

# ZIEGLER INVESTMENT BANKING

## SENIOR LIVING FINANCE Z-NEWS

## FEATURED ARTICLE

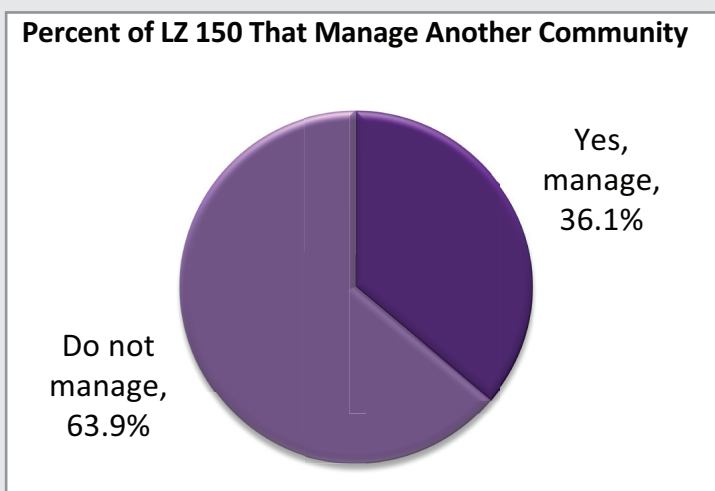
## DIVERSIFICATION AND GROWTH: CONSULTING, MANAGEMENT & DEVELOPMENT SUBSIDIARIES

As part of our growth series throughout 2017, we wanted to highlight a growth strategy that a number of not-for-profit providers have been quite successful with. We are talking about organizations that have developed subsidiary companies to assist other providers with services such as consulting, development, third-party management or technology assistance, to name a few. These are divisions, or sometimes separate companies, whereby the founding organizations build upon existing strengths and capacities, whether it is the ability to effectively develop new communities or provide management services to communities in need of operational oversight. A sample of providers who have such subsidiaries is below.

PROVIDER	SUBSIDIARY
ABHOW (CA)*	Seniority, Inc.
Asbury Communities (MD)	The Asbury Group
Christian Living Communities (CO)	Capella Living Solutions
Diakon & Presbyterian Senior Living (PA) (joint venture)	Prelude Services
Masonic Villages of Pennsylvania (PA)	Ashlar Creative Solutions
Presbyterian Homes & Services (MN)	Senior Housing Partners
Providence Life Services (IL)	ProviNET
Transforming Age (WA)	GSI Research & Consulting
Westminster Canterbury on Chesapeake Bay (VA)	Senior Options

*\*Currently in negotiations with Senior Quality Lifestyles Corporation to purchase*

Third-party management of another community is among the more common services offered by some of the largest not-for-profit providers, even if not under the umbrella of a separate subsidiary. As reported in the 2016 LeadingAge Ziegler 150, roughly 36% of the largest not-for-profit senior living organizations manage another community. Unlike the for-profit owners and operators, many not-for-profit providers offer third-party management as a step toward potential affiliation at some point in the future.



Source: 2016 LeadingAge Ziegler 150 (data as of 12/31/15)

**ZIEGLER**

200 South Wacker Drive | Suite 2000  
Chicago, IL 60606

**CONTACT US**

800 366 8899  
askziegler@ziegler.com



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While these types of subsidiary companies have been quite successful for a number of providers, and have generated significant revenue, they also take needed resources to establish and successfully execute. Often it is necessary to designate specific individuals to lead these charges rather than trying to provide services with existing staff who oversee other areas of existing company operations.

It is also important to realize that these types of affiliate companies may not be for everyone. It is critical for organizations, led by the board and leadership, to understand the “why?” behind the growth initiative and how it relates to the existing mission. If there is not clarity around the purpose for growth and how that endeavor aligns with the rest of the goals of the organization, it will inevitably struggle.

Lastly, it is important when establishing this type of subsidiary to determine the best organizational structure. The structure should be purposefully designed to facilitate that growth and mitigate risk to the parent organization.

If you are interested in further information on Ziegler, or have questions regarding any of the content in this article, please contact the Ziegler banker in your region.

