

ZIEGLER INVESTMENT BANKING

SENIOR LIVING FINANCE Z-NEWS

MARKET COMMENTARY

FROM A CAPITAL MARKETS PERSPECTIVE

US Equity markets were unchanged to modestly lower for the week as investors digested the largest release of earnings reported this year. Nearly 170 of the companies in the S&P 500 Index, representing over 40% of its market capitalization, reported first-quarter profits. The real estate and utilities sectors outperformed within the S&P 500. Equities sustained the majority of their declines early in the week. Caterpillar shares weighed on the index after officials at the equipment maker warned that profits may have reached their highest levels for the calendar year. 3M also dropped severely on reduced profits outlook. Generally, market participants were concerned that greater input costs, an extremely tight labor market, and increased plant and equipment capital outlay might also be resulting in top profit margins. Despite concerns about future profits, current earnings reports showed strength. On Thursday, Facebook shares recouped some of their recent losses and spiked nearly 10% after reporting revenues and profits that definitely beat estimates. Fellow tech giant Amazon was up on the week nearly 4% following an earnings beat.

After touching a new multiyear high, longer-term Treasury yields dropped on Thursday and Friday and ended the week basically unchanged. The breaking above the 3% yield threshold by the 10-Year TreasuryNote caused selling in the high yield corporate bond market, specifically from exchange-traded funds. International crude oil prices reached a three-year high on Thursday amid uncertainty about the future of the Iran nuclear deal.

Municipal bonds underperformed as the market reacted to a larger new issuance calendar with what were viewed to be more higher priced offerings. The Bond Buyer's 30-day visible supply calendar increased \$1.57 billion to \$7.19 billion on Friday. The total is comprised of \$3.86 billion of competitive sales and \$3.33 billion of negotiated deals. Investors in municipal bond funds reversed course and put cash back into the funds, according to Lipper data released on Thursday. The weekly reporters saw \$229.481 million of inflows in the week ended April 25, after outflows of \$515.154 million in the previous week.

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 20TH ANNUAL ZIEGLER LEADINGAGE NATIONAL CFO WORKSHOP: PART II

Last week, more than 200 Chief Financial Officers (CFOs) and industry finance professionals gathered for the 20th annual *Ziegler LeadingAge National Senior Living CFO Workshop*. Ziegler staff, LeadingAge staff, and roughly 20 CFOs formed a Steering Committee to develop a robust educational and networking agenda specifically designed for not-for-profit senior living professionals. This year's presenters represented industry specialties in areas such as policy, senior living financing, accounting, actuary science and healthcare reform, as well as providers who are innovating, growing and willing to share their best practices. In this week's *Z-News*, we highlight sessions from the second half of the conference.

After exciting breakout sessions for the first part of Tuesday's events, the afternoon showcased sessions focused on topics including technology, the for-profit perspective and the always beneficial topic of benchmarking and dashboards.

To cover the topic of trends in information technology, Joe Velderman (ProviNET) and Matthew Lux (Cypress Cove) participated in **Unraveling IT, from Cybersecurity to Staffing to Expenditures**. This session was structured to provide feedback on a range of IT-related topics from both the consultant perspective, as well as the provider perspective.

In **What Can we Learn from our For-Profit Peers**, Ziegler's Don Husi facilitated a discussion with two organizations who represent the for-profit owner perspective. Isaac Dole from Birchwood Healthcare Partners and Jason Simmers from Ventas spoke about their respective organization's outlook on the future of seniors housing, how they are responding to pressures in the senior living and post-acute space and what metrics are most important in driving their business decisions.

Throughout the 20 years of the CFO Workshop, the topic of benchmarking has been covered in sessions and this year was no exception. Drawing a crowd of over 100 attendees, Paul Rizzo from Fitch and Mark Ross from Baker Tilly presented on key financial and operational metrics for providers to track and also share advice on how to best communicate and report on organizational performance across these measures. The session was entitled **Benchmarking...Performance Measures...Dashboards: Sorting Through All of the Tools and Information**. Attendees also heard perspective on what measures may be garnering additional attention in today's climate, given some of the additional pressures that providers are facing (e.g., post-acute complexities).

Tuesday's sessions wrapped up with the annual CFO Roundtable Discussions. The single-site and multi-site attendees had individual group breakouts to discuss hot topics, share best practices and struggles, and network with fellow finance professionals.

