COVID-19 1-YEAR LATER

KEY ISSUES UPDATE FOR MID-ATLANTIC SENIOR LIVING PROVIDERS

March 17, 2021

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TOPIC 1

COVID-19 UPDATE
LET US START OUT ON A POSITIVE NOTE
WHAT TO CELEBRATE FROM THE PAST YEAR

COVID couldn’t stop the U.S. housing market in 2020
However, existing homes sales report shows we are still in make-up demand mode

The stock market is ending 2020 at record highs, even as the virus surges and millions go hungry

COVID-19: The tipping point for rapid tech adoption
A new pandemic-driven technological revolution is reshaping the entire healthcare system in 2020 and everyone’s sense of what is possible beyond it

Covid pandemic drove a record drop in global carbon emissions in 2020

Our only good news: Toilet paper won’t run out
## NATIONAL COVID-19 STATISTICS

### New reported cases by day

<table>
<thead>
<tr>
<th>Day</th>
<th>Cases</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mar. 2020</td>
<td>300,000 cases</td>
</tr>
<tr>
<td>Apr.</td>
<td></td>
</tr>
<tr>
<td>May</td>
<td></td>
</tr>
<tr>
<td>Jun.</td>
<td></td>
</tr>
<tr>
<td>Jul.</td>
<td></td>
</tr>
<tr>
<td>Aug.</td>
<td></td>
</tr>
<tr>
<td>Sept.</td>
<td></td>
</tr>
<tr>
<td>Oct.</td>
<td></td>
</tr>
<tr>
<td>Nov.</td>
<td></td>
</tr>
<tr>
<td>Dec.</td>
<td></td>
</tr>
<tr>
<td>Jan. 2021</td>
<td></td>
</tr>
<tr>
<td>Feb.</td>
<td></td>
</tr>
<tr>
<td>Mar.</td>
<td></td>
</tr>
</tbody>
</table>

### New reported deaths by day

<table>
<thead>
<tr>
<th>Day</th>
<th>Deaths</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mar. 2020</td>
<td>4,000 deaths</td>
</tr>
<tr>
<td>Apr.</td>
<td></td>
</tr>
<tr>
<td>May</td>
<td></td>
</tr>
<tr>
<td>Jun.</td>
<td></td>
</tr>
<tr>
<td>Jul.</td>
<td></td>
</tr>
<tr>
<td>Aug.</td>
<td></td>
</tr>
<tr>
<td>Sept.</td>
<td></td>
</tr>
<tr>
<td>Oct.</td>
<td></td>
</tr>
<tr>
<td>Nov.</td>
<td></td>
</tr>
<tr>
<td>Dec.</td>
<td></td>
</tr>
<tr>
<td>Jan. 2021</td>
<td></td>
</tr>
<tr>
<td>Feb.</td>
<td></td>
</tr>
<tr>
<td>Mar.</td>
<td></td>
</tr>
</tbody>
</table>

### Table: Total Reported on March 15th and 14-Day Change

<table>
<thead>
<tr>
<th>Category</th>
<th>Total Reported</th>
<th>On March 15th</th>
<th>14-Day Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cases</td>
<td>29.4 million</td>
<td>38,034</td>
<td>-19%</td>
</tr>
<tr>
<td>Deaths</td>
<td>534,883</td>
<td>572</td>
<td>-31%</td>
</tr>
<tr>
<td>Hospitalized</td>
<td>40,976</td>
<td></td>
<td>-27%</td>
</tr>
</tbody>
</table>

Source: The New York Times, 03/15/21
COVID-19 VACCINATION LEVELS WITHIN NFP SENIOR LIVING & CARE

Percentage Receiving COVID-19 Vaccine
(As of early March 2021)

- **SN Residents only**: 94%
- **All Residents**: 92%
- **Staff**: 62%

Sources: Ziegler CFO HotlineSM, March 2021
COVID-19 VACCINE MANDATES & INCENTIVES FOR STAFF

Sources: Ziegler CFO HotlineSM, March 2021
COVID-19 OCCUPANCY DECLINES

**Seniors Housing Occupancy by Profit Status; MAP31 4Q05 – 4Q20**

<table>
<thead>
<tr>
<th>Property Type</th>
<th>Q4 2020 National Occupancy (FP &amp; NFP)</th>
</tr>
</thead>
<tbody>
<tr>
<td>CCRCs</td>
<td>85.8%</td>
</tr>
<tr>
<td>Seniors Housing</td>
<td>80.9%</td>
</tr>
<tr>
<td>Majority IL</td>
<td>83.7%</td>
</tr>
<tr>
<td>Majority AL</td>
<td>77.9%</td>
</tr>
<tr>
<td>Majority SN</td>
<td>75.5%</td>
</tr>
</tbody>
</table>

