MARKET COMMENTARY

FROM A CAPITAL MARKETS PERSPECTIVE

The capital markets enjoyed yet another volatile week, as events related to the protests in Hong Kong joined the ongoing ISIS crisis in the Mideast and Czar Putin's Ukraine truce disruption to create a global mélange of unrest and uncertainty. The week began with a rally in the Treasury and municipal markets following increasing concerns about global economic growth amid ongoing reports of Eurozone manufacturing declines and uncertainty over whether the easing initiatives proposed by the European Central Bank will be sufficient to re-stimulate that area's lagging economy. Reports of the first case of Ebola appearing in the USA stoked an emotional reaction as stocks suffered a huge decline before recovering at week's end, led by previous weakness in small caps, typically a bell weather for more general market movements to follow. As the Russell 2000 fell into a full correction, down 10% from its record high earlier this year, both the Dow and S&P experienced a mid-week downdraft, but recovered from their lows by the end of the week. Meanwhile, the fixed-income markets enjoyed a strong mid-week push upward but gave ground on Friday to close up for the week but off their highs.

Stocks fell sharply on the news of the first U.S. Ebola case, a foreign national visiting his family. Although inevitable in the context of global travel, it nevertheless sent the Dow down over 300 points at the low, with the S&P dropping nearly 50 points before recovering. Both indices finished the week in the red, with the Dow closing down just over 100 points for the week to close at 17,010 and the S&P off 15 points, closing at 1968. The emotional falloff was short-lived as Jobless Claims fell below expectations and Continuing Claims fell to an eight-year low, but with the geopolitical landscape rife with challenges and the global economic slowdown raising deflationary concerns on the eve of the Fed terminating its bond-buying program, the markets remain vulnerable to further volatility.

The Treasury market enjoyed its biggest rally in eight months as yields in our domestic yet global market remained at record wide spreads to Eurozone currency yields. The yield on the UST 10-year Note fell 10 basis points to 2.39%, the largest drop since January, but gave ground at weeks' end to close at 2.49%, still down 4 bps on the week. The long Bond finished the week at 3.18%, down 3 bps on the week. Municipals had yet another positive week, bolstered by continued inflows into the tax-exempt mutual fund industry and with the support of a rallying Treasury market. Inflows were over $400 million this week, bringing the total positive money flow to approximately $19 billion year-to-date, according to the Investment Company Institute. The 30-day visible supply is still manageable at $8.78 billion, with just over $5 billion coming to market next week. With supply continuing to trend well below demand and the Treasury market enjoying support from global investors searching for yield and security, the current trend of positive performance for both markets appears to be sustainable for some time to come. For the week, municipals saw yields fall 7 bps in both 10 and 30 year spots, closing the week at 2.12% and 3.04%, respectively.

Regards,

Mike McDaniel
Senior Managing Director

See pages 4-5 for current market rates

Market and other data within this report derived from Bloomberg and other sources deemed to be reliable.

