

# ZIEGLER INVESTMENT BANKING

## SENIOR LIVING FINANCE Z-NEWS

### MARKET COMMENTARY

## FROM A CAPITAL MARKETS PERSPECTIVE

The focus of the week was the Federal Reserve's policy meeting mid-week, but the results of the meeting did not provide any surprises. Fed Chairwoman Janet Yellen announced that rates were unchanged, but beginning next month, it would decrease the amount of payments on its balance sheet that it redeloys. Stocks did not react sharply to the news. The impact was more pronounced in the fixed-income market as the yield on the 10-year Treasury note reached its highest level in a month. A greater expectation that the Fed will raise rates at its final meeting of the year was likely behind the increase in yields. The lower Treasury prices dragged municipal bond prices down as well.

Equities ended the week mixed. The large-cap benchmarks were slightly higher, with both the S&P 500 Index and the narrowly focused Dow Jones Industrial Average again setting record highs before fading back at week's end. The technology-heavy Nasdaq Composite Index also hit new highs, but ended the week down modestly. The smaller-cap benchmarks outperformed on the week, but stayed below the record highs they established over mid-summer. Interest rate-sensitive sectors, utilities and real estate shares underperformed as Sovereign yields increased.

The Municipal market outperformed Treasuries. Last week the municipal market continued to benefit from high demand for new issues and low supply. High grade municipal bonds were slightly stronger as Treasuries improved early before paring gains. Several recently issued bonds broke into the secondary at firmer levels. Next week's new issue calendar grows to over \$10B, compared to a revised total of just under \$5.4B last week. Lipper reported net inflows of \$547M into municipal bond mutual funds for the week ended September 20th.

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

## ZIEGLER SENIOR LIVING FINANCE + STRATEGY CONFERENCE: HIGHLIGHTS (PART II)

In last week's *Z-News*, we gave a sneak peek into the *20th Annual Ziegler Senior Living Finance + Strategy Conference*. This year's conference, to be held next week in Colorado Springs, Colorado, will host more than 650 attendees ranging from the country's leading senior living executives, business firms, banks, and investors. The "Conference: Highlights (Part I)" outlined the popular pre-con sessions to be held on Wednesday afternoon, as well as details of the Thursday morning agenda. This issue focuses on Thursday's afternoon breakout sessions.

Thursday early afternoon will kick off with a number of breakout sessions for attendees to choose from. Three Michigan providers will participate in the **System Sophistication** session that focuses this year on leveraging partnerships and joint ventures to build-out regional platforms. Roger Myers (Presbyterian Villages of Michigan), David Tiesenga (Holland Home) and John Thorhauer (United Methodist Retirement Communities) will round out this panel of providers.

Two well-known providers with newer CEOs in the past year or so, Anthony Argondizza (Springpoint Senior Living) and Laura Lamb (Episcopal Retirement Services) will participate in **Sponsorship Transitions: A Closer Look at Process, Rationale and Outcomes**. Both organizations will share case studies of recent affiliations and will provide insight to others exploring sponsorship transitions as a growth option.

A hot topic that is important to cover is **Technology-Enabled Senior Solutions**. This session is clearly focused on solutions that will only increase in prominence within the sector. Deanna Larson (Avera eCARE) and Sherrie Petersen (The Evangelical Lutheran Good Samaritan Society) will share how their organizations have developed and evolved fairly sophisticated platforms involving telehealth solutions and remote monitoring. Attendees will walk away with key considerations for their own organizations as they consider moving to more technology-enabled platforms of care.

Two additional sessions in the mid-afternoon on Thursday focus on the rapidly changing post-acute environment and complex financial solutions for not-for-profit senior living organizations. For those interested in an update on the post-acute sector and provider feedback on how their organizations are adapting, hearing from Robbie Clausen (Lakeview Village), Terri Cunliffe (Covenant Retirement Communities) and Lisa Legeer (Dixon Hughes Goodman LLP) on **Navigating the Highly Dynamic Post-Acute Environment** will be worthwhile. The financial professionals in the audience will likely be drawn to **Comprehensive & Advanced Financial Solutions** presented by Mark Havrilka (Presbyterian Homes, Inc.) and Timothy Myers (Ingleside).

Additional Thursday afternoon sessions will cover key themes such as:

- **Single-site Communities in the Spotlight: Sophistication Among Non-System Providers.** Hear from proactive single-sites succeeding and advancing in their local markets. (Tim Johnson (Frasier) and David Lacy (Southminster);
- **The Merger & Acquisition Marketplace for For-Profits and Not-for-Profits.** This will be a great session providing insight into not-for-profits engaging in acquisition activities and for-profit approaches for mergers and acquisitions. (DeAnn Eaton, Haverland Carter Lifestyle Group);
- **Focus on NOM: Best Practices to Improve the Bottom Line.** Always a conference favorite every year! (Pamela Claassen (HumanGood) and Gary Selmeczi (Westminster Canterbury of the Blue Ridge); and
- **Investment Update.** We welcome once again the team from Ziegler Capital Management to talk about what to expect from your organization's investments. (Kevin Carlson, Matt O'Neil and Craig Vanucci, Ziegler Capital Management).

