A CCRC DEEP DIVE: YESTERDAY, TODAY & FUTURE OUTLOOK

LeadingAge Florida

SESSION LEARNING OBJECTIVES

1. Identify the current supply and demand elements of CCRCs nationally and in Florida

2. Recognize the trends around CCRC resident contracts and changes in recent years

3. Use increased knowledge for CCRC providers planning for the future of their organizations

THE ZIEGLER COMPANIES, INC.

Ziegler is one of the nation’s oldest and largest investment banking firms serving healthcare providers

- Full service financial services firm
- Founded in 1902 with a focus on healthcare since 1928
  - Over 350 professionals and support staff dedicated to serving our clients
- National presence, demonstrated execution expertise and broad-based experience
- Strong underwriting and sales & trading capabilities
  - Primary and secondary market efforts focused exclusively on multi-senior living
- Ziegler’s mission is to provide tailored financial solutions
- Ziegler’s goal is to be our client’s trusted advisor and partner
• Ziegler brings a multidisciplinary approach to addressing the issues facing healthcare providers

• Over 90 employees committed to Ziegler Investment Banking

ZIEGLER'S SENIOR LIVING RESEARCH, EDUCATION & THOUGHT LEADERSHIP

• Education
  - 2016: Will host a total of 12 Conferences/Symposiums
  - Annual Ziegler Senior Living Finance + Strategy Conference
  - LeadingAge Ziegler National CFO Workshop
  - Ziegler National Senior Living Investor Workshop Series™

• External research
  - LeadingAge Ziegler 150
  - CARF-CCRC Financial Ratios and Trends Publication (Baker Tilly, CARF-CCRC)
  - Resident Contract Study
  - Statewide CCRC Reports (2015: Maryland) (My LifeSite)

• Industry communication
  - Z-News
  - White papers
  - Ziegler CFO Hotline™

• Internal information and research
  - Ziegler CCRC National Listing & Profile
  - Client-requested research
  - Client education sessions

• Secondary Market Investor Research
  - Surveillance updates on current credits
  - Supports active secondary trading

• Investor Market Research
  - ZieglerResearch.com

• Databases
  - Industry Trends (e.g. CCafe, Rental CCRCs)
  - All Senior Living Financings
  - All New Communities (start-up CCRCs) since 1990
AGENDA

Topic 1
- THE CCRC CONSUMER

Topic 2
- CCRC GROWTH & SUPPLY

Topic 3
- FUTURE CONSIDERATIONS FOR CCRCs

TOPIC 1: THE CCRC CONSUMER

DEMOGRAPHICS DEFINE THE MARKET
FORECASTED U.S. SENIORS POPULATION (1980 TO 2040) (MILLIONS)
BABY BOOMERS WILL RETIRE AT A RATE OF 10,000 PER DAY THROUGH AT LEAST 2030

THE SENIOR LIVING CONSUMER

- Average age of entry of the IL resident now sits around 82
  - Oldest Baby Boomer is now 70 years old
- Prospective CCRC residents have more choices than ever
- We know that the consumer of tomorrow will be different than in the past...how are you preparing?
  - Community name changes
  - Resident input and involvement
  - Transparency and accountability on the rise
  - Amenities and hospitality
  - Community engagement

WHAT DO WE KNOW ABOUT THE BOOMERS?

- More educated than previous generations
- Rich and poor
- Under-planners and over-spenders
- Generous (to kids and parents)
- Workaholic
- Entrepreneurial
- Young at heart
- Not so happy
- Divorced
- Health conscious (but not necessarily healthier)
- Tech-savvy
- Socially-minded
- Pet- and movie-lovers
- Particular penchant for luxury travel and cars, and adventure
TOPIC 2: THE CCRC SECTOR GROWTH & SUPPLY

CHANGES ARE COMING!

