



2020 BANK PANEL

PRESENTED BY

Bill Berrell
Director
Hancock Whitney

Kristyn Harrell
Senior Vice President
BMO Harris Bank

Tom Meyers
Senior Managing Director
Ziegler

Brandon Powell
Managing Director
Ziegler

OBJECTIVES

- To highlight trends in the not-for-profit senior living & care bank marketplace.
- To hear the perspective of bank lenders as to how they view the current lending environment and associated risk during COVID-19.
- To walk away with key insights for providers looking to tap into bank debt or manage ongoing relationships with existing bank partners.

AGENDA

ITEM 1: INTRODUCTION

ITEM 2: PANELISTS

ITEM 3: PANEL QUESTIONS AND OPEN DISCUSSION

QUESTION & ANSWERS



ITEM 1

INTRODUCTION

Brandon Powell
Managing Director
Ziegler

BANK FINANCING TODAY

- Federal Reserve's direction of preserving low short-term interest rates could prompt more bank financing with Cinderella bonds an attractive alternative to advance refunding
- Banks will continue to be active leaders coming out of COVID-19 pandemic
- Understanding and assessing the benefits and risks of bank debt is critical to making the best decision between bank debt and fixed rate bonds

BANK FINANCING... MERITS & CONSIDERATIONS

MERITS

- ✓ Lower interest rate than fixed rate bonds and cost of issuance
- ✓ No debt service reserve fund requirement
- ✓ Pre-payment flexibility, especially when in variable interest rate mode as debt can be redeemed (i.e. called) at par

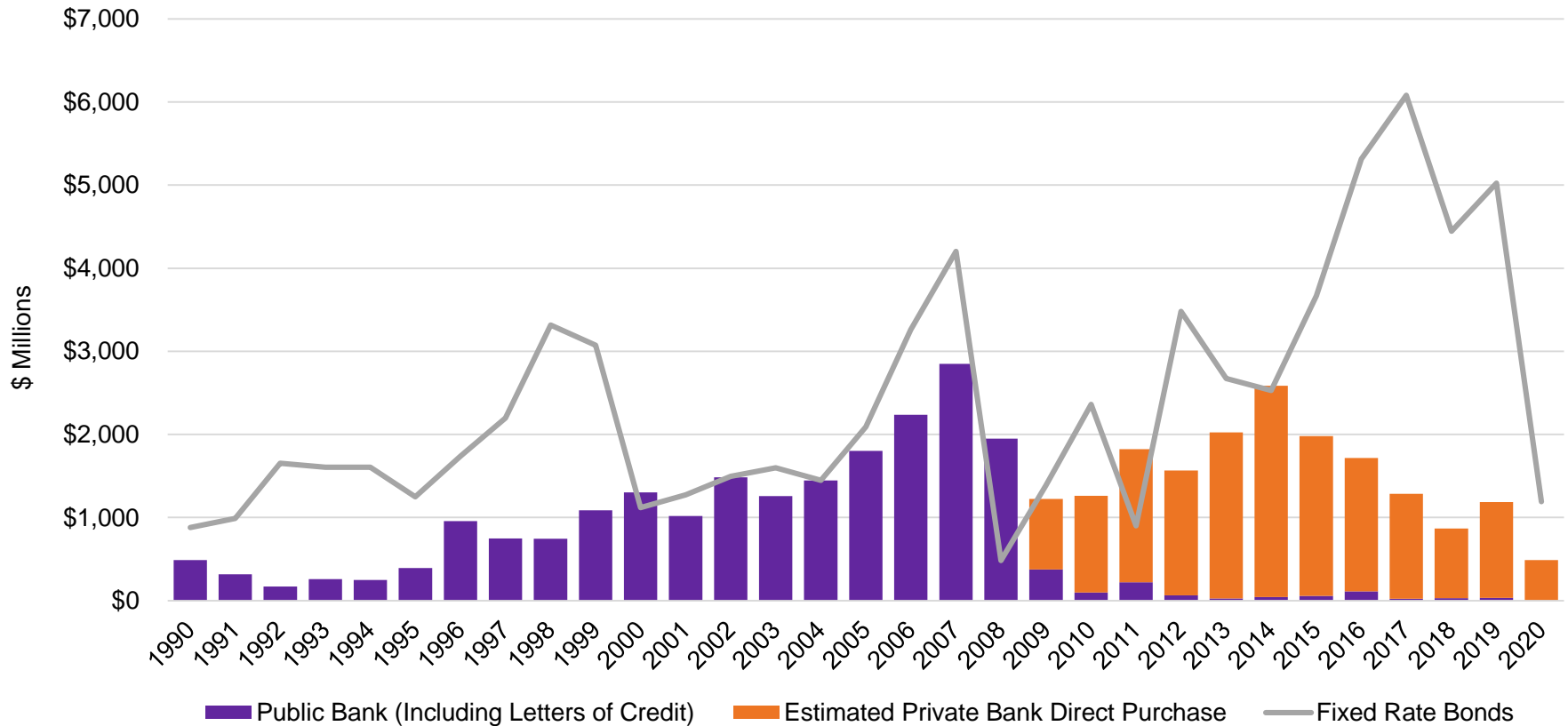
CONSIDERATIONS

- Interest rate risk in variable rate mode – can be swapped to mitigate
- Typical term of 7 – 12 years combined with amortization up to 30 years could create bank renewal (or put) risk
- Possibly more restrictive covenants including limitations on additional indebtedness ⁽¹⁾
- Yield maintenance provisions ⁽²⁾
- Requirements for additional non-credit business

⁽¹⁾ Where a Master Trust Indenture already exists, some banks will match those provisions, including the issuance of additional indebtedness.

