

ZIEGLER INVESTMENT BANKING

SENIOR LIVING FINANCE Z-NEWS

MARKET COMMENTARY

FROM A CAPITAL MARKETS PERSPECTIVE

After a week of choppy trading, equities closed out the week with gains. The Nasdaq Composite Index was the bright spot, while below par results from Goldman Sachs, IBM, and Johnson & Johnson applied downward pressure on the Dow Jones Industrial Average. The smaller-cap indexes, which traditionally see more volatility, outperformed for the week but remain the weakest performing sector year to date.

Last week brought the first meaningful round of first-quarter earnings releases, which were generally expected to show the biggest uptick in corporate profits market participants have seen in years. Anticipation of tech and media corporation earnings seemed to improve market sentiment early in the week. Despite a steady flow of earnings reports, uncertainty about tax reform and other economic and political issues managed to make its way to the front of the news cycle. Treasury Secretary Steven Mnuchin took the stage on Thursday afternoon and firmly indicated that tax reform plans were progressing. Mnuchin's comments alleviated concerns that Trump's fiscal agenda was not going to be a focal point for the administration.

Similar to stocks, bonds had a week of seesaw trading. Starting the week with gains but finishing the week mostly unchanged. The 10-year Treasury Note finished the week unchanged at 2.24%. The 30-year Bond was also unchanged finishing the week at 2.90%. Tax-exempt outperformed Treasuries on the week. Ten-year MMD closed 5 basis points lower at 2.05% and 30-year MMD moved 4 basis points lower to finish at 2.90%. Tax-exempt bond funds reported inflows on the week of \$219M.

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 19TH ANNUAL ZIEGLER LEADINGAGE NATIONAL CFO WORKSHOP: PART II

Last week, nearly 200 Chief Financial Officers (CFOs) and industry finance professionals gathered for the 19th annual *Ziegler LeadingAge National Senior Living CFO Workshop*. Ziegler staff, LeadingAge staff, and roughly 20 CFOs formed a Steering Committee to develop a robust educational and networking agenda specifically designed for not-for-profit senior living professionals. This year's presenters represented industry specialties in areas such as policy, senior living financing, accounting, actuary science and healthcare reform, as well as providers who are innovating, growing and willing to share their best practices. In this week's *Z-News*, we highlight sessions from the second half of the conference.

After exciting breakout sessions for the first part of Thursday's events, the afternoon showcased sessions focused on topics including accounting updates, strategic planning and investor communication. Mark Ross with Baker Tilly provided attendees with the **2017 Accounting Update: Revenue Recognition & Other Key Changes**. This session covered key items from the past year, as well as upcoming changes that will take place in the months ahead.

The New Era of Strategic Planning session was led by Tim Ficker with MHS Consulting and highlighted current approaches to strategic planning in the not-for-profit sector. Attendees heard perspective on current trends for strategic planning cycles, as well as effective approaches that gather input from a variety of important stakeholder groups.

In 2016, attendees benefitted from hearing about best practices regarding disclosure and how to best communicate with investors. This session was so well received that it was featured again and led by Ed Merrigan with Ziegler Research and Mary Jane Minier from Invesco. **Communication with Investors: Best Practices from Ziegler Research** gave guidance on dos and don'ts when communicating with investors and the importance of a transparent, meaningful relationship between the issuer and institutional investor.

Thursday's sessions wrapped up with the annual CFO Roundtable Discussions. The single-site and multi-site attendees had individual group breakouts to discuss hot topics, share best practices and struggles, and network with fellow finance professionals.

The Friday morning sessions began bright and early with "Breakfast Intensive" breakouts. Both early-morning sessions this year were new topics for the CFO Workshop. Julia Hanover with The Presbyterian Homes, Inc. (NC) and Andrew McDonald with ABHOW (CA) led **A Primer for Tomorrow's Chief Financial Officers**. As the role of the CFO has evolved and arguably, grown in sophistication, so too are the demands on potential candidates who may fill those future roles. The two presenters discussed their evolution into their roles, touched on succession planning efforts, and presented advice on how to foster and professionally develop future CFOs. Concurrent to that session was **Explaining Financial Decisions & Financial Performance** to Your Consumers. Russell Gardner with Westminster Canterbury Richmond (VA) and Kevin Goyette of RiverWoods Group (NH) both shared how their organizations have positioned themselves for growth and have had to explain those financial decisions to current stakeholders. The session provided practical ideas for other organizations in similar positions.

The final sessions on Friday morning covered benchmarking and alternative financing structures. Tiffany Karlin and Greg Pfeuffer from Mueller Prost led **Benchmarking: Truly Understanding Financial & Operational Metrics and How to Drive Change**. Attendees were provided with information on benchmarking tools, but also how to utilize that information to make meaningful improvement across key indicators. Ziegler's own Bill Mulligan and Brandon Powell presented in **Alternative Financing Structures** and delved into financing options outside of tax-exempt bonds and bank debt, such as FHA/HUD financing, EB5 programs and real-estate trusts that are commonly used in the for-profit space.

The Workshop concluded with a closing general session entitled **Key Indicators for 2017: CFO Panel Reaction**. In this session, Dan Hermann with Ziegler presented on a number of key economic indicators and the respective CFOs responded with how those areas are impacting their organizations. Dale Beiler, Garden Spot Communities (PA), Diana Jamison, Episcopal Senior Communities (CA) and Larry Smith with Lifespace Communities (IA), discussed hot topics such as employment pressures, inflation and its impact on growth, and local housing market trends, among other items.