**CCRC Occupancy by Profit Status; MAP31 4Q05 – 4Q20**

<table>
<thead>
<tr>
<th>CCRC Segment</th>
<th>Q4 2020 CCRC Occupancy (FP &amp; NFP)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Independent Living</td>
<td>89.6%</td>
</tr>
<tr>
<td>Assisted Living</td>
<td>84.2%</td>
</tr>
<tr>
<td>Memory Care</td>
<td>84.2%</td>
</tr>
<tr>
<td>Nursing Care</td>
<td>78.5%</td>
</tr>
</tbody>
</table>

Source: NIC MAP® Data Service | www.nic.org/nic-map
Since the rollout of the vaccines, have you observed increased momentum with move-ins and/or sales and marketing inquiries in your community(ies)?

- Yes, significant positive momentum: 8%
- Yes, moderate positive impact: 21%
- Yes, but only slight impact: 34%
- Not observing increased momentum due to vaccine rollout: 38%

Sources: Ziegler CFO HotlineSM, March 2021
Workforce issues were a top challenge pre-COVID-19

Increased expenses related to bonuses, additional benefits, wage increases

Source: Ziegler CFO HotlineSM, August 2020
TOPIC 2
LIFE PLAN COMMUNITIES UPDATE ON GROWTH
The 75+ age cohort will grow by another 27 million people through the year 2050.
POPULATION MIGRATION IN THE U.S.

- Nearly 16 million people have moved during the pandemic
- Urban density has turned into a negative
- Outmigration from many of the country’s most expensive cities
- A number of temporary housing moves have become permanent
- Shift in housing and development to micro-urban and suburban areas

Source: U.S. Postal Service data & MyMove, November 2020
COVID-19 IMPACT ON NFP SENIOR LIVING GROWTH PLANS

NFP Senior Living Growth Plans in the Next 2 Years

<table>
<thead>
<tr>
<th>Category</th>
<th>Early March 2020</th>
<th>End of August 2020</th>
<th>Early March 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unit expansion</td>
<td>64%</td>
<td>55%</td>
<td>57%</td>
</tr>
<tr>
<td>New community development</td>
<td>26%</td>
<td>27%</td>
<td>23%</td>
</tr>
<tr>
<td>Affiliation/Acquisition</td>
<td>25%</td>
<td>22%</td>
<td>29%</td>
</tr>
<tr>
<td>HCBS platform</td>
<td>14%</td>
<td></td>
<td>28%</td>
</tr>
<tr>
<td>Non-senior living platforms</td>
<td>4%</td>
<td>5%</td>
<td>3%</td>
</tr>
</tbody>
</table>

Source: Ziegler CFO HotlineSM, March 2021
COMMUNITY EXPANSION AND REPOSITIONING TRENDS
2014 – DECEMBER 2020

Ziegler-Financed Deals 2014-Dec 2020: Use of Funds

- **Independent Living Reinvestment/Expansions**
  - 86%
  - 87%

- **Common area upgrades**
  - 52%
  - 52%

- **Skilled Nursing Repositioning**
  - 45%
  - 26%

- **Memory Care**
  - 34%
  - 17%

Source: Ziegler Investment Banking (deals as of 12/15/20)
THE NFP GROWTH MINDSET: NEXT TWO YEARS

- Notable growth mindset heading into COVID-19
- With exception of expansions, multi-sites more aggressive in their growth plans

Source: Ziegler CFO Hotline℠, August/September 2020
GROWING POPULARITY OF SATELLITE CAMPUS CONCEPT

- Alternative to the full-continuum; eliminates risk of additional SN beds
  - Of the 8 new campuses built among the LZ 200 in 2019, only two of the communities had skilled nursing

- Often geared toward Baby Boomer consumer and their shifting preferences (e.g. urban concepts)

- Smaller scale than full Life Plan Community generally allows for faster development timeline

- Can build upon brand in existing market

- Ability to leverage resources in the local market from the parent

Source: Ziegler Investment Banking, January 2021
PACE OF MERGERS, ACQUISITIONS & AFFILIATIONS TO INCREASE

• Strategically-driven

• Distressed situations

• Retiring CEOs

• Systems will continue to have an advantage for growth through affiliations and acquisitions
  – Reputation
  – Prior experience
  – Resources devoted to M&A activity

Roughly 925 not-for-profit communities have changed owner/sponsor since 2010

Note: Includes market-rate communities; excludes government subsidized; The ELGSS community count is also excluded from the community count (represents 160+ communities); Source: Ziegler Investment Banking 09/01/20
Even with a slowdown due to COVID-19, FP owners and operators remain bullish on the sector.

