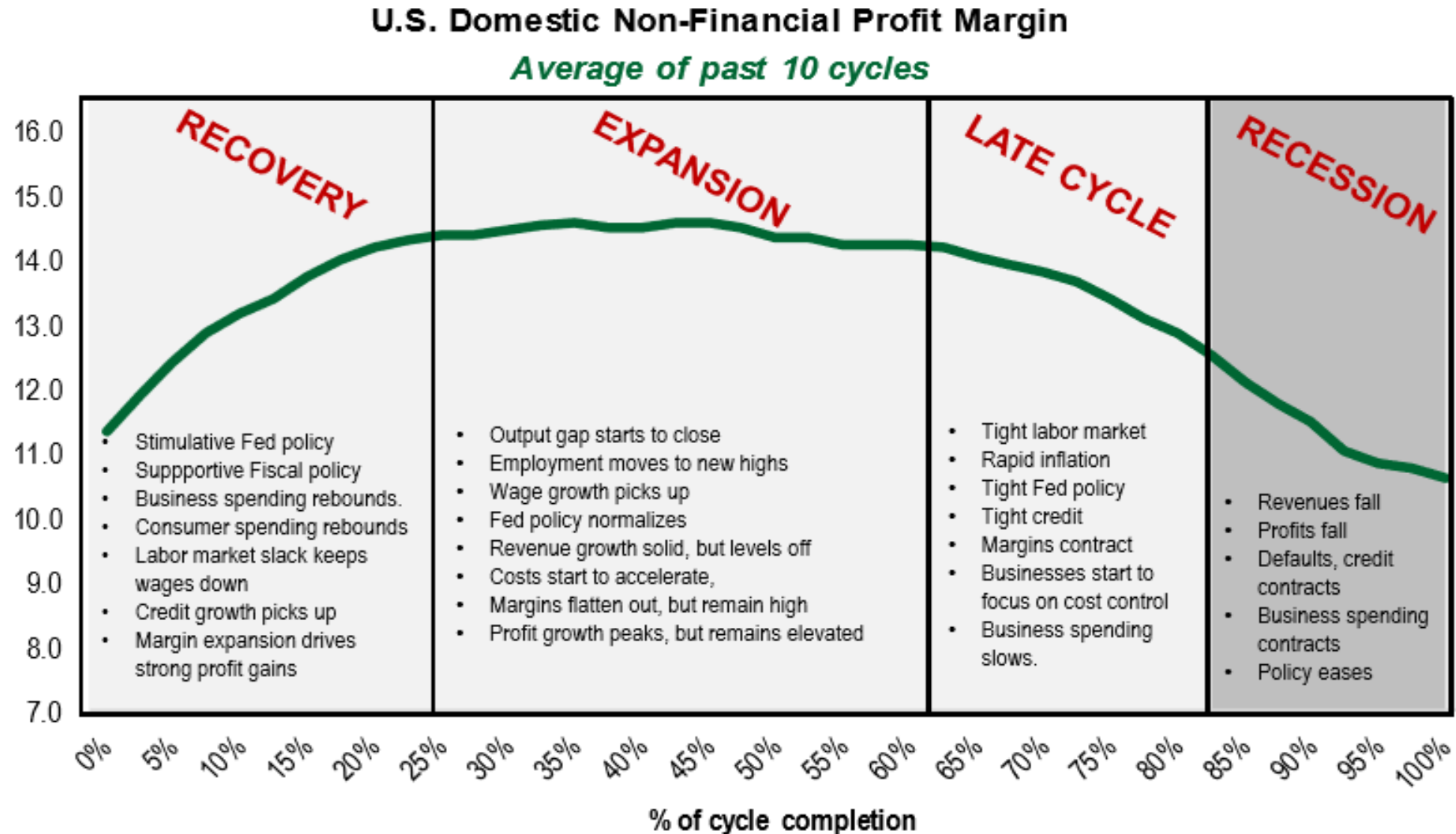
MAJOR PROVISIONS IN HEALS ACT AND POTENTIAL COMPROMISE (\$BN)

	GOP HEALS Act	Potential Compromise
Rebates	305	305
Unemployment Insurance	125	200
State and Local Relief	*	200
Liability Protections	*	*
PPP & Other Small Biz	158	158
Employee Retention Credit	100	194
Workplace Tax Credit	50	50
Public Health	102	150
Meals Deduction	3	0
Schools	105	150
Childcare	15	50
Other	85	200
TOTAL	\$1,047+	\$1,657

Sources: Senate Republicans and Cornerstone Macro.

