

ZIEGLER INVESTMENT BANKING

SENIOR LIVING FINANCE Z-NEWS

MARKET COMMENTARY

FROM A CAPITAL MARKETS PERSPECTIVE

Equities closed the week with modest gains, other than the Dow Jones Industrial Average, every major bench mark reached new all-time highs. Major index year-to-date gains are as follows, DJIA 9.20%, S&P 500 10.4%, Nadaq 18.6%, S&P MidCap 400 6.9% and Russel 2000 5.9%. The technology-heavy Nasdaq Composite Index continues to standout, last week Netflix was the latest driver of its performance after a strong earnings report.

In the face of a substantial number of important earnings reports, trading activity was quiet throughout most of the week. According to Bloomberg, companies representing approximately twenty percent of the S&P 500's market capitalization released second-quarter results on the week. The equity market's earnings beats have been a driver of the market's gains so far this year. Even when the market reaches lofty price-to-earnings ratios earnings have been enough to push the market to new highs. Renewed strength in the global economy, along with anticipations for better growth in the U.S., has also been an element powering gains.

As for fixed income markets, Intermediate- and long-term Treasury yields declined for the week despite the positive economic signals. Primarily due to a reduction in new issue supply, municipal bonds produced positive returns and outperformed Treasuries. The new issuance municipal calendar last week was very manageable, creating strong demand, resulting in the primary market easily digesting the new deals. Positive cash flows returned to the tax-exempt mutual funds. Lipper reported cash inflows of \$289 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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CAPITAL :: INVESTMENTS :: ADVICE

FEATURED ARTICLE

THE STATE OF TECHNOLOGY IN NOT-FOR-PROFIT SENIOR SERVICES

An organization would be remiss if it did not consider the role of technology when engaging in a strategic planning or master planning process. We know that more than ever, older adults are utilizing technologies in their daily lives; staff (particularly millennials) embrace technologies that improve efficiencies, and organizational partners have come to expect a certain level of technology adoption to facilitate the relationship and ensure quality standards are met. As part of its ongoing industry research, Ziegler continues to monitor the evolution of technology-enabled solutions in the not-for-profit senior living space.

Most recently, Ziegler partnered with LeadingAge CAST to dig deeper into the degree to which not-for-profit senior living providers have adopted Electronic Health Record (EHR) platforms. This research went beyond simple adoption and evaluated characteristics such as integration of ancillary services and interoperability with other providers. The results showed that roughly one-third of not-for-profit providers are at advanced stages of adoption with exchange capabilities with other providers. Why is this enhanced level of adoption so important? As the post-acute healthcare space becomes more complex in terms of referral networks, patient length of stays and how senior living organizations get paid, the ability to seamlessly transmit information with hospital partners, home health partners and pharmacies will put certain providers ahead of less sophisticated ones. Technology's role in healthcare reform and the future of healthcare is indisputable.

Ziegler has noted for a number of years the importance of having someone within the organization who can strategically own the information technology needs of the enterprise. As shown below, the number of organizations who are hiring Chief Technology/Information Officers has increased in recent years. The following table identifies the top corporate-level positions that were added in 2016 within the LeadingAge Ziegler 150 organizations. Chief Technology Officers were among the top five both of the past two years.

Added in 2015	Added in 2016
Chief Clinical/Health Officer	Chief Medical/Health Officer
Chief Information/Technology Officer	Sales & Marketing Officer
Chief Talent/HR Officer	Business Development/Strategy
Business Development/Strategy	Regional Leadership Positions
Compliance/Quality Director	Chief Information/Technology Officer

Source: LeadingAge Ziegler 150

There is much talk about the pace of growth related to technology-enabled solutions for seniors and senior living organizations. All anyone has to do is take a look at the exhibitor listing for the LeadingAge Annual Meeting each year and count the number of companies that provide some form of service or product that has a technology-based platform. Navigating the large number of solutions available to you is a part-time job in and of itself. This again reinforces the role of a strategic thinker on the information technology front. As part of the Ziegler Link-Age Fund, which closed in 2014, the Limited Partners (which consist of over 70 not-for-profit senior living organizations) benefited from regular scans of the environment and the various companies who offer innovative solutions. Providers are encouraged to work internally to identify the most effective way to scan the marketplace for these companies and solutions and to tease out those that rise to the top. The LeadingAge CAST decision-making tools, found on their website, can help guide providers who are exploring certain categories of technologies.

Bottom-line, the current state of technology in the senior living sector is fast-paced and full of great opportunities for providers. Technology will continue to be a must within organizations, but those who are truly committed to fully engaging and implementing sophisticated systems will increasingly stand out from their peers. Ziegler will continue to monitor technologies for seniors and providers and will report on the latest trends and research findings.

