

March 6, 2020

Coronavirus Informational Communication

As a result of the worldwide outbreak of the Coronavirus (COVID-19), ESJ has assembled a task force to look at the potential impact to the firm's investments and what can be reasonably done to minimize any impact to operations and cash flow.

The task force has identified several areas of interest. Below please find a list of these areas, what has been done, and what can be done to address potential issues to the extent these issues are within ESJ's control. ESJ will continue to monitor the situation and take all necessary measures as warranted as the situation changes. ESJ will keep our partners abreast of any significant developments.

Impact of Potential School Closings and Steps being undertaken to Work with Operators

As the Coronavirus spreads around the globe, doctors have noticed something curious: Very few children have been diagnosed and most have had mild cases. A World Health Organization-China Joint Mission report from last month found that in China, where the outbreak began, children comprise just 2.4 percent of all reported cases of COVID-19. Of those only a sliver, 2.5 percent, experienced severe symptoms, and an even smaller proportion, 0.2 percent, became critically ill. Worldwide there have been no deaths reported so far in young children (as of 03/03/2020).

ESJ is in contact with our school leaders concerning steps to identify and monitor the spread of COVID-19. All schools have been notified to continue comprehensive janitorial practices and ensure students with cold or flu-like symptoms seek medical attention.

Charter schools have submitted their last enrollment notification to Municipal Authorizers, so we do not anticipate any funding disruptions or related lease payment delays. Private school day care operations could potentially see an impact due to closure.

Impact to Jungle Island Operations

Jungle Island's Management team is in contact with local authorities, such as the Florida Fish and Wildlife Conservation Commission (FWC), to monitor if special measures need to be taken with the Animals or with the park.

Specifically, regarding the operation of the park, City and State officials do not provide recommendations and closure is not contemplated at this stage. The team is following this closely as the situation evolves.

What Insurance is Available to Cover Operational Losses (if any)

ESJ has been in contact with our insurance agent who advised that viruses are part of the standard exclusions in liability. As a result, there will be no insurance to cover operational losses should they arise from nonpayment of rent, or in the case of Jungle Island, loss of operational revenue. Therefore, this is an area of direct financial exposure.

Impact to Office Investments and Steps being Undertaken to Work with Tenants

ESJ has contacted all property-level personnel and tenants within its commercial portfolio to provide the latest information available on the Coronavirus provided by the CDC. In these correspondences, we have included material from the CDC which details what people should know about the virus, what steps should be taken if an individual experiences flu-like symptoms, and preventative measures that are everyday best practices for preventing the spread of this virus and other infections.

Employee Safety

ESJ has a “Business Continuity Plan” alongside a “Disaster Recovery Plan” to deal with the continuity of our operations in case of a natural disaster or any unplanned emergency. Part of our planning is using technology to allow operations to continue from off-site locations. To this end, our employees are equipped with ESJ laptops to work remotely if necessary, and all our employees have cell phones. The firm’s servers are highly secured and cloud-based, with several redundant backups in place.

In order to prevent the potential outbreak of the COVID-19 at our office, we have communicated the need to increase hand washing frequency, to avoid close contact with people who are sick, to avoid touching the eyes, nose and mouth, to use hand sanitizer, and to follow the other precautionary and preventive measures recommended by the CDC.

Finally, we have communicated to our employees that if they show flu-like symptoms, they should not come to work and consult a doctor right away.

Summary

Real estate values will be moving, but not nearly to the extent values in the equity market will be. The full impact of the coronavirus is yet to be seen, but we believe that similar to other public health issues, this will pass in time. We will not predict the impact to the economy, other than we know that, at least in the short term, there will be one. The potential impact to our portfolio is minimal, but net operating income risk does lurk.

ESJ believes that investors should take a long-term view. Our view is that positioning a portfolio to withstand this, and other crises is the key to capital preservation and continued cash flow. ESJ has approached its acquisition strategy with all of this in mind, so we do not need to be reactionary.

Sincerely,

The ESJ Team