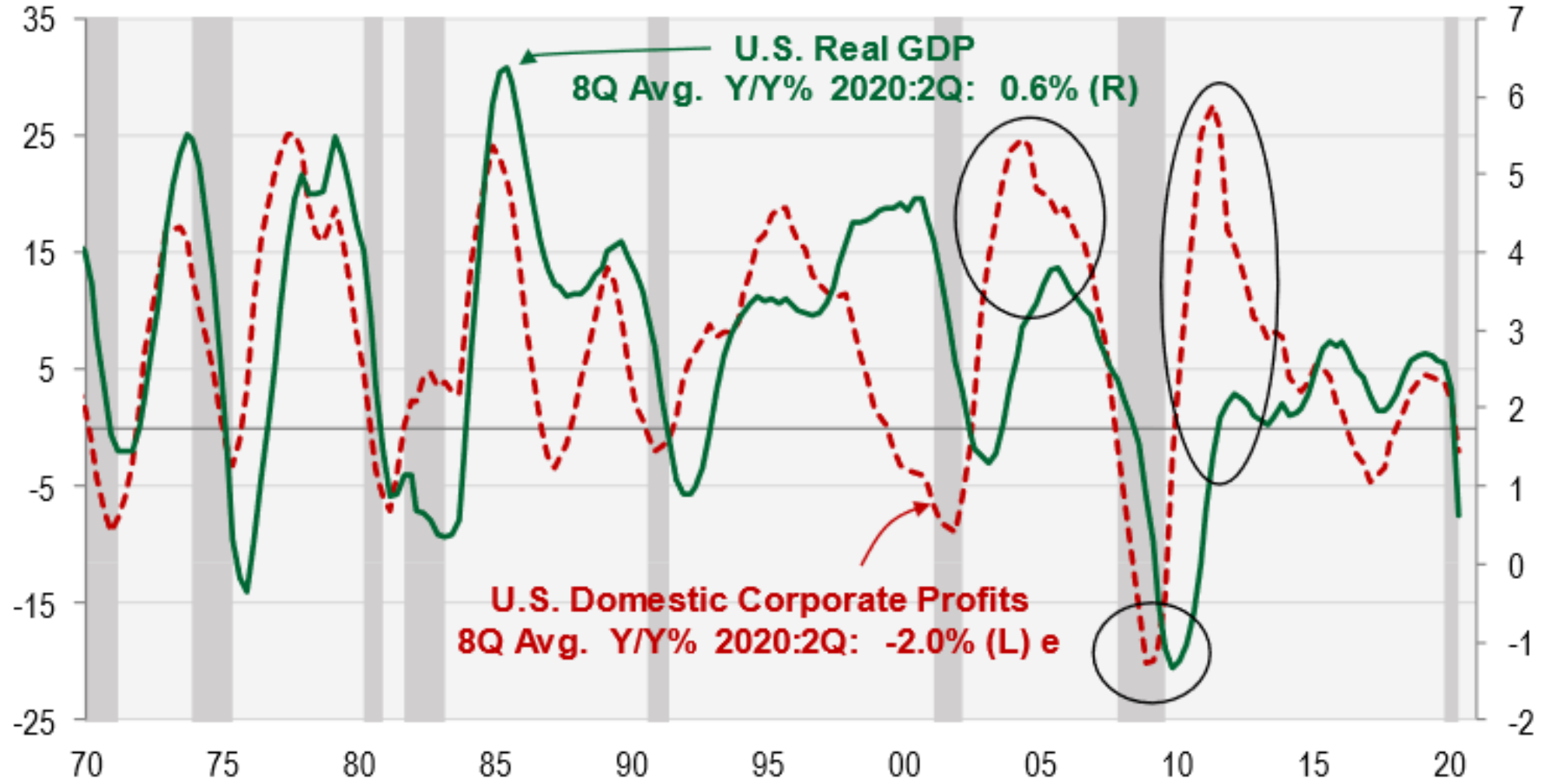
Note: * denotes a policy with no budget impact. Red numbers indicate non-official estimates that are particularly uncertain. + sign in total indicates upside in cost due to omitted provisions.