LISA MCCRACKEN  
DIRECTOR  
SENIOR LIVING RESEARCH & DEVELOPMENT

**NOT-FOR-PROFIT SENIOR LIVING RATINGS ACTIONS**

MARCH 24 - APRIL 5, 2017

ORGANIZATION	RATING AGENCY	RATING/ OUTLOOK	TYPE OF ACTION	DATE
Army Residence Community (TX)	Fitch	BBB- Stable	Affirmed Rating	3/27/17
Kendal at Hanover (NH)	Fitch	BBB+ Stable	Affirmed Rating	3/28/17
Asbury Communities (MD)	Fitch	BBB Stable	Affirmed Rating	3/31/17
Brethren Village (PA)	Fitch	BB+ Stable	Assigned Rating Affirmed Rating	3/31/17
Lakeview Village (KS)	Fitch	BB+ Stable	Assigned Rating	3/31/17
Messiah Lifeways (PA)	Fitch	BBB- Stable	Affirmed Rating	4/5/17

*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.*

**IN YOUR CORNER**
**LEADINGAGE MARYLAND 2017 ANNUAL CONFERENCE**

Turf Valley Resort  
Ellicott City, Maryland  
April 24-25, 2017

**Session F2**
***Leading and Thriving in 2017 and Beyond***

Tuesday, April 25, 2017 | 2:00 pm - 3:30 pm

*Ziegler Participant: Amy Castleberry*

**INTEREST RATES**

FOR THE WEEK ENDING MARCH 31, 2017

	CURRENT	LAST WEEK	52-WK AVG
30-Yr MMD	3.03%	3.07%	2.62%
Senior Living 30-Yr "A"	4.13%	4.17%	3.61%
Senior Living 30-Yr "BBB"	4.58%	4.62%	3.97%
Senior Living Unrated	5.03%	5.07%	4.76%
Senior Living New Campus	6.57%	6.57%	6.44%
SIFMA Muni Swap Index	0.91%	0.79%	0.57%

*Source: Ziegler Capital Markets*

**FEATURED FINANCING**


**\$106,480,000**

Tulsa County Industrial Authority,  
Senior Living Community Revenue Bonds,  
Series 2017

**MONTEREAU, INC.**

Tulsa, Oklahoma

## MARKET REVIEW

## MONEY MARKET RATES

	3/31/17	1 WEEK AGO	1 MONTH AGO	1 YEAR AGO
Prime Rate	4.00	4.00	3.75	3.50
Federal Funds (weekly average)	0.88	0.90	0.64	0.35
90 Day T-Bills	0.76	0.76	0.69	0.22
30-Day Commercial Paper (taxable)	0.80	0.82	0.65	0.33
Libor (30-day)	0.98	0.98	0.83	0.43
7 Day Tax-Exempt VRDB	0.91	0.79	0.62	0.40
Daily Rate Average	0.93	0.76	0.57	0.37

## COMPARATIVE YIELDS

	TAXABLE REVENUE				TAX-EXEMPT REVENUE						
	GOVT	NR*	A		MMD	NR**	NR*	BB	BBB	A	AAA
1 Year	0.97	2.25	1.62	1 Year	0.86	2.36	2.25	2.36	1.86	1.36	1.11
5 Year	1.93	4.00	2.79	5 Year	1.55	3.30	3.35	3.20	2.80	2.30	1.95
7 Year	2.22	4.50	3.37	7 Year	1.88	3.78	4.00	3.63	3.28	2.88	2.48
10 Year	2.40	4.75	3.61	10 Year	2.24	4.24	4.50	4.14	3.79	3.34	2.84
30 Year	3.03	6.25	4.49	30 Year	3.03	5.03	5.15	4.93	4.58	4.13	3.63
				5 year ADJ RATE			4.25				

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

## TAX-EXEMPT MARKET INDICATORS

	THIS WEEK	LAST WEEK	CHANGE	2017 HIGH	LOW
Bond Buyer					
20 Bond Index	3.86	3.91	-.05	4.02	3.72
11 Bond Index	3.37	3.42	-.05	3.53	3.25
Revenue Bond Index	4.03	4.08	-.05	4.17	3.83
30 Year MMD	3.03	3.07	-.04	3.24	2.88
Weekly Tax-Exempt Volume (Bil)	4.52	2.94	+1.58	7.68	2.91
30 Day T/E Visible Supply (Bil)	9.59	7.57	+2.02	13.37	5.50
30 year "A" Rated Hospitals as a % of 30 Year Treasuries	136.30	121.12	+15.18	147.05%	120.39%

## 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)		
03/31/17	0.91	4.00	0.88	0.76	0.80	0.98	4.13	-	3.63
03/24/17	0.79	4.00	0.90	0.76	0.82	0.98	4.17	-	3.67
03/17/17	0.71	4.00	0.75	0.73	0.82	0.94	4.30	-	3.80
03/10/17	0.62	3.75	0.66	0.72	0.79	0.85	4.34	-	3.84
03/03/17	0.62	3.75	0.64	0.69	0.65	0.83	4.26	-	3.76
02/24/17	0.65	3.75	0.66	0.49	0.60	0.78	4.09	-	3.69
02/17/17	0.65	3.75	0.66	0.52	0.59	0.77	4.23	-	3.73
02/10/17	0.65	3.75	0.66	0.54	0.61	0.78	4.16	-	3.66
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
12/02/16	0.56	3.50	0.38	0.47	0.50	0.62	4.80	-	3.85
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
07/01/06	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

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