ZIEGLER INVESTMENT BANKING

ZIEGLER NFP SENIOR LIVING & CARE MARKET AND SECTOR UPDATE

May 28, 2020 | 4:30 PM ET / 3:30 PM CT

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# A Review of Ziegler COVID-19 Webinars for NFP Senior Living & Care Providers

<table>
<thead>
<tr>
<th>Webinar</th>
<th>Date</th>
<th>Speakers</th>
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<tbody>
<tr>
<td>NFP Senior Living &amp; Care Financial Markets Update #1</td>
<td>March 26, 2020</td>
<td><strong>Ziegler</strong>: Dan Hermann, Kevin Strom, Adam Buchanan</td>
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<tr>
<td>CARES Act Updates (Regional webinars)</td>
<td>April 1&lt;sup&gt;st&lt;/sup&gt;, 3&lt;sup&gt;rd&lt;/sup&gt;, 23&lt;sup&gt;rd&lt;/sup&gt;</td>
<td><strong>Ziegler</strong>: Led by Tommy Brewer &amp; Regional Teams</td>
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<tr>
<td>NFP Senior Living &amp; Care Financial Markets &amp; Sector Update #2</td>
<td>April 16, 2020</td>
<td><strong>Ziegler</strong>: Dan Hermann, Kevin Strom, Adam Buchanan, Lavinia Criswell</td>
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<td>NFP Senior Living &amp; Care Financial Markets &amp; Sector Update #3</td>
<td>April 30, 2020</td>
<td><strong>Ziegler</strong>: Dan Hermann, Kevin Strom, Rich Scanlon, Adam Buchanan, Lavinia Criswell</td>
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<td>NFP Senior Living &amp; Care Financial Markets &amp; Sector Update #4</td>
<td>May 14, 2020</td>
<td><strong>Ziegler</strong>: Dan Hermann, Kevin Strom, Rich Scanlon, Tommy Brewer, Adam Buchanan, Lisa McCracken</td>
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<tr>
<td>NFP Senior Living &amp; Care Financial Markets &amp; Sector Update #5</td>
<td>May 28, 2020</td>
<td><strong>Ziegler</strong>: Dan Hermann, Kevin Strom, Tom Meyers, Adam Buchanan, Lisa McCracken</td>
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<td><strong>UPCOMING</strong>-NFP Senior Living &amp; Care Financial Markets &amp; Sector Update #6</td>
<td>June 11, 2020</td>
<td><strong>Ziegler</strong>: TBD</td>
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</table>
WEBINAR OUTLINE

Ziegler Introduction

Overview of Senior Living Capital Markets

The Bank Lending Environment

General Senior Living & Care Sector Updates

Closing Remarks

Q&A Period
OVERVIEW OF SENIOR LIVING CAPITAL MARKETS
Assets do not include ETF and SMA growth

Source: Investment Company Institute, as of April, 2020
ALL MUNICIPAL BOND FUNDS: INFLOWS/OUTFLOWS MONTHLY

Source: Lipper Data Service, as of 5/27/20

Muni funds report net cash inflows in aggregate for the month of May $3.1B
ALL MUNICIPAL BOND FUNDS: INFLOWS/OUTFLOWS WEEKLY

All Municipal Bond Funds Weekly Inflows/Outflows

Muni funds report net cash inflows totaling $1.1B (5/27)

Does not include June coupon runoff

Source: Lipper Data Service, as of 5/27/20
INTEREST RATE TRENDS – FIXED MUNICIPAL HIGH YIELD: INFLOWS/OUTFLOWS MONTHLY

Muni funds report High Yield for the month of May to date at -$105.7M outflows; however, last two weeks of May totaled +$881M inflows

Source: LipperFMI Data Service, as of 5/27/20
HISTORICAL INTEREST RATES
2000 TO DATE

30-Year “AAA” MMD
(2000 YTD - Weekly)