➤ Corporate Profits and the Business Cycle



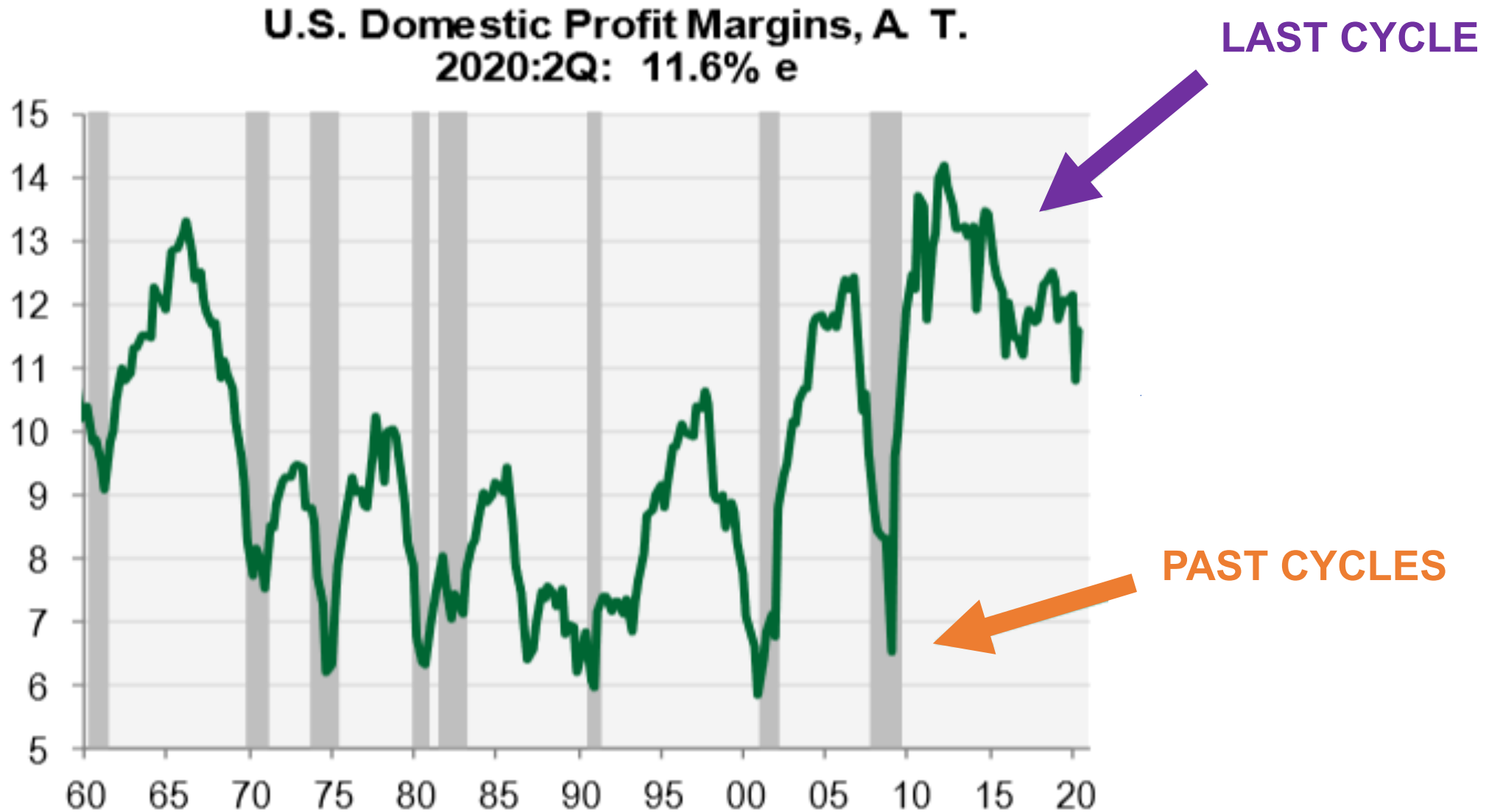
(Source: Cornerstone Macro, Economic Research, 8/11/20)

