

ZIEGLER INVESTMENT BANKING

SENIOR LIVING FINANCE Z-NEWS

MARKET COMMENTARY

FROM A CAPITAL MARKETS PERSPECTIVE

Equities ended the week mostly flat, a Friday rally helped stem the losses from earlier trading weakness. Large caps underperformed smaller-cap stocks, but all of the major indexes remained below their recent record highs. The factor providing negative sentiment seemed to be the partial immigration ban announced by the White House administration over the weekend. The ban triggered criticisms from a number of major US corporations. Technology firms that rely heavily on overseas labor and talent were the loudest voices against the ban, but others chimed in as well including the auto industry and Wall Street. When stocks opened on Monday morning they sold off sharply, however, as has been the trend since November, they bounced back enough to avoid a 1% decline in the S&P 500 Index. The biggest loser on the week was Under Armour, they reported very disappointing earnings, lowered sales forecasts and were downgraded below investment grade by S&P.

Friday brought the always anticipated, often markets moving non-farm payrolls jobs report. The Labor Department announced that employers had added 227,000 jobs in January, decidedly eclipsing the survey expectations. Despite the big jobs number, Treasuries finished the week mostly unchanged, while investment grade and high yield corporate bonds were under pressure from an uncertain political environment.

Municipal bonds had a positive week, outperforming U.S. Treasuries as coupon reinvestments continued to support the market. Supply again was low and seasonal demand helped both the primary and secondary markets. Both 10-year and 30-year MMD finished the week relatively unchanged, but credit spreads did improve. Tax-exempt mutual fund flows continued to have positive inflows. The new issue calendar is increasing the next few weeks and a larger new issue calendar will bring more direction and price discovery in the municipal market.

ADAM J. BUCHANAN
SENIOR VICE PRESIDENT

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.

ZIEGLER

200 South Wacker Drive | Suite 2000
Chicago, IL 60606

CONTACT US

800 366 8899
askziegler@ziegler.com



FEATURED ARTICLE

ZIEGLER EDUCATION, RESEARCH AND THOUGHT LEADERSHIP IN 2017

Over the years, Ziegler has been committed to offering senior living providers and industry professionals high-caliber educational and networking opportunities, and this year is no exception. In 2017, Ziegler's Senior Living finance practice will host **a dozen different conferences, workshops and symposiums, providing more than 1,400 senior living professionals** with the most up-to-date trends and research, along with valuable networking opportunities.

In April, Ziegler, will host the 19th annual **Ziegler LeadingAge National Senior Living CFO Workshop** in Austin, Texas. This year's agenda has been developed by Ziegler, LeadingAge, and a committee of engaged CFOs from throughout the country. This year's agenda not only focuses on the important financing and capital trends that CFOs need to be aware of, but will also provide education on the strategic issues that finance professionals will need to manage within their organization. The event will kick-off with a pre-conference workshop for financial professionals new to the field and will serve as a foundation for industry insights and peer mentoring for these individuals moving forward. The remainder of the day will offer sessions on the dynamic post-acute environment, communication with investors, the financial impact of sponsorship transitions, and cybersecurity, to name a few. All sessions will be tailored with messages specific to financial professionals.

Ziegler also partners with several state associations to offer one-day symposiums and workshops. Just last week, Ziegler, **LeadingAge New Jersey** and the **New Jersey Hospital Association** convened nearly 50 attendees for a statewide Finance Symposium. In its ninth year, the **LeadingAge Massachusetts Senior Living Symposium** will host over 100 attendees on March 16th in Natick, Massachusetts. In June, Ziegler will partner with **LeadingAge Connecticut** to host a Finance + Strategy Symposium tailored to financial professionals and other leadership staff. Later this year, Ziegler is co-hosting its annual symposium with **LeadingAge Maryland** to provide meaningful educational opportunities for their members. We thank all of the providers who graciously host many of these events on their campuses.

