

# ZIEGLER CREDIT SURVEILLANCE

## COVID-19 DISCLOSURE RECOMMENDATIONS

### CHARTER SCHOOLS

#### SUMMARY

Ziegler Credit Surveillance is looking to facilitate better borrower disclosure for the benefit of investors in light of the COVID-19 pandemic, especially related to any financial impact that will appear with upcoming disclosure throughout the rest of 2020 (and probably further on).

The following is a list of recommendations for the upcoming 6/30/20 financial packages. This list may look intimidating, but it is not our intention to create additional burden for management teams. On the contrary, we hope to save time for both you and investors by providing data in a public forum before investors need to ask questions. Realistically, we only expect you to provide data that you already have for your own purposes, and answer the questions that will not take much time or effort on your part. For example, many borrowers have told us that they are tracking expenses for PPP forgiveness. Including the data you have already gathered will help answer some of the financial questions.

Going forward we would recommend that all borrowers include a Management Discussion & Analysis section. The below list of questions can be answered in an MD&A, or feel free to copy/paste questions along with their answers directly into your EMMA posting.

Finally, we understand that much of what we are asking here is forward looking. Please be direct with your opinions and assumptions. Investors understand that the future impact of COVID-19 is impossible to accurately predict right now. However, your projections and estimates are very helpful when trying to understand the operating and financial implications.

#### RECOMMENDATIONS

##### GENERAL OPERATIONS OVERVIEW

- Have you been able to retain your employees? Are they performing any alternate tasks? Do you plan to keep a similar headcount for next school year?
- Please describe the methods you are using for at-home learning. Do you plan to make any investments in virtual programming for next year?
- Have you, or do you plan to go to a 1:1 computing model? If so, what steps remain to meet that goal?
- Please describe your potential opening plans for the Fall of 2020, and what criteria you will use to decide which plan to go with.
- Will students have a virtual learning option if families are wary of sending their children to school in-person?
- Have you conducted any parent surveys? What were the results?
- What cybersecurity measures have you taken/do you plan to take?

##### ENROLLMENT

- How many students have enrolled for the 2020/2021 school year, and what is your current waitlist?
- What was the student retention rate, and does that differ from normal?
- How many new students will be incoming, and how does that compare to a normal year?
- Did you run a summer school program, and if so how did you operate it? How many students participated compared to a normal year?

##### FINANCIAL

- Expenses
  - Can you separate out any additional expenses due to COVID-19?
  - Do you anticipate any specific expenses to be higher on an ongoing basis, i.e. PPE, cleaning supplies, technology/IT? Can you estimate those amounts?
  - Have you or are you planning to purchase hardware/software/internet access for students so they can access virtual programming, and how will that be paid for?
- PPP/Grants
  - Have you applied for /received a PPP loan and in what amount? Is there any possibility that the loan will not be forgiven? What is your planned timeline to apply for forgiveness?
  - Have you set aside a reserve in case a portion of the loan is not forgiven?
  - Have you received any other COVID related grants or loans from other sources, such as through the CARES Act? Will these be forgiven or repaid?
  - What have you used grant/loan funds for?
- Are you current on your underlying loan payments to the Trustee?
- Do you anticipate difficulty in meeting your bond covenants?
- Have you finalized the budget? How have you or will you budget for potential funding cuts?

## LOCAL ENVIRONMENT

- State/District/County Budget
  - Has your state/district/county finalized their budget for next year?
  - What changes in state/district/county funding levels are you expecting?
  - Do you anticipate any payment deferrals from the respective entities?
- What phase of reopening is the local area in? What would need to happen to bring that forward or backward?
- Approximately how many cases have there been in the area, and what is the trend? Is COVID-19 testing generally available?
- Has your state governor given any indications on timing for reopening schools, or what restrictions might be in place?

## CONSTRUCTION

- If you were planning any major future projects, are those plans on hold or on track? Is routine capital expenditures progressing as planned?
- Are there any restrictions on construction due to the virus?
- Has getting licenses/inspections/permits been a challenge?
- If applicable, when does capitalized interest run out?

## ZIEGLER CREDIT SURVEILLANCE AND ANALYTICS

Ziegler Credit Surveillance and Analytics (ZCS) is an assembly of financial and credit analysts committed to providing investors with value-added research on a select subset of securities. Such securities include Ziegler-underwritten municipal bonds issued to finance capital projects in the senior living, healthcare and education sectors. Our group also monitors certain Ziegler-underwritten structured finance projects. ZCS is separate from Ziegler's investment banking and capital markets businesses. The analysts rely only on publicly available information to generate opinions and reports. The team's published industry research carries an analyst certification to the objectivity of opinions rendered. ZCS makes available its written research via this website: [www.ZieglerCreditSurveillance.com](http://www.ZieglerCreditSurveillance.com).

## ANALYST CERTIFICATION

*I, Mike Vitiello, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities, issuers and borrowers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendation or view expressed in this research report. The opinions expressed here reflect my judgment and are subject to change. This is not a complete analysis of every material fact regarding any company, industry or security. Information has been obtained from sources considered reliable, but Ziegler cannot guarantee the accuracy. Additional information is available upon request. Other departments of Ziegler may have information, which is not available to Ziegler Credit Surveillance and Analytics, about companies mentioned in the*

*report. Ziegler may execute transactions in the securities mentioned in the report, which may not be consistent with the report conclusions. Past performance should not be taken as an indication or guarantee of future performance. Ziegler may perform investment banking or other services for, or solicit investment banking business from, any company mentioned in this report. This document may not be reprinted without permission.*

## **COVID DISCLOSURE**

*This publication is designed to provide accurate information regarding the subject matter covered. It is provided for informational purposes only with the understanding that the material contained herein does not constitute legal, accounting, tax, or other professional advice. Although information which may be contained in this publication has been obtained from sources which we believe to be reliable, we do not guarantee that it is accurate or complete and any such information may be subject to change at any time. The information presented and discussed is based on a newly enacted Federal program, and as such, many questions and provision are subject to change.*