➤ Corporate Profits and Economic Growth



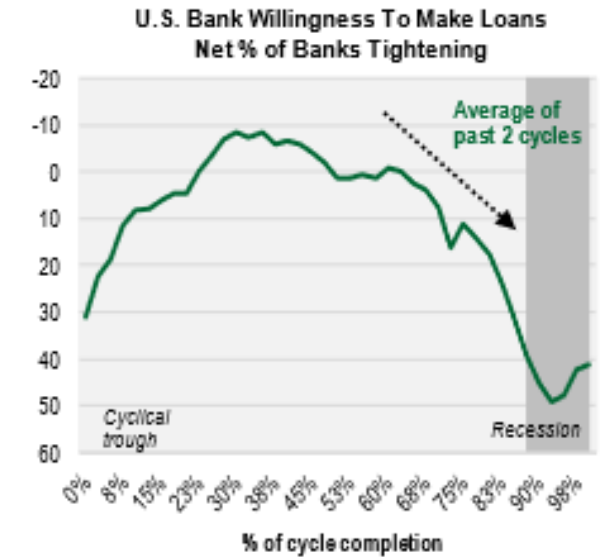
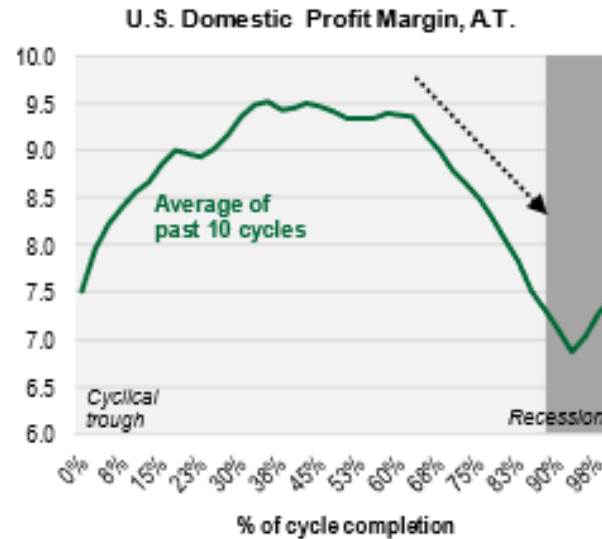
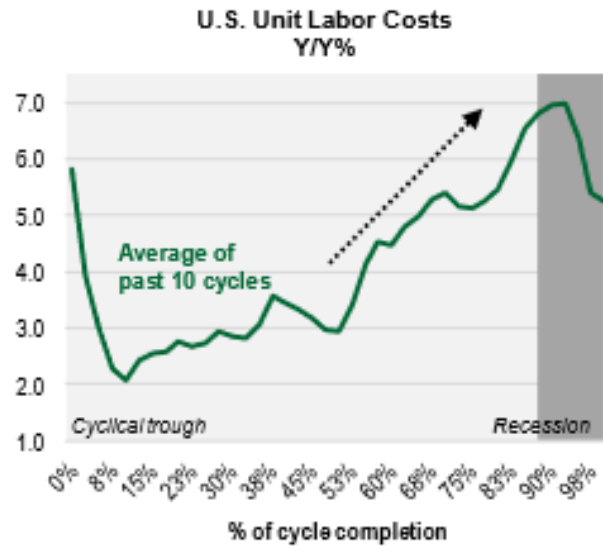
(Source: Cornerstone Macro, Economic Research, 8/11/20)