Each year, CEOs from large-campus CCRCs (defined as 500 or more ILUs on a single campus) gather to discuss the unique characteristics of their campuses and to engage in shared learning and networking. In early March executives will gather in Lancaster County, Pennsylvania for the **2017 Large Campus CCRC CEO Symposium**. Attendees will be hosted by Willow Valley Communities, Garden Spot Village, and Masonic Villages of the Grand Lodge of Pennsylvania. Ziegler is pleased to once again be a partner of this conference and assist with the educational components over these two days.

Once again, Ziegler, along with LeadingAge and REALM, will host the **Catholic Leadership Symposium**. This year, the event will be held just prior to the LeadingAge Annual Meeting in New Orleans. The symposium has grown each year and we look forward to continued success. Stay tuned for more information as registration for the event opens this summer!

Ziegler not only targets educational events around providers and consultants to the sector, but each year Ziegler hosts a **National Senior Living Investor Workshop**. This workshop will be held in Chicago in June and will serve to provide bond investors with the information they need to stay on top of provider trends in the senior living sector.

To round out the annual conferences, Ziegler will celebrate its 20th year of the **Senior Living Finance + Strategy Symposium** at the Broadmoor in Colorado Springs. This year's event, being held October 4-6, is sure to be a meaningful opportunity for attendees to network with peers and to hear the latest information and best practices to advance their organizations in a truly dynamic environment.

In addition to dozens of presentations at various state associations and other conferences, Ziegler offers multiple non-conference educational materials for the sector. This includes monthly CFO HotlineSM reports, weekly newsletters, webcasts, and annual reports such as the *LeadingAge Ziegler 150*. We will also often partner with other industry professionals to conduct research across a variety of topics. In the very near future, Ziegler will release a *Profile of Texas CCRCs* in partnership with My LifeSite; and several other research projects will be released throughout the year. Ziegler will advance its tracking and reporting of the very active sponsorship transitions space with regular *Z-News* articles, white papers, and Z-Flash announcements of recent transactions in the not-for-profit space. We encourage everyone to take full advantage of the multiple educational resources made available to the senior living sector.

In closing, we thank all of the partners, experts and speakers who contribute to our educational events each year. All of this would not be possible without your continued support and dedication to advancing the field of senior living.

LISA MCCRACKEN
SENIOR VICE PRESIDENT
SENIOR LIVING RESEARCH & DEVELOPMENT

NOT-FOR-PROFIT SENIOR LIVING RATINGS ACTIONS

JANUARY 31 - FEBRUARY 6, 2017

ORGANIZATION	RATING AGENCY	RATING/ OUTLOOK	TYPE OF ACTION	DATE
Christian Homes, Inc. (IL)	Fitch	BBB- Stable	Affirmed Rating	2/2/17
Fellowship Senior Living (NJ)	Fitch	BBB+ Stable	Affirmed Rating	2/2/17

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.

INTEREST RATES

FOR THE WEEK ENDING FEBRUARY 3, 2017

	CURRENT	LAST WEEK	52-WK AVG
30-Yr MMD	3.09%	3.08%	2.57%
Senior Living 30-Yr "A"	4.35%	4.35%	3.53%
Senior Living 30-Yr "BBB"	4.70%	4.70%	3.88%
Senior Living Unrated	5.30%	5.30%	4.72%
Senior Living New Campus	6.75%	6.75%	6.37%
SIFMA Muni Swap Index	0.65%	0.66%	0.48%

Source: Ziegler Capital Markets

MARKET REVIEW

MONEY MARKET RATES

	<u>2/03/17</u>	<u>1 WEEK AGO</u>	<u>1 MONTH AGO</u>	<u>1 YEAR AGO</u>
Prime Rate	3.75	3.75	3.50	3.50
Federal Funds (weekly average)	0.64	0.67	0.62	0.37
90 Day T-Bills	0.49	0.50	0.51	0.28
30-Day Commercial Paper (taxable)	0.61	0.63	0.62	0.34
Libor (30-day)	0.78	0.77	0.76	0.42
7 Day Tax-Exempt VRDB	0.65	0.66	0.68	0.02
Daily Rate Average	0.60	0.65	0.65	0.01