Most growth in the form of IL/AL/MC; rental communities
- Limited private sector interest in EF Life Plan Communities

Overall decline in nursing homes

* Excludes CCRCs
When do you think occupancy will rebound to pre-COVID levels nationally?

- **First half of 2021, 10%**
- **Second half of 2021, 49%**
- **2022, 33%**
- **2023 or later, 8%**

Source: Senior Housing News, 2021 Seniors Housing Outlook Survey

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What words sum up how you’re feeling?

- **“Feeling good”** — I’m excited for the vaccine, but wish it was going faster. My second Moderna vaccine is in February. We’re getting some marketing momentum. The vaccine is definitely helping. Things are opening up for us.

- **“I’m feeling better”** — Business is picking up. We got three deposits this month (for a building opening in May), which is more than we’ve seen in a while. One has been in the pipeline for a year-and-a-half. One was a fairly new lead. Inquiries are picking up. Things are positive.

- **“We’re doing much better”** — We have six move-ins scheduled (2 IL, 2 AL and 2 SNF). That’s super-good news. We’ve had more inquiries through our website. We’re getting more calls. Things seem to be better. We’re all getting vaccinated this month — all staff and all IL — almost 400 people!

- **“We are getting the vaccine for IL residents”** — We’re thrilled with this news. It’s a new day here! Staff may be hesitant to get the vaccine, but IL residents are ready for this.

- **“I’m feeling good”** — Feeling more positive. The sun is out. We’re picking up a Life Care deposit today, which is the first we’ve had since July. We’re trying to incentivize people.

Source: Varsity Branding, 01/26/21; “Vaccine at communities gives sales a shot in the arm”
HOUSING MARKET PREDICTIONS FOR 2021

• Direct link to the health of the housing market and sales for Life Plan Communities

• Trends for the 2021 housing market:
  – Interest rates are expected to remain low but increase gradually
  – Average home prices will rise
  – Home inventory will remain low, despite plenty of new construction
  – Homebuyers will stay focused on the suburbs
  – Renters hurt financially by the pandemic will continue to struggle, and rental assistance will be needed

Source: U.S. News & World Report, 12/22/20
WHAT IS THE FUTURE OF SKILLED NURSING?

• One of most common questions we get right now at Ziegler

• Current state of skilled nursing sector:
  – COVID-19 forced may to take *units/beds offline*
  – Post-acute, *short-stay rehab* impacted the most
  – *Workforce pressures* continue, particularly with frontline staff
  – Discharges from hospitals increasingly prefer home health over SNF stay

• Migration to **private rooms**
  – Has been underway for a number of years now
  – Many hospitals encouraging discharges to only go to SN with private rooms
  – Resident preference

• Skilled nursing is **NOT** going away

![Chart showing the increase in single occupancy NFP SN Rooms from 2015 to 2019](chart.png)

Source: 2020 LeadingAge Ziegler 200

Source: Ziegler Investment Banking
WHAT IS THE FUTURE OF SKILLED NURSING?

Investing in Home-Based Senior Care Can’t Come at Expense of Nursing Facilities
By Alex Spanko | January 14, 2021

48 States Saw Nursing Home Occupancy of 80% or Worse as 2021 Dawned — With Census as Low as 56%
By Maggie Flynn | January 25, 2021

Which of the following is the greatest COVID challenge to skilled nursing in 2021?

- 44% Occupancy declines during the pandemic
- 40% Maintaining staffing levels during the pandemic
- 2% Testing availability and procurement
- 8% Compliance with new regulations
- 4% PPE
- 2% Lawsuits / Legal

Stiffer Fines, CARES Act Audits: What Nursing Homes Can Expect from the Biden Administration
By Lisa Gillespie | January 20, 2021

Source: 2021 Skilled Nursing Outlook, Skilled Nursing News
Did you make any of the following changes this past year related to Skilled Nursing?

