

COVID-19 Informational Communication #3

First and foremost, we hope this letter finds you and your loved ones well and in good health during these unprecedented times.

As we enter mid-April, many of us are approaching our sixth week of living and working remotely amid a near complete nationwide shutdown. Despite the inability to work together in person, we are grateful to report that all of ESJ's employees are in good health, collaborating daily, and are extraordinarily focused on our real estate portfolio to ensure that we get through this difficult time.

In this correspondence, we would like to provide you with a brief update on the impact of COVID-19 to ESJ's portfolio, an overview of the economy and commercial real estate market.

Portfolio and Asset Management Update - We are pleased to report that ESJ's education and office portfolios have seen limited rent relief requests as a result of the COVID-19 crisis. Specifically, one office tenant comprising 15% of its property's revenue and three schools have expressed a need for relief. Requests for relief in ESJ's retail portfolio have been more common. To manage rent relief requests and other asset management issues caused by COVID-19, a task force has been formed consisting of key department heads who work closely with Arnaud. This task force has proactively reached out to all tenants within ESJ's portfolio, ensuring that lines of communication are open and that businesses impacted by the current crisis know how to access federal stimulus. The task force has also performed a break-even analysis providing ESJ with an acute understanding of the portfolio's leverage and abilities to cover debt service.

To provide some insight into the overall rent relief facing the Commercial Real Estate industry, CBRE, who manages over 7,700 properties nationally, has reported that as of April 13th, collections were 90% for the office, multifamily and industrial sectors, with retail not surprisingly running at 40%.

Education - All but one of ESJ's education facilities remain closed. This is consistent with the majority of school facilities nationwide. While the physical locations are closed, our school operators continue to utilize virtual classrooms, video conferencing, and other remote learning tools to teach their students.

Jungle Island - Jungle Island remains under mandatory closure by local authorities. As we've mentioned before, viruses are part of standard exclusions with most business interruption insurance policies. However, this is a fluid situation as some states, including Ohio, are siding with businesses in these disputes. There is also pressure from the federal government to require insurance companies to cover business interrupted by the COVID-19 crisis. This will continue to be a contentious situation in the coming months and we will keep investors apprised of major developments.

Economy and Stimulus - The U.S. Government recently passed a \$2.2 Trillion stimulus plan, and coupled with the Treasury Exchange Stabilization Fund ("ESF"), the Treasury is providing trillions of dollars of capital to employees and employers to bridge the impact of the economic shutdown caused by the virus.

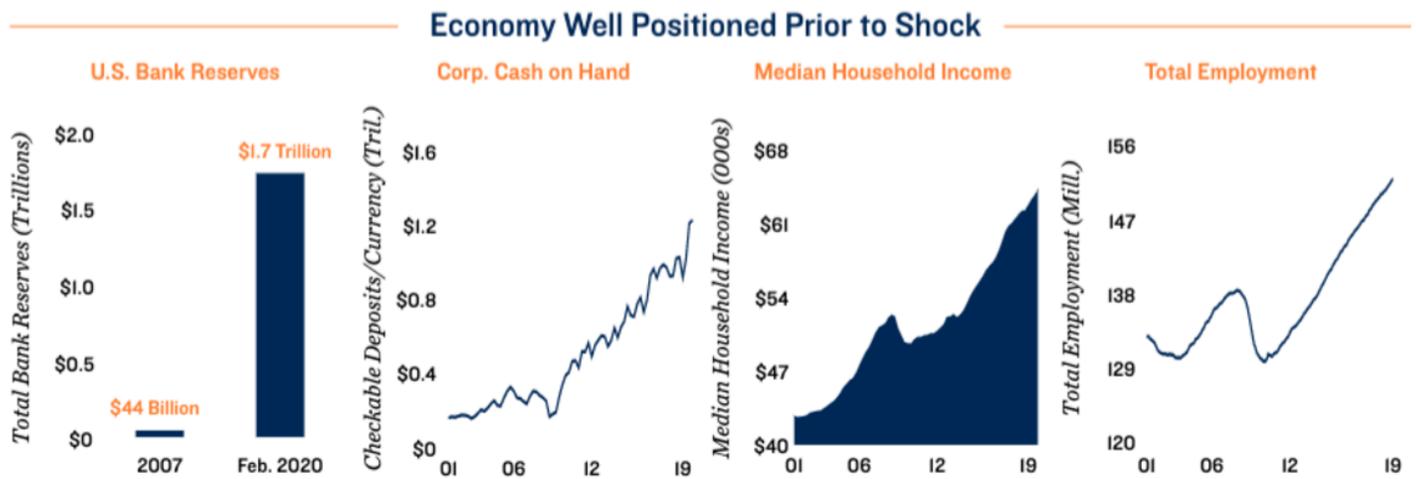
A summary of this far sweeping stimulus package is as follows:

- **Expanded Unemployment Insurance** (\$260B) for up to 39 weeks
- **Small Business Loans** (\$367B) to cover rent payments, payroll and utilities. These loans are in effect grants as the loans do not have to be repaid

- **Backstopping the Treasury Exchange Stabilization Fund with \$500B** so banks can make trillions of dollars in loans to large industries and those firms critical to maintaining national security can be made. These loans must be repaid.
- **Direct Payments to Individuals and Families (\$500B).** The average family receives \$3,000 and an individual receives \$1,200. These payments are phased out if earnings exceed \$150,000 for families or \$99,000 for individuals
- **Public Health** - \$130B – payments to hospitals
- **Performing Arts** - \$25B for the Kennedy Center
- **State and Local Government Aid (\$150B)**

Government officials recently released details for a plan to reopen the economy on a phased basis. Governors and local officials will be taking the lead with respect to their states with assistance from the Federal Government. This will be a hotly debated topic of the next few weeks and its results will very much dictate the length of the economic downturn and timing and strength of the rebound.

Understandably some economists are seeing if there might be a relationship between the 2008 Great Recession and the economic climate today. As illustrated by the charts below, the economy is far stronger today than back in 2008.



* Sources: Marcus & Millichap Research Services; BEA; Federal Reserve Bank of St. Louis; Federal Reserve Board; U.S. Census Bureau

These are challenging times and while we may just be in the eye of the storm, this storm will pass. Please take care of yourselves and contact us if you have any questions.

Sincerely,

The ESJ Team