



TO: All Mullen Group of Companies – Business Unit Leaders

FROM: Murray Mullen
Chairman, CEO and President

DATE: March 16, 2020

RE: **Coronavirus Action Plan – Update**

Today I will provide you with my very best take on where we are at and the most likely scenarios that will unfold over the course of the next few weeks. But before I provide you with what we should expect in the next few days and weeks to come let's revisit a few takeaways from the events and developments over the course of the last two weeks.

FIRSTLY – on March 2nd, two weeks ago today, we provided an Update & Action Plan to all of you. It was titled – PLANNING PREVENTS PANIC. And the purpose of the update was to have everyone prepare for what we believed was an imminent risk to our business and our people. UNFORTUNATELY, I DO NOT BELIEVE THAT THE APPROPRIATE STEPS HAVE BEEN IMPLEMENTED AROUND THE WORLD, WITH FEW EXCEPTIONS LIKE TAIWAN, SINGAPORE AND EVEN HONG KONG (these countries moved decisively and quickly, actions which limited the spread of this fast moving virus most likely because they experienced the worst of the SARS breakout).

On March 2nd we asked each Business Unit to engage with their people and develop YOUR action plan to deal with the threats, which you all did. And from my perspective there are two takeaways from this exercise. Number 1 by getting you in front of the herd – we/you avoided most of what we see today which is full on panic. As I said to my wife and family today is no need to panic because we prepared, and we planned. And as I watch the news of grocery stores emptying, fights and physical altercations in Costco parking lots, and all of the other forms of irrational behaviour I KNOW OUR SOCIETY IS IN FULL ON PANIC MODE. Panic is what people do when they do not prepare. It also doesn't help when the medical community announces that THIS MAY NOW BE COMPLETELY OUT OF CONTROL. Number 2 not only were we impressed with a number of the Business Unit Action Plans we also learned a lot from your critical planning exercise. From this perspective well done – I feel you have Planned appropriately. I have asked the Senior Executive Team to prepare an update to our plan based upon what you and others are now offering up as best practices to protect our people. THAT WILL BE AVAILABLE AND POSTED ON OUR WEBSITE SHORTLY.

SECONDLY – THE GENIE is out of the bottle and this is now a game of numbers. The virus is in nearly every country in the world, is now a worldwide pandemic and it is also a race against time. WHY IS THIS A NUMBERS GAME AND WHY IS TIMING SO IMPORTANT! Let me quote from the Dr. Michael Warner - medical director of critical care at Toronto's Michael Garren Hospital "*Italy's crisis could very well happen here in very short order. The COVID-19 situation is dire and may soon be out of control. And health care resources are finite and we will not be able to care for all who become ill. (This is precisely what is happening in Italy today...) We already run at 100% of capacity on most days in the intensive care units in Ontario and if we get a surge of patients all at once there is no system that can handle that. It's impossible. If we can spread out the number of people who get infected over time maybe the system can adjust*". This is from someone who knows that our health care system is neither prepared or capable of handling a crisis situation.

So this is what we are fighting – a race against numbers and time, because truthfully from what we know today most of us have NOTHING TO FEAR FROM this virus. But because it is so new no one, at least from what the experts tell us, has an immune system that can fight off the bug. Therefore, we are all vulnerable. And this is why I STATED EARLIER it is a game of numbers. Every Country could have anywhere up to 50-70% of their populations get infected with the virus, which means that with a serious infection rate of around 15% and a

mortality rate of around 1-3% depending upon what country one lives in, it is easy to see that if too many get infected too quickly the health care system, including our health care providers, the front line warriors in this battleground, will simply not be able to cope, compromising far too many of our fellow citizens. In fact let me refer you to the **Summary of Goldman Sachs Investor call, one of the world's largest Investment Firms, where 1,500 companies dialed in:**

The key economic takeaways were:

50% of Americans will contract the virus (150m people) as it's very communicable. This is on a par with the common cold (Rhinovirus) of which there are about 200 strains and which the majority of Americans will get 2-4 per year.

70% of Germany will contract it (58M people). This is the next most relevant industrial economy to be effected.

Peak-virus is expected over the next eight weeks, declining thereafter.

The virus appears to be concentrated in a band between 30-50 degrees north latitude, meaning that like the common cold and flu, it prefers cold weather. The coming summer in the northern hemisphere should help. This is to say that the virus is likely seasonal.

Of those impacted 80% will be early-stage, 15% mid-stage and 5% critical-stage. Early-stage symptoms are like the common cold and mid-stage symptoms are like the flu; these are stay at home for two weeks and rest. 5% will be critical and highly weighted towards the elderly.

Mortality rate on average of up to 2%, heavily weight towards the elderly and immunocompromised; meaning up to 3m people (150m*.02). In the US about 3m/yr die mostly due to old age and disease, those two being highly correlated (as a percent very few from accidents). There will be significant overlap, so this does not mean 3m new deaths from the virus, it means elderly people dying sooner due to respiratory issues. This may however stress the healthcare system.

There is a debate as to how to address the virus pre-vaccine. The US is tending towards quarantine. The UK is tending towards allowing it to spread so that the population can develop a natural immunity. Quarantine is likely to be ineffective and result in significant economic damage but will slow the rate of transmission giving the healthcare system more time to deal with the case load.

