

ZIEGLER INVESTMENT BANKING

SENIOR LIVING FINANCE Z-NEWS

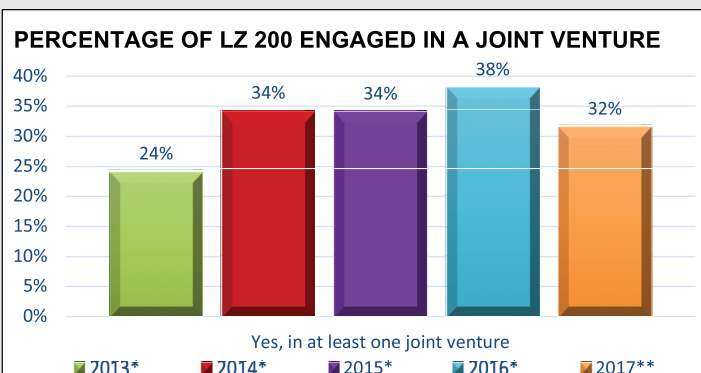
FEATURED ARTICLE

PANEL RECAP: "BUILDING SCALE AND SOPHISTICATION THROUGH STRATEGIC PARTNERSHIPS"



Last week at the LeadingAge Leadership Summit, Ziegler had the opportunity to participate in a panel entitled, "Building Scale & Sophistication Through Strategic Partnerships." Dan Hermann and Lisa McCracken from Ziegler participated in the session along with Ken Arneson, CEO of Evergreen (WI), Bob Dahl, CEO of Cassia (MN) and Bill Lowe, CEO of Chicago Methodist Senior Services (IL). The over-arching premise of the session was that in partnership with one another, in whatever form that may take, we can often accomplish more than if we were to continue to grow and advance independently. It is important to note that this conversation was held independent of whether the organization was a single-site or multi-site provider, understanding that scale and sophistication can be accomplished across the variety of provider types.

Dan Hermann and Lisa McCracken began by sharing recent statistics on the number of sponsorship transitions and joint ventures among not-for-profit senior living providers in recent years. Since 2010, nearly 600 not-for-profit senior living communities have changed owner/sponsor. When looking at the percentage of the providers who are engaged in a formal joint venture, roughly one-third of the LeadingAge Ziegler 200 are in such a relationship. In fact, many of these organizations are engaged in more than one joint venture.



Source: 2018 LeadingAge Ziegler 200 (data as of 12/31/17)

* Reflects increase to LZ 150 with 2014 report; and ** Reflects LZ 200 with 2018 report

Bob Dahl, CEO of the newly formed and branded Cassia, spoke of the affiliation between Augustana and Elim Care, both multi-site organizations headquartered in Minnesota. Both organizations had deep roots in Minnesota, had fairly similar revenue, total numbers of employees, and individuals served. Their service areas were complementary in that one was primarily rural based while the other serving more urban areas. The affiliation conversation was prompted by a retiring CEO and executive team within Augustana. After months of board involvement, due diligence and assessment of overall fit, the two signed an affiliation agreement. Dahl noted that it was important to both organizations that the coming together was seen as a "merger of equals" and that there would be a new name, brand and equal representation on the newly created board. When talking about the rationale behind the affiliation, he commented on the importance of being stronger together. He referenced a board member's comment that if they were to merely be 'one plus one' following the merger, that they will have failed. The new organization is aiming to strengthen the mission, increase opportunities for strategic initiatives, improve its ability to respond to changes in the industry and build financial strength with scope and scale.

Chicago Methodist Senior Services is an organization that was founded in 1898 and over the years has grown to offer multiple living options for seniors, as well as at-home services. Bill Lowe, the organization's CEO, shared how they have grown and evolved much because of their willingness to take risk and willingness to partner with others in creative ways. He commented on the need for single-site providers to be willing to expand beyond traditional thinking and not be afraid to partner with others, even if perceived to be non-traditional partners. Their partnerships, alliances and joint ventures include: third-party management services, a senior services alliance, participation in a risk retention group, and the forming of a company called Parasol Alliance. Parasol Alliance was formed by four single-site senior living providers and serves as the IT arm for their respective organizations. Additionally, this subsidiary company now also provides strategic IT services

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for other senior living organizations in the region. Lowe advised others in the audience to be bold and not be afraid to take calculated risks to grow.