- Social activism
- Preferred treatment under the law (Resident Bills of Rights)
- Marijuana use (medical and recreational)
- Occupancy policies for same-sex partners (married or not)
- Children with disabilities seeking occupancy
- Assisted suicide
- Digital privacy
- Artificial life extension
- Robots (caregivers, companions)
THE SPECTRUM OF CHOICES FOR SENIORS

AGE

60+ | 70+ | 80+ | 90+ | 100+

Preventative
Subacute Rehab
Memory Support Skilled Nursing
Continuous Care at Home
PACE Programs
Respite Care
Assisted Living
Continuing Care at Home
Hospice

Long-term Care

Preventative
Hospital
Subacute Rehab
Memory Support Skilled Nursing
Continuous Care at Home
PACE Programs
Respite Care
Assisted Living
Continuing Care at Home
Hospice

Home Health & Wellness Center
Geriatric Assessment
Senior Center Services
Case Management
Independent Living
Adult Day Services
Memory Support
Assisted Living
Home Care
Skilled Nursing
Hospice

*Transportation; Information/Referral; Counseling; Meals-on-Wheels; Integrated Day Care; Homemakers/Chorekeeping; and Emergency Response System

Adapted from Ziegler Communities' Continuum of Care Chart

TODAY'S RETIREMENT OPTIONS
A LOOK AT SENIORS HOUSING SUPPLY

CCRCs
• 1,907 communities - 636,000 units
• 79.2% NFP & 20.8 FP

IL Communities
• 1,306 communities - 130,000 units
• 2.3% NFP & 97.7% FP

Affordable Housing
• 12,600 Properties
• 32% NFP & 68% Govt. (largely managed by for-profit operators)

Freestanding AL
• 24,600 communities - 707,000 units
• 21.6% NFP & 78.4% FP

Memory Care
• 15,700 properties - 1,400,100 units
• 30.5% NFP & 69.5% FP

Nursing Homes
• 12,600 agencies - 3.5 million people served
• 12% NFP & 88% FP

Home Health
• 3,900 agencies - 1.3 million people served
• 41% NFP & 59% FP

Hospice
• 3,000 agencies - 1.2 million people served
• 4% NFP & 96% FP

Source: 2015 LeadingAge Ziegler 150 Publication (data as of 12/31/14)

THE 2015 LZ 150 PUBLICATION
BACKGROUND AND HIGHLIGHTS

• Ranks the largest multi-site NFP senior living organizations by total number of market-rate units

• National Senior Campuses now ranks first with a total of 18,122 market-rate units

• The LZ 150 range from 18,122 units to 550 total market-rate units

• The LZ 150 represent 1,141 market-rate locations with the largest proportion (51.8%) being CCRCs

• Forty-six percent (46%) of the LZ 150 also offer affordable housing for seniors with over 73,000 total affordable housing units

• Full report available on the Ziegler and LeadingAge websites

Source: 2015 LeadingAge Ziegler 150 Publication (data as of 12/31/14)
ANALYSIS OF THE DATA: SYSTEM HEADQUARTERS

HEADQUARTERS' LOCATIONS BY SIZE (TOTAL UNITS)

- = <1,000 Units
- = 1,000-3,000 Units
- = 3,000-5,000 Units
- = >5,000 Units

Source: 2015 LeadingAge Ziegler 150 Publication (data as of 12/31/14)

Organizational Characteristics: Metropolitan Statistical Areas (MSAs)

NUMBER OF HEADQUARTERS LOCATED IN THE LARGEST 30 MSAs

Source: 2015 LeadingAge Ziegler 100 Publication (data as of 12/31/14)

68 systems are located in the largest 30 MSAs

LZ 150-FLORIDA PROVIDERS

Source: 2015 LeadingAge Ziegler 150 Publication (data as of 12/31/14)

Headquartered in Florida
GROWTH & EVOLUTION DEFINED

- Expansions/Repositions
- New Community Locations
- Sponsorship Transitions/Affiliations
- For-Profit Ventures
- Joint Ventures
- HCBS Offerings

GROWTH

2015 LZ 150
GROWTH: GROWTH OF LARGEST 100 SYSTEMS, COMBINED UNIT MIX FROM 1980 (EXCLUDES EVANGELICAL LUTHERAN GOOD SAMARITAN SOCIETY)

- Partial histories used if complete data was unavailable

Source: Preliminary 2015 LeadingAge Ziegler 100 Publication (data as of 12/31/14)

NEW LOCATION DEVELOPMENT & EXPANSION OF EXISTING CAMPUSES

- A number of factors have caused slow-down in new locations
  - Focus on impact of the Affordable Care Act
  - Commitment to growth through affiliations and acquisitions
  - Substantial construction from for-profits impacting demand

- Organizations demonstrating continued commitment to existing campuses
  - Expanding IL
  - Carving out memory care
  - Healthcare repositioning
  - Acquisition of adjacent land for development

- Beginning to observe increase in construction costs
GROWTH PLANS IN 2015 & 2016

Percentage of LZ 150 planning to grow through...