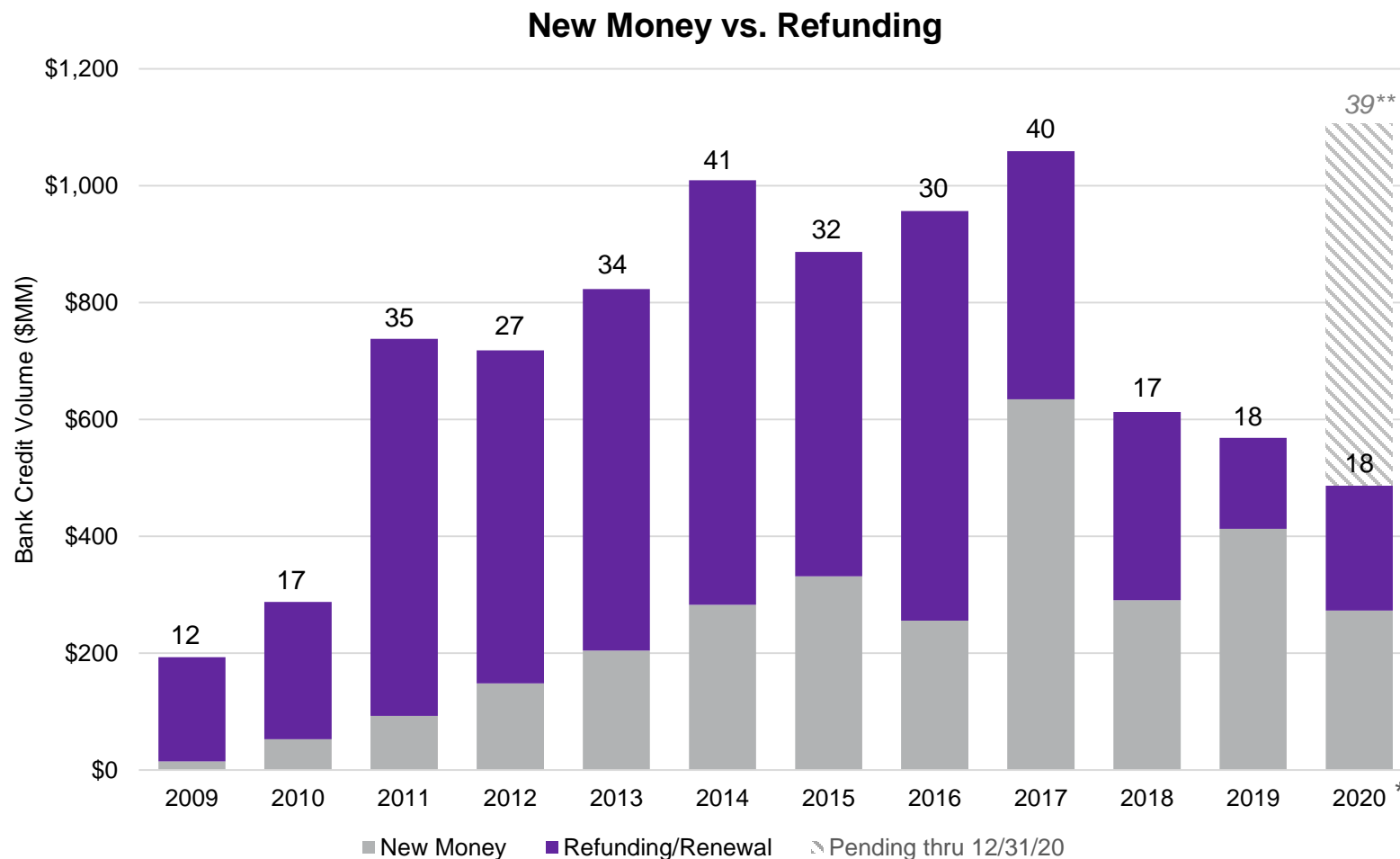
⁽²⁾ Banks “pass thru” changes from the tax code that impact their yield. Not covered by swap agreements.

BANK FINANCING IS A SIGNIFICANT PART OF THE SENIOR LIVING MARKET



- Since 2009, direct bank purchases of tax-exempt debt, taxable construction loans have replaced VRDB's

