2025 CONFERENCE RECAP

– 22nd Annual HJ Sims –

LATE WINTER CONFERENCE

FORT WORTH

February 25-27, 2025

The Worthington Renaissance | Fort Worth, TX

HJ SIMS FINANCED RIGHT®

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2025 Conference Recap

2025 marked the 22nd Annual HJ Sims Late Winter Conference, held at The Worthington Renaissance in Fort Worth, TX. We were honored to host our largest-ever HJ Sims Late Winter Conference, bringing together 350+ senior living providers, charter school representatives, board members, investors, and business partners. The week was filled with insightful discussions, valuable learning from industry leaders, and countless networking opportunities—all complemented by moments of fun along the way!

"With the continued growth in our banking practice, we're thrilled to continue to grow our conference. The dynamics of the market and the industries we serve create ample opportunity for us to show our value of being partners to our clients, helping them navigate their growth and successful strategies. This conference, much like our company, aims to showcase dynamic solutions for challenges in our respective fields. Coupled with the opportunity to network in an environment that fosters thought leadership through recreational activities, this is by far one of our most successful events of the year." -Lynn Daly

Throughout the conference, attendees explored key issues impacting both sectors, including the current volatility in financial markets, persistent labor shortages, and ongoing merger and acquisition activity.

Our keynote speaker, Pandit Dasa, a former monk in New York City, delivered a compelling presentation on Mental Health in the Workplace and Mindful Practices for Stress Management, too often-overlooked topics in professional settings. Closing out the conference, Sanford Leeds, Senior Lecturer at The University of Texas at Austin McCombs School of Business, delivered a fast-paced, data-driven keynote on the numbers that matter most. As he noted, "Opinions are great, but opinions grounded in data are even more powerful."

Relaxed and engaging activities fostered connection and conversation throughout the event. This year's highlights included a pickleball tournament, a visit to the John Wayne Museum, and an immersive experience at The Stockyards. Attendees also enjoyed golfing at the Cowboys Golf Club, a private whiskey tasting and tour at TX Whiskey Ranch, and an interactive evening reception at the Fort Worth Stockyards featuring line dancing, encounters with a Texas longhorn and Mini Highland Cow, and classic Western games.

Our educational sessions offered valuable insights for both the Senior Living and Charter School industries, covering a wide range of timely and relevant topics. One session, "Alternative Models for New Development," examined how new projects are being brought to life in an ever-evolving environment, often through innovative ownership structures and creative partnerships designed to meet growing demand. Another session, "Opportunities in Private School Growth," explored the expanding private K–12 education market in the U.S., offering investors a deep dive into emerging trends and potential areas for growth.

Each session fostered an interactive environment that encouraged thought leadership, collaboration, and the exchange of forward-thinking ideas.

The following pages offer a detailed overview of both keynote and breakout sessions from the 2025 HJ Sims Late Winter Conference.

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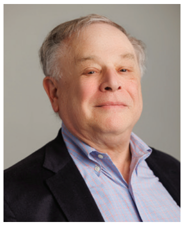
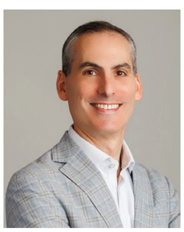
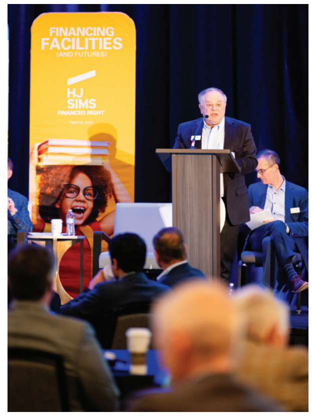
HJ Sims Year in Review - Capital Market Trends for the Senior Living and Charter School Sectors



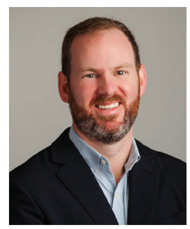
Bill Sims, Managing Principal, kicked off the 22nd Annual Late Winter Conference by highlighting and celebrating the 90th anniversary of HJ Sims! Along with this, it was also a record attendance for Sims' Annual Late Winter Conference. After working at Sims for more than 50 years, Bill has stepped back from his leadership position and transitioned his day-to-day responsibilities to Aaron Rulnick, Jason Diamond, and Elizabeth Sims. We are profoundly grateful and humbled to have been afforded the opportunity to learn from Bill, and his enduring legacy will undoubtedly continue to reverberate throughout the halls of Sims and the broader finance community.

Aaron Rulnick, Managing Principal of HJ Sims, reflects on the lessons he has gleaned from Bill, with the utmost importance placed on the virtues of "humility and servant leadership." He expounded upon the firm's distinctive approach to financing, which he aptly described as "partnering right." Aaron noted that whether it is "financed right or advised right," the common thread is the organization's hands-on, meticulous methodology. He reiterated Sims' aspiration to rank first in customer service and process efficiency, rather than merely prioritizing transaction volume like many of its industry counterparts. Aaron highlighted the team's capacity to collaborate seamlessly across banking platforms in order to optimally serve the firm's clientele. He cited the example of a recent student housing project, which drew upon the organization's collective expertise in both the education and multi-family housing realms. Aaron's remarks underscore the firm's steadfast commitment to prioritizing client service and collaborative problem-solving, as well as its unwavering dedication to its valued clients.

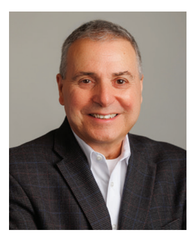




Curtis King, Executive Vice President, highlighted how HJ Sims' experience as both a capital provider and lender gives the firm a unique perspective that allows it to develop win-win solutions for its clients. Curtis shared examples of how Sims has leveraged this dual experience to provide guidance and creative financing solutions for its for-profit clients, including advising a client on operational improvements, providing strategic input to a client evaluating the acquisition of a standalone nursing community, and working closely with a borrower and lender to facilitate an extension on maturing loans. Curtis emphasized that when clients work with Sims, they benefit from the expertise of the entire healthcare financing team, not just an individual. This team approach allows Sims to develop innovative solutions to meet the unique needs of its for-profit clients, even in challenging market environments.

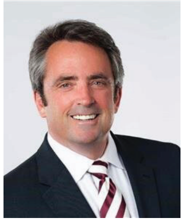


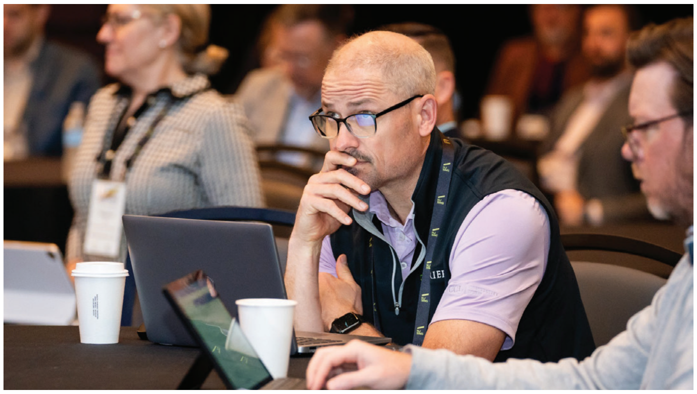
Anthony Luzzi, President of Sims Mortgage Funding, provided an overview of how the company expanded its HUD-insured loan portfolio across a diverse array of geographies and programs, securing new projects in markets ranging from New York to Illinois to Guam. Anthony also highlighted the collaborative success in business development the team had undertaken with HJ Sims. He also summarized the company's consulting successes in generating additional funding for clients, such as helping one organization secure 96 new Section 8 vouchers and rent increases. Looking ahead, Anthony drew attention to HUD's new "middle income housing"

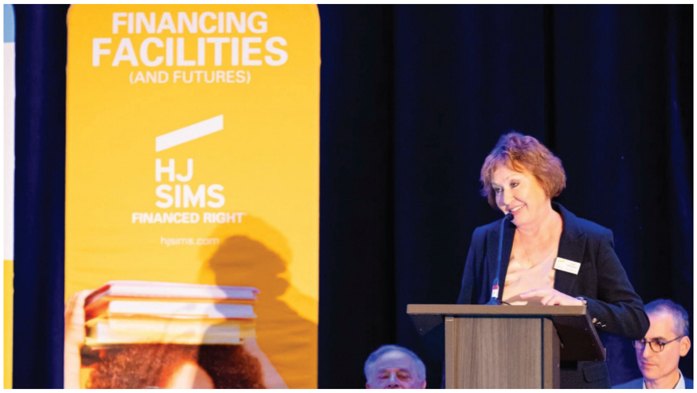


program, which aims to spur more middle-class affordable housing development, as well as the "bridge to HUD" phenomenon, where stabilizing senior housing operations are allowing projects to refinance into long-term HUD-insured loans. Finally, Anthony provided an overview of the new HUD Secretary, Scott Turner, and the potential policy changes that may arise under the new administration.