Minimum: 1.46%
Maximum: 6.04%
Average: 3.95%
Current: 1.65%

Source: Refinitiv Municipal Market Monitor, as of 5/27/20
HISTORICAL INTEREST RATES
2019 TO DATE

30-Year “AAA” MMD
(2019 YTD - Daily)

Minimum: 1.38%
Maximum: 3.37%
Average: 2.27%
Current: 1.65%

Source: Refinitiv Municipal Market Monitor, as of 5/27/20

30 Yr ‘AAA’ MMD as of ½ hour ago
HISTORICAL INTEREST RATES

30-Year NR Institutional vs MMD 30-Year “AAA” (1990 YTD - Weekly)

<table>
<thead>
<tr>
<th></th>
<th>30-Year NR Institutional</th>
<th>30-Year &quot;BBB&quot;</th>
<th>MMD 30-Year &quot;AAA&quot;</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minimum</td>
<td>3.41%</td>
<td>2.16%</td>
<td>1.46%</td>
</tr>
<tr>
<td>Maximum</td>
<td>10.75%</td>
<td>9.50%</td>
<td>7.35%</td>
</tr>
<tr>
<td>Average</td>
<td>6.70%</td>
<td>5.95%</td>
<td>4.59%</td>
</tr>
<tr>
<td>Current</td>
<td>5.65%</td>
<td>3.75%</td>
<td>1.65%</td>
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</table>

Source: Ziegler Investment Banking, as of 5/22/20
HISTORICAL INTEREST RATES
2000 TO DATE

“AAA” MMD Index
30-Year Maturity Yield

Source: Refinitiv Municipal Market Monitor, as of 5/27/20

<table>
<thead>
<tr>
<th>30-Yr MMD</th>
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<tbody>
<tr>
<td>Minimum:</td>
</tr>
<tr>
<td>Maximum:</td>
</tr>
<tr>
<td>Average:</td>
</tr>
<tr>
<td>Current:</td>
</tr>
<tr>
<td>1.46%</td>
</tr>
<tr>
<td>5.92%</td>
</tr>
<tr>
<td>3.91%</td>
</tr>
<tr>
<td>1.65%</td>
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</table>
HISTORICAL INTEREST RATES
UNIQUE MARKET OPPORTUNITY

30-yr "AAA" MMD Histogram
2000 - 2020 (Frequency "Weekly")

5/27/20 MMD: 1.65%

Source: Refinitiv Municipal Market Monitor, as of 5/27/20
HISTORICAL INTEREST RATES WEEKLY (2000 YTD)

Municipal Credit Spreads

SOURCE: Ziegler Investment Banking, as of 5/27/20
VARIABLE INTEREST RATES
RISK AND REWARD

<table>
<thead>
<tr>
<th>Time Period</th>
<th>Average 1 Mo. LIBOR</th>
<th>70% Average of LIBOR</th>
</tr>
</thead>
<tbody>
<tr>
<td>1989-1999</td>
<td>5.63%</td>
<td>3.94%</td>
</tr>
<tr>
<td>1999-2009</td>
<td>3.30%</td>
<td>2.31%</td>
</tr>
<tr>
<td>2009-2019</td>
<td>0.67%</td>
<td>0.47%</td>
</tr>
</tbody>
</table>

SOURCE: Ziegler Investment Banking, as of 5/22/20
THE BANK LENDING ENVIRONMENT

Tom Meyers
Senior Managing Director
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BANK ACTIVITY UPDATE

• Two Buckets of Bank Activity
  – Loans Arranged Pre-COVID-19

  – Post-COVID-19
    • Some backtracking on proposal terms and pricing
    • Taking care of existing clients first
    • Cautious approach to new money

Source: Ziegler Investment Banking
BANK ACTIVITY UPDATE

• Documentation items
  – LIBOR 2021 sunset
    • Timing
    • Alternative index language

• LIBOR Floors
  • *ASK A LOT OF QUESTIONS*

• Hedging
  – (Negative interest rates)
CAPITAL STRUCTURE CONSIDERATIONS
BANK VS FIXED INTEREST RATE