The Wednesday morning sessions began bright and early with "Breakfast Intensive" breakouts. Attendees with questions regarding tax-law changes to bank debt were eager to sit in the session entitled **Bank Debt Under the New Tax Bill: Important Considerations for Providers**, in which Glenn Pratt from Dinsmore & Shohl, along with Ziegler presenters, discussed implications for providers who may be in a wait-and-see mode with their financial institution. Concurrent to that session was a dynamic session on risk management presented by Victor Rose of the ECRI Institute for the annual **Risk Management and Compliance Update**. The third breakout, during Wednesday morning's breakfast, was also an annual session, the **2018 Accounting Update**. Among other items, presenters from BKD (Bryan Bodnar and John Harned) focused heavily on changes brought forth by the new rules for revenue recognition.

Wednesday morning's final sessions covered investment oversight and a new topic this year that focused on an affordable assisted living model. Kevin Carlson and Craig Vanucci from Ziegler Capital Management presented on **Investment Management: Outlook for 2018**. To cover the topic of Low Income Housing Tax Credits, Bob Downing, along with a Ziegler staffer, presented **Affordable Assisted Living- Exploring Low-Risk Growth Opportunities**.

The Workshop concluded with a closing general session entitled **A View From the Trenches: Investor View of Defaults and Financially Distressed Credits**. Mary Jane Minier from Invesco, along with Rich Scanlon and Kyle Javes from Ziegler, covered the topic of distressed communities and how organizations should respond if in a period of financial difficulty. Best practices were shared along with key guideposts around transparency and communication with investors. The over-arching theme was one of long-term relationships and collaborative problem-solving.

It was another successful year for the *Ziegler LeadingAge National Senior Living CFO Workshop*. Much great feedback was shared and we encourage all industry CFOs and finance professionals to consider attending the 2019 workshop. We look forward to seeing many of the CFOs again in April of next year in Nashville.

For further information on Ziegler, or anything included in this article, please contact the Ziegler banker in your region.

LISA McCracken, DIRECTOR, SENIOR LIVING RESEARCH & DEVELOPMENT
CATHY OWEN, ASSISTANT VICE PRESIDENT, SENIOR LIVING RESEARCH,
ZIEGLER

NOT-FOR-PROFIT SENIOR LIVING RATINGS ACTIONS

APRIL 30- MAY 1, 2018

ORGANIZATION	RATING AGENCY	RATING/ OUTLOOK	TYPE OF ACTION	DATE
Brethren Hillcrest Homes (CA)	Fitch	BBB-Stable	Affirmed Rating	4/30/18
Mercy Ridge (MD)	S&P	A-Positive	Affirmed Rating Revised Outlook	4/30/18

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/YIELDS

(AS OF APRIL 27, 2018)

	CURRENT	LAST WEEK	52-WK AVG
30-Yr MMD	3.14%	3.00%	2.82%
Senior Living 30-Yr "A"	3.94%	3.80%	3.70%
Senior Living 30-Yr "BBB"	4.14%	4.00%	4.05%
Senior Living Unrated	4.94%	4.80%	4.72%
Senior Living New Campus	6.50%	6.50%	6.60%
SIFMA Muni Swap Index	1.75%	1.81%	1.04%

	CURRENT	WEEKLY AVERAGE	SPREAD TO MMD
*ZSLMLB Index	4.69%	4.70%	1.58%

**Ziegler Senior Living Municipal Long Bond Index
Source: Ziegler Capital Markets*

IN YOUR CORNER
LEADINGAGE INDIANA 2018 SPRING CONFERENCE & TRADE SHOW

Indiana Convention Center
Indianapolis, Indiana
May 7-8, 2018

Ziegler Participant: Tom Meyers

Session 1C: Monday, May 7 | 9:00 – 10:00am

What Does the New Tax Law Mean to Not-For-Profit Borrowers?