- Expansion or repositioning of existing community: 71.5%
- New community locations (affiliations or development): 38.0%

Source: 2015 LeadingAge Ziegler 150 Publication (data as of 12/31/14)

RENTAL CCRCs
2015 LZ 150 ORGANIZATIONS WITH CCRC RENTAL IL OPTION

- Yes, have IL rental CCRCs, 56.5%
- No, all CCRC ILUs are entry-fee, 43.5%

Source: Ziegler LeadingAge 150, data as of 12/31/14

CONTINUED GROWTH IN AFFORDABLE HOUSING

- Forty-six percent (46%) of LZ 150 have affordable housing units
- Largest growth in tax-credit developments and acquisitions of existing HUD properties

Source: 2015 LeadingAge Ziegler 150 Publication (data as of 12/31/14)
INCREASE IN PROVIDERS AS THIRD-PARTY MANAGERS
2015 LZ 150 ORGANIZATIONS WHO MANAGE ANOTHER COMMUNITY

Source: Ziegler LeadingAge 150, data as of 12/31/14

GROWTH THROUGH SPONSORSHIP TRANSITION

- While new location development is down among not-for-profit senior living providers, affiliations and acquisitions are on the rise
  - Can accelerate growth more quickly than organic development
- Systems coming together
- Two smaller organizations joining to form larger
- Single-sites joining a system

DRIVERS FOR NFP SENIOR LIVING CONSOLIDATION

SPONSORSHIP TRANSITION (NFP TO NFP) EXAMPLES

<table>
<thead>
<tr>
<th>Providers</th>
<th>State(s)</th>
<th>Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>EPISCOPAL</td>
<td>CA</td>
<td>In process</td>
</tr>
<tr>
<td>SPRINGPOINT</td>
<td>NJ</td>
<td>2016</td>
</tr>
<tr>
<td>ALBION</td>
<td>CA</td>
<td>2016</td>
</tr>
<tr>
<td>Beth Woods</td>
<td>NH</td>
<td>2016</td>
</tr>
<tr>
<td>LUTHERIAN</td>
<td>MO</td>
<td>2016</td>
</tr>
<tr>
<td>COMMUNITIES</td>
<td>IN</td>
<td>2015</td>
</tr>
<tr>
<td>IASIS</td>
<td>PA</td>
<td>2015</td>
</tr>
</tbody>
</table>

Source: Ziegler Investment Banking

INCREASING ACTIVITY IN NOT-FOR-PROFIT AFFILIATIONS, DISPOSITIONS, SPONSORSHIP TRANSITIONS

Total NFP Owner/Sponsor Transactions

SPONSORSHIP TRANSITIONS BY CATEGORY

165 to FP sector
• Free-standing SNFs
• Financially distressed CCRCs

NFP to FP:
63.9%

FP to NFP:
7.4%

Closure:
8.5%

NFP to NFP:
20.2%
FOR-PROFIT DEVELOPMENT STAYS STRONG

Senior Housing Construction by Profit Status; MAP31 4Q05 – 1Q16

NFP CONSTRUCTION SLOWING, IL CONTINUING TO CLOSE ON AL

Construction vs. Inventory; MAP31 Seniors Housing | 4Q05 – 1Q16

SENIOR HOUSING UNDER CONSTRUCTION

Seniors Housing Construction All Markets | As of 4Q16
### 15 Largest Senior Living Owners