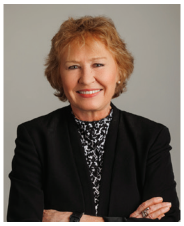
Richard Harmon, Executive Managing Director and Head of Education Banking, representing Sims' education banking team, proudly introduced the five new professionals who have joined the group over the past three years, growing the practice to a robust team of eight. Rich, with 42 years of banking experience, emphasized the exceptional talent of this expanded group, noting they are the most impressive team he has had the privilege of working with. Diving into the team's 2024 accomplishments, Rich highlighted their leading market position, having closed 31 transactions totaling $668 million - a performance that placed Sims at the top of the industry. Looking ahead to 2025, Rich expressed enthusiasm about the team's already active pipeline of 34 transactions, underscoring the momentum and demand for their services. Beyond the impressive volume metrics, Rich detailed the team's strategic expansion into private school and higher education financing, as well as their collaborative efforts with Sims' senior living practice. As Rich concluded, he voiced concerns over potential headwinds, such as the threat of municipal bond tax exemption elimination and the rise in charter school defaults, while expressing confidence in the team's ability to navigate these challenges through their deep industry knowledge and client-centric approach.





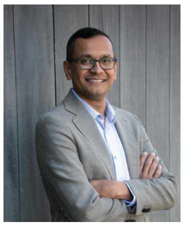


Gayl Mileszko, Senior Vice President and Director of Credit Analysis, provided an insightful overview of the key demographic trends impacting both the education and senior living sectors. She highlighted the significant population shifts occurring, with people moving residences more frequently, both within and across state lines, since the start of the pandemic. Gayl noted how these population changes can affect school enrollment, the feasibility of senior housing projects, and the revenue streams for essential community services. While some regions have seen an influx of new residents and businesses, she cautioned that outliers like Oracle's headquarters relocation can leave behind significant fiscal challenges. Gayl also addressed the looming threat of eliminating the tax-exempt status of municipal bonds, emphasizing Sims' proactive efforts to educate clients and work with industry associations to preserve this critical financing tool. Gayl concluded by giving the audience a bit of Cowboy Wisdom: "You must be yourself. Because everybody else is already taken."



Keynote - How to Enhance Your Work Environment and Mental Health through Mindful Practice

To kick off the keynote session, speaker **Pandit Dasa** shared his inspiring personal journey which began with him growing up in a modest immigrant family in Southern California. Though his parents' industrious work ethic brought the "American Dream" to fruition, they suddenly found themselves facing financial hardship when their jewelry business burned down. This resulting period of change and uncertainty eventually led to Pandit becoming a monk for 15 years before transitioning back to the corporate world as a motivational speaker.



Pandit Dasa
Keynote Speaker

As a former monk, Pandit emphasized the critical importance of self-care and mental health, especially in high-stress work environments. He encouraged the audience to prioritize their own well-being without guilt, noting that if we don't nourish ourselves, we cannot effectively support our colleagues, clients, and loved ones. Pandit compared the mind to a smart device, noting that just as devices can experience performance issues from running too many apps, our minds suffer from an inability to control and "close out" the over 50,000 thoughts the average person has in a day. To help rectify this, Pandit provided practical tips to help regulate our thoughts and emotions in our day-to-day lives.

Pandit's 3 Main Takeaways:

Pandit emphasized that self-care isn't selfish and also stressed the need to destigmatize discussions around mental health in the workplace. Pandit argued seeing a therapist should be just as normalized as seeing a doctor or dentist and shared examples of high-profile individuals, like Simone Biles and Naomi Osaka, who have openly addressed their mental health struggles.

Pandit then discussed the importance of setting healthy boundaries in our lives and prioritizing our physical and mental health. He noted the importance of sleep for both physical and mental performance.

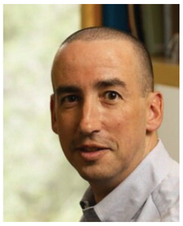
Pandit challenged the audience to be more empathetic and create a culture of appreciation, where colleagues feel valued and supported. He quoted UNC basketball coach Dean Smith saying, "Never take for granted the assist of your teammate" to emphasize the importance of appreciation, empathy and being a good listener. Pandit noted that building positive social connections in the workplace can have numerous health and performance benefits.

Finally, to demonstrate the power of mindfulness, Pandit led the group through a guided meditation exercise, guiding them to focus on their breath, release tension, and cultivate gratitude. He emphasized that these simple practices can help quiet the mind, enhance creativity, and boost emotional intelligence - all of which are crucial for effective leadership and collaboration.

Overall, Pandit's keynote provided the audience with invaluable insights and actionable strategies for maintaining work-life balance, managing stress, and building a positive workplace culture. His personal story and expertise resonated strongly, leaving attendees inspired to prioritize their own mental health and that of their teams.

Numbers You Should Know

Professor **Sandy Leeds** provided an insightful and data-driven economic overview to close out the conference. He began by examining the current state of the stock market, noting that while strategists remain bullish, many fund managers believe stocks are overvalued based on metrics like the price-to-earnings ratio and free cash flow yield. Sandy explained how high valuations could translate to lower long-term returns, cautioning that the high concentration of the market in a handful of large companies is an area of concern. To expand upon this point, Sandy noted that the U.S. comprises 66% of the world index market cap, a disproportionate weight.



Sandy Leeds
Professor

However, he noted as a counter-argument that many of these large-cap U.S. firms are highly profitable, especially when compared to the many other small-cap firms that constitute both domestic and international markets.

Turning to inflation, Sandy delved into the complexities facing the Federal Reserve. He discussed how the central bank is navigating the delicate balance between cooling price pressures and avoiding a sharp rise in unemployment. He argued that the PCE is a more complete measure of inflation than the more commonly used CPI and discussed inflation trends in areas such as gas prices and housing. Sandy also highlighted the challenges in pinpointing the neutral interest rate, a key benchmark for policymakers.

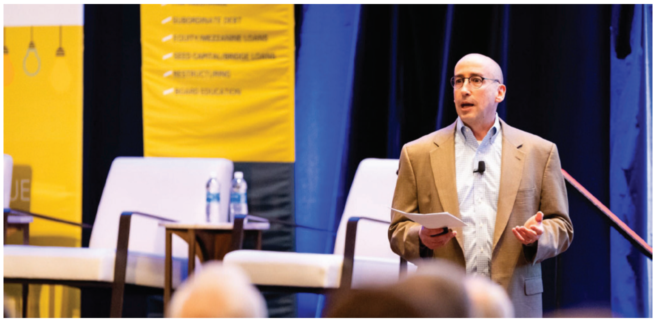
Sandy then presented survey data obtained from both Democrats and Republicans to demonstrate divisiveness on a number of topics. Unsurprisingly, the gulf is quite wide, even on simple issues such as sentiment regarding the country's overall direction. He also explored how political polarization impacts policymaking, with increasingly stark divides emerging on issues like the war in Ukraine and the role of NATO.

On the topic of immigration, Sandy presented compelling data on the vital contributions of foreign-born workers to the U.S. labor force and economic growth. With the U.S. witnessing a falling fertility rate, he argued that immigrants, both highly skilled and less educated, can help fill crucial gaps and drive innovation. Sandy also argued that a well-planned immigration system is essential for sustaining the country's economic dynamism.

Shifting to trade policy, Sandy analyzed the impact of tariffs, noting that the trade deficit has actually worsened during the current Trump administration, despite the protectionist measures. He provided insights into the complex dynamics of the balance of payments and how efforts to reduce the trade gap can have unintended consequences.