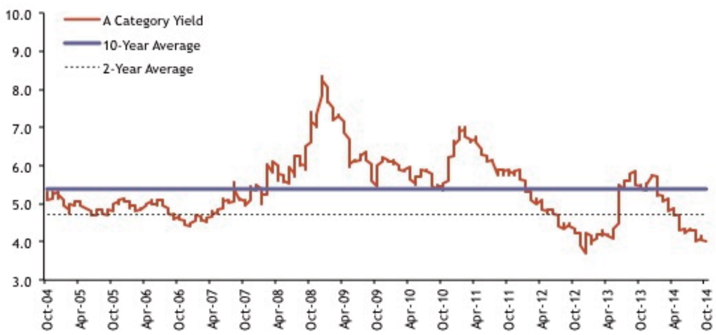
FEATURED ARTICLE

ZIEGLER SENIOR LIVING FINANCE + STRATEGY CONFERENCE: INSTITUTIONAL INVESTOR PANEL

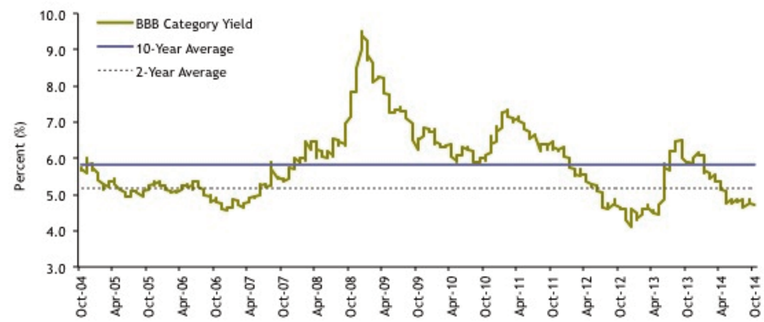
Each year the institutional investor panel is a highly attended session at ***Ziegler's Senior Living Finance + Strategy Conference*** and 2014 was no exception. With fixed interest rates near historically low levels, many senior living organizations were interested to hear perspectives on the market for tax-exempt senior living debt from industry veterans and active buyers. Dean Lewallen (AllianceBernstein), Ed Merrigan (Ziegler), Mary Jane Minier (Invesco), Brian Williamson (Standard & Poor's) and Ben Woo (Columbia Management) shared their current practices and outlooks for the availability of funds to senior living organizations.

The bottom line: rated and non-rated providers are accessing the fixed-rate markets at attractive rates across the credit spectrum. This past week, the 30-year MMD, the benchmark "AAA" municipal bond index fell to 3.04%, just over 50 basis points above its all-time low of 2.47% in November 2012. Long-term tax-exempt fixed rates for borrowers in the "A", "BBB", and "Non-Rated" categories are currently well below both ten- and two-year averages in each instance, at 4.00%, 4.70%, and 5.35%, respectively. Long-term fixed-rates for new campus developments, currently at a range of about 6.50% to 6.75%, are below both ten- and two-year averages as well.

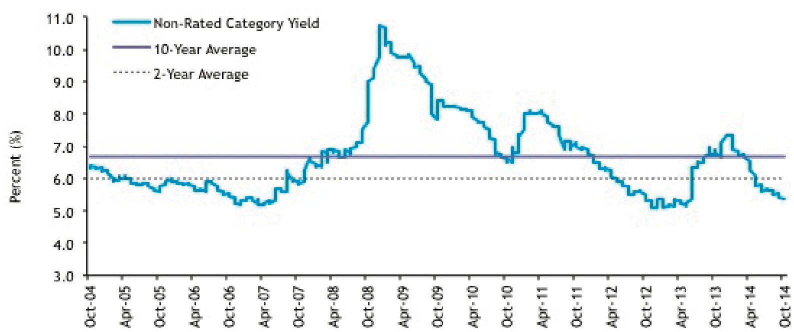
Senior Living Yields, 30-Year Maturity, 'A' Category



Senior Living Yields, 30-Year Maturity, 'BBB' Category



Senior Living Yields, 30-Year Maturity, Non-Rated



The investors on the panel reported actively buying a range of senior living new issues for expansion and repositioning projects, new campus financings and seed capital financings, such as bond anticipation notes. In addition, the traditional bond fund investors are looking more closely at draw down lending and other alternative finance structures, which historically have been accessed through commercial banks or asset management lenders. Cash flows into municipal bond funds remain positive, driving demand for senior living debt. Active lending by regional commercial banks and alternative investors has kept supply manageable.

Credit outlooks on the sector range from cautiously optimistic to positive. Several panelists noted the compelling demographics of the sector, as well as the improving housing market. However, some investors expressed concern that organizations need to ensure that the products and services they are offering now and in the future will be the products and services desired by tomorrow's consumer. The overwhelming sentiment from the panel was that senior living organizations should work with lenders as partners, keeping investors informed through comprehensive, ongoing financial disclosure. According to the panel, an open dialogue with investors will benefit borrowers in times of challenge and at the next financing event.