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 & DEVELOPMENT

NOT-FOR-PROFIT SENIOR LIVING RATINGS ACTIONS

JULY 19-26, 2017

ORGANIZATION	RATING AGENCY	RATING/ OUTLOOK	TYPE OF ACTION	DATE
MRC Crestview dba Crestview Retirement Community (TX)	Fitch	BB+ Stable	Affirmed Rating	7/21/17
be.group fka Southern California Presbyterian Homes (CA)	S&P	BBB- Stable	Affirmed Rating	7/25/17
Westminster Manor (TX)	Fitch	BBB Positive	Affirmed Rating Revised Outlook	7/26/17

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.

INTEREST RATES

FOR THE WEEK ENDING JULY 21, 2017

	CURRENT	LAST WEEK	52-WK AVG
30-Yr MMD	2.71%	2.83%	2.79%
Senior Living 30-Yr "A"	3.71%	3.83%	3.84%
Senior Living 30-Yr "BBB"	4.21%	4.33%	4.24%
Senior Living Unrated	4.81%	4.93%	4.89%
Senior Living New Campus	6.75%	6.75%	6.59%
SIFMA Muni Swap Index	0.82%	0.86%	0.71%

Source: Ziegler Capital Markets

IN YOUR CORNER

LEADINGAGE NEW YORK 2017 FINANCIAL PROFESSIONAL'S ANNUAL CONFERENCE

The Saratoga Hilton
Saratoga Springs, New York
August 29-31, 2017

Capital Financing Options for New York Providers

Wednesday, August 30, 2017 | 1:30 pm - 3:00 pm
Ziegler Participant: Chad Himel

FEATURED FINANCING



\$34,210,000

Illinois Finance Authority
Revenue Refunding Bonds, Series 2017

THREE CROWNS PARK

Evanston, Illinois

MARKET REVIEW

MONEY MARKET RATES

	7/21/17	1 WEEK AGO	1 MONTH AGO	1 YEAR AGO
Prime Rate	4.25	4.25	4.25	3.50
Federal Funds (weekly average)	1.16	1.16	1.16	0.40
90 Day T-Bills	1.15	1.01	0.96	0.31
30-Day Commercial Paper (taxable)	1.10	1.12	1.09	0.35
Libor (30-day)	1.22	1.22	1.21	0.49
7 Day Tax-Exempt VRDB	0.82	0.83	0.87	0.42
Daily Rate Average	0.71	0.71	0.82	0.31

COMPARATIVE YIELDS

TAXABLE REVENUE				TAX-EXEMPT REVENUE							
	GOVT	NR*	A		MMD	NR**	NR*	BB	BBB	A	AAA
1 Year	1.21	2.25	1.78	1 Year	0.85	2.35	2.25	2.25	1.75	1.35	1.10
5 Year	1.80	4.25	2.80	5 Year	1.24	3.14	3.14	2.84	2.39	1.99	1.64
7 Year	2.04	4.75	3.39	7 Year	1.49	3.49	3.55	3.29	2.89	2.39	2.09
10 Year	2.23	5.00	3.63	10 Year	1.92	4.02	4.15	3.82	3.42	2.92	2.52
30 Year	2.80	6.25	4.45	30 Year	2.71	4.81	4.83	4.61	4.21	3.71	3.31
				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	3.51	3.61	-10	4.02	3.51
11 Bond Index	3.02	3.12	-10	3.53	3.02
Revenue Bond Index	3.70	3.77	-07	4.17	3.70
30 Year MMD	2.71	2.83	-12	3.24	2.71
Weekly Tax-Exempt Volume (Bil)	3.98	7.93	-3.95	7.93	0.46
30 Day T/E Visible Supply (Bil)	4.53	4.91	-38	13.37	4.13
30 year "A" Rated Hospitals as a % of 30 Year Treasuries	132.50	131.64	+86	147.05%	120.39%

INTEREST RATE COMPARISON

DATE	7-DAY T/E VRDB	PRIME RATE	FED FUNDS WEEKLY AVG.	13-WEEK		LIBOR (30-DAY)	30-YEAR		
				T-BILL RATE	C.P.RATE TAXABLE		T/E BONDS (A-AAA)		
07/21/17	0.82	4.25	1.16	1.15	1.10	1.22	3.71	-	3.31
07/14/17	0.83	4.25	1.16	1.01	1.12	1.22	3.83	-	3.43
07/07/17	0.86	4.25	1.16	1.03	1.08	1.22	3.82	-	3.42
06/30/17	0.91	4.25	1.13	0.99	0.90	1.22	3.79	-	3.39
06/23/17	0.87	4.25	1.16	0.96	1.09	1.21	3.69	-	3.29
06/16/17	0.81	4.25	1.01	1.01	1.11	1.17	3.70	-	3.30
06/09/17	0.74	4.00	0.91	1.00	1.01	1.09	3.69	-	3.29
06/02/17	0.76	4.00	0.89	0.95	0.86	1.08	3.75	-	3.35
05/26/17	0.78	4.00	0.91	0.91	0.86	1.03	3.87	-	3.42
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
04/07/17	0.88	4.00	0.90	0.81	0.86	0.98	4.09	-	3.59
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

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