➤ Corporate Profits and the Business Cycle

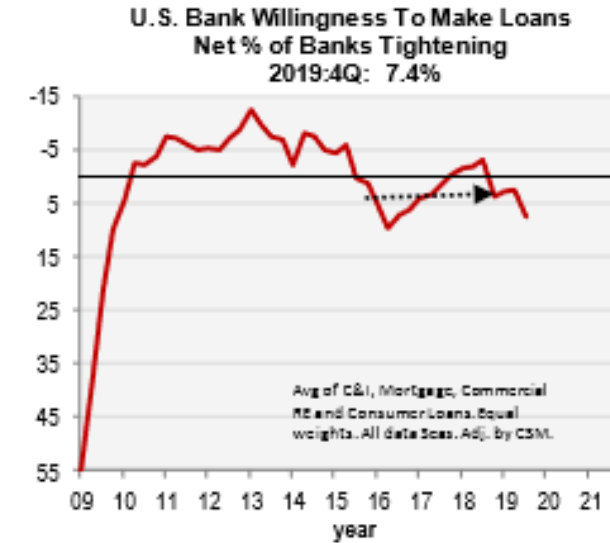
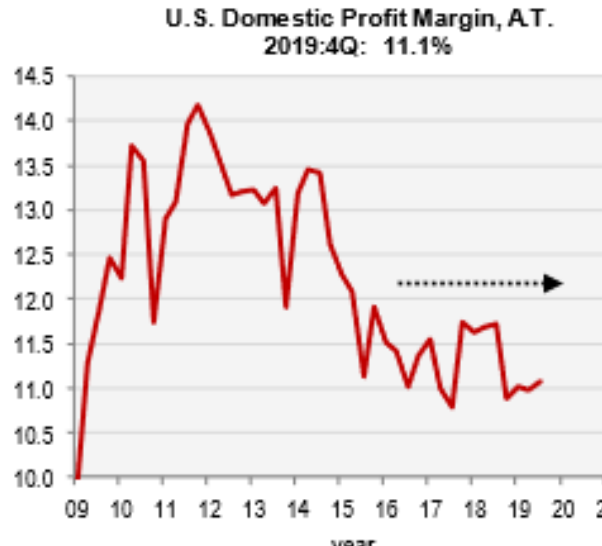


➤ Corporate Profits and the Business Cycle

Average cycle:



Last cycle:

