

# ZIEGLER CREDIT SURVEILLANCE

## COVID-19 DISCLOSURE RECOMMENDATIONS - UPDATED

### SENIOR LIVING/CCRCs

#### SUMMARY

This report serves as an update to our July 8, 2020 previously-published COVID-19 Disclosure Recommendations for Senior Living/CCRCs. With vaccines now available to a wider extent, we are cautiously optimistic that the COVID-19 pandemic has largely run its course. In the previous report, Ziegler Credit Surveillance presented a list of COVID-19 disclosure recommendations to facilitate better borrower disclosure for the benefit of bond investors, especially related to any financial impact caused by the virus. This updated report presents some slightly different disclosure recommendations suited towards the current healthcare environment.

The more transparency and information senior living borrowers provide, the more willing and able investors will be to help solve problems such as covenant violations if they arise in the future. We hope to encourage efficiency whereby borrowers provide data in a public forum ahead of time before questions need to be asked.

As stated in the prior report, inclusion of a Management Discussion & Analysis (MD&A) section to cover recent financial/operating performance is highly valued by investors. 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 postings.

We understand that some of what we are asking here is forward looking. Please be direct with your opinions and assumptions. Your projections and estimates are very helpful when trying to understand any operating and financial implications.

#### RECOMMENDED DISCLOSURE

##### COVID-19 CASES AND VACCINE INFORMATION

- Please provide the cumulative number of cases and current active cases for residents and staff.
- Please provide vaccination percentages for residents (by level of care) and staff.
- Are you offering incentives to staff to receive the vaccine or making the vaccine mandatory?
- Do you have the capability to administer the vaccine yourself to new residents/new employees (possibly as a marketing tool)?

##### MARKETING & OCCUPANCY

- How have your marketing messages/tactics changed as a result of the pandemic?
- What is the local sentiment or level of comfort by potential residents (or their adult children) on moving into a retirement community?
- Have you resumed tours to all levels of care?
- What does the admittance pipeline look like, compared to normal?
- Please show occupancy statistics on a monthly (preferable) or quarterly basis versus entire YTD so that any impact from COVID-19 is apparent.
- Are minimum marketing and occupancy covenants being met, if applicable?

##### OPERATIONS

- Are in-person activities/group dining permitted? If still restricted, how so?
- How does your current FTE count and wages compare to pre-COVID levels?
- How long were admissions impacted? If admissions were halted, was that self-imposed or government mandated?

- Have referrals from local hospitals resumed to pre-COVID volumes (rehab, elective surgeries, etc.)? If applicable, to whom do you outsource your rehab therapy?

## FINANCIAL

- What would you estimate direct COVID expenses to be?
- During which period do you plan to amortize the first round PPP loan, if received?
- In what stage of the forgiveness process is the first round PPP loan?
- Did you qualify for, apply and receive the second round of PPP funding?
- Did you receive or apply for any other financial aid (HHS grants, FEMA funding, infection control, etc.)?
- Are financial ratio covenants currently being met (DCOH and DSCR) and do you expect a testing period violation in the near term?

As always, please include detailed debt service coverage calculations, not just the end figure -

- If you generally only provide trailing twelve month statements or calculations, please break out at least the last quarter.
- Even if the covenant is not tested as of X quarter, it is still helpful to see the calculation.
- Please clearly show any impact to ratio calculations from PPP/HHS grant funding.
- Please provide information on entrance fee collection and refunds.
- If you think you may need to ask bondholders for concessions, such as waivers or amendments to the MTI, please describe the situation. The more advance warning provided, the easier that process will be.
- Are you current on your underlying monthly bond payments to the Trustee?

## CONSTRUCTION / FILL UP

- Have there been delays in construction progress as a result of the virus and what is the likelihood of catching up?
- If you were planning any major future projects, are those plans on hold or on track in light of the virus? Is routine cap ex progressing as planned?
- Has there been any impact on ILU reservations (start-up or expansion) given the pandemic and are minimum covenants being met?

As always,

- Please separate initial entrance fee collection from turnover entrance fees, if applicable.
- Keep in mind that, even if an expansion was financed with a bank placement, existing fixed rate holders should receive the same information on the project.

## 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 and non-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.*