

ZIEGLER INVESTMENT BANKING

SENIOR LIVING FINANCE Z-NEWS

MARKET COMMENTARY

FROM A CAPITAL MARKETS PERSPECTIVE

Nasdaq breaks 6,000. The technology-laden Nasdaq cracked the 6,000 threshold for the first time in history. It's been a long road. Seventeen years ago the index eclipsed 5,000. It took 10 weeks for the index to jump from 4,000 to 5,000 at the height of the tech bubble. A sign, that while technology stocks currently have concerning price to earnings ratios, the sector is not demonstrating runaway bubble market stock price increases.

The French election results boosted risk taking sentiment on Wall Street. The U.S. equities markets following the global markets sharply higher early in the week. This along with good first-quarter earnings results pushed stock indexes higher on the week. The DJIA was up 5.9%, the S&P was up 6.5%, the Russel 2000 was up 3.4% and the Nasdaq was up 12%. Noteworthy reports such as aluminum producer Alcoa, whose massive size of operations make its results an important data point for the state of the global economy. Alcoa shares rose after beating estimates and signaling solid growth in demand for metal for the remainder of the year. With approximately 300 companies reporting profits, Thursday was the busiest day of the earnings season. While the reports were decidedly positive, they only served to confirm the markets view on the economy and did not have a significant impact on the day's indexes. Most of the equity indexes gains were during the first half of the week.

The fixed income markets spent the week digesting the administrations proposed tax cuts. Bond yields rose as investors allocated more dollars to risk equity sectors. The 10-year Treasury Note yield finished the week one basis point higher at 2.28%. The 30-year Bond yield finishing the week three basis points higher at 2.95%. In the back drop of additional supply and several weeks of positive performance, municipals reversed course and under preformed Treasuries on the week. 10-year MMD closed nine basis points higher at 2.14% and 30-year MMD moved 12 basis points higher to finish at 3.02%. Tax-exempt bond funds reported inflows on the week of \$144 million. The four-week tax exempt fund flow moving average remains firmly positive at \$443 million.

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 VALUE OF CARF ACCREDITATION

Since 1966, CARF has been a leading, independent, nonprofit organization accrediting more than 7,000 service providers worldwide, with 50,000+ accredited programs and services at more than 25,000 locations globally. CARF serves more than 10 million people annually through accredited service providers. In the United States, nearly half of CARF accredited programs are Life Plan Communities (LPCs fka CCRCs), including single-site and system providers. While many senior living providers are familiar with the annual *Financial Ratios & Trend Analysis of CARF-Accredited Continuing Care Retirement Communities* benchmarking data, published jointly by CARF, Ziegler and Baker Tilly, not everyone is as familiar with CARF accreditation.

There are many advantages to CARF accreditation. Customers look to CARF accreditation as their assurance that programs and facilities are of the highest quality. Service providers, have the advantage of clearly defined and internationally-accepted standards to ensure that services remain among the elite for excellence. Fundamentally, one of the greatest benefits of accreditation is the extremely thorough self- and peer-evaluation process that a community undergoes in order to achieve accredited status: every aspect of the community's enterprise—from governance to finance to operations to risk management and beyond—is measured and evaluated against quality standards that represent the highest level of achievement so that, at the end of the process, a community can literally be transformed in the manner in which it pursues its mission.

Performance Improvement: The Ongoing Cycle to Support Excellence



Once achieved, accreditation is evidence of that aspiration to excellence and is an effective tool for differentiating a community in the marketplace; particularly in an environment in which seniors are carefully scrutinizing the financial and operational strength of a community. For example, Fitch Ratings, the leading rating agency for senior living organizations, expressed their favorable view of CARF accreditation in their most recent published methodology for assessing the credit of LPCs.

What do accredited providers think of the process? According to provider surveys, 98% of CARF's customers report that accreditation helps them to improve their business; 96% of respondents said the on-site survey was beneficial; and 92% responded that the CARF standards were relevant. When asked why organizations chose to pursue CARF accreditation, the most common answers were: a belief in the value of accreditation, the establishment of a quality framework, and the consultative accreditation process. When asked how CARF accreditation helps to improve organizational performance, the most common answers were implementing policies and procedures and development of performance improvement practices.