- Temporarily took SN beds/units offline: 47%
- Permanently reduced SN beds: 16%
- Converted semi-private to private rooms: 31%
- Fully exited the SN line of business: 0%

Sources: Ziegler CFO Hotline℠, March 2021
CONTINUED GROWTH OF HCBS PLATFORM

• COVID-19 has stimulated increased interest to grow HCBS platforms

• 4 out of 10 NFPs said HCBS demand increased throughout 2020

Sources: Ziegler Investment Banking; 2020 LeadingAge Ziegler 200; Ziegler CFO Hotline, November 2020
The need to invest in and adopt technology has only increased during COVID-19 pandemic.

“The future state of telemedicine is a world in which care delivered by phone or video will become predictive and personalized, rather than reactive.”

~Healthcare IT News, December 31, 2020
TOPIC 3
CAPITAL MARKETS UPDATE
Observations

- Significant market disruption caused by the COVID-19 Pandemic resulted in the 30-Year ‘AAA’ MMD index rise to 3.37%, market has rallied with rates dropping to near historic low levels (currently 1.65%)

- Demand for senior living bonds remains high as bond funds have experienced steady inflows totaling $76.5 billion over the past 10 months, compressing credit spreads

- Supply of tax-exempt bonds remains compressed as a number of higher rated entities (hospitals, colleges & universities) have been issuing taxable bonds

- Covenants and structures remain flexible for borrowers with solid credit profiles

Source: Refinitiv Municipal Market Monitor, as of 03/12/21
Observations

- Variable rates have dropped significantly over the past 12-months with LIBOR currently at 0.11%

- Swap curve has steepened with difference between 1-year and 20-year swap now 1.80% (difference was 0.20% a year ago)

- While banks are still actively lending to senior living providers, the COVID-19 pandemic and prevailing market conditions have resulted in:
  - Variable rate floors on the underlying loan index (0.25% - 1.00%)
  - Wider credit spreads and shorter commitment periods
  - Tighter covenants especially around additional debt

- LIBOR is being retired on June 30, 2023 with SOFR as the likely replacement

Source: Ziegler Capital Markets and Ziegler Structured Products, as of 03/12/21.
**CAPITAL MARKETS SUMMARY**

- Fixed rate bond market is near historic low levels with demand greater than supply, which has compressed credit spreads.
- While bank terms have tightened, bank rates remain attractive with banks still actively pursuing senior living opportunities.
- For borrowers with project financings and/or currently callable bonds, capital markets are attractive, but as we saw with the COVID-19 Pandemic, things can change quickly.
TOPIC 4

REFUNDING STRATEGIES FOR NON-CALLABLE BONDS
REFUNDING STRATEGIES FOR NON-CALLABLE BONDS

• For organizations with non-callable bonds, the ability to refund the bonds in advance of the call date on a tax-exempt basis (“Traditional Advance Refunding”) was eliminated with Tax Cuts and Jobs Act in 2018

• Based on the current tax laws, to overcome call protection, borrower’s have several alternatives:

  Escrow (Advance Refunding)
  • Fund an escrow that fully cover the debt service on the Non-Callable Bonds until their call date

  Tender/Exchange Offering
  • Negotiate with existing investors to tender or exchange their existing bonds thereby eliminating the call protection

  Forward Bond Delivery
  • Lock-in interest rate today but delay delivery of the bonds and the refinancing until the call date

• There are renewed efforts to reinstate Traditional Advance Refundings

Source: The Bond Boyer 02/26/21
“CINDERELLA” ADVANCE REFUNDING

• “Cinderella” Advance Refunding utilizes taxable bank debt through the call date that converts to tax-exempt debt thereafter

• **Benefits:**
  – Allows borrower to lock-in current attractive market interest rates to achieve cash flow savings
  – Can utilize existing debt service reserve fund to reduce amount of new debt required to fund the escrow

• **Risks/Concerns:**
  – Most efficiently achieved with a direct bank loan with interest rate swaps typically required to achieve new fixed rate
  – Savings and “pay-back” period must be analyzed as bank commitment periods are often shorter than the final maturity exposing borrowers to put/reset risk
  – Bank covenants could be more restrictive than current bond covenants
  – Could impact bank capacity for future project financings where draw down feature can be impactful
## Refunding Strategies for Non-Callable Bonds

