

ZIEGLER INVESTMENT BANKING

SENIOR LIVING FINANCE Z-NEWS

MARKET COMMENTARY

FROM A CAPITAL MARKETS PERSPECTIVE

Stocks closed lower after a very volatile week. On Wednesday equities sold off dramatically. A Friday rally partially reversed the losses. Midweek, the Dow and the S&P 500 fell the most intraday in seven months, while the Nasdaq plunged the most since the Brexit vote in June. The declines followed overnight reports that President Trump had demanded ex-FBI Director James Comey to cease his investigation of former Trump campaign officials ties to the Russian government. Market participants spoke with their capital and the consensus was that the distracting controversy may undercut the Trump administration's efforts on tax reform and other market-friendly policies. The previous week, the Chicago Board of Exchange's Volatility Index (VIX) recently reached its lowest level in two decades on Wednesday it nearly doubled.

The large-cap S&P 500 Index and the S&P MidCap 400 Index fared better than the other major equity benchmarks. Year-to-date major equity indexes remain in varying positive territory, DJIA 5.70%, S&P 6.35%, Nasdaq 13%, S&P MidCap 3.20% and Russell 2000 0.95%. Other markets were also notably volatile, the price of gold spiked, bonds seesawed and the dollar sold off versus the euro.

As for bonds, the 10-year Treasury Note yield hit its lowest level in a month and finished the week ten basis points lower at 2.23%. The 30-year Bond yield finished the week eleven basis points lower at 2.89%. Municipals benefited from a strong retail bid and moderately outperformed Treasuries on the week. 10-year MMD closed ten basis points lower at 2.14% and 30-year MMD moved eleven basis points lower to finish at 2.87%. Tax-exempt bond funds reported inflows on the week of \$425 million. The four-week tax exempt fund flow moving average remains decidedly positive at \$326 million.

ADAM J. BUCHANAN
SENIOR VICE PRESIDENT

See pages 5-6 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

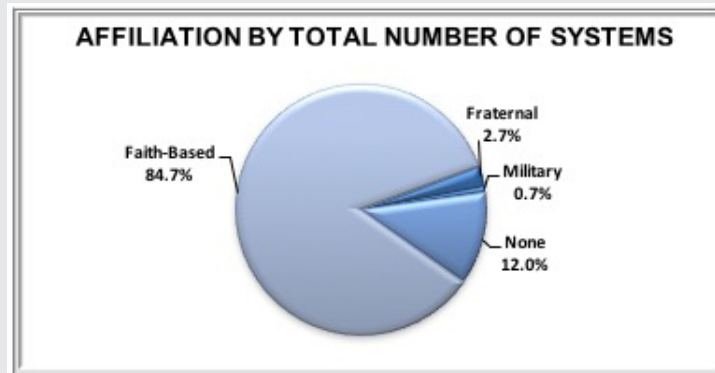


FEATURED ARTICLE

A PROFILE OF FAITH-BASED HERITAGE IN SENIOR LIVING

Ziegler has received several inquiries lately regarding faith-based senior living and we thought it was timely to issue an updated *Z-News* article on the topic. We are coming off of the spring conference season whereby many of the faith-based associations convened during annual meetings to celebrate their heritage and identify collaborative opportunities among provider members.

Recent data from the 2016 LeadingAge Ziegler 150 (“LZ 150”) publication reveals that nearly 85% of the largest not-for-profit providers have some type of faith-based affiliation. Less than 3% have an affiliation with a Fraternal group (e.g., Masonic) and less than 1% are affiliated with a military heritage. The remaining 12% of the largest not-for-profit senior living providers in the country have no formal affiliation.



Source: 2016 LeadingAge Ziegler 150

Lutheran-affiliated senior living organizations represent the largest proportion of market-rate senior living units among the LZ 150, with nearly 47,000 total units across the U.S. This is followed by Presbyterian-affiliated organizations with more than 35,000 market-rate units and Catholic senior living systems with more than 26,000 units. In total, these faith-based organizations represent more than 210,000 market-rate housing units for seniors throughout the country. While these numbers reflect multi-site market-rate units, it is important to note that many of these provider organizations also offer Affordable Housing residences, as well as an array of home and community-based services.

Ziegler has created a subset of reports for a number of the different faith-based groups to further examine the characteristics of the various cohorts. For example, we know that Catholic Senior Living providers are generally more oriented toward healthcare and skilled-nursing services while the Presbyterian-affiliated organizations are heavier with Independent Living and Life Plan Community offerings. Each peer group has a unique history that has crafted the suite of services offered through their ministry.

Naming, Branding & Faith

Over the past few years, Ziegler has reported a number of times the trend towards renaming the organization and, in the past five years alone, Ziegler has tracked over 50 not-for-profit senior living organizations that have changed their name. Among those 50, 75% have a faith-based affiliation. The question that is often asked is the importance of the faith in the naming. The answer is not a surprising one and is evident in the examples below. Organizations vary in the importance of having the faith-based affiliation as part of the name. Some keep it in a revised name and see it as important while others do not include it in an updated brand. A lack of inclusion in the name does not mean a drop in the affiliation. A number of organizations who have dropped the specific faith heritage in the name have also transitioned to adding a tagline, often which includes words like Faith, Christ’s Love or another similar term. Others that may not include specific mentions of Methodist, Lutheran or Presbyterian may in turn, select names that have a biblical or faith-based meaning. Below are examples of faith-based organizations that have changed their names in recent years.