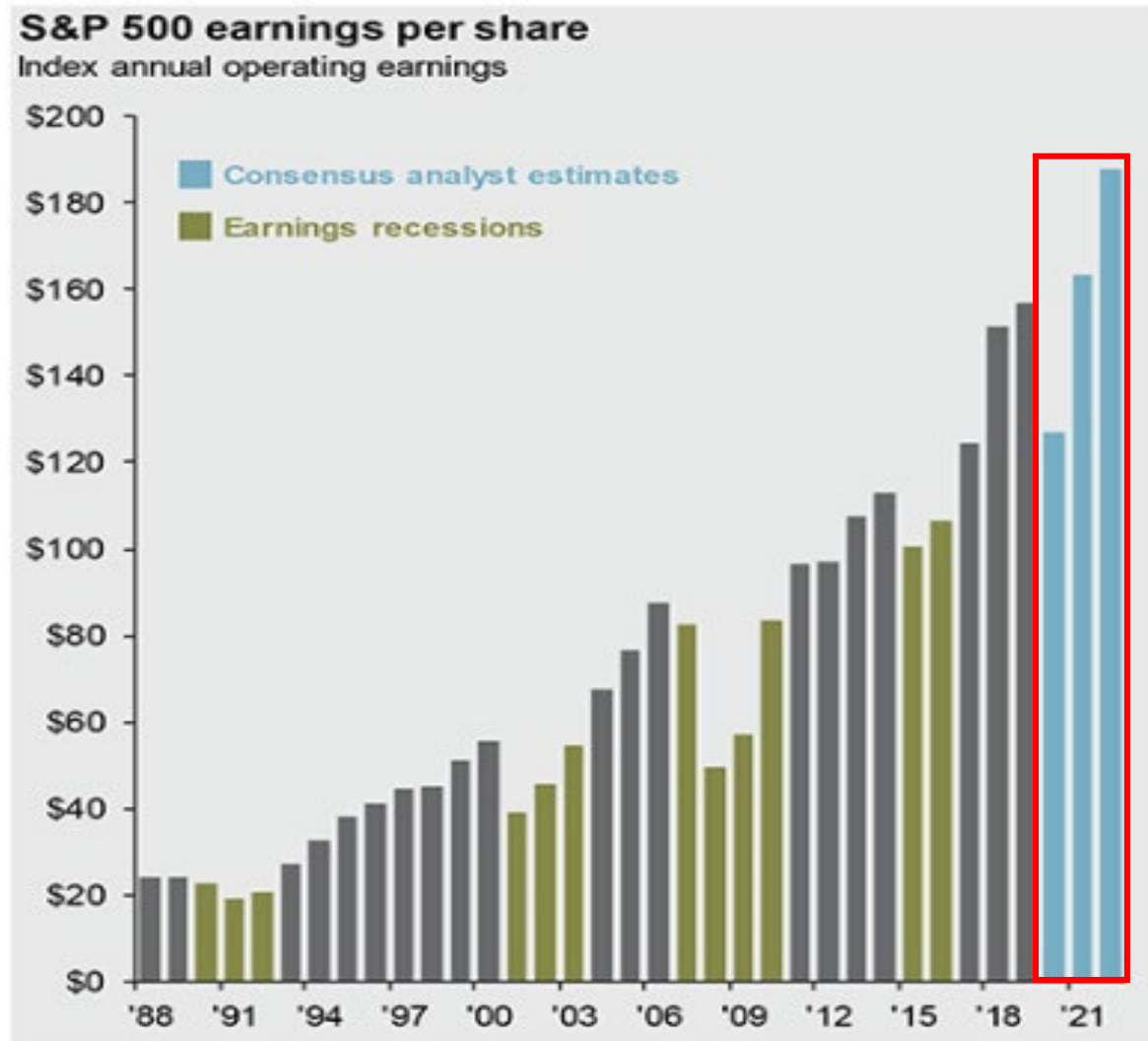


➤ Earnings: Downturns and Recoveries

Date of Trough	Change 1Y Before Trough	Change 1Y From Trough
3/31/1959	-17.0%	20.9%
6/30/1961	-14.6%	23.1%
9/29/1967	-5.4%	9.5%
6/30/1970	-10.2%	0.8%
12/31/1975	-17.5%	26.5%
6/30/1981	-4.4%	2.0%
3/31/1983	-16.3%	11.0%
6/30/1986	-12.8%	3.3%
12/31/1991	-27.7%	14.3%
12/31/1998	0.0%	14.9%
3/29/2002	-21.6%	10.1%
12/31/2008	-35.8%	9.2%
3/31/2016	-5.5%	6.2%
Average	-14.5%	11.7%
Median	-14.6%	10.1%
Min	-35.8%	0.8%
Max	0.0%	26.5%

(Source: Bloomberg Intelligence, July 2020)

› Corporate Earnings (S&P 500)



(Source: JPMorgan Chase, Guide to the Markets; July 30, 2020)

› Corporate Earnings (S&P 500)



(Source: Bloomberg; 8/11/20)

➤ What Does It Mean?

- COVID-19 cases have been trending down since July 24, while the trend in fatalities has been roughly flat and healthcare capacity appears adequate across the majority of the country. **Widespread stay-at-home orders or business shutdowns appear unlikely; however, whether we get a fall spike which leads to lockdowns remains a major unknown and the biggest near-term risk to the economy.**
- **The rebound in economic activity, including consumer and business spending, supports a V-shaped recovery.** 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.
- Fiscal and monetary stimulus have clearly served the purpose of avoiding a financial crisis. While a fourth stimulus package is being negotiated and remains possible, it's important to note that **not all of the stimulus previously announced has been deployed.** This, too, provides meaningful support for a V-shaped recovery.
- **Corporate profits are a key driver of the business cycle, and thus critical to the pace of economic recovery.** In this last cycle, profits never declined as much as in past recessions, and current conditions appear supportive of a healthy recovery both in corporate earnings and economic growth.

THANK YOU FOR PARTICIPATING

Questions?

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

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