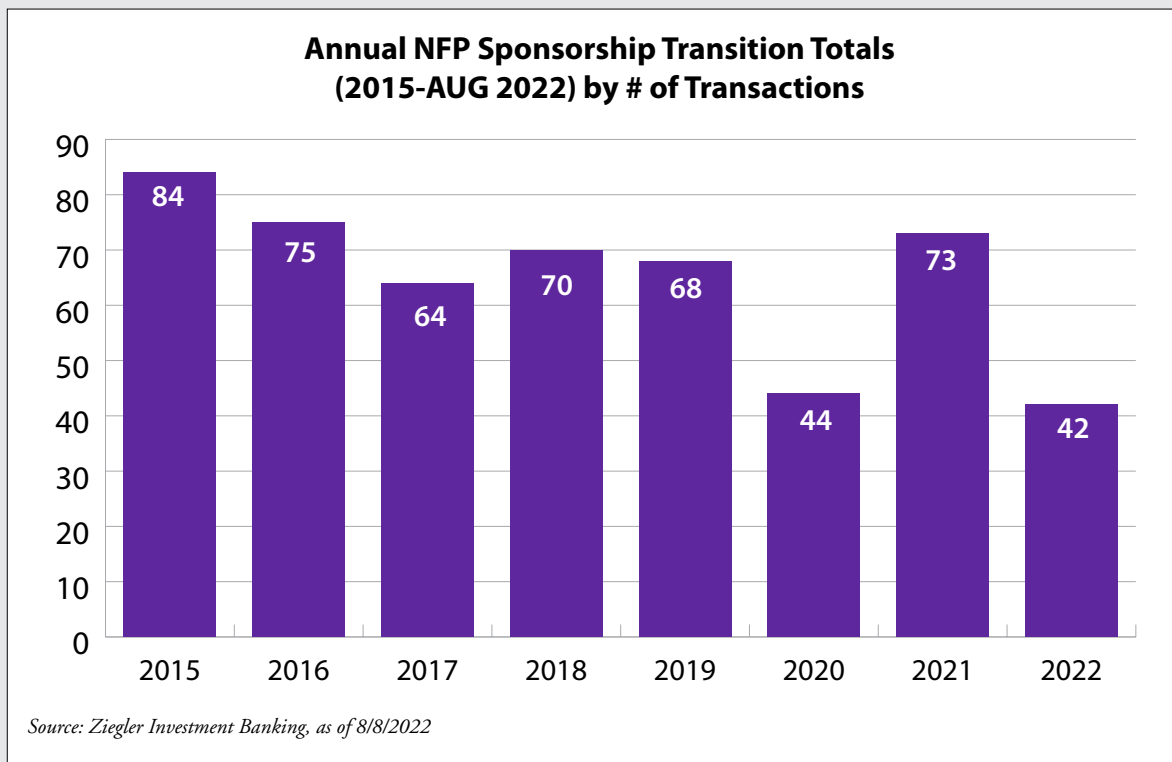


FEATURED ARTICLE

NOT-FOR-PROFIT SPONSORSHIP TRANSITION ACTIVITY: MID-YEAR UPDATE

The past two and a half years have been incredibly disruptive to the senior living and care sector. It is not surprising that organizations are looking for ways to partner, to achieve greater scale and to pool resources to be even stronger in the years ahead. For a number of years, Ziegler has been providing educational and consultative support to organizations exploring options, whether the trajectory be to grow through acquisitions or affiliations or right-size a portfolio and assess the merits of a potential sale. Additionally, Ziegler has devoted significant resources to tracking these trends, particularly in the not-for-profit senior living and care sector. This issue of *Z-News* is intended to provide an update on the level of activity among not-for-profit providers and to uncover specific trends unfolding in recent years.

Since the year 2010, nearly 1,100 not-for-profit senior living communities have changed ownership and/or sponsorship. Looking back just since 2015, nearly 900 not-for-profit communities have gone through this transition. The drivers of this consolidation trend vary depending on the size of the organization, the geographic location, and the community type (e.g., Life Plan Community vs. freestanding nursing home). The graph below details the annual number of transactions (with one transaction often resulting in more than one community change of sponsorship/ownership).

**ZIEGLER**

One North Wacker Drive | Suite 2000
Chicago, IL 60606

B.C. Ziegler and Company | Member SIPC & FINRA

CONTACT US

800 366 8899
askziegler@ziegler.com



Ziegler

CAPITAL :: INVESTMENTS :: ADVICE

One important trend to track is the profile of the new sponsor/owner. Since 2015, roughly 46% of the not-for-profit communities were acquired by owners and operators from the private sector. About one-quarter of the total number of transitions were situations in which the new sponsor was another not-for-profit organization. The one area that has seen substantial increases in the past few years, in particular, has been the percentage of not-for-profits who have ceased operations and closed their community. This has largely been freestanding nursing homes, communities with heavy nursing exposure and those with very dated physical plant issues. Seven out of ten not-for-profit closures since 2010 have been freestanding nursing facilities.

The decision to affiliate, merge or sell a community is never an easy one. Below are some general questions that may be helpful to process at the board and executive leadership team level.