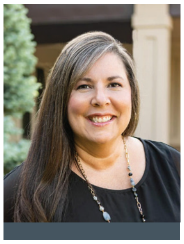
Finally, Sandy tackled the growing federal deficit and national debt, outlining the trade-offs policymakers face in addressing this long-term challenge. He emphasized the moral imperative of fiscal responsibility to avoid saddling future generations with unsustainable liabilities.

Overall, Professor Leeds delivered a thought-provoking and data-rich presentation that offered attendees a comprehensive understanding of the key economic issues shaping the business landscape. His expertise and balanced perspective provided valuable insights for navigating the road ahead.



CFO Networking Breakfast

The CFO Breakfast session this year featured three leaders in the senior living and care sector, each with a unique perspective:



Jessica Argerbright
Westminster Village

- **Jessica Argerbright** Westminster Village
- **Xan Smith** Westminster Village
- **Steve Wood** Caraday Healthcare

Panelists shared insights on a variety of topics that highlighted the financial and operational challenges facing the senior living industry, with a focus on strategies for maintaining stability and fostering growth in an evolving market.

Approach to Multiple Lines of Business

The session began with a discussion around the panelists' approaches to operating multiple service lines within their organizations. Xan shared the concerted effort that Goodwin Living has made to diversify its revenue stream, with approximately 20% of enterprise revenue now coming from home- and community-based services. Both Jessica and Steve agreed that offering services that complement the core operations of their respective organizations is important, with Jessica describing Village Care, an in-house service agency that helps monitor care needs of its independent living residents, and Steve highlighting Caraday's in-house home health care and pharmacy companies as examples.

Data and AI Applications

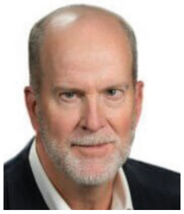
The substantial increase in the amount of data being collected—and the deluge of headlines related to the rise of AI applications—has led to a much greater focus on how senior living organizations are leveraging these solutions. Both Steve and Xan emphasized the importance of actionable information that is as close to real-time as possible in order to make needed operating adjustments. Both are closely watching AI applications that improve automation, though they are hesitant to be first movers in a space that is advancing quickly and carries high associated costs.

Xan Smith
Goodwin Living

Xan sees growth in partnerships with research organizations studying various health, wellness, and therapy topics, as these are often grant-funded and, like the Mather Institute, freely circulate findings for the collective benefit.

Maintaining Margins Amid Rising Costs

Over the past several years, nearly all senior living organizations have felt the pressure of compressed operating margins, with staffing-related costs as the primary contributor. Westminster Village has taken a strategic approach to wage increases, aiming to minimize reliance on agency staffing and maintain manageable turnover levels—key factors in ensuring high-quality resident care. Steve echoed the importance of providing outstanding resident care, noting that a continued focus on excellence can mitigate many other operating pressures. He also pointed out the incongruence between agency utilization and high-quality care.



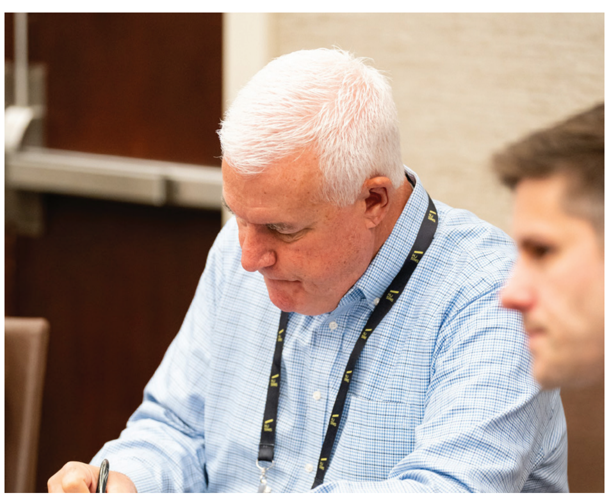
Steve Wood
Caraday

Xan focused first on how Goodwin Living manages the revenue side of the margin equation, with substantial increases to entrance fees in recent years driving adjusted net operating margin levels consistent with 'A' rated organizations. Additionally, approximately 50% of Goodwin Living's staff originates from outside the United States, and the organization provides supportive programs—including assistance on the path to citizenship—for this segment of its workforce.

Competitive Advantage and Growth Strategies

Looking ahead, the panelists shared their perspectives on competitive advantages and growth strategies. Steve expressed a goal of continued growth to leverage the benefits of scale and believes that while the skilled nursing operating environment will continue to change, Caraday's strong culture and focus on excellence will differentiate the organization for years to come. Xan believes ongoing reinvestment in Goodwin Living's existing assets is critical to maintain their market position, with a goal of funding annual capital expenditures at 100% of depreciation. In addition, they are pursuing expansions at existing communities and exploring potential affiliations in the geographic areas surrounding northern Virginia. Westminster Village remains focused on investing in its workforce, including the continued development of a homegrown nursing program. Jessica also noted that while Westminster Village is landlocked, Phase 2 of its 2020 master plan is currently under construction, with future plans to increase the density of its independent living offerings under evaluation.

For more information about this session, please connect with Brett Edwards at bedwards@hjsims.com or David Saustad at dsaustad@hjsims.com.



M&A: Strategies, Considerations, Execution and Post-Merger Integration

This year's Mergers and Acquisitions' panel featured three industry leaders in both the not-for-profit and for-profit sectors.

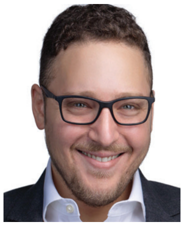
Panelists included:

- **Simcha Buff** | Chief Legal Officer
  Comprehensive Care Capital
- **Jeff Gentry** | Chief Operating Officer
  Buckner International
- **Reed VanderSlik** | President & CEO
  ThriveMoore

M&A Process Considerations

The panelists discussed several topics related to the process of selling and buying communities, including when to solicit a wide range of buyers (vs. a narrow pool), relationship building with the buyer/seller, and purchasing distressed assets. ThriveMore recently sold an assisted living and skilled nursing community in Asheville, North Carolina. They were approached multiple times by a broker who expressed interest prior to their decision to divest the community. After a few years, ThriveMore made the decision to sell the community due to an opportunity to purchase a new independent living and assisted living community nearby. Reed VanderSlik spoke about the decision-making process of weighing the option to solicit multiple offers by going out to the wider market versus going with the broker who had previously reached out and with whom they had formed a relationship. ThriveMore ultimately decided to solicit a price only from that broker due to their positive relationship and the ability to limit word getting out about the potential sale. They then worked with HJ Sims to confirm that the broker's offer was competitive with the current market. This process saved ThriveMore considerable time and costs, while also maintaining the confidentiality of the sale in the Asheville market.

Simcha Buff echoed the importance of building relationships throughout the process, noting that buyers should ensure they have a good relationship with the outgoing management team. Issues will arise after the sale of the community, and having the ability to reach out to the previous management team ensures a smooth transition for the residents.



Simcha Buff
Comprehensive Care Capital

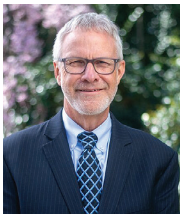
Both Jeff and Simcha touched on the process of buying distressed assets. Buckner recently purchased The Stayton, a continuing care retirement community in Fort Worth, TX, out of bankruptcy. From start to finish, the process took 20 months but allowed Buckner to add a new community to the organization without needing to build a new ground-up development, which would have been 30% more expensive due to high construction costs and interest rates. Jeff discussed the strategy of deciding between offering a cash price for the community versus restructuring the existing debt. Buckner decided to offer based on restructuring the existing debt, as it resulted in a higher price and an opportunity for the bondholders to recover a larger portion of their investment. Simcha discussed that buyers need to avoid structurally distressed assets when reviewing these kinds of opportunities. Structurally distressed assets are those where there is something fundamentally wrong with the asset that prevents meaningful improvement based on the required investment. The dysfunction could be due to the market in which the community is located or issues with the existing culture at the community.

Jeff Gentry
Buckner International

Current Market and Motivations for M&A Activity

Each of the panelists discussed their view of the current market, expectations for the future, and their motivations for pursuing acquisition opportunities. Simcha believes that current interest rates are still holding back M&A activity. He has also seen a higher demand for skilled nursing transactions compared to senior housing opportunities, as for-profit skilled nursing providers have been better able to cover the increased costs stemming from the pandemic.