LEADINGAGE CALIFORNIA 2018 ANNUAL CONFERENCE & EXHIBITION

Pasadena Convention Center
Pasadena, California
May 7-9, 2018

Ziegler Participant: Sarkis Garabedian

Session 1C: Tuesday, May 8 | 7:30 – 8:30am

Building the Future: New Models for Middle-Income Seniors

Ziegler Participant: Mary Muñoz

Session 3A: Tuesday, May 8 | 2:15 – 4:15pm

The Uncertain Future of Skilled Nursing

Ziegler Participant: Sarkis Garabedian

Session 3B: Tuesday, May 8 | 2:15 – 4:15pm

Choosing Your Community's Path to Prosperity During Complex Times

FEATURED FINANCING

LAKEVIEW VILLAGE
LAKEVIEW VILLAGE
Lenexa, Kansas

 City of Lenexa, Kansas,
Health Care Facility Revenue Bonds,
Series 2018A

\$52,030,000

MARKET REVIEW

MONEY MARKET RATES

	4/27/18	1 WEEK AGO	1 MONTH AGO	1 YEAR AGO
Prime Rate	4.75	4.75	4.75	4.00
Federal Funds (weekly average)	1.68	1.68	1.67	0.90
90 Day T-Bills	1.77	1.80	1.67	0.79
30-Day Commercial Paper (taxable)	1.83	1.87	1.84	0.84
Libor (30-day)	1.90	1.89	1.88	0.99
7 Day Tax-Exempt VRDB	1.75	1.81	1.58	0.90
Daily Rate Average	1.68	1.79	1.60	0.90

COMPARATIVE YIELDS

TAXABLE REVENUE

	GOVT	A		MMD	NR**	NR*	BB	BBB	A	AAA
1 Year	2.23	2.73	1 Year	1.74	2.99	3.09	2.84	2.49	2.19	1.99
5 Year	2.80	3.70	5 Year	2.19	3.59	3.69	3.39	3.09	2.84	2.59
7 Year	2.92	4.07	7 Year	2.35	4.00	4.10	3.65	3.35	3.15	2.85
10 Year	2.95	4.30	10 Year	2.53	4.33	4.53	3.93	3.53	3.33	3.03
30 Year	3.12	4.72	30 Year	3.14	4.94	5.14	4.54	4.14	3.94	3.64

(* Representative of retail sales.); (** Representative of institutional sales.)

TAX-EXEMPT MARKET INDICATORS

	THIS WEEK	LAST WEEK	CHANGE	2018 HIGH	LOW
Bond Buyer					
20 Bond Index	3.97	3.87	+ .10	3.97	3.44
11 Bond Index	3.45	3.37	+ .08	3.45	2.94
Revenue Bond Index	4.46	4.35	+ .11	4.46	2.92
30 Year MMD	3.14	3.00	+ .14	3.14	2.56
Weekly Tax-Exempt Volume (Bil)	5.35	5.59	- .24	6.62	0.71
30 Day T/E Visible Supply (Bil)	3.32	5.70	-1.38	8.29	4.00
30 year "A" Rated Hospitals as a % of 30 Year Treasuries	126.28	122.18	+4.20	126.26%	120.43%

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)		
04/27/18	1.75	4.75	1.68	1.77	1.83	1.90	3.94	-	3.64
04/20/18	1.81	4.75	1.68	1.80	1.87	1.89	3.80	-	3.50
04/13/18	1.70	4.75	1.68	1.75	1.81	1.89	3.74	-	3.44
04/06/18	1.60	4.75	1.68	1.71	1.82	1.89	3.78	-	3.48
03/30/18	1.58	4.75	1.67	1.67	1.84	1.88	3.75	-	3.45
03/23/18	1.36	4.75	1.48	1.72	1.84	1.86	3.80	-	3.50
03/16/18	1.22	4.50	1.42	1.76	1.79	1.78	3.84	-	3.54
03/09/18	1.13	4.50	1.41	1.66	1.75	1.71	3.85	-	3.55
03/02/18	1.09	4.50	1.38	1.63	1.65	1.67	3.82	-	3.52
02/23/18	1.09	4.50	1.41	1.64	1.57	1.62	3.85	-	3.55
02/16/18	1.00	4.50	1.41	1.59	1.55	1.58	3.83	-	3.53
02/09/18	0.98	4.50	1.41	1.55	1.50	1.57	3.77	-	3.47
02/02/18	1.08	4.50	1.39	1.48	1.49	1.57	3.73	-	3.43
01/05/18	1.47	4.50	1.41	1.40	1.50	1.55	3.36	-	3.06
12/01/17	0.97	4.25	1.13	1.26	1.18	1.37	3.59	-	3.29
11/03/17	0.92	4.25	1.14	1.17	1.13	1.24	3.65	-	3.30
10/06/17	0.92	4.25	1.16	1.04	1.10	1.23	3.73	-	3.43
09/01/17	0.79	4.25	1.14	0.99	1.11	1.23	3.60	-	3.30
08/04/17	0.79	4.25	1.14	1.07	1.12	1.23	3.61	-	3.31
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

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