The final conference issue of *Z-News* will highlight the robust sessions of the third day of the annual conference. We look forward to seeing clients, guests and friends of Ziegler next week at the Broadmoor.

For questions about this issue of *Z-News* or other related topics, please refer to the Ziegler banker in your region.

LISA McCracken  
DIRECTOR  
SENIOR LIVING RESEARCH & DEVELOPMENT

**NOT-FOR-PROFIT SENIOR LIVING RATINGS ACTIONS**

SEPTEMBER 19-27, 2017

ORGANIZATION	RATING AGENCY	RATING/ OUTLOOK	TYPE OF ACTION	DATE
Saint Anne's Retirement Community (PA)	Fitch	BB+ Stable	Affirmed Rating	9/21/17
The Forest at Duke (NC)	Fitch	A- Positive	Upgraded Rating	9/25/17
Holland Home Obligated Group (MI)	Fitch	BBB- Stable	Affirmed Rating	9/26/17
Southern California Presbyterian Homes aka be.group (CA)	Fitch	BBB+ Stable	Assigned Rating	9/26/17
St. Leonard Health Center (OH)	S&P	BBB - Stable	Affirmed Rating	9/26/17
Bethesda Health Group (MO)	Fitch	BBB+ Negative	Affirmed Rating	9/27/17
John Knox Village (MO)	Fitch	BB+ Stable	Affirmed Rating	9/27/17

*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.*

**INTEREST RATES**

FOR THE WEEK ENDING SEPTEMBER 22, 2017

	CURRENT	LAST WEEK	52-WK AVG
30-Yr MMD	2.80%	2.76%	2.87%
Senior Living 30-Yr "A"	3.70%	3.66%	3.96%
Senior Living 30-Yr "BBB"	4.05%	4.06%	4.38%
Senior Living Unrated	4.60%	4.66%	4.99%
Senior Living New Campus	6.50%	6.75%	6.68%
SIFMA Muni Swap Index	0.88%	0.82%	0.75%

Source: Ziegler Capital Markets

**FEATURED FINANCING**

**\$39,065,000**

Berks County Industrial Development Authority, Healthcare Facilities Revenue Bonds, Series 2017

**THE HIGHLANDS AT WYOMISSING**

Wyomissing, Pennsylvania

## MARKET REVIEW

## MONEY MARKET RATES

	9/22/17	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	0.41
90 Day T-Bills	1.02	1.03	1.01	0.17
30-Day Commercial Paper (taxable)	1.10	1.11	1.10	0.43
Libor (30-day)	1.23	1.23	1.23	0.52
7 Day Tax-Exempt VRDB	0.88	0.85	0.78	0.78
Daily Rate Average	0.89	0.82	0.77	0.65

## COMPARATIVE YIELDS

TAXABLE REVENUE				TAX-EXEMPT REVENUE							
	GOVT	NR*	A		MMD	NR**	NR*	BB	BBB	A	AAA
1 Year	1.30	2.00	1.90	1 Year	0.79	2.04	2.20	1.94	1.54	1.24	1.04
5 Year	1.86	4.25	2.86	5 Year	1.27	2.67	3.21	2.52	2.27	1.92	1.67
7 Year	2.08	4.75	3.43	7 Year	1.54	3.19	3.63	2.94	2.69	2.34	2.14
10 Year	2.25	5.00	3.65	10 Year	1.93	3.73	4.15	3.43	3.18	2.83	2.53
30 Year	2.78	6.25	4.43	30 Year	2.80	4.60	4.92	4.30	4.05	3.70	3.40
				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

Bond Buyer	THIS WEEK	LAST WEEK	CHANGE	2017	
				HIGH	LOW
20 Bond Index	3.60	3.56	+0.04	4.02	3.49
11 Bond Index	3.11	3.07	+0.04	3.53	3.00
Revenue Bond Index	3.81	3.77	+0.04	4.17	3.70
30 Year MMD	2.80	2.76	+0.04	3.24	2.66
Weekly Tax-Exempt Volume (Bil)	3.71	4.98	-1.27	7.93	0.46
30 Day T/E Visible Supply (Bil)	7.57	5.64	+1.93	13.37	3.67
30 year "A" Rated Hospitals as a % of 30 Year Treasuries	133.09	132.60	+0.49	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)		
09/22/17	.088	4.25	1.16	1.02	1.10	1.23	3.70	-	3.40
09/15/17	0.82	4.25	1.16	1.03	1.11	1.23	3.66	-	3.36
09/08/17	0.78	4.25	1.16	1.03	1.11	1.23	3.56	-	3.26
09/01/17	0.79	4.25	1.14	0.99	1.11	1.23	3.60	-	3.30
08/25/17	0.78	4.25	1.16	1.01	1.10	1.23	3.63	-	3.33
08/18/17	0.77	4.25	1.16	0.99	1.07	1.22	3.67	-	3.37
08/11/17	0.78	4.25	1.16	1.03	1.11	1.22	3.63	-	3.33
08/04/17	0.79	4.25	1.14	1.07	1.12	1.23	3.61	-	3.31
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
06/02/17	0.76	4.00	0.89	0.95	0.86	1.08	3.75	-	3.35
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

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