Furthermore, there has been more distress on the senior housing side, which has constrained capital for these acquisition opportunities.



Reed Vanderslick
ThriveMoore

Reed noted that ThriveMore will continue to review acquisition and affiliation opportunities. Acquisitions represent great opportunities to change an organization's unit mix. In ThriveMore's case, they significantly reduced their assisted living/skilled nursing mix and added more independent living through their recent acquisition and divestiture. Nevertheless, Reed believes that while senior housing represents the most attractive acquisition opportunities, there is still a place for skilled nursing in the continuum of care.

Jeff agreed with Reed on focusing on senior housing opportunities, as Buckner does not have a positive outlook on skilled nursing in Texas. Jeff believes that acquisitions and affiliations represent great ways to expand an organization's mission and brand, obtain new workforce talent, and improve the organization financially and operationally. Jeff noted that while acquiring a community often involves integrating the community's processes into the buyer's existing systems, there are still opportunities to learn best practices from the selling organization.

Non-Profit Specific Considerations

Both Reed and Jeff, representing not-for-profits, discussed issues their organizations faced during the divestiture and acquisition processes. A key theme for each organization was Board education. Most not-for-profit boards are not familiar with the acquisition process, as much of the growth in the sector has historically occurred through building new communities. Both ThriveMore and Buckner spent a considerable amount of time educating their boards upfront and throughout the process.

More specifically, at ThriveMore, the Board of Directors struggled with the idea of selling a community where the organization had committed to providing care for the residents. Reed said they worked through this issue by finding a community in the same market to purchase and by researching the buyer to ensure that the residents would not experience a significant decline in the quality of care.

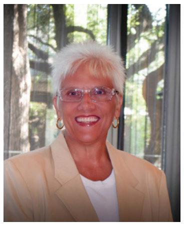
For Buckner, the organization had historically had more experience in child and family services. Jeff and his team had to educate the board to prepare them for buying a distressed senior living community out of bankruptcy. Without this education, the board would not have been able to make the necessary decisions quickly enough to take advantage of the opportunity.

Managing the Stress of Distress

As senior living organizations confront increasing market and financial pressures—many outside of management's control—some are experiencing varying degrees of financial and operational distress. This session provided an opportunity for several leaders to share their experiences and offer practical strategies for other organizations that may face similar challenges in the future.

The panel included **Wendy Carpenter**, CEO and Executive Director of EdenHill Communities (New Braunfels, TX); **Cherie Grisso**, CFO of Aldersgate (Charlotte, NC); and **Kimberly Fuson**, former CEO of Cedar Sinai Park (Portland, OR).

Overview of Organizations

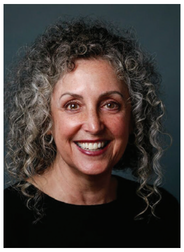


Wendy Carpenter
EdenHill Communities

Wendy began by sharing a brief history of Edenhill and its roots dating back to the early 1900s and leading to an expansion project in 2012 that significantly increased the leverage of the organization. Unfortunately, the project encountered construction delays, cost overruns, and widespread defects, leading to contractor litigation and an inability to service the debt several years after financing. Following a leadership change in 2020, EdenHill began making significant improvements to financial performance. However, with some components of the original project never completed, combined with occupancy and revenue challenges in healthcare areas, the improvements have not been sufficient to meet ongoing debt obligations.

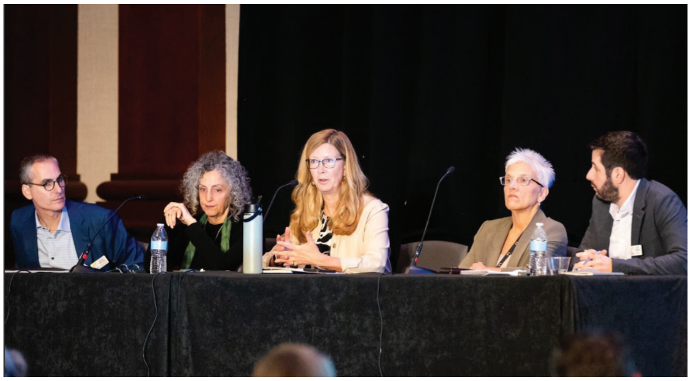
Cherie Grisso
Aldersgate

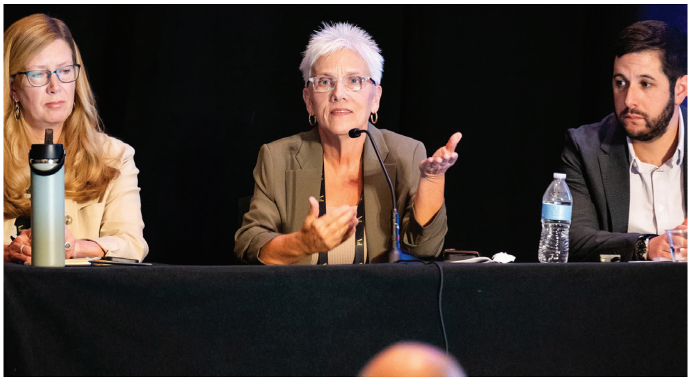
Cherie then described a similar story at Aldersgate, which experienced a decade of unprofitability, coupled with several ambitious projects that deviated from core operations and were largely unsuccessful, draining organizational resources. The organization faced regulatory scrutiny, a "revolving door" of senior leadership amid community challenges, and significant questions about whether board members fully grasped the scale of the operational and financial complexity.



Kimberly Fuson
Sinai Park

Finally, Kimberly recounted Cedar Sinai Park's ("CSP") experience, which included investing substantial capital into healthcare projects in a rapidly changing market. In addition, there was turnover throughout the C-suite and a reliance on fundraising to meet operating and debt service obligations each year. After Kimberly rejoined the CSP team, her listening tour throughout the community revealed several sustainability issues that needed to be addressed. The existing assets required right-sizing in a crowded market and reinvestment to appeal to consumers, and while there was a clear demand for independent living products, there was no capital available for development.





Alternative Models for New Development: For-Profit/Not-for-Profit Joint Ventures for Growth

This dynamic panel discussion covered a number of topics that explored the ever-changing landscape of senior living, including innovative partnerships between for-profit and non-profit organizations, key design trends, and alternative product types.

- **Mark Beggs**, Edenwald
- **Patrick McGonigle**, Harbert South Bay
- **Greg Hunteman**, Pi Architects

Innovative Partnerships

The panelists provided valuable insights into the benefits and considerations of partnerships between for-profit and non-profit organizations. Mark Beggs of Edenwald shared that his non-profit organization has looked to for-profit partners as a way to take on projects that they may not have the bandwidth or resources to undertake on their own. On a $50 million office conversion project, Edenwald's partnership with a for-profit developer allows for access to capital necessary to get the project off the ground. On the for-profit side, Patrick McGonigle of Harbert South Bay Partners explained how they were able to bring their expertise to a large-scale rental project, The James, by partnering with a non-profit owner. This unique structure, which included Harbert South Bay purchasing subordinate bonds and providing liquidity support, allowed them to access tax-exempt bond financing. Overall, the financing of The James was transformational for the industry. The project was the largest non-profit single site senior living rental community to ever be financed with tax exempt bonds. The James has introduced a new form of structure to the capitalization of ground up development projects for senior living communities. Greg Hunteman of Pi Architects noted that while these partnerships present clear benefits, the complexity of the structure, numerous unfamiliar parties, and multiple moving parts present challenges that must be worked around to fully appreciate the potential synergies. With the right partners, anything is possible. Overall, the group pointed out that the most recent combination of creativity and collaboration by non-profits and for-profits is ushering in a new way to get projects out of the ground.