Current Name	Former Name	State
Miravida Living	Lutheran Homes of Oshkosh	WI
Londonderry Village	Lebanon Valley Brethren Home	PA
Christian Horizons	Christian Homes	IL
Genacross Lutheran Services	Lutheran Homes Society	OH
Ohio Living	Ohio Presbyterian Retirement Services	OH
Transforming Age	Presbyterian Retirement Communities Northwest	WA
Samaritas	Lutheran Social Services of Michigan	MI
LifeSpire of Virginia	Virginia Baptist Homes	
SpiriTrust Lutheran	Lutheran Social Services of South Central Pennsylvania	PA

Source: Ziegler Investment Banking

Without a doubt, faith-based affiliations in senior living remain a significant part of the identity of the not-for-profit aging services sector. It is true that some of the future resident generations may follow and define their faith differently than previous cohorts, but history cannot be changed. The founding principles of these organizations remain unchanged and are an important part of the culture, values and mission within the organization.

If you have any questions regarding the items in this article or anything else related to Ziegler, please reach out to the Ziegler banker in your region.

LISA McCracken
DIRECTOR, SENIOR LIVING RESEARCH AND DEVELOPMENT

NOT-FOR-PROFIT SENIOR LIVING RATINGS ACTIONS

MAY 10 - 12, 2017

ORGANIZATION	RATING AGENCY	RATING/ OUTLOOK	TYPE OF ACTION	DATE
Diakon Lutheran Social Ministries (PA)	Fitch	BBB+ Stable	Affirmed Rating	5/18/17
Friendship Village of Schaumburg (IL)	Fitch	BB- Stable	Affirmed Rating	5/23/17

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 ARIZONA ANNUAL CONFERENCE & EXPO

We-Koo-Pa Resort & Conference Center
Scottsdale, Arizona
May 31 – June 2, 2017

Session 10

The Uncertain Future of Skilled Nursing

Thursday, June 1, 2017 | 10:15 am - 11:45 am

Ziegler Participants: Mary Muñoz & Daren Bell

2017 MASONIC COMMUNITIES & SERVICES ASSOCIATION (MCSA) CONFERENCE

Louisville Marriott Downtown
Louisville, Kentucky
June 3-7, 2017

Choosing The Right Path For Mission-Driven Growth

Tuesday, June 6, 2017 | 8:15 am - 10:15 am

Ziegler Participant: Tom Meyers

LEADINGAGE WASHINGTON ANNUAL CONFERENCE & EXHIBITION

Skamania Lodge Golf Resort
Stevenson, WA
June 13-15, 2017

Session 3

The Uncertain Future of Skilled Nursing

Wednesday, June 14, 2017 | 10:15 am - 11:45 am

Ziegler Participants: Mary Muñoz & Sarkis Garabedian

INTEREST RATES

FOR THE WEEK ENDING MAY 19, 2017

	CURRENT	LAST WEEK	52-WK AVG
30-Yr MMD	2.87%	3.01%	2.68%
Senior Living 30-Yr "A"	3.92%	4.06%	3.70%
Senior Living 30-Yr "BBB"	4.37%	4.51%	4.07%
Senior Living Unrated	5.12%	5.26%	4.81%
Senior Living New Campus	6.75%	6.75%	6.50%
SIFMA Muni Swap Index	0.78%	0.79%	0.64%

Source: Ziegler Capital Markets

FEATURED FINANCING



\$16,345,000

City of Lenexa, Kansas
Health Care Facility Revenue Bonds,
Series 2017A

LAKEVIEW VILLAGE, INC.

Lenexa, Kansas

MARKET REVIEW

MONEY MARKET RATES

	5/19/17	1 WEEK AGO	1 MONTH AGO	1 YEAR AGO
Prime Rate	4.00	4.00	4.00	3.50
Federal Funds (weekly average)	0.91	0.91	0.90	0.37
90 Day T-Bills	0.91	0.85	0.78	0.31
30-Day Commercial Paper (taxable)	0.83	0.84	0.83	0.36
Libor (30-day)	1.00	0.99	0.98	0.44
7 Day Tax-Exempt VRDB	0.78	0.79	0.92	0.40
Daily Rate Average	0.68	0.67	0.87	0.34

COMPARATIVE YIELDS

TAXABLE REVENUE				TAX-EXEMPT REVENUE							
	GOVT	NR*	A		MMD	NR**	NR*	BB	BBB	A	AAA
1 Year	1.08	2.25	1.61	1 Year	0.83	2.58	2.25	2.33	1.73	1.33	1.08
5 Year	1.79	4.25	2.64	5 Year	1.30	3.30	3.20	2.95	2.45	2.05	1.70
7 Year	2.05	4.75	3.27	7 Year	1.57	3.67	3.70	3.47	2.97	2.57	2.17
10 Year	2.25	5.00	3.45	10 Year	2.01	4.26	4.30	3.96	3.51	3.06	2.61
30 Year	2.90	6.25	4.36	30 Year	2.87	5.12	5.05	4.82	4.37	3.92	3.47
				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	3.73	3.81	-.08	4.02	3.72
11 Bond Index	3.24	3.32	-.08	3.53	3.22
Revenue Bond Index	3.92	4.01	-.09	4.17	3.83
30 Year MMD	2.87	3.01	-.14	3.24	2.87
Weekly Tax-Exempt Volume (Bil)	7.16	7.81	-.65	7.81	2.23
30 Day T/E Visible Supply (Bil)	8.47	9.67	-1.20	13.37	5.50
30 year "A" Rated Hospitals as a % of 30 Year Treasuries	135.17	136.24	-1.07	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)		
05/19/17	0.78	4.00	0.91	0.91	0.83	1.00	3.92	-	3.47
05/12/17	0.79	4.00	0.91	0.85	0.84	0.99	4.06	-	3.61
05/05/17	0.85	4.00	0.91	0.88	0.83	0.99	4.08	-	3.63
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
02/03/17	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.