ZIEGLER SENIOR LIVING BANK FINANCING ACTIVITY



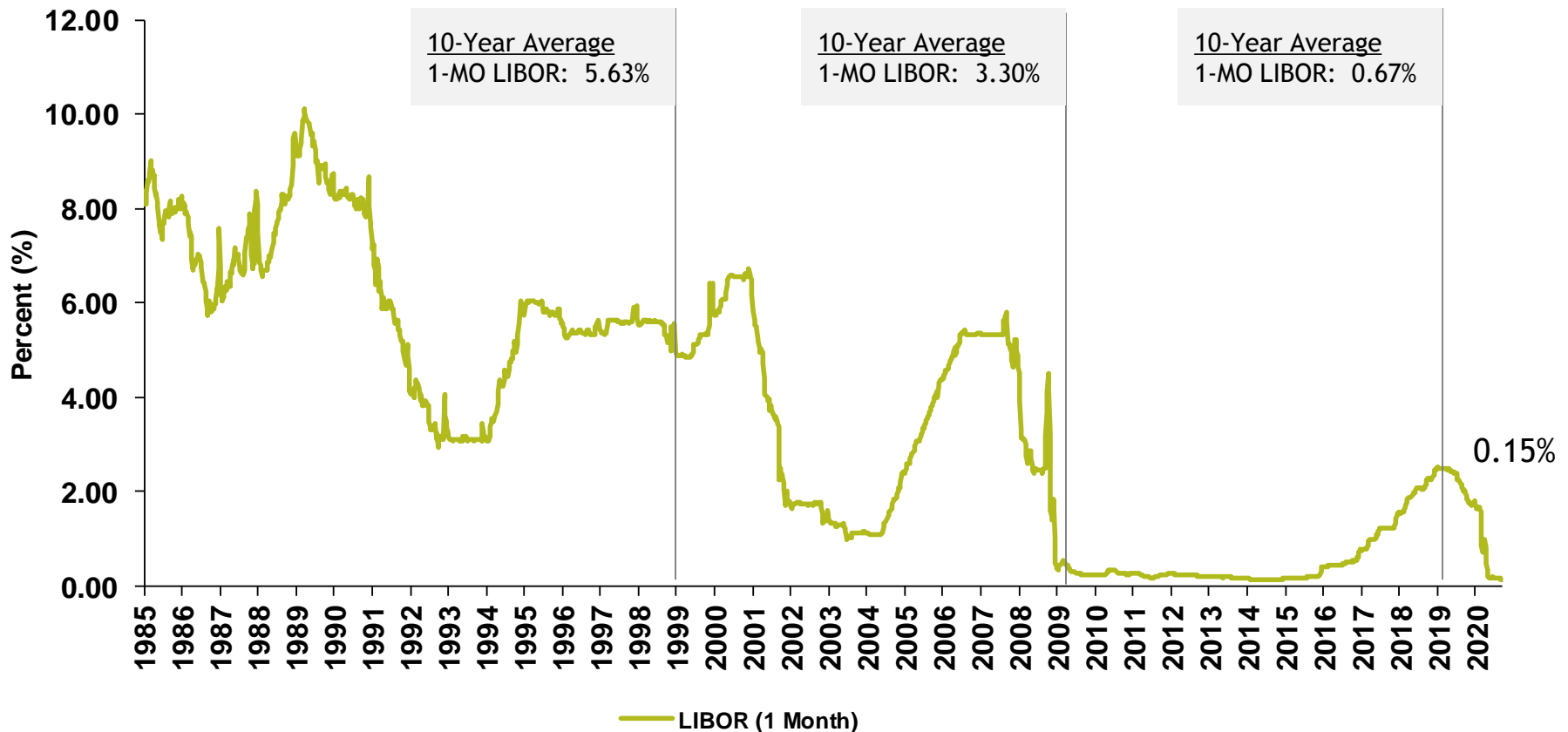
Source: Ziegler Investment Banking

* 2020 YTD is for the 8 months ended August 31, 2020

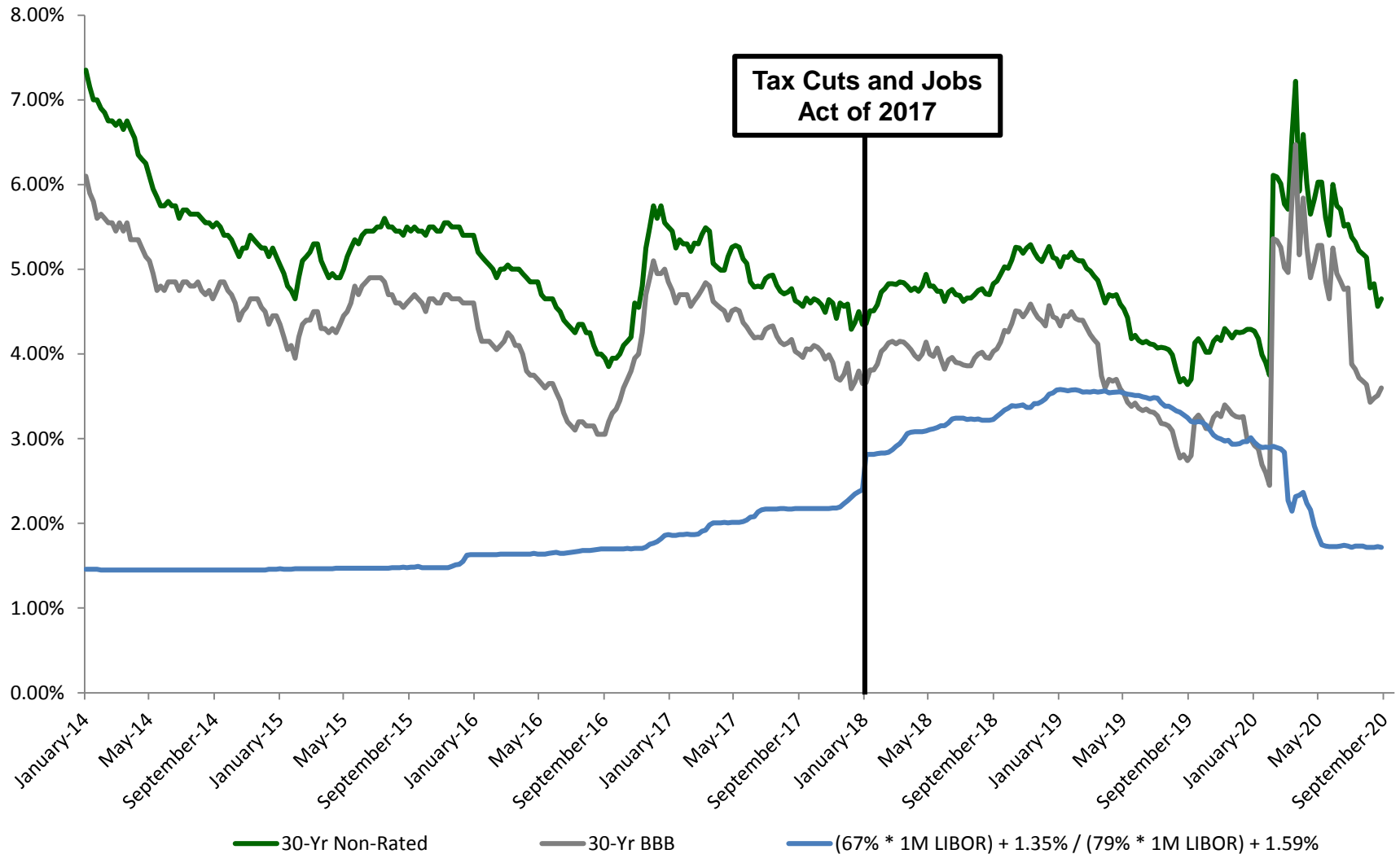
