As we look back at 2019, and prepare for what the capital markets has to offer in 2020, we reflect back on a year overall that provided senior living organizations with slightly higher rates than recent years, but still competitive borrowing rates compared to 10-year and 30-year averages. The year ended with the 30-Year “AAA” MMD closing at 2.09%, well below the 3.22% average since 2010. The activities of the Federal Reserve throughout 2019 and forecasts for little rate changes, if any in 2020, along with continued investor interest, provided for favorable rates for the tax-exempt senior living market.

Ziegler was active in assisting providers with their capital needs in 2019, providing its expertise in both the institutional investor market and bank lending market. In 2019, Ziegler completed 67 senior living transactions, inclusive of 42 bond financings, 2 private placements, and 23 bank direct purchases, taxable term loans, or other related transactions for a year-end total of roughly $3.0 billion.

Highlights of the year include a $172.9 million bond financing for Legacy Pointe at UCF (FL), a new Life Plan Community being developed in Oviedo, Florida in partnership with the University of Central Florida. Additional providers took advantage of competitive fixed-rate borrowing terms to finance significant campus expansions and repositionings, including Transforming Age (WA) with a $143.9 million bond financing, St. Ann’s Community (NY) with a $109 million transaction to renovate and modernize its skilled nursing facility, Paradise Valley Estates (CA) with a $95.7 million bond financing, El Castillo Retirement Residences (NM) with a $64.9 million bond deal, and Bishop Gadsden (SC) with a $50.6 million bond financing. A long-time client of Ziegler, St. Camillus Health System (WI), completed a substantial $206.4 million financing for the final phase of its campus master plan. Another Ziegler client, Christian Health Care Center (NJ) financed $120.0 million to construct a new community (The Vista).

Additional Ziegler bond financings for 2019 included deals for Lutheran Senior Services (MO), HumanGood (CA), Shell Point (FL), Sharon Towers (NC), Whitney Center (CT), Canterbury Court (GA), Presbyterian Manors (KS), Fellowship Senior Living (NJ) and Friendship Village of Tempe (AZ) to name more than a few. While a handful of Ziegler deals were greater than $100 million in 2019, providers tapped varying level of amounts, with the largest proportion in the $20 to $40 million range. Ziegler bond deals ranged from $11.4 million issue for Holland Home (MI) to the St. Camillus transaction at $206 million. The average bond deal was above the 2017 average while the average in 2017 was a record year.

The 23 Ziegler-assisted bank deals were largely in the form of bank direct bank purchases. Bank-related transactions are traditionally smaller in size than bond transactions, but the 2019 average deal was $25 million, less than the roughly $29 million in 2018. The bank deals ranged in value in just under $5.4 million for Wisconsin-Illinois Senior Housing (IL-WI) to a high of $57.0 million for Garden Spot Village (PA) for the development of a memory care building and 50 single cottages centered-around green space. While a number of these transactions were to refinance existing debt, many also reflect new money issuance to fund campus renovation and repositioning projects. The bank lending market has slowed somewhat, but we anticipate that bank direct purchases will continue to be a popular financing mechanism for senior living providers in 2020 even with higher bank lending rates than in previous years.

Ziegler bond financings and bank transactions varied in purpose, with many driven by provider needs for community expansions and repositioning projects. Additionally, in 2019, a few providers utilized taxable term loans to finance affiliations or acquisitions of other communities or facilities that require an asset purchase. One organization who took advantage of this type of transaction was BHI Senior Living (IN) who affiliated with The Barrington of Carmel. Moreover, organizations also often utilize more than one financing mechanism to structure a transaction, such as Lutheran Life Communities (IL), which in addition to the bond issuance, also did a taxable term loan along with bank Cinderella bonds.

With MMD figures dropping below 2.00% in early 2020, it is anticipated that tax-exempt rates will continue to be favorable for senior living borrowers. A competitive cost of capital will assist providers looking to grow through new location development, whether through full continuums or satellite locations, and will support ongoing community expansion and repositioning projects. The Ziegler banker in your region can work with you to plan for your capital needs in the year ahead and explore the appropriate financing options given your organization’s objectives.

For more information regarding the structure and use of each of these 2019 issues, please see the Electronic Municipal Market Access (https://emma.msrb.org) system’s website or contact the Ziegler banker in your area.

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CATHY OWEN
VICE PRESIDENT
SENIOR LIVING RESEARCH
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NOT-FOR-PROFIT SENIOR LIVING RATINGS ACTIONS
AS OF JANUARY 6, 2020

<table>
<thead>
<tr>
<th>ORGANIZATION</th>
<th>RATING AGENCY</th>
<th>RATING/OUTLOOK</th>
<th>TYPE OF ACTION</th>
<th>DATE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kendal at Ithaca (NY)</td>
<td>S&amp;P</td>
<td>BBB-Stable</td>
<td>Upgraded Rating</td>
<td>12/20/19</td>
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</tbody>
</table>

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Any non-Ziegler sources referenced in this Z-News are believed to be reliable but cannot be guaranteed.