<table>
<thead>
<tr>
<th>Company</th>
<th>Headquarters</th>
<th>Properties</th>
<th>Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brookdale Senior Living Inc.</td>
<td>Brentwood, TN</td>
<td>976</td>
<td>82,356</td>
</tr>
<tr>
<td>Ventas Inc.</td>
<td>Chicago, IL</td>
<td>785</td>
<td>69,708</td>
</tr>
<tr>
<td>Health Care REIT Inc.</td>
<td>Toledo, OH</td>
<td>611</td>
<td>59,786</td>
</tr>
<tr>
<td>HCP Inc.</td>
<td>Irvine, CA</td>
<td>491</td>
<td>49,731</td>
</tr>
<tr>
<td>Senior Housing Properties Trust</td>
<td>Newton, MA</td>
<td>297</td>
<td>24,772</td>
</tr>
<tr>
<td>Boston Capital</td>
<td>Boston, MA</td>
<td>486</td>
<td>29,741</td>
</tr>
<tr>
<td>HealthStar Healthcare</td>
<td>New York, NY</td>
<td>209</td>
<td>17,514</td>
</tr>
<tr>
<td>Senior Lifestyle Corporation</td>
<td>Chicago, IL</td>
<td>176</td>
<td>16,685</td>
</tr>
<tr>
<td>New Senior Investment Group</td>
<td>New York, NY</td>
<td>124</td>
<td>14,838</td>
</tr>
<tr>
<td>Holiday Retirement</td>
<td>Lake Oswego, OR</td>
<td>114</td>
<td>13,768</td>
</tr>
<tr>
<td>Harrison Street Real Estate Capital</td>
<td>Chicago, IL</td>
<td>107</td>
<td>12,339</td>
</tr>
<tr>
<td>National Health Investors (NHI)</td>
<td>Murfreesboro, TN</td>
<td>103</td>
<td>8,678</td>
</tr>
<tr>
<td>Highridge Costa Companies</td>
<td>Gardena, CA</td>
<td>84</td>
<td>8,402</td>
</tr>
<tr>
<td>ACTS Retirement-Life Communities</td>
<td>West Point, PA</td>
<td>21</td>
<td>7,962</td>
</tr>
<tr>
<td>Enlivant</td>
<td>Chicago, IL</td>
<td>177</td>
<td>7,829</td>
</tr>
</tbody>
</table>

Source: 2015 American Seniors Housing Association, “ASHA 50”; Note- properties w/ >30% SNF excluded

### 15 Largest Senior Living Operators

<table>
<thead>
<tr>
<th>Company</th>
<th>Headquarters</th>
<th>Properties</th>
<th>Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brookdale Senior Living Inc.</td>
<td>Brentwood, TN</td>
<td>1,138</td>
<td>110,443</td>
</tr>
<tr>
<td>Holiday Retirement</td>
<td>Lake Oswego, OR</td>
<td>308</td>
<td>37,657</td>
</tr>
<tr>
<td>LCS</td>
<td>Des Moines, IA</td>
<td>123</td>
<td>32,172</td>
</tr>
<tr>
<td>Five Star Senior Living</td>
<td>Newton, MA</td>
<td>272</td>
<td>31,267</td>
</tr>
<tr>
<td>Sunrise Senior Living, LLC</td>
<td>McLean, VA</td>
<td>245</td>
<td>22,567</td>
</tr>
<tr>
<td>Erickson Living</td>
<td>Baltimore, MD</td>
<td>17</td>
<td>20,517</td>
</tr>
<tr>
<td>Senior Lifestyle Corporation</td>
<td>Chicago, IL</td>
<td>201</td>
<td>20,334</td>
</tr>
<tr>
<td>Atria Senior Living, Inc.</td>
<td>Louisville, KY</td>
<td>153</td>
<td>17,958</td>
</tr>
<tr>
<td>Capital Senior Living Corporation</td>
<td>Dallas, TX</td>
<td>118</td>
<td>11,632</td>
</tr>
<tr>
<td>Dimcroft Senior Living</td>
<td>Louisville, KY</td>
<td>101</td>
<td>8,874</td>
</tr>
<tr>
<td>ACTS Retirement-Life Communities</td>
<td>West Point, PA</td>
<td>21</td>
<td>7,962</td>
</tr>
<tr>
<td>Enlivant</td>
<td>Chicago, IL</td>
<td>177</td>
<td>7,829</td>
</tr>
<tr>
<td>Watermark Retirement Communities, Inc.</td>
<td>Tucson, AZ</td>
<td>38</td>
<td>7,400</td>
</tr>
<tr>
<td>Meridian Senior Living</td>
<td>Hickory, NC</td>
<td>130</td>
<td>7,036</td>
</tr>
<tr>
<td>American House Senior Living</td>
<td>Bloomfield Hills, WI</td>
<td>61</td>
<td>7,002</td>
</tr>
</tbody>
</table>

Source: 2015 American Seniors Housing Association, “ASHA 50”; Note- properties w/ >30% SNF excluded