Mark Beggs
Edenwald

Patrick McGonigle
Harbert South Bay

Design Trends

Greg Hunteman
Pi Architects

The panelists also provided an insightful look at the evolving design trends shaping senior living. Greg Hunteman highlighted several key trends, including a focus on maximizing density and wellness. He noted that he sees this trend across all community types, with communities reducing wellness centers down to a smaller physical footprint to remain financially feasible which preserving the benefits for residents. Patrick McGonigle gave an overview of the proliferation of ultra-high-end communities such as The James, which included a full "country club" style amenities packages. In coastal gateway markets where Harbert focuses, he sees tremendous demand for ultra-luxury design meant to function like a "cruise ship on land." Shifting the discussion to the middle market, Mark Beggs noted that by nature middle market communities come with the challenges of smaller units and smaller amenity space. The solution, he explained, lies in developing middle market campuses in urban centers, enabling integration with external amenities in the surrounding community.

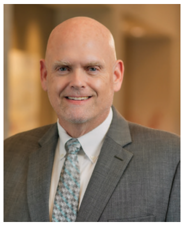
Alternative Product Types:

Intergenerational housing has been a buzzword in the senior living space, and Mark Beggs continued the conversation by discussing Edenwald's partnership with Goucher College, which has allowed Edenwald to expand their independent living offerings in a way that organically aligns with their mission. Greg Hunteman also highlighted the benefits of intergenerational housing, particularly in university-affiliated settings. Greg shared examples of how Pi has worked to blend senior living with student and faculty housing, creating unique environments that foster connections across generations, with tremendous wellness benefits for residents. With Harbert's focus solely in the rental community space, Patrick McGonigle explained that in certain ways, Harbert's communities blur the lines between entrance fee and rental communities due to their high-end nature and robust amenities. He noted that in high-end markets, residents appreciate the flexibility of rental communities, and as a for-profit developer, the rental model enables partnerships with both for-profit and non-profit organizations as for-profits tend to avoid the entrance fee model.

Throughout the discussion, a common theme emerged - the power of collaboration. Whether it's bridging the for-profit and non-profit divide or integrating senior living with creative external settings, these alternative models are redefining the future and financing of senior living. With these unique approaches to addressing the ever-growing need for new senior housing, the industry is poised to better serve the evolving needs and preferences of older adults.

Operations Focus & Tactics to Enhance Resident Experience and Organizational Bottom Line

In an era of rising financial pressures and intensifying competition, senior living providers like Friendship Village (St. Louis, MO) and John Knox Village (Pompano Beach, FL) demonstrate how strategic, resident-centric expansions, operational efficiencies, and innovative workforce solutions can drive exceptional financial performance and elevated resident satisfaction – even amid challenging market conditions and following COVID disruptions. Alongside these operational improvements and innovations shared by the two providers, a representative of 1532 Strategy shared his perspective, including underscoring the importance of disciplined labor management and admissions processes that create sustainable growth and profitability.



Doug Folsom
John Knox Village of Florida

Panelists Included:

- **Doug Folsom**, Senior Service CFO, John Knox Village of Florida
- **Terry Walsh**, President and CEO, Friendship Village
- **Matt Strange**, Founder and Principal, 1532 Strategy

Moderators:

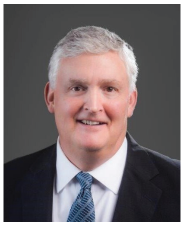
- **Jim Bodine,** Executive Vice President
- **Andrew Nesi,** Executive Vice President

Purpose:

This session examined strategies senior living communities can deploy to effectively balance implementation of ambitious expansion initiatives, evolving resident expectations, and operational challenges that were heightened by the COVID-19 pandemic and aftermath. Terry Walsh, Doug Folsom, and Matt Strange provided candid insights into large-scale capital initiatives, rigorous cost-management practices, and innovative workforce solutions, all underpinned by consistent, transparent communication. As Terry Walsh emphasized in discussing a large strategic expansion, "Everybody involved... agreed that it was an achievable project and that the risk was acceptable." The panelists demonstrated how proactive engagement with residents and staff could mitigate objections and align stakeholders around strategic initiatives. Above all, the session underscored that most pursue financial discipline and operational clarity alongside empathetic leadership.

Discussion Overview:

Terry Walsh opened by sharing Friendship Village's experience revitalizing its two-campus operation in St. Louis. Initially driven by a need to replace a 50-year-old skilled nursing facility, the project evolved into a $226 million strategic overhaul, which required consolidating separate campuses into an obligated group to strengthen its credit profile and secure cost-effective financing. Walsh recounted how resistance from residents, who were "very conservative" and skeptical about taking on new debt for facilities they "thought they were never going to need," was overcome through transparent communication and strategic concessions. These included expansion of a clubhouse and other amenity spaces, additional memory care units at both campuses, and the construction of a new independent living building and private-room skilled nursing facility, the latter of which became a critical advantage during COVID-19, allowing continuous resident admissions even amid outbreaks.



Terry Walsh
Friendship Village

Doug Folsom detailed how John Knox Village undertook an eight-year, $200 million transformation to reposition its large campus

This vision led to extensive upgrades to amenities, including state-of-the-art dining venues, an expansive aquatic center, and the construction of the Westlake building, a 150-unit tower which was completed early and under budget. Folsom noted challenges in balancing legacy resident preferences with the younger, increasingly active residents who sought, among other things, extended hours and enhanced services.

Matt Strange
1532 Strategy

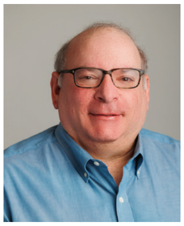
Matt Strange, founder of 1532 Strategy, described a turn-around scenario involving the acquisition of 14 skilled nursing facilities. These communities were burdened with expensive agency labor and capped occupancy levels post-COVID. Strange emphasized how strategic interventions – establishing external recruitment teams, implementing on-demand orientation, and shifting to proactive admissions practices – quickly drove occupancy from 73% to over 84% while eliminating agency staff in just months. Strange shared that this success resulted from significant reliance on data analytics and clearly defined hiring practices, noting, "We decided to go after what we wanted [in the communities] instead of filtering out what we didn't."

Key Strategies and Lessons:

All three panelists highlighted the critical role workforce innovation played in their success. At Friendship Village, the sudden loss of CNAs during COVID-19 prompted the launch of internal CNA schools, attracting over 900 applicants – a "group of people we would have never tried to recruit before," as Terry Walsh noted. Friendship Village also established licensed culinary schools onsite, effectively addressing severe chef shortages. Walsh explained that these internal training programs provided immediate relief and long-term stability: "We were able to keep 100% of our beds open 100% of the time."

Jim Bodine
HJ Sims

Doug Folsom stressed the importance of operational discipline at John Knox Village, particularly in payroll management, which accounted for 52% of operating expenses. By instituting strict policies on pay increases and requiring his personal sign-off on payroll changes, Folsom discovered significant inefficiencies and overspending. "Many people were getting double stipends," he recalled, underscoring how direct intervention and increased accountability significantly reduced costs. Folsom also highlighted empowering residents in operational decision-making, citing how residents themselves recommended closing two dining venues after understanding the financial rationale, noting this approach "went over so well [and he has] never seen residents give a presentation about why we're cutting services and why."



Andrew Nesi
HJ Sims

Matt Strange detailed how proactive workforce management and data-driven analytics drove dramatic improvements in profitability. The implementation of "eat-what-you-kill" staff recruiting incentives combined with rigorous scheduling and work shift analysis significantly reduced agency dependency. "We took the most expensive, hardest-to-fill shifts and focused there first," Strange explained, emphasizing that "real-time analytics were critical to holding staff accountable" and achieving sustainable improvements.

Emergence from Operational Challenges:

Each organization emerged stronger by blending strategic growth initiatives with rigorous operational discipline. For Friendship Village, Terry Walsh highlighted their forward-looking diversification strategy, shifting revenue reliance away from monthly service fees toward innovative home-based services via their iLife Concierge program. Terry described this as "virtual occupancy," allowing seniors to benefit from community services while remaining at home, reflecting a critical pivot toward the preferences of future residents.