INTEREST RATES/YIELDS
(AS OF JANUARY 3, 2020)

<table>
<thead>
<tr>
<th>ORGANIZATION</th>
<th>CURRENT</th>
<th>LAST WEEK</th>
<th>52-WK AVG</th>
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<tr>
<td>30-Yr MMD</td>
<td>2.07%</td>
<td>2.09%</td>
<td>2.37%</td>
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<tr>
<td>Senior Living 30-Yr &quot;A&quot;</td>
<td>2.77%</td>
<td>2.79%</td>
<td>3.20%</td>
</tr>
<tr>
<td>Senior Living 30-Yr &quot;BBB&quot;</td>
<td>2.92%</td>
<td>2.99%</td>
<td>3.47%</td>
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<tr>
<td>Senior Living Unrated</td>
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<td>4.29%</td>
<td>4.36%</td>
</tr>
<tr>
<td>Senior Living New Campus</td>
<td>6.00%</td>
<td>6.00%</td>
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<tr>
<td>SIFMA</td>
<td>1.25%</td>
<td>1.61%</td>
<td>1.45%</td>
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FEATURED FINANCING

LUTHERAN LIFE COMMUNITIES
OBLIGATED GROUP
Arlington Heights, Illinois
Illinois Finance Authority, Revenue Bonds, Series 2019A
$153,360,000
Bank Cinderella Bonds / Refunding
$24,723,882
Taxable Term Loan / New Money
$15,000,000

ZSLMLB* Index
4.33% 4.35% 2.28%

*Ziegler Senior Living Municipal Long Bond Index
Source: Bloomberg BVALS
MARKET COMMENTARY
FROM A CAPITAL MARKETS PERSPECTIVE

Last week in equities, the major stock indexes were choppy as 2019 transitioned into 2020, but overall results were essentially flat for the shortened holiday week. The S&P 500's 0.1% decline snapped a five-week winning streak.

The U.S. air strike in Iraq that killed an Iranian military leader and other Iranian officials stoked new tensions in the Middle East and sent oil prices higher. The price of U.S. crude oil jumped around 3.00% on Friday and, at one point, climbed above $64 per barrel.

In fixed income, the yield of the 10-Year U.S. Treasury bond fell nine basis points to 1.79%. In munis, the 10-Year and 30-Year MMD each decreased seven and nine basis points from 1.44% to 1.37% and 2.09% to 2.00%, respectively.

ADAM 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.
**MARKET REVIEW**

### MONEY MARKET RATES

<table>
<thead>
<tr>
<th>Rate Description</th>
<th>01/03/20</th>
<th>1 WEEK AGO</th>
<th>1 MONTH AGO</th>
<th>1 YEAR AGO</th>
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<tr>
<td>Prime Rate</td>
<td>4.75</td>
<td>4.75</td>
<td>4.75</td>
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<tr>
<td>Federal Funds (weekly average)</td>
<td>1.55</td>
<td>1.54</td>
<td>1.54</td>
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<tr>
<td>90 Day T-Bills</td>
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<td>30-Day Commercial Paper (taxable)</td>
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<tr>
<td>Libor (30-day)</td>
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<tr>
<td>7 Day Tax-Exempt VRDB</td>
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<td>1.61</td>
<td>1.06</td>
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<td>Daily Rate Average</td>
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<td>1.02</td>
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### COMPARATIVE YIELDS

#### TAXABLE REVENUE

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<tr>
<th>Maturity</th>
<th>GOVT</th>
<th>A</th>
<th>MMD</th>
<th>NR*</th>
<th>BB</th>
<th>BBB</th>
<th>A</th>
<th>AAA</th>
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<tr>
<td>1 Year</td>
<td>1.53</td>
<td>2.13</td>
<td>1.02</td>
<td>2.72</td>
<td>2.12</td>
<td>1.72</td>
<td>1.32</td>
<td>1.32</td>
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<tr>
<td>5 Year</td>
<td>1.59</td>
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<td>2.35</td>
<td>1.90</td>
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<tr>
<td>7 Year</td>
<td>1.71</td>
<td>2.96</td>
<td>1.22</td>
<td>3.22</td>
<td>2.57</td>
<td>2.07</td>
<td>1.82</td>
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<td>10 Year</td>
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<td>3.59</td>
<td>1.44</td>
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<td>2.94</td>
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<tr>
<td>30 Year</td>
<td>2.24</td>
<td>4.04</td>
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<td>3.62</td>
<td>2.92</td>
<td>2.77</td>
<td>2.52</td>
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(*Representative of institutional sales)

### TAX-EXEMPT MARKET INDICATORS

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<tr>
<th>Indicator</th>
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<tr>
<td>THIS WEEK</td>
<td>LAST WEEK</td>
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<tr>
<td>20 Bond Index</td>
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<td>11 Bond Index</td>
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<tr>
<td>Revenue Bond Index</td>
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<tr>
<td>30 Year MMD</td>
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<tr>
<td>Weekly Tax-Exempt Volume (Bil)</td>
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<tr>
<td>30 Day T/E Visible Supply (Bil)</td>
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<td>30 year “A” Rated Hospitals as a % of 30 Year Treasuries</td>
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### INTEREST RATE COMPARISON

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<tr>
<th>DATE</th>
<th>7-DAY T/E VRDB</th>
<th>PRIME RATE</th>
<th>FED FUNDS WEEKLY AVG.</th>
<th>13-WEEK T-BILL RATE</th>
<th>C.P. RATE TAXABLE</th>
<th>LIBOR (30-DAY)</th>
<th>30-YEAR T/E BONDS (A-AAA)</th>
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<tr>
<td>01/03/20</td>
<td>1.25</td>
<td>4.75</td>
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<td>1.51</td>
<td>1.57</td>
<td>1.73</td>
<td>2.77</td>
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<tr>
<td>12/27/19</td>
<td>1.61</td>
<td>4.75</td>
<td>1.54</td>
<td>1.55</td>
<td>1.48</td>
<td>1.80</td>
<td>2.79</td>
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<tr>
<td>12/20/19</td>
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<td>1.56</td>
<td>1.75</td>
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<td>1.58</td>
<td>1.71</td>
<td>2.95</td>
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<tr>
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<td>1.55</td>
<td>1.59</td>
<td>1.58</td>
<td>1.70</td>
<td>2.96</td>
</tr>
<tr>
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<td>1.70</td>
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<td>10/25/19</td>
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*Market and other data within this report derived from Bloomberg and other sources deemed to be reliable.*