Look around at some of the top senior living leaders in the country and you'll find a strong peer network, many of which were developed as CARF surveyors or through CARF's peer network. CARF provides a link to a network of other leaders and service providers who face the same challenges. Many of these individuals have presented at CARF educational venues and contribute articles to the CARF newsletter addressing many of the challenges and offering possible solutions.

For more information on CARF accreditation, visit www.carf.org.

AMY CASTLEBERRY, CFA,
DIRECTOR
ZIEGLER

NOT-FOR-PROFIT SENIOR LIVING RATINGS ACTIONS

APRIL 26 - MAY 1, 2017

ORGANIZATION	RATING AGENCY	RATING/ OUTLOOK	TYPE OF ACTION	DATE
Berkshire Retirement Community dba Kimball Farms (MA)	Fitch	A Positive	Upgraded Rating Revised Outlook	4/26/17
Dow Rummel Village (SD)	Fitch	BB Stable	Assigned Rating Affirmed Rating	4/26/17

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 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 28, 2017

	CURRENT	LAST WEEK	52-WK AVG
30-Yr MMD	3.01%	2.90%	2.65%
Senior Living 30-Yr "A"	4.06%	3.95%	3.66%
Senior Living 30-Yr "BBB"	4.51%	4.40%	4.02%
Senior Living Unrated	5.26%	5.15%	4.78%
Senior Living New Campus	6.75%	6.75%	6.47%
SIFMA Muni Swap Index	0.90%	0.92%	0.61%

Source: Ziegler Capital Markets

FEATURED FINANCING



Where Loving-Kindness Lives

\$28,500,000

Refunding/Bank Direct Purchase

PARK POINTE VILLAGE RETIREMENT COMMUNITY, an affiliate of Acts

Rockhill, South Carolina



\$12,015,486

Refunding/Bank Direct Purchase

BISHOP GADSDEN

Charleston, South Carolina



\$18,580,411

Refunding/Bank Direct Purchase

WESTMISNTER CANTERBURY OF LYNCHBURG

Lynchburg, Virginia

MARKET REVIEW

MONEY MARKET RATES

	4/28/17	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	0.88	0.36
90 Day T-Bills	0.79	0.78	0.76	0.20
30-Day Commercial Paper (taxable)	0.84	0.83	0.80	0.40
Libor (30-day)	0.99	0.98	0.98	0.43
7 Day Tax-Exempt VRDB	0.90	0.92	0.91	0.41
Daily Rate Average	0.90	0.87	0.93	0.26

COMPARATIVE YIELDS

TAXABLE REVENUE				TAX-EXEMPT REVENUE							
	GOVT	NR*	A		MMD	NR**	NR*	BB	BBB	A	AAA
1 Year	1.06	2.25	1.56	1 Year	0.86	2.61	2.25	2.36	1.76	1.36	1.11
5 Year	1.84	4.25	2.69	5 Year	1.41	3.41	3.25	3.06	2.56	2.16	1.81
7 Year	2.13	4.75	3.33	7 Year	1.70	3.80	3.80	3.60	3.10	2.70	2.30
10 Year	2.32	5.00	3.51	10 Year	2.13	4.38	4.35	4.08	3.63	3.18	2.73
30 Year	2.99	6.25	4.44	30 Year	3.01	5.26	5.15	4.96	4.51	4.06	3.61
				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	3.82	3.71	+0.11	4.02	3.72
11 Bond Index	3.33	3.22	+0.11	3.53	3.22
Revenue Bond Index	4.02	3.91	+0.11	4.17	3.83
30 Year MMD	3.01	2.90	+0.11	3.24	2.88
Weekly Tax-Exempt Volume (Bil)	6.51	5.54	+0.97	7.68	2.23
30 Day T/E Visible Supply (Bil)	9.09	10.33	-1.24	13.37	5.50
30 year "A" Rated Hospitals as a % of 30 Year Treasuries	135.78	137.63	-1.85	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)		
04/28/17	0.90	4.00	0.90	0.79	0.84	0.99	4.06	-	3.61
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
07/01/06	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

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