** Pending through December 31, 2020

SHORT-TERM INTEREST RATE ENVIRONMENT

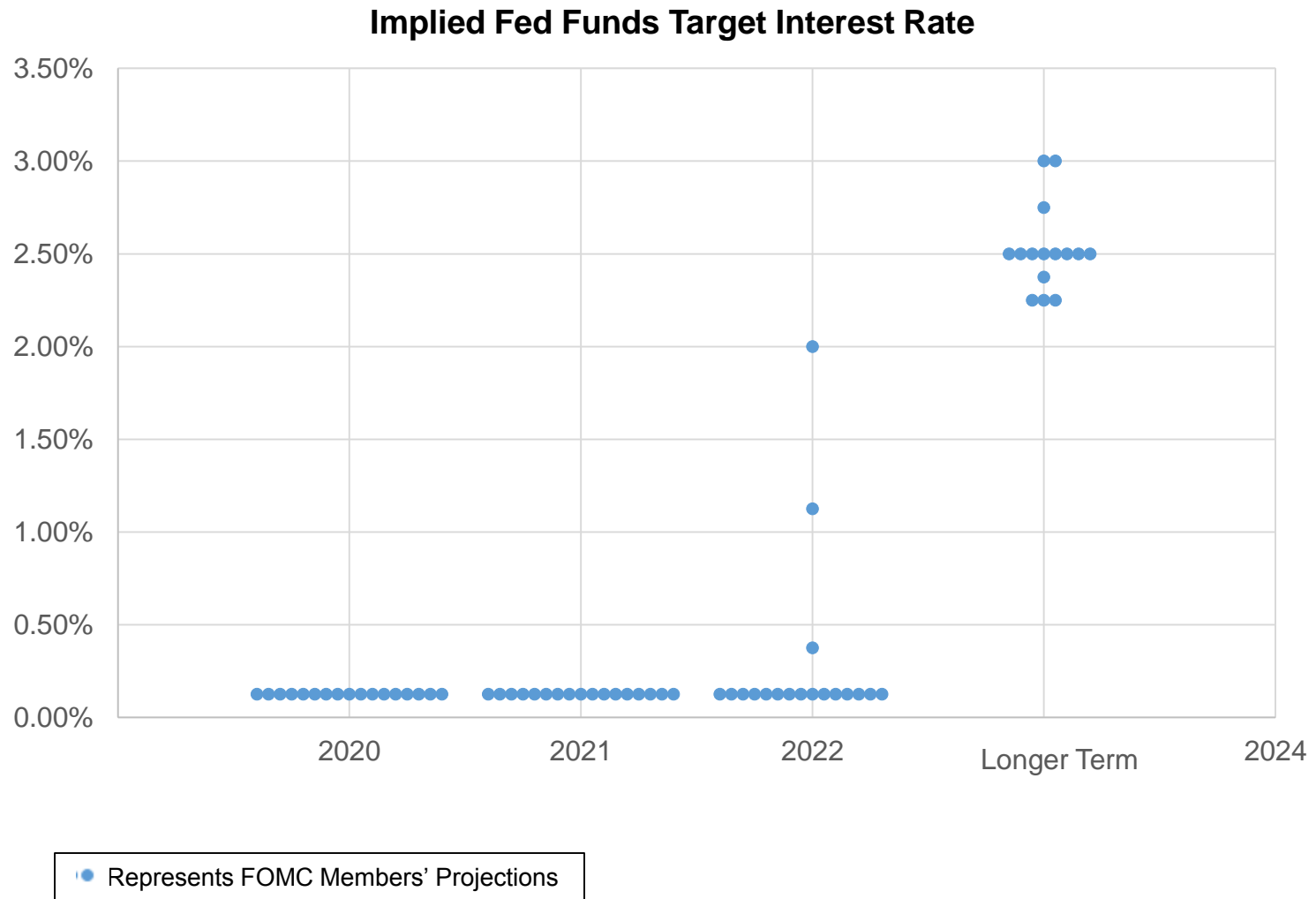
Time Period	Average 1 Mo. LIBOR	70% Average of LIBOR
1989-1999	5.63%	3.94%
1999-2009	3.30%	2.31%
2009-2019	0.67%	0.47%