The final panelist was Ken Arneson, CEO of Evergreen located in Oshkosh, Wisconsin. They are a single-site provider who participates in multiple joint ventures, including the previously mentioned Parasol Alliance, and several meaningful collaborations including the University of Wisconsin Oshkosh and two competing health systems in their market. Arneson was passionate in his encouragement towards others to continuously grow and look at ways to partner and evolve. This particularly true for single-site providers who need to look for avenues to enhance scale and sophistication. The popular quote of the session was Arneson's statement, "Scared money is not making money."

All three providers spoke of partnerships and affiliations, but more importantly they talked about the need to be strategic and visionary as not-for-profit leaders. There are many pressures on senior living organizations today and to discount opportunities to come together will ultimately limit the ability for organizations to thrive moving forward.

If you have any questions related to information included in this article, the panel recently held at the LeadingAge Leadership Summit, or any other related topics, please contact the Ziegler banker in your region.

LISA MCCRACKEN
DIRECTOR, SENIOR LIVING RESEARCH AND DEVELOPMENT
ZIEGLER

NOT-FOR-PROFIT SENIOR LIVING RATINGS ACTIONS

AS OF MARCH 25, 2019

ORGANIZATION	RATING AGENCY	RATING/ OUTLOOK	TYPE OF ACTION	DATE
Noland Health Services (AL)	S&P	A Stable	Affirmed Rating	3/21/19
The Highlands at Wyomissing (PA)	Fitch	BBB Stable	Affirmed Rating	3/21/19

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INTEREST RATES/YIELDS


(AS OF MARCH 22, 2019)

	CURRENT	LAST WEEK	52-WK AVG
30-Yr MMD	2.74%	2.87%	3.02%
Senior Living 30-Yr "A"	3.44%	3.77%	3.91%
Senior Living 30-Yr "BBB"	3.74%	4.12%	4.17%
Senior Living Unrated	4.74%	4.87%	4.93%
Senior Living New Campus	6.50%	6.50%	6.50%
SIFMA Muni Swap Index	1.53%	1.61%	1.50%

	CURRENT	WEEKLY AVERAGE	SPREAD TO MMD
*ZSLMLB Index	4.75%	4.79%	2.01%

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

FEATURED FINANCING



THE PINES
AT · DAVIDSON

THE PINES AT DAVIDSON
Davidson, North Carolina

North Carolina Medical Care
Commission, Revenue Bonds,
Series 2019

\$42,725,000

MARKET COMMENTARY

FROM A CAPITAL MARKETS PERSPECTIVE

Despite early momentum this year, last week the stock market saw the major indexes fall a second time over the past three weeks. The Dow fell just over 1%, while the S&P and the NASDAQ posted smaller declines. The decline did not occur until Friday, as stocks were having a positive week until a reversal in overall market sentiment occurred due to further signs of a global growth slow down. In addition, the U.S. Treasury bond yield curve inverted, acting as another catalyst for the declines in stock indexes in the U.S., France, Germany and the United Kingdom.

Prime Minister Theresa May secured an agreement with EU leaders for a delay regarding a Brexit decision, thus eliminating the prospect of the UK exiting the EU on March 29th with no deal in place. In Germany, monthly manufacturing activity fell to its lowest level in over six years, adding to the concern over a slowdown in global growth. This result caused the yield on Germany's 10-year government bond to fall into negative territory for the first time since 2016. Additionally, U.S. and Chinatrade talks are expected to resume after negotiators from both countries agreed to meet this week in Beijing. Next week, Chinese negotiators are expected to visit Washington to continue discussions.

After concluding talks last Wednesday, the U.S. Federal Reserve provided rate relief when they signaled that they would keep rates unchanged, and are unlikely to raise rates for the remainder of 2019. On Friday, the yield curve for the U.S. Treasurybond market showed evidence of inverting for the first time in over a decade. The yield on the 10-year benchmark slipped to as low as 2.41%, a level below the yield for notes maturing in three months. Historically, when shorter-term debt yields more than longer-term debt, it is considered an early indicator for a recession.