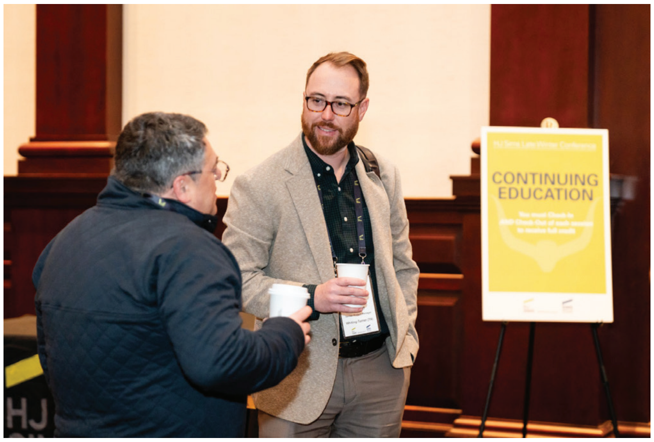
John Knox Village's success in repositioning itself to remain a premier senior living provider resulted in accelerated debt repayment, early project completions, and financial surpluses – outcomes previously unimaginable during its operational struggles. Yet, Doug Folsom emphasized ongoing challenges, particularly regarding evolving resident expectations, balancing the demands of newer and older residents, and market shifts in Florida, such as rapid regulatory changes in condo standards, highlighting that "we don't know how to solve that yet."

Matt Strange's operational discipline and rigorous labor strategies led to significantly improved occupancy and drastically reduced agency reliance across the SNF portfolio turn-around. He stressed the value of clearly defined, structured recruitment practices and efficient shift management, noting the importance of proactive rather than reactive payroll management. Strange concluded by emphasizing the scalability and sustainability of disciplined workforce management, arguing these principles could significantly enhance financial stability across senior living communities nationwide.

Conclusion:

This session provided powerful examples of how senior living communities can effectively navigate complex operational and financial challenges by combining visionary growth, disciplined execution, and innovative workforce solutions. Friendship Village and John Knox Village demonstrated that transparent communication and strategic resident engagement can transform community perception, enabling realization of successful outcomes in significant capital improvements and operational efficiencies. Matt Strange's recommended rigorous, data-driven approach further underscored the value of proactive management practices in workforce optimization, delivering measurable financial results.

Ultimately, the panelists affirmed that clear, transparent, and frequent communication with residents, staff, and governance boards is paramount. As Walsh succinctly summarized, success came from "engaging residents early and in a casual way," allowing them to "begin selling the idea before we make it a big deal." The key takeaway was that empathetic leadership, robust governance structures, and strategic clarity equip senior living providers not only to survive operational challenges but to thrive, positioning themselves as industry leaders amid a rapidly evolving senior care landscape.



Buyside Insights: Investing in Uncertain Times – Flying Circus or Wonder Years?

The Session begins with Gayl Mileszko roviding some opening remarks, noting the "chaos" and rapid changes that are happening in the broader macro environment.

- **Andrew Cooper:**
7.5 years at **Vanguard**, leads the high yield municipal credits team with a focus on Senior Living

- **Kim McMahon:**
Old National Bank, commercial lending, has focused on healthcare and Senior living for the last 20 years. Portfolio holds roughly $2.0Bn AUM, 60% For profit 40% NFP.

- **Peter Stone**:
Fortress Investment Group, oversees real estate across a variety of sectors, primarily invests in For-profit senior living

Question 1: What are the macro factors impacting your Senior Living Investments?

Andrew Cooper (Vanguard):
- Two key factors are Medicare/Medicaid payments and interest rates
- On Medicaid/Medicare, he expects more of an "interruption" in payments rather than outright reductions
- Believes skilled nursing facilities will be most impacted, as they have lower reimbursement rates and fewer alternatives for residents
- On interest rates, notes the recent rise in 10-year Treasury yields and impact on municipal bond market. These rates are causing banks to retreat from senior living deals
- Believes rates need to stay below 5% on the 1-year for the positive investment activity to continue.

Kim McMahon (Old National Bank):
- Has a large skilled nursing portfolio across 23 states, so closely monitors reimbursement changes
- Skilled nursing operators navigated COVID-19 disruptions well, but bank is prepared for potential future reimbursement issues
- Also seeing impact of rising interest rates, with some deals needing to be re-priced or restructured
- Mentioned the difficultly of the Entrance Fee model in the current environment, and the need to look more towards revenue-only coverage

Pete Stone (Fortress Investment Group):
- Focuses on demographics and ability of operators to adapt to new generation of seniors as key macro factors
- Sees labor shortages and wage inflation as major challenges impacting margins
- Fortress remains generally optimistic about the future of the senior living healthcare sector, given the significant increase in the adult population aging into senior years

In summary, the key macro factors highlighted were potential disruptions to Medicaid/Medicare reimbursement, the impact of rising interest rates, demographic shifts, and labor/staffing challenges. The speakers approached these factors from their different perspectives as an investor, lender, and operator in the senior living space.

Question 2: How Do You Dissect a New Credit or Investment Opportunity?

Pete Stone (Fortress Investment Group):

- Focus on demographics - ensuring there is a senior population in the area with ability to pay
- Look at the community's ability to appeal to the new generation of baby boomer seniors (more tech-focused, desire for modernization/amenities)
- Prioritize working with experienced, top-tier operators that can attract and retain talent, especially for larger communities (100+ units)
- Avoid smaller communities where it's difficult to pay for leadership talent

Kim McMahon (Old National Bank)

- Relies on the "5 C's of credit" - character of the operator/organization is paramount, even if it doesn't fit a traditional commercial banking box. The four others are: capacity, capital, collateral, and conditions
- Also closely examines market conditions and reimbursement dynamics, especially for operators heavily reliant on higher-skilled reimbursement
- Look for operators planning for the long-term (5+ years out), not just immediate challenges

Andrew Cooper (Vanguard):

- Location and market dynamics are the most important factors, even for highly leveraged deals
- Sponsor/developer expertise and financial resources are critical - don't want first-time developers
- Willing to be flexible on certain structural elements (e.g., no first mortgage) if the market dynamics and fundamentals are strong
- Careful about setting precedents that could impact future deals, as competitors may view the structure negatively

The key themes are a focus on demographics, operator quality/experience, and market/location, with a willingness to be flexible on certain deal structures if the underlying fundamentals are sound. Kim also emphasized the importance of the "5 C's of credit" in their underwriting process.

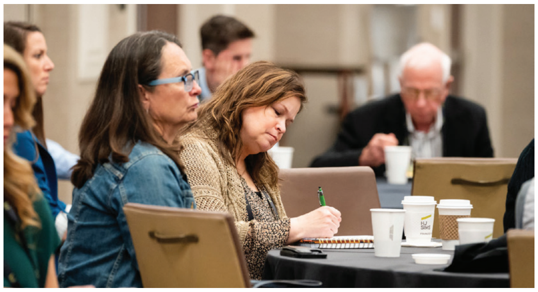
Question 3: What are Some of the New Trends That You Are Seeing In The Space

Kim McMahon (Old National Bank):

- Seeing more blending between for-profit and non-profit providers, with non-profits developing and operating non-profit communities - something that was previously uncommon
- Observing a rise in rental model communities, even in traditionally entry-fee markets
- Clients are analyzing revenue-only coverage more closely, as residents/families are pushing back on high refund entrance fee contracts
- Markets are receptive to more amortizing or lower refund entrance fee contracts in CCRC space

Pete Stone (Fortress Investment Group):

- New generation of seniors is more tech-savvy and desires more hospitality, healthcare integration, and communication/socialization features
- Operators are adopting new technologies like telehealth, fall prevention, and resident engagement apps to appeal to this demographic
- Investing in back-office/administrative technology to improve efficiency and free up staff time for resident care
- Sees the operators that invest in these areas as being better positioned for success Andrew Cooper (Vanguard)
- Seeing a trend of for-profit operators issuing bonds through non-profit issuers
- This brings higher expected margins but also higher underwriting standards
- Need to closely examine the margin profiles and feasibility assumptions for these deals



- Observing a focus on high-end, amenity-rich independent living communities on the for-profit side
- Recognizes these IL-focused communities will be more directly tied to interest rates and seniors' ability to tap home equity

The key themes are the blending of for-profit/non-profit models, the rise of rental communities, shifts in entrance fee structures, increased technology adoption, and the need to cater to the evolving preferences of the new senior demographic.

