

# ZIEGLER INVESTMENT BANKING

## SENIOR LIVING FINANCE Z-NEWS

### MARKET COMMENTARY

## FROM A CAPITAL MARKETS PERSPECTIVE

With the U.S. and many global markets closed for Good Friday, equities ended the holiday-shortened week with modest losses. Trading volumes were remarkably low early in the week, with fewer stock shares trading Monday than on any day in 2017. Market participants kept a close eye on the conflict in Syria and how it was raising tensions between the U.S and Russia. Reports later on in the week that the U.S. had dropped the largest non-nuclear bomb in its arsenal in Afghanistan also seemed to spur a drop in share prices. The smaller-cap indexes, which are routinely more fickle, trailed the large-cap blue chips. The technology-heavy Nasdaq Composite Index also underperformed. The sector was down in part by softness in semiconductor shares on news that Apple was in plan to produce its own chips for iPhones.

The rally in fixed income continued with especially strong performance in the Treasury market as maturities 3 years and longer all saw double-digit declines in yields. The 10-year Treasury Note finished the week 15 basis points lower at 2.24%, while the 30-year Bond finished at 2.89%, for a decline of 12 basis points. Tax-exempts were stronger as well, but underperformed the Treasury market. Ten-year MMD closed 5 basis points lower at 2.12% and 30-year MMD moved 3 basis points lower to finish at 2.94%. Tax-exempt bond funds reported very strong inflows of the week of over \$1.5 billion. Technical conditions remained favorable amid light new issuance and healthy demand.

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.*

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## FEATURED ARTICLE

THE 19<sup>TH</sup> ANNUAL ZIEGLER LEADINGAGE NATIONAL CFO WORKSHOP

This week, nearly 200 Chief Financial Officers (CFOs) and industry finance professionals gathered for the 19th year to attend the *Ziegler LeadingAge National Senior Living CFO Workshop*. Ziegler staff, LeadingAge staff, and nearly 20 CFOs formed a Steering Committee to develop a robust educational and networking agenda specifically designed for not-for-profit senior living professionals. The speakers represent industry specialists in areas such as policy, compliance, accounting, actuary science and healthcare reform, as well as providers who are innovating, growing and willing to share their best practices.

The pre-conference activities began with a popular annual session, **Senior Living Finance and Risk Management 101**. Brian Magnone (Retirement Housing Foundation) and Ziegler's Sarkis Garabedian presented an overview of concepts for senior living financing, as well as the role of finance professionals in senior living. This session is tremendously beneficial for those new to the industry or those looking for a refresher course on not-for-profit senior living financings.

The official kickoff of the conference began Thursday with welcoming remarks from LeadingAge and Ziegler. Ziegler's Dan Hermann, Will Carney, Tad Melton and Lisa McCracken presented **Focus on Finance 2017**, wherein attendees were informed of the latest economic trends, industry trends, and capital markets information.

Following the finance overview was a policy update presented by Steve Maag (LeadingAge). In his **Policy Talk** presentation, he spoke on the latest issues in Washington, D.C. such as the direction the new administration will take with healthcare policy and how it will impact providers of senior services; will ACA be replaced partially or entirely, and what will take its place; how will Medicare, Medicaid, and senior housing be impacted; and what providers need to anticipate in the coming year.

The late morning breakout sessions on Thursday covered topics such as:

- Jon Sammons (LeaderStat) and Mark Woodka (OnShift) presented **Staff Recruitment & Retention: Finding Solutions in a Challenging Labor Market** wherein they identified potential solutions for senior living organizations on how to tackle the challenges of today's staffing dilemmas. They shared suggestions on recruiting and how to retain qualified staff; how others are succeeding in today's competitive labor market; what new innovative approaches others are engaging that yield positive results; and much more.
- The next session, **What You Don't Know CAN Hurt You – Cybersecurity Basics** presented by David Baker (The Asbury Group), expressed the importance of not if an organization will have a security breach, but rather when and subsequent handling of the situation. He offered guidance as to investing accordingly, insuring and securing information, commitment to training staff, and increasing awareness of the role humans play in data breaches.
- A new topic this year was **Unraveling the Complexity of CMS Requirements**. Carl Moellenkamp (CliftonLarsonAllen) simplified the rationale on the mechanics and requirements of The Centers for Medicare and Medicaid Services (CMS) while also explaining how the information submitted is being put to use.

Thursday early afternoon breakout sessions covered topics from the post-acute market to senior living finance to a case study on sponsorship transition. Clearly not-for-profit senior living providers in the skilled/healthcare setting are feeling increased challenges. **Today's Post-Acute Market: Surviving in a Competitive, Changing Environment**, presented by Betsy Rust (Plante Moran), discussed how to stay competitive in a highly dynamic and shifting environment by navigating the Medicare Advantage companies, utilizing effective cost data management and outcomes measurement, and more.