COMPARATIVE YIELDS

	GOVT.	TAXABLE REVENUE				TAX-EXEMPT REVENUE					
		<u>NR*</u>	<u>A</u>	<u>BAB</u>		<u>MMD</u>	<u>NR**</u>	<u>NR*</u>	<u>BBB</u>	<u>A</u>	<u>AAA</u>
1 Year	0.80	2.25	1.50	1.55	1 Year	0.90	2.55	2.00	2.00	1.65	1.05
5 Year	1.91	4.00	3.90	3.95	5 Year	1.60	3.70	3.75	3.05	2.70	2.10
7 Year	2.22	4.50	4.40	4.45	10 Year	2.33	4.65	4.70	3.95	3.50	2.85
10 Year	2.47	4.75	4.50	4.55	15 Year	2.75	5.00	5.00	4.40	4.00	3.35
30 Year	3.09	6.25	4.55	4.60	30 Year	3.09	5.30	5.25	4.70	4.35	3.55
					5 year EXTRA			4.25			

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

TAX-EXEMPT MARKET INDICATORS

	<u>THIS WEEK</u>	<u>LAST WEEK</u>	<u>CHANGE</u>	<u>2017</u>	
				<u>HIGH</u>	<u>LOW</u>
Bond Buyer					
20 Bond Index	3.87	3.87	.00	3.87	3.72
11 Bond Index	3.37	3.37	.00	3.37	3.25
Revenue Bond Index	4.02	4.02	.00	4.02	3.83
30 Year MMD	3.09	3.08	+.01	3.10	2.88
Weekly Tax-Exempt Volume (Bil)	3.37	4.67	-1.30	7.39	2.92
30 Day T/E Visible Supply (Bil)	5.55	6.24	-.69	13.37	5.55
30 year "A" Rated Hospitals as a % of 30 Year Treasuries	140.77	141.23	-.46	147.05%	140.77%

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)		
02/03/17	0.65	3.75	0.64	0.49	0.61	0.78	4.35	-	3.55
01/27/17	0.66	3.75	0.67	0.50	0.63	0.77	4.35	-	3.55
01/20/17	0.66	3.75	0.67	0.50	0.65	0.77	4.30	-	3.50
01/13/17	0.67	3.75	0.66	0.51	0.61	0.76	4.20	-	3.40
01/06/17	0.68	3.75	0.62	0.51	0.62	0.76	4.40	-	3.55
12/30/16	0.72	3.75	0.62	0.51	0.63	0.77	4.50	-	3.60
12/23/16	0.73	3.75	0.66	0.50	0.43	0.76	4.65	-	3.70
12/16/16	0.55	3.75	0.47	0.50	0.66	0.70	4.60	-	3.70
12/09/16	0.57	3.50	0.41	0.50	0.54	0.65	4.55	-	3.60
12/02/16	0.56	3.50	0.38	0.47	0.50	0.62	4.80	-	3.85
11/25/16	0.55	3.50	0.41	0.48	0.25	0.60	4.55	-	3.60
11/18/16	0.55	3.50	0.41	0.42	0.43	0.55	4.35	-	3.45
11/04/16	0.56	3.50	0.38	0.37	0.40	0.53	3.55	-	2.85
10/07/16	0.87	3.50	0.40	0.31	0.39	0.52	3.30	-	2.75
09/02/16	0.56	3.50	0.38	0.32	0.39	0.52	2.75	-	2.40
08/05/16	0.44	3.50	0.40	0.26	0.36	0.49	2.90	-	2.45
07/01/16	0.41	3.50	0.39	0.25	0.37	0.46	2.85	-	2.35
06/03/16	0.39	3.50	0.35	0.27	0.38	0.46	3.20	-	2.70
05/06/16	0.39	3.50	0.37	0.18	0.34	0.43	3.30	-	2.90
04/01/16	0.40	3.50	0.35	0.22	0.33	0.43	3.60	-	3.10
03/04/16	0.02	3.50	0.35	0.26	0.36	0.43	3.85	-	3.30
02/05/16	0.02	3.50	0.37	0.28	0.34	0.42	3.65	-	3.15

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