Question 4: How Can Operators Improve Their Disclosure To Make Your Diligence and Surveillance Work

Andrew Cooper (Vanguard):
- The level of continuing disclosure needed is project-dependent - more established communities with strong liquidity may not need as frequent reporting
- For newer or lower credit profile communities, more frequent and robust disclosure is essential
- Recommends operators proactively increase disclosure frequency (e.g., monthly vs quarterly) if they anticipate tripping a covenant, to help avoid issues
- Suggests including more forward-looking management discussion and analysis, not just technical financial changes
- This type of voluntary, forward-looking disclosure can be extremely useful for investors

Kim McMahon (Old National Bank):
- For banks, the philosophy is "call us when you smell smoke, don't wait until it's on fire"
- Encourages constant communication with borrowers, even if not required by the credit agreement
- Their team has been able to avoid many "workout" situations by maintaining open dialogue and understanding the operators' challenges
- Communication is essentially a "6th C of credit" - it allows the bank to better manage and control the process when issues arise

Pete Stone (Fortress Investment Group):
- P&L statements are backwards-looking, so the discussion and analysis sections are critical
- Wants to see robust key performance metrics that allow them to track what's happening at the community level
- Important for operators to explain the "why" behind financial results - was it staffing challenges, occupancy dips, etc.
- Transparent communication helps avoid incorrect conclusions and the need for extensive follow-up

In summary, the panelists emphasized the importance of proactive, forward-looking disclosure, robust operational metrics, and open communication - all of which can help investors and lenders better understand and support operators through challenges.

Q&A Session: How Do You Underwrite a For-Profit and Non-Profit Project When It Comes To Equity:

Kim McMahon (Old National Bank):
- For for-profit projects, they require the equity component to be in the deal, typically a 60% LTC if non-recourse
- For non-profit projects, they analyze it differently - looking at if it's structured outside the obligated group, how much equity the non-profit is putting in, etc.
- Regardless of for-profit or non-profit, they focus on the operator/sponsor - who they are, their experience, and whether they understand the potential challenges
- On the construction side, they will do expansion projects "all day long"
- During periods of higher interest rates and macro uncertainty, they are still willing to lend on greenfield projects, but they manage their overall exposure

Andrew Cooper (Vanguard):
- When evaluating a non-profit expanding to a new campus, recommends bringing in a third-party developer to help manage the risks, like construction and lease-up
- Looks at whether the non-profit has enough depth in marketing/operations to handle the expansion
- Emphasizes the importance of the location and whether it makes sense geographically relative to the existing footprint
- For less experienced non-profits, getting additional third-party assistance and oversight is critical, whereas more seasoned sponsors may need less

The key themes are the differences in underwriting for-profit vs non-profit deals, the importance of operator experience and resources, the need for third-party support for non-profit expansions, and the role that construction plays in the project.

Q&A Session: (Question From Aaron): Talk About How You Look At Credits Where You Have a Borrower Who is Bringing in an Organization That is Going Through an Affiliation, or if You Have a Borrower That is Seeking to Affiliate With Another Organization:

Kim McMahon (Old National Bank):
- From the bank's perspective, they generally like these types of deals involving affiliations or mergers
- It allows them to analyze "known commodities" on each side and see how the organizations fit together
- Reduces some of the construction or lease-up risks compared to de novo projects
- The key is ensuring the strategies, business lines, and leadership teams are compatible and complementary

Pete Stone (Fortress Investment Group):
- Agrees that mergers/affiliations can be positive, as it's about how the organizations fit together logically
- Important to evaluate the people and culture - reaching an alignment and avoiding compromising the existing investors/residents
- Requires thorough due diligence to ensure it's the right long-term fit, even if it may take more time upfront

Andrew Cooper (Vanguard):
- Acknowledges these types of transactions can be a bit "scary" at first, as one organization is typically stronger than the other
- The key is ensuring the stronger entity takes the time to properly vet and integrate the weaker one, rather than rushing the process
- This diligence is critical to avoid compromising the existing investors and operations

In summary, the panelists view mergers and affiliations positively, but emphasize the importance of cultural/strategic fit, thorough due diligence, and a measured integration process to ensure a successful outcome.

Q&A Session: Do You Have a Sense of The Supply That May Be Coming From More Traditional Issuers?

Jimmy Rester (HJ Sims):
Observes that on the development side, there seems to be a lot in the pipeline for for-profit projects utilizing non-profit issuers

- On the traditional non-profit side, he's also seeing a resurgence of activity as clients look to add independent living expansions to boost cash flow and improve margins back to pre-COVID levels
- Indicates there are a lot of these traditional non-profit expansion deals that Sims is currently working on and having discussions around

In summary, Jimmy notes a robust pipeline of new senior housing supply coming from both the emerging for-profit/non-profit structures as well as the more traditional non-profit expansion projects, with the latter focused on boosting cash flows back to pre-pandemic levels.

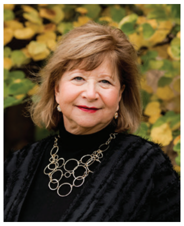
Let's Hear from the Leaders

Moderated by **Lynn Daly**, Executive Vice President at HJ Sims, the session focused on innovation and AI in the senior living industry, as well as demonstrating leadership under pressure. The three panelists included Mary Haynes, President/CEO of Nazareth Home in Louisville, Kentucky; Kris Hansen, CEO of Western Home Services in Cedar Falls, Iowa; and Bryan Starnes, CFO of ALG Senior, headquartered in Hickory, North Carolina.

Lynn Daly
HJ Sims

"Free the People"

As the President/CEO of Nazareth Home, **Mary Haynes** became involved with the Innovators Alliance, a consortium of nonprofit providers across the country created to solve challenges in the senior living industry through transformative products, service models, and technologies. (Today, the Innovators Alliance has partnered with the Thrive Center in Kentucky to become the Thrive Alliance.) Mary and other members, including panelist Kris Hansen, sought to answer the question: "What does it take to sustain and have longevity in senior living?" With a background in mental health, Mary explained that, for her, evaluating new technologies means focusing on solutions that "free the people"—those that create time and space for real human connection, remove administrative burdens, and promote and enhance the dignity and independence of the person using the technology, whether they are a resident, employee, or leader.

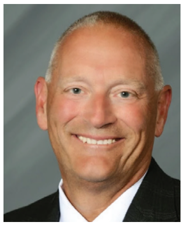


Mary Haynes
Nazareth

Mary highlighted the implementation of "smart toilets" in her organization's memory care and personal care communities. These toilets automatically monitor residents' usage and biological data, saving staff valuable time on documentation and assessments, and allowing them to focus more on the human aspect of care. The data provided by this technology helps prevent over-intervention with medication. One of the lessons learned is that the language around the implementation of technology could not be more important. "I think part of our success with Nazareth Home is our appreciation and understanding that we're there for support; we're not there for ownership… I think it makes a difference in this theme of 'free the people.' Because the reason… that people don't want to come live with us is about what they have to give up." The use of this technology aligned with Nazareth Home's organizational values, providing residents with freedom and dignity.

Building CCRCs WIthout Walls

Kris Hansen has been the CEO of Western Home Services for 30 years, growing the organization from 350 to 1,800 residents. Kris emphasized that the traditional "care" model in senior living is no longer enough—the focus needs to shift to keeping people living well and independently at home for as long as possible. "What we're really trying to focus on is how to take care of people in a very holistic way. It's not good enough to be 'acute' and 'post-acute'; we've got to continue to figure out how to be 'pre-acute'." Kris and his team asked themselves how an organization can either enhance its campus, expand its campus, or start new campuses in the midst of current challenges—high interest rates, workforce shortages, potential changes to Medicare/Medicaid, and political transitions. Western Home's answer was to develop a CCRC Without Walls model, which it calls Fortified Life.



Kris Hansen
Western Home Services

Fortified Life provides a continuum of services and technologies to support residents in maintaining their health and function. This includes lifestyle coaching, wellness programming, bundled home care services, and the launch of a new brand called Thrivera, which will offer these home-based solutions on a fee-for-service basis. Kris' goal is to partner with residents to help them stay out of higher levels of care for as long as possible, rather than waiting for them to decline. He believes this proactive, holistic approach is critical given the demographic shifts on the horizon.

Leadership Under Pressure

Bryan Starnes
ALG Senior

Finally, **Bryan Starnes**, the CFO of ALG Senior, shared his organization's experience responding to the devastating impact of Hurricane Helene last September. Bryan's speech was emotionally charged as he described how, when the storm hit Western North Carolina, with roads washed out and power and communications down, ALG, alongside volunteers, helped evacuate over 1,500 people, including 300 elderly residents from its facilities. He detailed how ALG coordinated a volunteer effort to evacuate residents using 70 private helicopters that landed in local football fields and delivered 3 million pounds of supplies in just 10 days. ALG Senior, which operates over 130 senior living communities across the Southeast, showcased remarkable resilience coordination in the face of this crisis.