Bank Advantages

- No Negative Arbitrage in Project Fund
- No DSRF Requirement
- Less Funded Interest

Bank Disadvantages

- Yield Maintenance/Increased Cost
- Loan to Value Requirements
- LIBOR Index Uncertainty
- HVCRE
- Additional/Tighter Covenants
- Additional Non-Credit Business
- Commitment/Renewal Risk
- Counterparty/Event Risk
- Unstable Capital Costs

Source: Ziegler Investment Banking as of 01/10/2019
GENERAL SENIOR LIVING & CARE SECTOR UPDATES

Lisa McCracken  
Director, Senior Living Research  
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ZIEGLER CFO HOTLINE\textsuperscript{SM}: MAY 15-22, 2020

- Survey responses from nearly 320 organizations, reflective of an estimated 650 communities

- Topics:
  - Incidence of COVID-19 in residents & staff
  - Paycheck Protection Program (PPP) funding
  - IL Sales, Marketing & Move-Ins
  - Loosening restrictions

- Information used to supplement Ziegler’s other COVID-19 tracking mechanisms
COVID-19 IMPACT: NFP SENIOR LIVING & CARE

Providers with Positive COVID-19 Cases Among Residents and/or Staff

<table>
<thead>
<tr>
<th>Region*</th>
<th>% With Zero Positive Cases</th>
<th>% With Resident Cases</th>
<th>% With Staff Cases</th>
</tr>
</thead>
<tbody>
<tr>
<td>Midwest</td>
<td>30%</td>
<td>59%</td>
<td>66%</td>
</tr>
<tr>
<td>Northeast</td>
<td>9%</td>
<td>75%</td>
<td>80%</td>
</tr>
<tr>
<td>South</td>
<td>41%</td>
<td>39%</td>
<td>51%</td>
</tr>
<tr>
<td>West</td>
<td>39%</td>
<td>43%</td>
<td>59%</td>
</tr>
</tbody>
</table>

*Regions defined by U.S. Census Bureau

SOURCE: Ziegler CFO HotlineSM, May 15-22, 2020
PERCENTAGE OF RESIDENTS AND/OR STAFF IMPACTED

- Nationally, about 8 out of 10 have had less than 2% of their resident and/or staff population impacted with a positive diagnosis.

**Resident average: 1.9%**

**Staff average: 1.7%**

SOURCE: Ziegler CFO HotlineSM, May 15-22, 2020

*Note: Pie chart excludes those with zero cases*
INDEPENDENT LIVING SALES, MARKETING & MOVE-INS

- 80% saw a decline in IL sales
- 70% still had sales during March and April
- 65% allowed IL move-ins during COVID-19

If you prohibited IL move-ins during COVID-19, when do you anticipate opening that back up and allowing IL move-ins to occur?

- May: 17.4%
- June: 43.8%
- July: 5.8%
- Not sure yet: 33.0%

SOURCE: Ziegler CFO HotlineSM, May 15-22, 2020
IL= Independent Living
LIFTING LOCK-DOWN RESTRICTIONS

- Differences by region; Southern region most likely to be loosening restrictions
- Easing of restrictions primarily in Independent Living

![Bar chart showing the percentage of communities that have begun to loosen lock-down restrictions.]

SOURCE: Ziegler CFO HotlineSM, May 15-22, 2020
COVID-19 SHAPING THE FUTURE

- Staff front-and-center
  - Incentives, bonuses

- Fee considerations

- Service creep during COVID-19 and resident expectations

- Viability of continuum of service options
  - HCBS
  - Virtual care

- Technology even more prominent
CLOSING REMARKS
Summary documents on the CARES Act
Links to key sources of information
Webinars that Ziegler has hosted for various audiences re: COVID-19
Z-News updates

https://www.ziegler.com/covid-19/
QUESTIONS?
DISCLAIMERS

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Founded in 1902, Ziegler specializes in the healthcare, senior living and educational sectors as well as general municipal finance