It was another successful year for the *Ziegler LeadingAge National Senior Living CFO Workshop*. Much great feedback was shared and we encourage all industry CFOs and finance professionals to consider attending the 2018 workshop. Stay tuned for the 2018 location and dates, which will be shared in the coming months.

For further information on Ziegler, or anything included 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

APRIL 19-24, 2017

ORGANIZATION	RATING AGENCY	RATING/ OUTLOOK	TYPE OF ACTION	DATE
Brethren Home Community dba Cross Keys Village (PA)	S&P	A- Stable	Affirmed Rating	4/21/17

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 CALIFORNIA 56th ANNUAL CONFERENCE & EXPOSITION

Portolo Hotel & Conference Center
 Monterey, California
 May 1-3, 2017

Session DD3
If Not You, Then Who? The Not-For-Profit Leadership Imperative

Wednesday, May 3, 2017 | 2:30 pm - 5:30 pm

Ziegler Participants: Dan Hermann & Mary Muñoz

LEADINGAGE WISCONSIN SPRING CONFERENCE & BUSINESS MEETING

Radisson Paper Valley Hotel
 Appleton, Wisconsin
 May 3-5, 2017

Session A02
Innovation Ideas For Success: Technology Best Practices in Senior Living

Thursday, May 4, 2017 | 10:15 am - 11:15 am

Ziegler Participant: Stephen Johnson

Session B08
Architect's Panel: The Latest in Planning & Design

Thursday, May 4, 2017 | 11:30 am - 12:30 pm

Ziegler Participant: Will Carney

Session C14
Affiliation & Sponsorship Transition: Strategic Opportunities For Long-Term Success

Thursday, May 4, 2017 | 1:15 pm - 2:45 pm

Ziegler Participant: Stephen Johnson

Session D20
The State of Senior Living 2017: Leadership Trends & Ideas

Thursday, May 4, 2017 | 3:00 pm - 4:30 pm

Ziegler Participants: Will Carney & Stephen Johnson

LEADINGAGE INDIANA ANNUAL CONFERENCE & TRADE SHOW

Indianapolis Marriott Downtown
 Indianapolis, Indiana
 May 8-9, 2017

Session IA
Trump/Pence Presidency: What Does it Mean to Not-For-Profit Senior Living Providers? Capital Access?

Monday, May 8, 2017 | 9:00 am - 10:00 am

Ziegler Participant: Tom Meyers

INTEREST RATES

FOR THE WEEK ENDING APRIL 21, 2017

	CURRENT	LAST WEEK	52-WK AVG
30-Yr MMD	2.90%	2.91%	2.65%
Senior Living 30-Yr "A"	3.95%	4.01%	3.65%
Senior Living 30-Yr "BBB"	4.40%	4.51%	4.01%
Senior Living Unrated	5.15%	4.99%	4.77%
Senior Living New Campus	6.75%	6.57%	6.46%
SIFMA Muni Swap Index	0.92%	0.89%	0.60%

Source: Ziegler Capital Markets

FEATURED FINANCING


\$175,065,000

Public Finance Authority, Senior Living Revenue and Refunding Bonds, Series 2017

MARY'S WOODS AT MARYLHURST

Lake Oswego, Oregon

MARKET REVIEW

MONEY MARKET RATES

	4/21/17	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	0.90	0.37
90 Day T-Bills	0.78	0.79	0.76	0.23
30-Day Commercial Paper (taxable)	0.83	0.81	0.82	0.37
Libor (30-day)	0.98	0.99	0.98	0.44
7 Day Tax-Exempt VRDB	0.92	0.89	0.79	0.41
Daily Rate Average	0.87	0.83	0.76	0.23

COMPARATIVE YIELDS

TAXABLE REVENUE				TAX-EXEMPT REVENUE							
	GOVT	NR*	A		MMD	NR**	NR*	BB	BBB	A	AAA
1 Year	0.98	2.25	1.47	1 Year	0.84	2.59	2.20	2.34	1.74	1.34	1.09
5 Year	1.74	4.25	2.58	5 Year	1.39	3.37	3.20	3.02	2.52	2.12	1.77
7 Year	2.02	4.75	3.22	7 Year	1.68	3.75	3.75	3.55	3.05	2.65	2.25
10 Year	2.21	5.00	3.41	10 Year	2.05	4.30	4.30	4.00	3.55	3.10	2.65
30 Year	2.87	6.25	4.32	30 Year	2.90	5.15	5.05	4.85	4.40	3.95	3.50
				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	3.71	3.77	-0.06	4.02	3.72
11 Bond Index	3.22	3.28	-0.06	3.53	3.22
Revenue Bond Index	3.91	3.95	-0.04	4.17	3.83
30 Year MMD	2.90	2.91	-0.01	3.24	2.88
Weekly Tax-Exempt Volume (Bil)	5.54	2.23	+3.31	7.68	2.2.23
30 Day T/E Visible Supply (Bil)	10.33	10.29	+0.04	13.37	5.50
30 year "A" Rated Hospitals as a % of 30 Year Treasuries	137.63	138.75	-1.12	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)		
04/21/17	0.92	4.00	0.90	0.78	0.83	0.98	3.95	-	3.50
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
01/06/17	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
07/01/16	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

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