China's economy has been largely impacted which has affected raw materials and the global supply chain. It may take up to six months for it to recover.

Global GDP growth rate will be the lowest in 30 years at around 2%.

S&P 500 will see a negative growth rate of -15% to -20% for 2020 overall.

There will be economic damage from the virus itself, but the real damage is driven mostly by market psychology. Viruses have been with us forever. Stock markets should fully recover in the 2nd half of the year.

In the past week there has been a conflating of the impact of the virus with the developing oil price war between KSA and Russia. While reduced energy prices are generally good for industrial economies, the US is now a large energy exporter, so there has been a negative impact on the valuation of the domestic energy sector. This will continue for some time as the Russians are attempting to economically squeeze

the American shale producers and the Saudi's are caught in the middle and do not want to further cede market share to Russia or the US.

Technically the market generally has been looking for a reason to reset after the longest bull market in history.

There is NO systemic risk. No one is even talking about that. Governments are intervening in the markets to stabilize them, and the private banking sector is very well capitalized. It feels more like 9/11 than it does like 2008.

(source: e-mail March 16, 2020 – Aligned Capital Partners Inc.)

So most of us have nothing to worry about. Of course, we need to be smart and be vigilant because we could become the next carrier potentially exposing the most vulnerable in our communities - the elderly, those with compromised immune systems – to serious risk. And the only way to protect them is that we all have to be in a virtual lockdown until the virus has no new people or places to infect. The test case here is CHINA, which is now reporting virtually no new cases over the last 10 days and has closed all of the makeshift hospitals. So to save others we must all Take One On The Chin, have our lives and business disrupted for a short period. THIS MAY BE OUR COLLECTIVE CALL TO SOCIAL DUTY. From everything we know either from history or from say China, the only way to stop the spread, to flatten the curve and to save lives, and to give the smart people time to find a vaccine, is to enter into a virtual lockdown and I SUGGEST TO YOU TODAY WE ARE ONLY A FEW DAYS/WEEKS away from when responsible Governments don't just announce the closing of rinks, schools and all public places they will be forced to do what Italy and other countries are now doing today. So BE PREPARED for the most draconian steps. This is what a responsible LEADER WOULD DO. This is what we all seeing responsible businesses do.

BUT LET US NOT FRET. Let's take our Buckley's, all together, and understand that this will pass. It may take 30 days, but probably more like 90 days, for this be overcome just as it has in the past.

We will have to practice SOCIAL DISTANCING (remember this was once called PROTECTIVE SEQUESTRATION a term used to define how to deal with the Spanish Flu bug that just so happens to be 100 years ago) – coincidence I don't know but there are real lessons to be learned both on how to deal with bugs like this as well as learning that life will carry on. So yes, we all must adhere to Social Distancing but let's make sure we STAY SOCIALLY CONNECTED. Yes, let's all do our part to help those in our community that are the most vulnerable from either this "damn bugger" or any other illness BUT we also need to stay connected – all of us. So I warn all of you I may take up painting, knitting, writing a book or I might use these next days to get in the best shape of my life but most likely I will be in touch with you because it will keep me sane. My wife has already indicated I need to do something/ anything!!!

THIRDLY – and this relates to our business. I honestly believe that only those businesses that are involved in serving PEOPLES NEEDS NOT OUR WANTS, WILL BE OPERATING during the next three months. Groceries, pharmacy's, perhaps booze, the basic necessities of daily life will still be required and we will be asking our people to continue to serve. Of course we will implement absolute best practices to ensure their safety. PERIOD. I along with all of the SENIOR EXECUTIVE TEAM will remain available using technology to stay engaged and informed on the evolving issues. Okotoks like most places of business will feel and be mostly empty except for critical work. All other work that can be done remotely will be done so. And we will schedule work times to minimize how many are at the office any one time. Obviously, you should be considering the same. For me I will most likely be in Victoria because at my home in Millarville I have no cell coverage and limited internet coverage. So working from my office in Victoria is best for me and allows me to available at all times.

In closing let me just reiterate the two most important points I want to leave you all with. First – we all must do our part, so let us not fret or panic. And Be smart. Second – this will pass and we will be OKAY. I lead this company always with the view that unforeseen challenges could disrupt us at any time. This is why we have CASH ON THE BALANCE SHEET and a well-structured balance sheet. It's called MANAGING RISK. This is also why we have a

diversified business model with businesses located throughout Canada. Let's all take comfort that we will be back to work once this virus is wrestled to the ground.

So take care of yourselves, your family and your fellow neighbour. Those less fortunate than ourselves will be needing support. And on this issue of support let me share with you important steps we have undertaken. Two weeks ago we lobbied the Federal Government to eliminate the waiting period for anyone, and that will be a lot of people, that are laid off as a result of COVID-19. And last week I engaged with senior bank executives to allow homeowners and business to "skip payments" for 90 days for anyone that has been laid off. Renters would also qualify. This way everyone would have money to meet their basic needs. No free rides because the mortgage is added to the back end of the mortgage. No one gets hurt and BANKS COULD BE REAL HEROES at a time when we really need one. And we will do our absolute best to support to our people.

Stay safe. Be prepared. And stay calm. And there will be lots of time to celebrate once we are given the all clear.

"Signed – Murray Mullen"

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