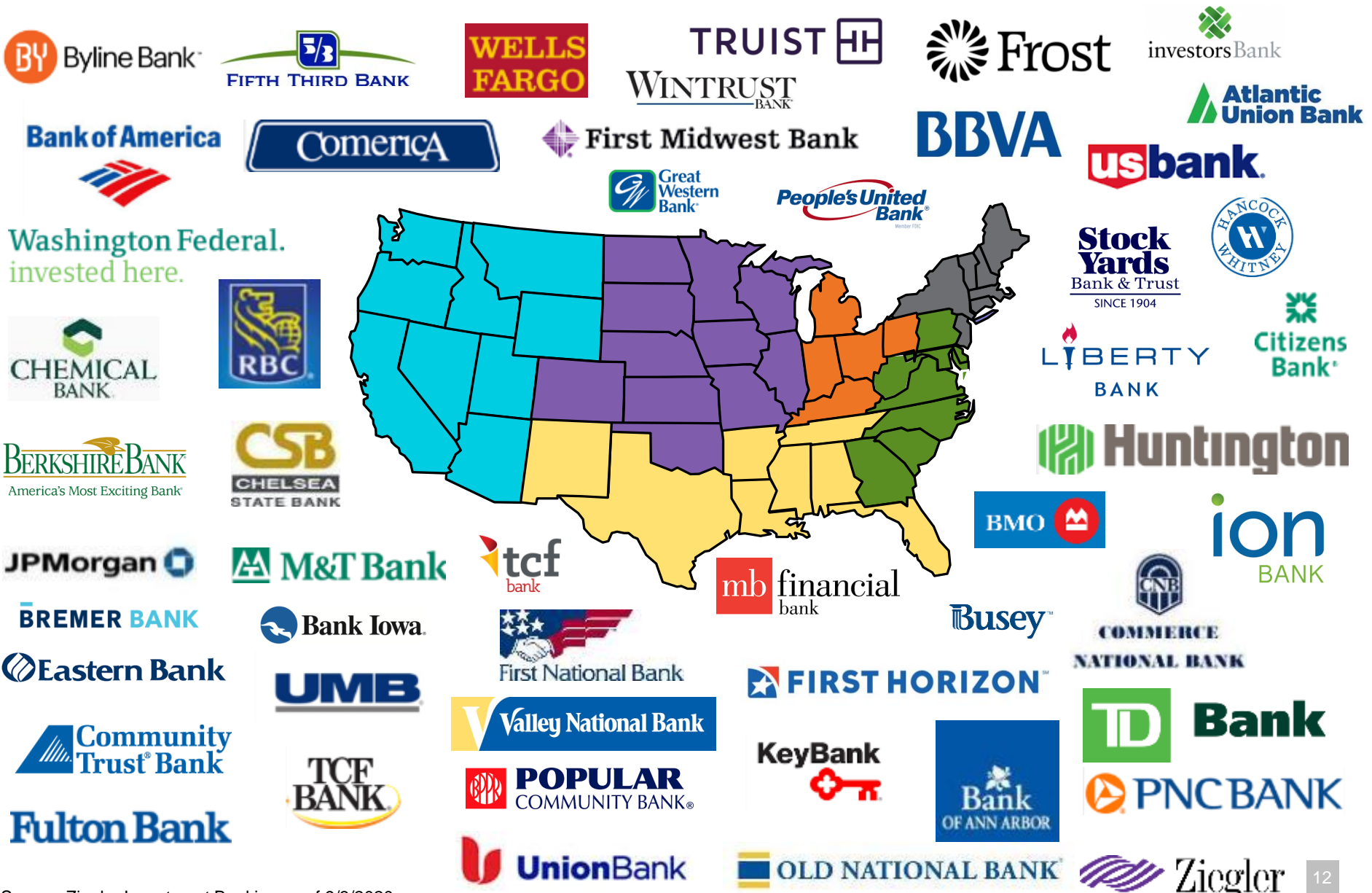
FIXED VS. VARIABLE INTEREST RATE SPREAD



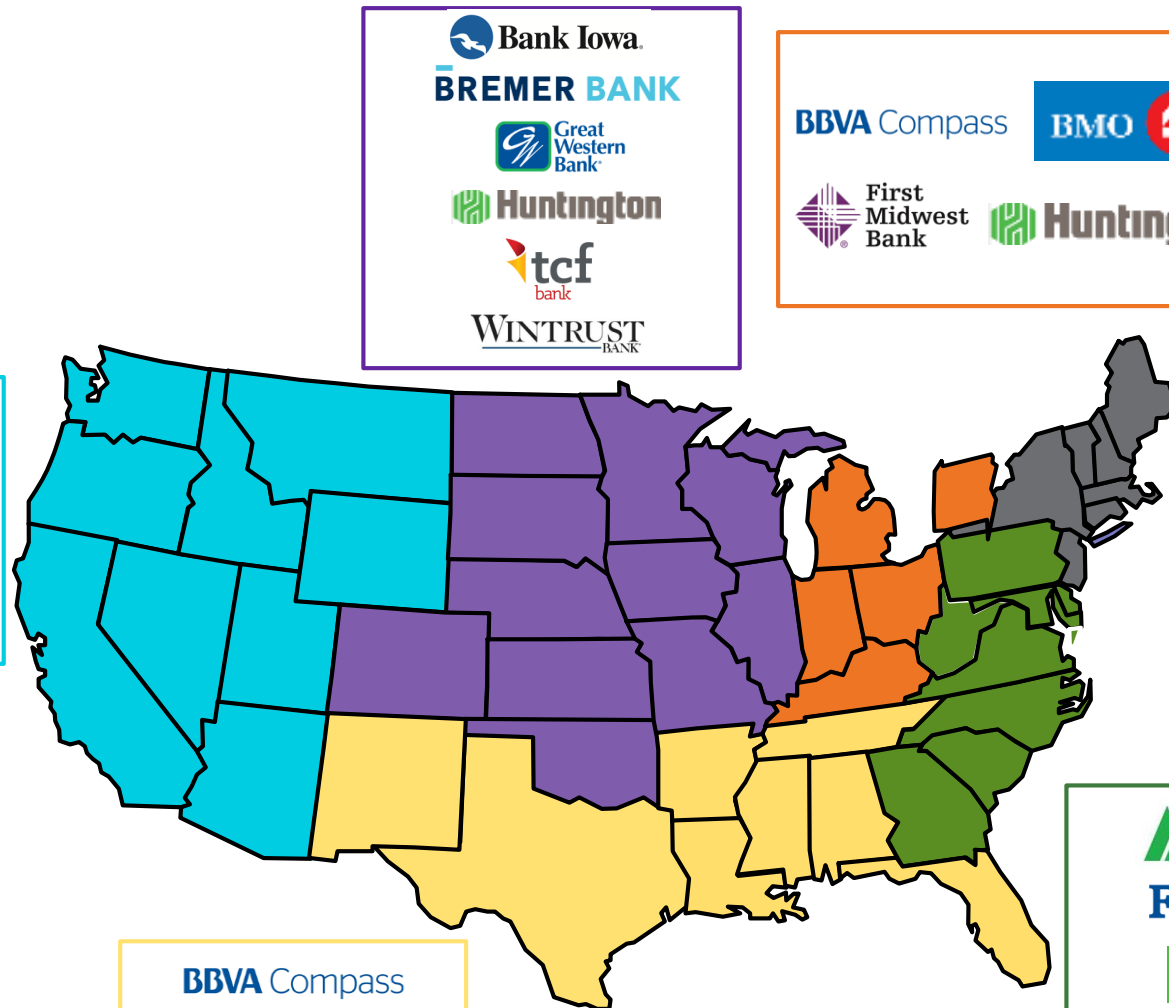
SHORT-TERM INTEREST RATES ARE EXPECTED TO REMAIN LOW IN THE NEAR TERM



SELECT LIST OF BANKS CURRENTLY ACTIVE IN SENIOR LIVING

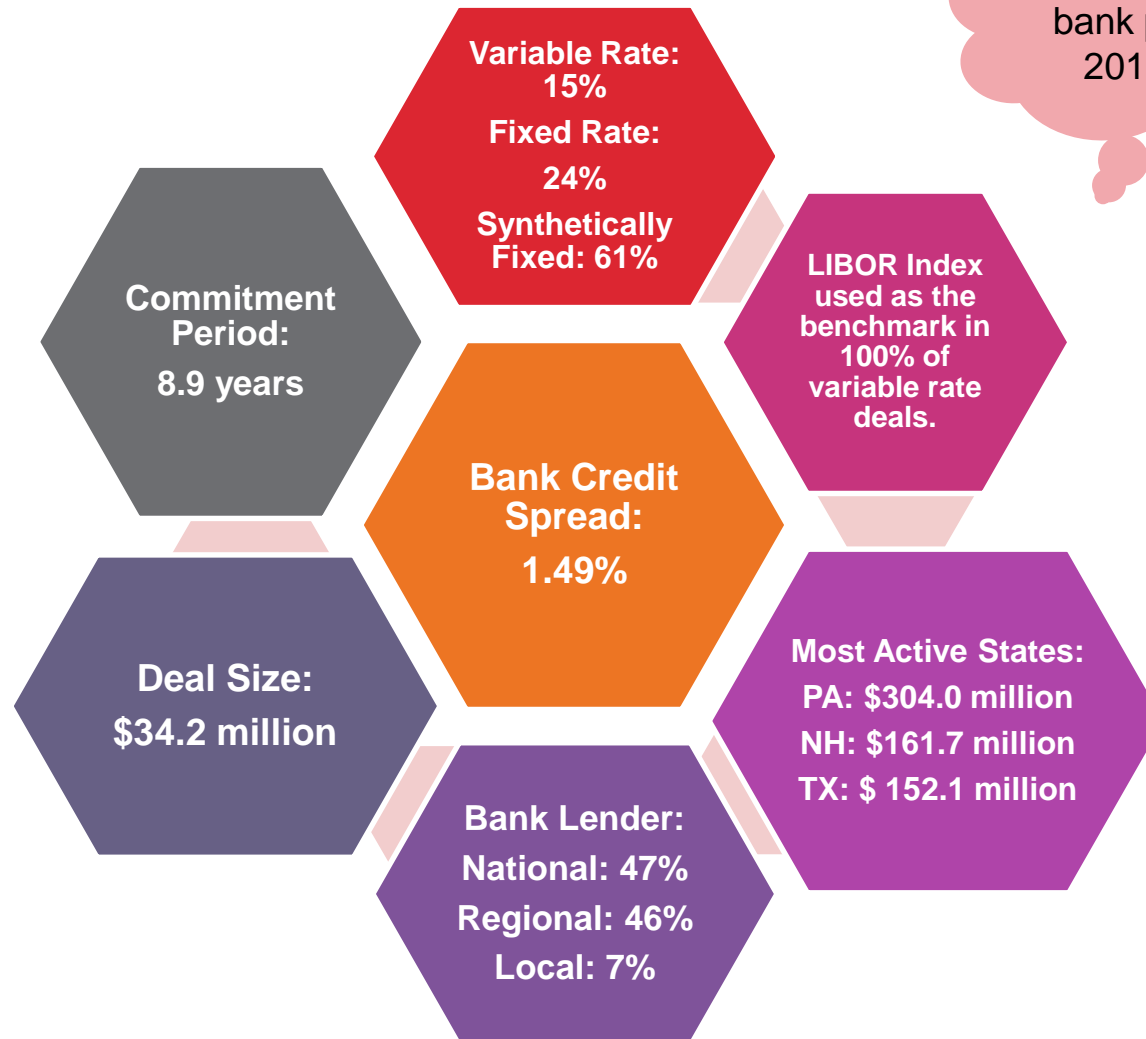


MOST ACTIVE BANKS IN SENIOR LIVING BY REGION

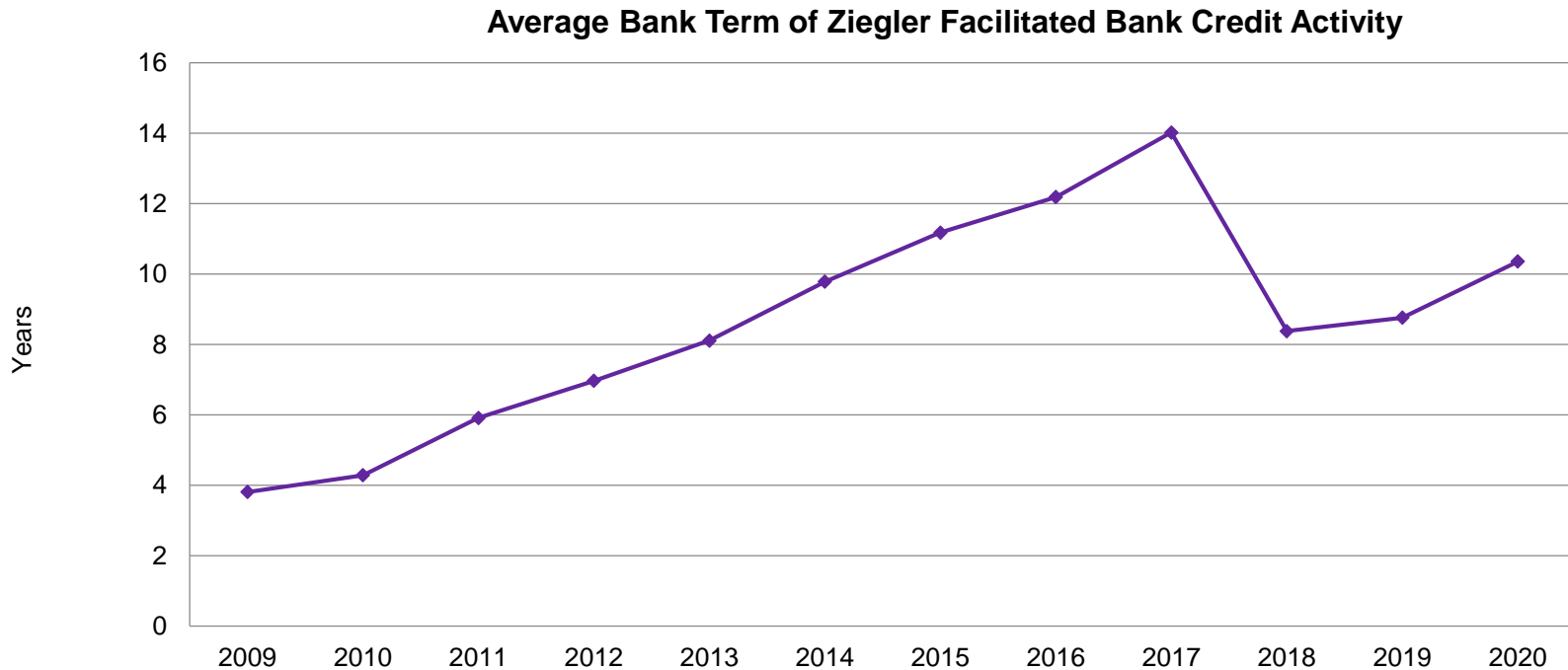


ZIEGLER BANK PLACEMENT AVERAGES

Summary of
Ziegler facilitated
bank placements
2018 – 2020*



BANK COMMITMENT PERIOD AVERAGE IS TYPICALLY 10 YEARS



THE BANK MARKETPLACE IN 2020

 La Verne, CA \$42,610,000 New Money / Refunding	 Ponte Vedra, FL \$20,000,000 New Money	 Blacksburg, VA \$17,990,000 New Money / Refunding	 Grand Rapids, MI \$22,500,000 New Money	 Austin, TX \$110,875,000 New Money	 Germantown, TN \$45,195,000 Refunding