The senior living CFO workshop would not be complete without a **Financing Panel**. This year's panel, made up of two industry specialists, Mary Jane Minier (Invesco) and Richard Ziegler (UMB Bank), teamed up to give their perspectives on today's senior living capital markets and what lenders are looking for from providers needing to tap additional capital or a different type of capital in 2017.

Lastly, we have seen an increase in sponsorship transitions over the past several years. Roger Weideman (BHI Senior Living) shared his experience in an **Affiliation Case Study – Specific Implications for the CFO**, wherein he focused on the specific role he had undertaken during an affiliation transition. He covered topics such as the integration of financials, consolidated debt management, assimilation of various employee compensation packages, and more.

Look ahead to next week's *Z-News* for a roundup on the second half of the 2017 *Ziegler LeadingAge Senior Living National CFO Workshop*!

For further information on Ziegler, or anything included in this article, please contact the Ziegler banker in your region.

CATHY OWEN, ASSISTANT VICE PRESIDENT  
SENIOR LIVING RESEARCH

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

APRIL 13-18, 2017

ORGANIZATION	RATING AGENCY	RATING/ OUTLOOK	TYPE OF ACTION	DATE
Harrogate (NJ)	Fitch	BB Stable	Downgraded Rating	4/18/17
The Forest at Duke (NC)	Fitch	BBB+ Positive	Affirmed Rating Revised Outlook	4/18/17

*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 APRIL 14, 2017

	CURRENT	LAST WEEK	52-WK AVG
30-Yr MMD	2.91%	2.99%	2.64%
Senior Living 30-Yr "A"	4.01%	4.09%	3.63%
Senior Living 30-Yr "BBB"	4.51%	4.54%	4.00%
Senior Living Unrated	4.99%	4.99%	4.77%
Senior Living New Campus	6.57%	6.57%	6.45%
SIFMA Muni Swap Index	0.89%	0.88%	0.59%

*Source: Ziegler Capital Markets*

**FEATURED FINANCING**

**\$54,045,000**

California Municipal Finance Authority,  
Insured Revenue Refunding Bonds,  
Series 2017A

**CHANNING HOUSE**

Palo Alto, California

## MARKET REVIEW

## MONEY MARKET RATES

	4/14/17	1 WEEK AGO	1 MONTH AGO	1 YEAR AGO
Prime Rate	4.00	4.00	4.00	3.50
Federal Funds (weekly average)	0.90	0.90	0.75	0.37
90 Day T-Bills	0.79	0.81	0.73	0.22
30-Day Commercial Paper (taxable)	0.81	0.86	0.82	0.37
Libor (30-day)	0.99	0.98	0.94	0.43
7 Day Tax-Exempt VRDB	0.89	0.88	0.71	0.40
Daily Rate Average	0.83	0.85	0.71	0.23

## COMPARATIVE YIELDS

TAXABLE REVENUE				TAX-EXEMPT REVENUE							
	GOVT	NR*	A		MMD	NR**	NR*	BB	BBB	A	AAA
1 Year	0.99	2.25	1.62	1 Year	0.84	2.36	2.20	2.44	1.84	1.34	1.09
5 Year	1.77	4.25	2.62	5 Year	1.25	3.26	3.25	3.17	2.67	2.17	1.82
7 Year	2.04	4.75	3.26	7 Year	1.72	3.73	3.80	3.72	3.22	2.72	2.32
10 Year	2.23	5.00	3.45	10 Year	2.08	4.19	4.30	4.13	3.68	3.18	2.68
30 Year	2.89	6.25	4.35	30 Year	2.91	4.99	5.05	4.96	4.51	4.01	3.51
				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	3.77	3.83	-0.06	4.02	3.72
11 Bond Index	3.28	3.34	-0.06	3.53	3.25
Revenue Bond Index	3.95	4.00	-0.05	4.17	3.83
30 Year MMD	2.91	2.99	-0.08	3.24	2.88
Weekly Tax-Exempt Volume (Bil)	5.54	6.75	-1.21	7.68	2.91
30 Day T/E Visible Supply (Bil)	10.29	5.61	+4.68	13.37	5.50
30 year "A" Rated Hospitals as a % of 30 Year Treasuries	138.75	136.33	+2.45	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)		
04/14/17	0.89	4.00	0.90	0.79	0.81	0.99	4.01	-	3.51
04/07/17	0.88	4.00	0.90	0.81	0.86	0.98	4.09	-	3.59
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
01/06/17	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.