### “Cinderella” Advance Refunding Economics

<table>
<thead>
<tr>
<th>Date</th>
<th>Existing Net Debt Service (1)</th>
<th>Refunding Debt Service</th>
<th>Cash Flow Savings</th>
<th>PV CF Savings</th>
</tr>
</thead>
<tbody>
<tr>
<td>07/01/22</td>
<td>$3,503,875</td>
<td>$3,198,309</td>
<td>$305,566</td>
<td>$274,076</td>
</tr>
<tr>
<td>07/01/23</td>
<td>3,505,125</td>
<td>3,199,558</td>
<td>305,567</td>
<td>266,801</td>
</tr>
<tr>
<td>07/01/24</td>
<td>3,502,625</td>
<td>3,197,058</td>
<td>305,567</td>
<td>260,579</td>
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<tr>
<td>07/01/25</td>
<td>3,501,375</td>
<td>3,195,809</td>
<td>305,566</td>
<td>252,778</td>
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<tr>
<td>07/01/26</td>
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<td>3,195,559</td>
<td>305,566</td>
<td>246,016</td>
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<td>07/01/27</td>
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<td>07/01/28</td>
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<td>3,197,060</td>
<td>305,565</td>
<td>232,943</td>
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<tr>
<td>07/01/29</td>
<td>3,503,875</td>
<td>3,198,308</td>
<td>305,567</td>
<td>226,620</td>
</tr>
<tr>
<td>07/01/30</td>
<td>3,505,125</td>
<td>3,199,559</td>
<td>305,566</td>
<td>220,446</td>
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<tr>
<td>07/01/31</td>
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<td>3,195,558</td>
<td>305,567</td>
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<td>07/01/32</td>
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<td>3,196,309</td>
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<td>07/01/33</td>
<td>3,501,875</td>
<td>3,196,309</td>
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<td>07/01/34</td>
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<td>3,195,309</td>
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<td>197,207</td>
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<tr>
<td>07/01/35</td>
<td>3,503,625</td>
<td>3,198,059</td>
<td>305,566</td>
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<tr>
<td>07/01/36</td>
<td>3,504,625</td>
<td>3,199,058</td>
<td>305,567</td>
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<td>07/01/37</td>
<td>3,503,625</td>
<td>3,198,059</td>
<td>305,566</td>
<td>181,064</td>
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<tr>
<td>07/01/38</td>
<td>3,500,375</td>
<td>3,194,808</td>
<td>305,567</td>
<td>175,951</td>
</tr>
<tr>
<td>07/01/39</td>
<td>(45,375)</td>
<td>-</td>
<td>(45,375)</td>
<td>(28,332)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$59,500,000</strong></td>
<td><strong>$54,350,748</strong></td>
<td><strong>$5,149,252</strong></td>
<td><strong>$3,749,409</strong></td>
</tr>
</tbody>
</table>

(1) Net of Debt Service Reserve Fund earnings at 1.25% and release at final maturity.
(2) Date on which the aggregate savings exceed the added principal required to complete the refunding.

### Bond Summary Statistics
- Annual Cash Flow Savings: $305,566
- NPV Savings ($): $3,749,409
- NPV Savings (%): 9.04%
- All-In Cost of Borrowing: 2.73%
- Put/Reset Risk (12-Years): $14,885,868
- Principal Balance Inflection (2): 07/01/24

### Sources of Funds
- Par Amount: $44,166,791
- Debt Service Reserve Fund: 3,550,000
- Bond Fund (P&I Account): -
- Total Sources of Funds: $47,716,791

### Uses of Funds
- 2014 Principal: $41,465,000
- 2014 Interest to Call: 5,589,289
- Costs of Issuance: 662,502
- Total Uses of Funds: $47,716,791

Note: For illustrative purpose only.
TOPIC 5

RATING AGENCY UPDATE
NOT-FOR-PROFIT SENIOR LIVING RATING TRENDS

Roughly 20% of not-for-profit Life Plan Communities are rated

<table>
<thead>
<tr>
<th>Rating Agency</th>
<th>Debt Specific</th>
<th>IDR</th>
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<tbody>
<tr>
<td>Fitch</td>
<td>144</td>
<td>16</td>
</tr>
<tr>
<td>S&amp;P</td>
<td>16</td>
<td>3</td>
</tr>
<tr>
<td>Moody’s</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>160</strong> (1)</td>
<td><strong>19</strong></td>
</tr>
</tbody>
</table>

Source: Ziegler Investment Banking, as of 02/23/21.
(1) Two organizations are rated by both Fitch and S&P.
(2) Totals in bar graph do not include organizations rated below BB-.

- 25.5% of ratings A- or above
- 50.3% of ratings ‘BBB’ category
- 24.2% of ratings ‘BB’ category
• Fitch published revised rating criteria on March 2, 2021, which will focus on the following Key Rating Drivers
  – Revenue Defensibility
  – Operating Risk
  – Financial Profile
  – Asymmetric Additional Risk Considerations

Source: US Public Finance Not-for-Profit Life Plan Community Rating Criteria, published 03/02/21.