Many thanks again to Dean, Ed, Mary Jane, Brian, and Ben for sharing their time and wisdom with us on the panel this year.

Amy Castleberry, CFA, Senior Vice President
Ziegler

SOURCE: Ziegler Capital Markets

NOT-FOR-PROFIT SENIOR LIVING RATINGS ACTIONS

SEPTEMBER 30-OCTOBER 6, 2014

ORGANIZATION	RATING AGENCY	RATING/ OUTLOOK	TYPE OF ACTION	DATE
Otterbein Homes (OH)	Fitch	A Stable	Assigned Rating Affirmed Rating	10/3/14

This ratings table represents review of the reports released by Fitch Ratings, Standard & Poor's, and Moody's Investors Service and has been compiled by Ziegler Investment Banking.

IN YOUR CORNER

LEADINGAGE ANNUAL MEETING AND EXPO
Music City Center
Nashville, TN
October 19-22, 2014

Ziegler Speaker: DAN HERMANN
Sunday, October 19, Session 46-A | 3:45-5:15pm
Advancing Your Mission Through Strategic Partnerships

Ziegler Speakers: KEITH ROBERTSON & REBECCA NETH TOWNSEND
Monday, October 20, Session 52-B | 8:15-9:45am
Lessons Learned from Sponsorship Transitions

Ziegler Speakers: MICHAEL KELLY & AMY CASTLEBERRY
Monday, October 20, Session 53-C | 3:45-5:15pm
Financial Ratios for CCRCs: Insights from Benchmarking

Ziegler Speaker: DAN HERMANN
Tuesday, October 21, Session 59-I | 12:30-5:00pm
CEMO Annual Business Meeting

INTEREST RATES FOR THE WEEK ENDING 10/03/14

	CURRENT	LAST WEEK	52-WK AVG
30-Yr MMD	3.04%	3.11%	3.62%
Senior Living 30-Year "A"	4.00%	4.05%	4.84%
Senior Living 30-Year "BBB"	4.70%	4.75%	5.35%
Senior Living Unrated	5.35%	5.40%	6.32%
Senior Living New Campus	6.75%	7.00%	7.94%
SIFMA	0.03%	0.04%	0.06%

Source: Ziegler Capital Markets

FEATURED FINANCING

The Village at Germantown
An Affiliate of Methodist Healthcare

$21,940,000
The Health, Educational and Housing Facility Board of the County of Shelby, Tennessee
Residential Care Facility Mortgage Revenue Bonds, Series 2014

THE VILLAGE AT GERMANTOWN
Germantown, Tennessee

MARKET REVIEW

MONEY MARKET RATES	10/03/14	1 WEEK AGO	1 MONTH AGO	1 YEAR AGO
Prime Rate	3.25	3.25	3.25	3.25
Federal Funds (weekly average)	0.06	0.08	0.08	0.06
90 Day T-Bills	0.01	0.01	0.02	0.03
30-Day Commercial Paper (taxable)	0.06	0.04	0.10	0.05
Libor (30-day)	0.15	0.15	0.15	0.17
7 Day Tax-Exempt VRDB	0.04	0.05	0.04	0.05
Daily Rate Average	0.03	0.04	0.03	0.05

COMPARATIVE YIELDS

	Govt.	Taxable Revenue NR*	Taxable Revenue A	BAB A
1 Year	0.09	1.58	1.10	1.15
5 Year	1.72	3.27	3.30	3.55
7 Year	2.15	3.84	3.95	4.00
10 Year	2.44	4.29	4.80	4.85
30 Year	3.12	5.46	5.00	5.05