- Do we have the resources and sophistication needed to be competitive in our local markets?
- Is our physical plant dated with limited resources available to reinvest in and get it to where it needs to be?
- Are we consistently losing money with bleak financial projections?
- Do we have a retiring, long-time CEO with no clear internal successor and a limited ability to attract the talent needed to advance the organization into the future?
- Are we generally stable, but could be stronger in partnership with another provider?
- Do we have clear growth goals that could be accelerated through the addition of acquisitions or affiliations?

Ziegler offers the sector a number of white papers, presentations, checklists and other resources to help organizations navigate these discussions. It is always a best practice to have had the conversation at the board level and to be in a position of readiness for when opportunities arise or hard decisions need to be made. The overarching sentiment is to be proactive and not wait too long if your organization is struggling.

To learn more about how Ziegler can provide needed support, we encourage you to reach out to the Ziegler representative in your region or contact Stephen Johnson (sjohnson@ziegler.com) who leads Ziegler's Sponsorship Transition practice.

LISA McCRACKEN
DIRECTOR, SENIOR LIVING RESEARCH & DEVELOPMENT
lmccracken@ziegler.com

NOT-FOR-PROFIT SENIOR LIVING RATINGS ACTIONS

AS OF AUGUST 5, 2022

ORGANIZATION	RATING AGENCY	RATING/ OUTLOOK	TYPE OF ACTION	DATE
Landis Communities (PA)	Fitch	BBB- Stable	Affirmed Rating Affirmed IDR*	8/1/22
Masonicare (CT)	Fitch	BBB+ Positive	Affirmed Rating Affirmed IDR* Revised Outlook	8/1/22
Kendal at Hanover (NH)	Fitch	BBB+ Positive	Affirmed Rating Affirmed IDR* Revised Outlook	8/2/22
Charlestown Retirement Community (MD)	Fitch	A- Stable	Affirmed Rating Affirmed IDR*	8/3/22
Diakon Lutheran Social Ministries Obligated Group (PA)	Fitch	BBB+ Stable	Assigned Rating Affirmed Rating Affirmed IDR*	8/3/22
Front Porch Communities & Services (CA)	Fitch	A Stable	Affirmed Rating Affirmed IDR*	8/5/22

Copyright © 2022 by Fitch Ratings, Inc., Fitch Ratings LTD. and its subsidiaries

* IDR – Issuer Default Rating (FitchRatings)

Any non-Ziegler sources referenced in this Z-News are believed to be reliable but cannot be guaranteed.

INTEREST RATES/YIELDS

WEEK ENDING AUGUST 5, 2022


	CURRENT	LAST WEEK	52-WK AVG
30-Yr MMD	2.85%	2.91%	2.18%
Senior Living 30-Yr "A"	4.20%	4.26%	3.15%
Senior Living 30-Yr "BBB"	4.50%	4.56%	3.48%
Senior Living Unrated	5.20%	5.26%	4.33%
Senior Living New Campus	6.19%	6.25%	5.60%
SIFMA Muni Swap Index	1.68%	1.33%	0.34%

	CURRENT	WEEKLY AVERAGE	SPREAD TO MMD
ZSLMLB Index [†]	4.91%	4.88%	2.02%

[†] Ziegler Senior Living Municipal Long Bond Index

Source: Bloomberg BVALS

FEATURED FINANCING



Green Cay
A LIFE PLAN COMMUNITY

GREEN CAY LIFE PLAN VILLAGE
Boynton Beach, Florida

Palm Beach County Health Facilities Authority,
Revenue Bond Anticipation Notes,
Series 2022A

\$36,175,000
July, 2022

MARKET REVIEW

MONEY MARKET RATES

	8/05	LAST WEEK
Prime Rate	5.50	5.50
Federal Funds (weekly average)	2.32	2.30
90 Day T-Bills	2.45	2.31
30-Day Commercial Paper (taxable)	2.33	2.30
Libor (30-day)	2.37	2.36
7 Day Tax-Exempt VRDB	1.68	1.33
Daily Rate Average	1.64	1.52

COMPARATIVE YIELDS

TAXABLE REVENUE									
	GOVT	A		MMD	NR*	BB	BBB	A	AAA
2 Year	3.04	3.99	1 Year	1.49	3.49	3.19	2.69	1.94	1.59
5 Year	2.79	4.04	5 Year	1.76	3.86	3.61	3.11	2.31	1.96
7 Year	2.75	4.30	7 Year	1.99	4.24	3.89	3.39	2.64	2.24
10 Year	2.68	4.48	10 Year	2.18	4.53	4.18	3.68	2.93	2.48
30 Year	2.96	5.31	30 Year	2.85	5.40	5.05	4.55	3.85	3.35

(* Representative of institutional sales)

TAX-EXEMPT MARKET INDICATORS

Bond Buyer	THIS WEEK	LAST WEEK	CHANGE
20 Bond Index	3.21	3.27	-0.06
11 Bond Index	3.11	3.17	-0.06
Revenue Bond Index	3.49	3.55	-0.06
30 Year MMD	2.85	2.91	-0.06
Weekly Tax-Exempt Volume (Bil)	3.35	2.03	-4.59
30 Day T/E Visible Supply (Bil)	11.44	10.11	+1.32
30 year "A" Rated Hospitals as a % of 30 Year Treasuries	130.0	129.4	+0.06

Source: Bloomberg