 Manheim, PA \$53,031,000 New Money / Refunding	 Huntington, WV \$20,738,000 New Money / Refunding	 Greensboro, NC \$22,410,000 New Money	 Lancaster, PA \$12,000,000 New Money	 Greenville, SC \$17,000,000 New Money	 Harrisonburg, VA \$8,234,000 Refunding

- Some banks are not actively looking for new senior living & care lending relationships and are focusing on their existing clients
 - Actively managing existing loans and relationships, but not entering into new engagements
- Others are still actively responding to RFPs
 - LIBOR floors
 - Increased pricing
 - Reduced bank hold periods
 - More restrictive covenants
- **We anticipate that banks will continue to be active lenders coming out of COVID-19 pandemic**

LIBOR REPLACEMENT

- LIBOR is expected to be permanently discontinued by the end of 2021
- Borrowers should have awareness of which existing financial products reference LIBOR (Loans, Debt, Swaps, etc.)
 - Trigger events (LIBOR no longer being published)
 - Fallback language
- New contracts (bank placements) continue to use LIBOR but have more evolved LIBOR replacement language with expanded Trigger Events, Replacement Benchmarks (SOFR), and Spread Adjustments

The background of the slide is a solid purple color. On the left side, there are several overlapping, wavy, light purple lines that create a sense of movement and depth. These lines are more prominent on the left and fade out towards the right.

TOPIC 2

PANELISTS

Bill Berrell

Director, Healthcare Banking
Hancock Whitney

Kristyn Harrell

Senior Vice President
BMO Harris Bank

OVERVIEW OF BMO HARRIS BANK

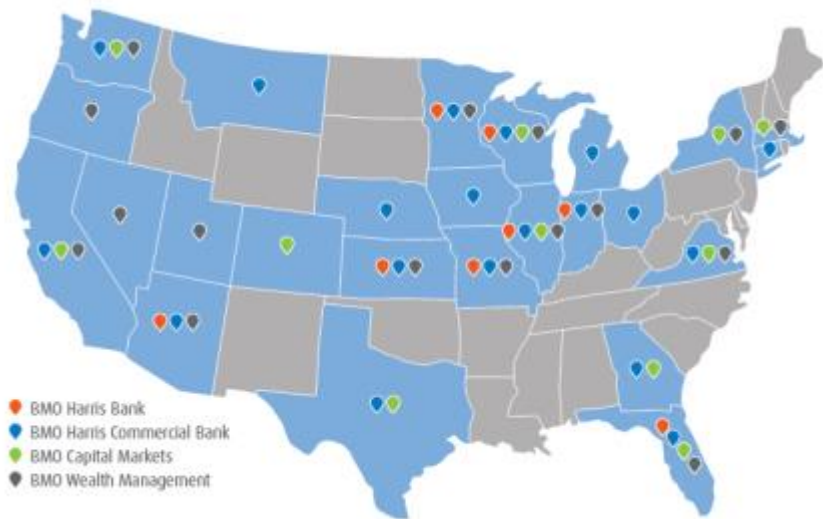


- \$569.0 billion in total assets
- \$16.9 billion in revenue
- \$49.2 billion in market capitalization
- A+ S&P Senior Debt Rating
- Aa3 Moody's Senior Debt Rating
- 46,173 employees worldwide
- 8th largest bank in North America as measured by Assets
- Serves more than 12 million customers



