

ZIEGLER INVESTMENT BANKING

SENIOR LIVING FINANCE Z-NEWS

FEATURED ARTICLE

THE POWER OF SENIOR LIVING ALLIANCES

We have spent a lot of time in recent years talking about partnerships, affiliations and joint ventures, but there has been less talk about the great benefit of alliances, many of which have evolved in the not-for-profit senior living space over the past 10 years or so. To add clarity to the conversation, we define alliances as a group or coalition of providers that have formed together to share thought leadership and best practices, as well as potential ventures for cost savings (e.g., group purchasing among others). These groups differ from formal associations and often represent a smaller cohort of a larger group. Alliances often form along the following lines.

- **Geographic proximity:** This may be providers within a certain metro market or across a particular county.
- **Thought Leadership:** These alliances form among peers who feel they have similar philosophies around innovation and sharing best practices. Members are often invited based on existing relationships and proven track records for operational and financial excellence.
- **Organizational Characteristics:** This may be a group of single-site providers only or a group of senior living organizations who provide home and community-based services, and who gather to share ideas and develop peer networks along these similarities.
- **Goal to Create Scale for Cost Savings:** Alliances are often able to tap into the benefits of purchasing economies and more powerful contract negotiations when banded together. There are some alliances in place where this is their primary goal or was the catalyst for bringing organizations together.

Several years ago Ziegler Senior Living Research began tracking these alliances among not-for-profit senior living providers and there are roughly 20 such organizations throughout the country (reminder this is exclusive of organized associations). Examples include the Caring Communities network (<http://www.caringcomm.org/>), the Institute for Senior Living (<http://instituteforseniorliving.org/>), and Link-Age (<https://www.linkageconnect.com/>). Other alliances, such as the JAM group out of Virginia or the LASS group out of Lancaster, Pennsylvania, were formed based on geographic proximity and other organizational similarities. The Novare consortium, on the other hand, is national in terms of representation and was established to pull together providers known for their excellence and strength across non-competing markets.

It is clear that these types of alliances are growing in number and also in their level of sophistication, which is not a surprise, given the increased pressures senior living providers are under. The pace of change is quicker than ever and if providers can come together to learn from one another and advance themselves individually and collectively as a result, that is a good thing. Within these groups, the key executives and teams become very familiar with one another and natural partnerships can grow. If one or two members are exploring a joint venture concept, they may be more likely to do it with another alliance member rather than an organization they have less familiarity with. These relationships have led to affiliation opportunities as well.

Lastly, all executives at the top of their organizations will tell you that the benefit of having a peer network and individuals you can pick up the phone and brainstorm with, or garner feedback from, is invaluable. We encourage providers to continue to maximize the value of their association memberships, but to not be afraid to think outside of the box and explore additional value-added relationships where it makes strategic and financial sense.

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.

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CAPITAL :: INVESTMENTS :: ADVICE

NOT-FOR-PROFIT SENIOR LIVING RATINGS ACTIONS

JULY 27 - AUGUST 2, 2017

ORGANIZATION	RATING AGENCY	RATING/ OUTLOOK	TYPE OF ACTION	DATE
Goodwin House Incorporated (VA)	Fitch	BBB Stable	Affirmed Rating	8/2/17
The Evangelical Lutheran Good Samaritan Society (SD)	Fitch	A- Negative	Assigned Rating Affirmed Rating Revised Outlook	8/2/17
The Evangelical Lutheran Good Samaritan Society (SD)	S&P	BBB Stable	Downgraded Rating Assigned Rating	8/1/17
Transforming Age (fka Presbyterian Retirement Communities Northwest) (WA)	Fitch	BB+ Stable	Affirmed Rating	7/27/17

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 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*

INTEREST RATES

FOR THE WEEK ENDING JULY 28, 2017

	CURRENT	LAST WEEK	52-WK AVG
30-Yr MMD	2.74%	2.71%	2.80%
Senior Living 30-Yr "A"	3.64%	3.71%	3.85%
Senior Living 30-Yr "BBB"	4.14%	4.21%	4.25%
Senior Living Unrated	4.74%	4.81%	4.90%
Senior Living New Campus	6.75%	6.75%	6.60%
SIFMA Muni Swap Index	0.82%	0.82%	0.72%

Source: Ziegler Capital Markets

FEATURED FINANCING

\$58,700,000

New Money/Refunding
Bank Direct Purchase

EDGEWOOD RETIREMENT COMMUNITY

North Andover, Massachusetts


\$5,760,000

Acquisition
Taxable Term Loan

CHRISTIAN HEALTH CARE CENTER

Wyckoff, New Jersey


\$24,295,192

Extension
Bank Direct Purchase

\$16,000,000

New Money
Bank Direct Purchase

SUNNYSIDE PRESBYTERIAN HOME
dba SUNNYSIDE

Harrisonburg, Virginia

MARKET REVIEW

MONEY MARKET RATES

	7/28/17	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	1.13	0.37
90 Day T-Bills	1.08	1.15	0.99	0.25
30-Day Commercial Paper (taxable)	1.09	1.10	0.90	0.35
Libor (30-day)	1.23	1.22	1.22	0.49
7 Day Tax-Exempt VRDB	0.82	0.82	0.91	0.44
Daily Rate Average	0.71	0.71	0.93	0.36

COMPARATIVE YIELDS

TAXABLE REVENUE				TAX-EXEMPT REVENUE							
	GOVT	NR*	A		MMD	NR**	NR*	BB	BBB	A	AAA
1 Year	1.21	2.25	1.81	1 Year	0.85	2.35	2.25	2.25	1.65	1.30	1.10
5 Year	1.82	4.25	2.82	5 Year	1.21	2.96	3.14	2.71	2.21	1.86	1.61
7 Year	2.09	4.75	3.44	7 Year	1.50	3.40	3.58	3.25	2.80	2.30	2.10
10 Year	2.28	5.00	3.68	10 Year	1.95	3.95	4.20	3.80	3.35	2.85	2.55
30 Year	2.89	6.25	4.54	30 Year	2.74	4.74	4.88	4.59	4.14	3.64	3.34
				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	3.52	3.51	+01	4.02	3.51
11 Bond Index	3.03	3.02	+01	3.53	3.02
Revenue Bond Index	3.72	3.70	+02	4.17	3.70
30 Year MMD	2.74	2.71	+03	3.24	2.71
Weekly Tax-Exempt Volume (Bil)	3.61	3.98	-37	7.93	0.46
30 Day T/E Visible Supply (Bil)	6.12	4.53	+1.59	13.37	4.13
30 year "A" Rated Hospitals as a % of 30 Year Treasuries	125.95	132.50	-6.55	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)		
07/28/17	0.82	4.25	1.16	1.08	1.09	1.23	3.64	-	3.34
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

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