Tax-Exempt revenue	MMD	NR**	NR*	BBB	A	AAA
1 Year	0.13	1.85	1.85	1.00	0.45	0.30
5 Year	1.17	3.25	3.20	2.30	1.80	1.45
10 Year	2.12	4.25	4.35	3.60	2.95	2.60
15 Year	2.48	4.80	4.90	4.15	3.40	3.15
30 Year	3.04	5.35	5.45	4.70	4.00	3.60
5 year EXTRA			4.50			

(Representative of recent non-rated issues underwritten by Ziegler retail sales); (** Representative of institutional sales.)*

TAX-EXEMPT MARKET INDICATORS

Bond Buyer	This week	Last week	Change	2014 High	2014 Low
20 Bond Index	4.11	4.11	.00	4.75	4.09
11 Bond Index	3.96	3.96	.00	4.46	3.90
Revenue Bond Index	4.72	4.78	-.06	5.39	4.72
30 Year MMD	3.04	3.11	-.07	4.20	3.03
Weekly Tax-Exempt Volume (Bil)	4.48	7.21	-2.73	8.69	0.00
30 Day T/E Visible Supply (Bil)	5.99	5.36	+.63	11.85	2.19
30 year "A" Rated Hospitals as a % of 30 Year Treasuries	124.61	126.16	-1.55	145.83%	119.76%

Market and other data within this report derived from Bloomberg and other sources deemed to be reliable.

INTEREST RATE COMPARISON

DATE	7-DAY T/E VRDB	PRIME RATE	FED FUNDS WEEKLY AVG.	13-WEEK T-BILL RATE	C.P.RATE TAXABLE	LIBOR (30-DAY)	30-YEAR	T/E BONDS (A-AAA)
10/03/14	0.04	3.25	0.06	0.01	0.06	0.15	4.00 - 3.60	
09/26/14	0.05	3.25	0.08	0.01	0.04	0.15	4.05 - 3.70	
09/19/04	0.04	3.25	0.08	0.01	0.03	0.15	4.15 - 3.80	
09/12/14	0.05	3.25	0.08	0.01	0.07	0.15	4.15 - 3.80	
09/05/14	0.04	3.25	0.08	0.02	0.10	0.15	4.10 - 3.70	
08/29/14	0.05	3.25	0.07	0.02	0.07	0.15	4.00 - 3.60	
08/22/14	0.05	3.25	0.08	0.02	0.12	0.15	4.10 - 3.75	
08/15/04	0.05	3.25	0.08	0.03	0.07	0.15	4.15 - 3.75	
08/08/14	0.05	3.25	0.07	0.02	0.08	0.15	4.25 - 3.85	
08/01/14	0.05	3.25	0.07	0.02	0.07	0.15	4.30 - 3.95	
07/25/14	0.06	3.25	0.08	0.02	0.08	0.15	4.30 - 3.95	
07/18/14	0.05	3.25	0.08	0.01	0.07	0.15	4.30 - 3.95	
07/03/14	0.04	3.25	0.07	0.00	0.05	0.15	4.35 - 4.05	
06/06/14	0.05	3.25	0.07	0.03	0.06	0.15	4.35 - 4.05	
05/02/14	0.07	3.25	0.08	0.03	0.06	0.15	4.70 - 4.25	
04/04/14	0.06	3.25	0.10	0.02	0.05	0.15	4.90 - 4.40	
03/07/14	0.03	3.25	0.07	0.05	0.07	0.15	5.15 - 4.60	
02/07/14	0.03	3.25	0.06	0.06	0.05	0.15	5.20 - 4.55	
01/03/14	0.04	3.25	0.07	0.06	0.03	0.16	5.70 - 4.90	
12/06/13	0.05	3.25	0.07	0.05	0.05	0.17	5.70 - 4.95	
11/01/13	0.08	3.25	0.07	0.03	0.06	0.17	5.35 - 4.75	
10/04/13	0.05	3.25	0.06	0.03	0.05	0.17	5.45 - 4.85	

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