• Historically S&P has included “non-recourse” debt issued by non-obligated affiliates when analyzing a borrowers credit

• S&P has released new guidance that has relaxed this approach, which could be beneficial especially for rated multi-site providers

Source: Group Rating Methodology, published 07/01/19.
STIMULUS MOST APPLICABLE TO NFP PROVIDERS

• Accelerated/Advanced Payment for Medicare Providers and Suppliers

• Deferral of employer payroll tax

• Business interruption insurance

• Paycheck Protection Program

• Provider Relief Fund

• FEMA Assistance

• Main Street Lending Program

• State Specific Programs

• Employee Retention Credit

Source: Ziegler Investment Banking
UPDATE ON THE PPP PROGRAM

• PPP1 Loan Forgiveness
  – Many (most) borrowers have sent in forgiveness application to their bank
  – For loans < $2 million, process appears to move fairly quickly with few complications
  – For loans > $2 million:
    • Questionnaire 3510 almost always required
    • Slower process with SBA with responses from only a few received to date

• PPP2
  – First draw loans - allows those that did not receive PPP1 use the PPP1 requirements
  – Second draw loans – allows those receiving PPP1 to apply provided they meet:
    • Used full amount of PPP1
    • Have no more than 300 employees (see below)
    • Can demonstrate 25% reduction in gross receipts between 2019 and 2020
  – **Deadline March 31, 2021**

• Potential New Qualification
  – $1.9 trillion stimulus package provides expanded eligibility for larger not-for-profits
  – 501c(3) organizations that employ less than **500 employees per physical location**

Source: Small Business Administration, as of 03/16/21
UPDATE ON PROVIDER RELIEF FUND

• Many organizations still receiving funds
  – Most funds received tied to incentive program for September – December 2020

• New funding approval
  – No news on additional provider relief funds included in package
  – Additional funding for testing and vaccinations
  – 10% increase for Medicaid Home Based Care

• Reporting requirement
  – No new updates since January 15, 2021 HHS release
  – Recipients that received more than $10,000 will be required to submit reports that demonstrates compliance with terms and conditions
  – Date of first required report unknown
    • Portal opened January 15, 2021 but only for initial registration
    • Question: Should a provider complete registration? – No right or wrong answer but we recommend waiting provided not a requirement, there appears to be no advantage in doing so, and things may change again

Source: HHS.gov, as of 01/15/21
EMPLOYEE RETENTION CREDIT ("ERC")

- ERC, a refundable tax credit against certain employment taxes, was established in March 2020 by the CARES Act but significantly altered December 27, 2020 in the Taxpayer Certainty and Disaster Tax Relief Act.

- New ERC regulations impacts 2020 qualification standards but significantly improves 2021 opportunity:
  - Provides $14,000 per employee for period between January 1, 2021 and June 30, 2021.
  - PPP loan recipients are now eligible for ERC.
  - Full credit for organizations with 500 or fewer full time employees and limited qualifications to those with more than 500.

- For qualifying organizations, employers will be reimbursed for the credit by reducing their required deposits of payroll taxes that have been withheld from employees wages by the amount of the credit.

Source: IRS.gov, as 03/16/21
EMPLOYEE RETENTION CREDIT (“ERC”)

• ERC qualification requirements
  – Gross Receipts – experienced a 50% (for 2020) or 20% (for 2021) or greater decline in gross receipts compared to the same quarter in 2019
  – Government Mandate – Offices were closed, or operations partially suspended by government order

• Most LPCs did not experience a greater than 20% or 50% decline in gross receipts so qualification dependent on government mandate
  – IRS FAQ on this topic: "orders from an appropriate governmental authority" if they limit commerce, travel, or group meetings due to COVID-19 in a manner that affects an employer's operation of its trade or business, including orders that limit hours of operation

• Applying for the ERC is tied to submission of 941 quarterly payroll tax

• Ziegler plans to host webinar in near future to address ERC impact on LPCs with focus on qualification standards and action steps to receive credit

Source: IRS.gov, as 03/16/21
QUESTIONS
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• Ziegler is a privately-held investment bank, capital markets, and proprietary investments firm*

• A registered broker deal with SIPC & FINRA

• Ziegler provides is clients with capital raising, strategic advisory services, equity & fixed-income trading and research

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

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