BMO  Harris Bank

- \$106 billion in assets
- 572 US Branches
- Commercial, Retail and Private Bank services
- Leveraging industry, business, and wealth expertise
- Strong Midwest footprint with offices in 25 states and global span through the Capital Markets and the Commercial Bank



BMO APPROACH TO SENIOR LIVING

TARGET CREDIT PROFILE

- ☐ Multi-site CCRCs
- ☐ Reputation as premier service provider in sector/region
- ☐ Minimum \$20 mm annual operating budget
- ☐ Minimum 25 year operating history
- ☐ Investment grade credit quality
- ☐ Consistent Occupancy trends
- ☐ Strong Liquidity Position
- ☐ Consistent history of break-even operations

CREDIT PRODUCTS OFFERED

- ☐ Tax-Exempt Direct Purchase Loans
- ☐ Direct Pay Letters of Credit
- ☐ Standby Bond Purchase Agreements
- ☐ Taxable Term Loans
- ☐ Revolving Lines of Credit

TYPICAL COVENANTS AND STRUCTURE

- ☐ Minimum Days Cash on Hand (DCOH)
- ☐ Minimum Debt Service Coverage
- ☐ Hold levels up to \$100mm
- ☐ Tenor up to 10 years
- ☐ Secured pari-passu with other bondholder debt that includes a gross receipts pledge and/or an AOC mortgage

PANELIST INTRODUCTION



Bill Berrell – Director, Healthcare Banking Group

- » 20+ years of both non-profit and for-profit senior housing
 - » Leads a team dedicated to Not-for-Profit, Senior Housing, and Healthcare Real Estate Banking
 - » Specializes in tax-exempt financings, Bridge to HUD loans, Healthcare Real Estate transactions.
-
- Hancock Whitney is a \$40B Bank based in New Orleans, LA, with a presence throughout the Gulf Coast and Southeast.
 - Hancock Whitney has a 100+ year history and has consistently been ranked among the strongest financial institutions by Bauer Financial, Inc. (110 straight quarters).
 - Hancock Whitney's Healthcare Banking Group specializes in provider based Healthcare, with deep experience and expertise in not-for-profit healthcare, private equity backed companies, senior housing and healthcare real estate, as well as acute and sub-acute facilities based lending.
 - The Healthcare Lending Team has an average of 15 years of Healthcare banking experience across multiple lending institutions.
 - Over \$1.1B Healthcare Portfolio at 12/31/19, all built since Group inception in 2015.



PANELIST INTRODUCTION

■ Healthcare Banking Transactions:

- Mergers and Acquisitions Lending
- Letters of Credit / Bank Bond Financing Structures
- HUD, etc. Bridge Loans
- Syndications / Public Finance
- Leases
- Construction Loans
- Working Capital and M & A Lines of Credit

■ Other Products Offered include:

- Interest Rate Management Services
- Healthcare specific treasury management platform and solutions
- Purchasing Card / Online Payables Programs
- Wealth Management / Institutional Trust



ITEM 3

PANEL QUESTIONS & OPEN DISCUSSION

Bill Berrell
Director
Hancock Whitney

Kristyn Harrell
Senior Vice President
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Tom Meyers
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QUESTION 1

- How has your organization reacted to COVID-19 with respect to lending?
- What trends are you seeing in the lending market as a result of COVID-19?
- What new credit metrics do you focus on today?

QUESTION 2

- What is your respective “sweet spot” in terms of hold amount?
- What is your strategy around syndication if capital needs are above your hold limit?
 - What issues should borrowers consider if more than one bank is involved?
 - What is the difference between a syndicated loan and a club deal?

QUESTION 3

- How do you analyze term pricing?
 - What is the maximum term you will provide?
 - Is there a pricing differential for debt supported by entrance fees versus permanent debt?
 - What are the primary drivers of pricing (i.e. credit spread)?
 - What is the pricing differential for longer term lengths?

QUESTION 4

- Covenants – how are they doing?
 - Debt service coverage ratio, liquidity, additional debt tests?
 - Willingness to match Master Trust Indenture for operating covenants?
 - Does your bank limit the amount of variable rate debt (i.e. interest rate hedge requirements)?

QUESTION 5

- Loan to Value and Appraisal Requirements – any changes or relief from prior years?
 - Cost and timing of appraisal
 - Strategies is appraised value doesn't meet loan to value requirements
 - Key considerations borrowers should be thinking about when working with appraisers

QUESTION 6

- Banks providing loans often seek additional banking relationship, what is the most desirable ancillary business relationship for you?
 - How do you address long standing relationships with smaller local providers?
 - How is this handled for syndicated deals?

QUESTION 7

- How is your organization preparing for the elimination of LIBOR and what should senior living organizations do to prepare...
 - If they have existing loans tied to LIBOR
 - If they are entering into a new bank financing

QUESTION 8

- What do you want to tell your borrowers that you can't say to them in their office or Board room?
- What is your organization's outlook for...
 - The economy
 - The senior living sector
 - Short term interest rates

QUESTIONS & ANSWERS



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For more information regarding administrative policies such as complaint and refund, please contact our offices at 312-705-7262. Fees for this workshop are detailed on the registration form.

ABOUT ZIEGLER

- Ziegler is a privately-held investment bank, capital markets and proprietary investments firm
- A registered broker dealer with SIPC & FINRA
- Ziegler provides its clients with capital raising, strategic advisory services, equity & fixed-income trading and research
- Founded in 1902, Ziegler specializes in the healthcare, senior living and educational sectors as well as general municipal finance

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