Bryan emphasized that in a crisis, "they" are the regular people who step up to help, not the government or outside organizations. "When something happens like Helene, and 'they' are going to help us, and 'they' are going to evacuate those people, and 'they' are going to get water, it's YOU. Because no one else is going to do it. And then when you do it, and another person does it… and another person does it, it becomes a story."

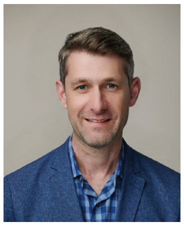
ALG's staff and local volunteers were the ones who made the evacuation and relief efforts happen. Even months later, the greater community is still recovering, with bridges and infrastructure still being rebuilt. But Bryan found the spirit of the community coming together to be truly inspiring. He challenged the audience to remember that when faced with extraordinary circumstances, the daily work can wait, the priority must be taking care of people.

Opportunities in Private School Growth: Trends, Challenges, and Investment Potential in the U.S. Education Market

John Solarczyk
HJ Sims

The private school market is experiencing a period of significant growth and evolution, driven by the rise of school choice programs across the country. During this session, moderated by **John Solarczyk**, Executive Vice President at HJ Sims, a panel of industry experts provided an in-depth look at the emerging trends and opportunities shaping this dynamic sector.

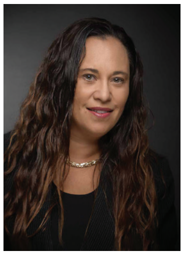
Rob Nickell, Executive Vice President at HJ Sims, kicked things off with an overview of the education savings account (ESA) bills currently under consideration in the state of Texas. These programs would make all PK–12 students eligible to access public funds to put toward tuition, educational materials, transportation, and more at the private school of their choice. While Rob acknowledged this could present some challenges for charter schools as they compete for students, he noted it may also create new revenue and recruitment opportunities as these schools adapt and innovate in response.



Rob Nickell *HJ Sims*

Broadening the national perspective, Ben Lindquist of Arcadia Education Group painted a comprehensive picture of the dramatic expansion of school choice options over the past several decades. From the legalization of homeschooling in the 1940s to the rise of magnet schools, open enrollment policies, and charter schools, parents today have an unprecedented array of educational models to choose from for their children. This trend has only accelerated since the COVID-19 pandemic, as more families have actively exercised their ability to select the learning environment that best fits their needs and priorities.

Diving deeper into the financing side of private school growth, **Jessica Shaham** of Kutak Rock and Moody's analyst Patrick Ronk provided valuable insights. Jessica noted that many private schools are now turning to the bond market to fund their expansion and facility upgrades, rather than relying solely on bank loans. This brings a new set of requirements and considerations that schools must navigate, from disclosure documents to covenant flexibility. Patrick then shared Moody's detailed methodology for evaluating private school credits, highlighting the key factors they assess, ranging from market profile and operating performance to financial resources and leverage.



Jessica Shaham
Kutak Rock and Moody

Taken together, the discussion painted a picture of a private school sector that is rapidly evolving and expanding its options, driven by growing parent demand for school choice. This is creating a wealth of opportunities for innovative schools, investors, and other stakeholders to capitalize on this dynamic market. Those who can effectively navigate the changing landscape, whether it's adapting to new funding sources like ESAs, diversifying revenue streams, or optimizing their financial strategies, stand to thrive in the years ahead. Experts emphasized that the private school market is no longer monolithic. From large, elite boarding schools to smaller, niche, and/or religious institutions, the diversity of models is expanding. And with the rise of programs like ESAs, even schools serving predominantly low-income populations are gaining access to new funding sources to grow and enhance their offerings. This is fostering a new era of innovation and competition that is reshaping the educational landscape.

Overall, the panelists painted a picture of an industry in flux, with both challenges and immense opportunities on the horizon. By staying attuned to evolving trends and strategically positioning themselves, private schools can capitalize on the surge in parent demand for school choice and cement their role as vital contributors to the broader education ecosystem.

Build it and They Will Come -- or Will They?

Lyman Millard
Bloomwell Group

Lyman Millard works with schools on enrollment marketing, growth planning, and market analysis. He was previously part of the founding team of Breakthrough Public Schools and the Citizens Academy in Ohio.

Lyman provided a comprehensive overview of the demographic trends impacting school enrollment across the country. He highlighted how declining birth rates, population shifts from urban to suburban and exurban areas, and housing affordability issues are leading to significant enrollment challenges—especially for charter schools in major metropolitan areas.

He shared data showing declines in the 0–9-year-old population in many states, with the most significant drops occurring in places like California, Colorado, and Arizona. He explained how this is creating a "tale of two cities" scenario, where urban cores are losing students while surrounding suburbs and exurbs are experiencing growth.

The implications are serious. Lyman noted that current enrollment levels are likely the "high-water mark" for many charter schools. He emphasized the need for schools to be more strategic and to invest in sophisticated enrollment marketing and community engagement efforts to combat these trends.

Lyman also addressed the role of facilities planning and the importance of incorporating rigorous market feasibility analysis into the process. He encouraged the group to think critically about where to locate new schools given shifting population patterns.

Overall, Lyman provided a sobering but important look at the demographic realities impacting the charter school sector, while also offering insights on how schools can adapt their strategies to maintain and grow enrollment in this challenging environment.

Rising Costs, Falling Education

The second day of the 2025 National Charter School Conference continued with a dynamic panel discussion exploring the significant financial and operational challenges facing charter schools nationwide. The esteemed panel consisted of seasoned experts from various backgrounds, including:

- **Randy Shafer**, CEO & Superintendent | Trinity Basin Prepartory
- **Ted Fujimoto**, Managing Director | EF International
- **George Bigham**, Founder & President | GFP Consulting, LLC
- **Rob Nickell**, Executive Vice President | HJ Sims
- **Alan Seay**, Retired Charter School Superintendent and Founder Leadership4School

The discussion was skillfully guided through an in-depth analysis of the financial challenges charter schools are currently facing and their lasting impact on operations. The panel addressed these issues by highlighting potential mitigation strategies that school leaders can implement.

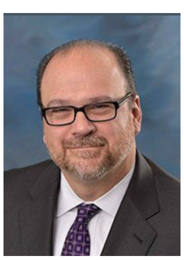
The panel delved into the pressing financial challenges facing charter schools today. Mr. Randy Shafer shared the very real pressures his school is experiencing, from flat or declining state funding to skyrocketing costs for payroll, construction projects, and debt service. These financial strains are directly impacting school operations, forcing Shafer and his team to scrutinize every expenditure and carefully manage their budget to meet critical financial indicators and covenants.

The panelists emphasized that these challenges are widespread, as charter schools grapple with the potential loss of crucial federal education funding and the ripple effects of rising inflation and ongoing supply chain issues.

To address these challenges, the panel outlined a range of mitigation strategies for charter school leaders to consider. Ted Fujimoto stressed the importance of maintaining a laser focus on the school's core mission and brand promise, rather than trying to be all things to all people. The panel also highlighted creative approaches such as renegotiating insurance and vendor contracts, optimizing staffing and enrollment, and exploring alternative construction delivery methods to help control costs.

Importantly, the panelists underscored the value of having an experienced owner's representative on construction projects to navigate the complex challenges of today's market.

Overall, the discussion provided charter school leaders with a toolbox of actionable strategies to help their institutions thrive despite financial headwinds.



Randy Shafer
Trinity Basin Preparatory

Ted Fujimoto
GFP Consulting

George Bigham
GFP Consulting,
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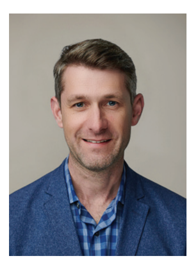
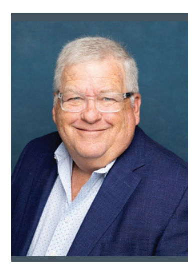


Rob Nickell
HJ Sims



Alan Seay
Leadership4School

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SAVE THE DATES

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