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.*

MARKET REVIEW

MONEY MARKET RATES

	3/22/19	1 WEEK AGO	1 MONTH AGO	1 YEAR AGO
Prime Rate	5.50	5.50	5.50	4.75
Federal Funds (weekly average)	2.40	2.40	2.40	1.48
90 Day T-Bills	2.46	2.43	2.44	1.72
30-Day Commercial Paper (taxable)	2.46	2.46	2.44	1.84
Libor (30-day)	2.49	2.48	2.48	1.86
7 Day Tax-Exempt VRDB	1.53	1.61	1.75	1.36
Daily Rate Average	1.30	1.41	1.70	1.30

COMPARATIVE YIELDS
TAXABLE REVENUE

	GOVT	A		MMD	NR*	BB	BBB	A	AAA
1 Year	2.44	2.74	1 Year	1.54	3.04	2.74	2.14	1.69	1.54
5 Year	2.24	2.99	5 Year	1.67	3.27	3.02	2.47	2.07	1.82
7 Year	2.33	3.28	7 Year	1.77	3.57	3.27	2.72	2.32	1.97
10 Year	2.44	3.54	10 Year	1.97	3.97	3.57	2.97	2.67	2.17
30 Year	2.87	4.27	30 Year	2.74	4.74	4.34	3.74	3.44	2.94

(* Representative of institutional sales)

TAX-EXEMPT MARKET INDICATORS

	THIS WEEK	LAST WEEK	CHANGE	2019 HIGH	LOW
Bond Buyer					
20 Bond Index	3.92	4.04	-.12	4.24	3.92
11 Bond Index	3.43	3.53	-.10	3.71	3.43
Revenue Bond Index	4.39	4.51	-.12	4.71	4.39
30 Year MMD	2.74	2.87	-.13	3.11	2.74
Weekly Tax-Exempt Volume (Bil)	1.77	4.00	-2.23	5.80	0.20
30 Day T/E Visible Supply (Bil)	5.30	2.11	+3.19	6.60	1.92
30 year "A" Rated Hospitals as a % of 30 Year Treasuries	119.86	125.66	-5.80	134.42%	124.75%

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)		
03/22/19	1.53	5.50	2.40	2.46	2.46	2.49	3.44	-	2.94
03/15/19	1.61	5.50	2.40	2.43	2.46	2.48	3.77	-	3.32
03/08/19	1.67	5.50	2.40	2.44	2.43	2.49	3.82	-	3.37
03/01/19	1.74	5.50	2.40	2.43	2.43	2.49	3.88	-	3.43
02/22/19	1.75	5.50	2.40	2.44	2.44	2.48	3.91	-	3.46
02/15/19	1.72	5.50	2.40	2.42	2.44	2.48	4.00	-	3.45
02/08/19	1.51	5.50	2.40	2.41	2.45	2.51	4.00	-	3.45
02/01/19	1.43	5.50	2.40	2.39	2.40	2.51	4.02	-	3.47
01/25/19	1.29	5.50	2.40	2.36	2.45	2.51	4.10	-	3.55
01/18/19	1.28	5.50	2.40	2.35	2.51	2.50	4.04	-	3.49
01/11/19	1.39	5.50	2.40	2.42	2.51	2.51	4.05	-	3.50
01/04/19	1.63	5.50	2.40	2.42	2.47	2.52	3.93	-	3.38
12/07/18	1.65	5.25	2.19	2.39	2.30	2.38	4.08	-	3.55
11/02/18	1.61	5.25	2.18	2.25	2.25	2.31	3.83	-	3.38
10/05/18	1.53	5.25	2.16	2.21	2.21	2.28	4.11	-	3.76
09/07/18	1.49	5.00	1.91	2.13	2.04	2.12	3.86	-	3.51
08/03/18	1.29	5.00	1.90	2.00	1.94	2.08	3.80	-	3.50
07/06/18	1.19	5.00	1.90	1.91	1.96	2.09	3.67	-	3.37
06/01/18	1.06	4.75	1.69	1.91	1.86	1.98	3.62	-	3.32
05/04/18	1.61	4.75	1.68	1.83	1.85	1.92	3.80	-	3.50
04/06/18	1.60	4.75	1.68	1.71	1.82	1.89	3.78	-	3.48
03/02/18	1.09	4.50	1.38	1.63	1.65	1.67	3.82	-	3.52

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