### Senior Living Sector: For-Profit

**Atria Senior Living, Louisville, KY**

- 128 Communities in 28 States
  - AL, AZ, CA, CO, CT, FL, GA, IL, IN, KS, KY, ME, MD, MA, MI, NV, NM, NY, NC, OH, PA, RI, SC, TN, TX, UT, VA
  - 8 in Massachusetts
- 20,500+ Total units
  - 55+ Community
  - Independent Living
  - Assisted Living
  - Memory Care

Source: Atria 2015 Largest Senior Living Providers
SENIOR LIVING SECTOR: FOR-PROFIT

Holiday Retirement, Lake Oswego, OR

- 305 Communities in 44 States
  - AL, AZ, AR, CA, CO, CT, FL, GA, HI, ID, IL, IN, IA, KS, KY, LA, ME, MA, MI, MN, MS, MO, MT, NE, NV, NH, NJ, NM, NY, NC, OH, OK, OR, PA, SC, SD, TN, TX, UT, VA, WA, WI, WV
- 42,203 Total Units
  - 55+ Community
  - Independent Living
  - Assisted Living
  - Skilled Nursing
  - Memory Care

Source: ALFA 2014 Largest Senior Living Providers

SENIOR LIVING SECTOR: FOR-PROFIT

Brookdale Senior Living, Brentwood, TN
(Includes Emeritus Senior Living)

- 1,140 Communities in 48 States
  - All States except AK, DC, HI, SD
- 113,022 Total Units
  - 55+ Community
  - Independent Living
  - Assisted Living
  - Skilled Nursing
  - Memory Care

Source: www.brookdaleliving.com

SENIOR LIVING SECTOR: FOR-PROFIT

Sunrise Senior Living, McLean, VA

- 248 Communities in 31 States
  - AZ, CA, CO, CT, DE, DC, FL, GA, IL, IN, KS, KY, LA, ME, MD, MA, MI, MN, MO, NE, NV, NJ, NY, NC, OH, PA, TN, TX, UT, VA, WA
- 25,286 Total Units
  - 55+ Community
  - Independent Living
  - Assisted Living
  - Skilled Nursing
  - Memory Care

Source: ALFA 2014 Largest Senior Living Providers
Five Star Quality Care, Newton, MA

- 260+ Communities in 30 States
  - AL, AZ, CA, CO, DE, FL, GA, IL, IN, IA, KS, KY, MD, MA, MN, MS, MO, NE, NV, NJ, NM, NY, NC, OH, PA, SC, TN, TX, WY
- 24,575 Total Units
  - 55+ Community
  - Independent Living
  - Assisted Living
  - Skilled Nursing
  - Memory Care

Source: ALFA 2014 Largest Senior Living Providers

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CCRCs Occupancy

CCRC Occupancy by Profit Status, MAP31 4Q05 – 1Q16

Source: NIC MAP® Data & Analysis Service, © National Investment Center for the Seniors Housing & Care Industry | www.NICMAP.org

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Florida Occupancy

Seniors Housing Occupancy by Metro Market Primary Markets | As of 4Q15

Source: NIC MAP® Data & Analysis Service, © National Investment Center for the Seniors Housing & Care Industry | www.NICMAP.org
TOPIC 3: EXTERNAL INFLUENCES SHAPING THE SECTOR

INFLUENCERS THAT CANNOT BE IGNORED

- AFFORDABLE CARE ACT
  - PAYMENT REFORM/BUNDLED PAYMENTS
- INCREASED DEMAND FOR AT-HOME SERVICES
- SUCCESSION PLANNING
- CAREGIVER/LABOR SHORTAGES
- TECHNOLOGY IS CHANGING THE WORLD

THE IMPACT OF THE AFFORDABLE CARE ACT

- Providers differing in commitment to growing and evolving post-acute space
  - Can be market specific; major metropolitan areas feeling greatest pressure
  - Can be driven by current payor mix in SNF
- Percentage of NFP senior living providers engaged in an ACO or bundled payment contract has risen
- New collaborations underway to better navigate the post-acute sector
- Providers are partnering together to create new models of care
  - Less costly alternatives to nursing home care
Medicare Shared Savings Program- Accountable Care Organizations

- Yellow clusters show areas of significant ACO concentration
- These are areas where senior living providers are under the most pressure to respond

Source: CMS.gov

2015 LeadingAge Ziegler 150

LZ 150 Organizations in an ACO or Bundled Payment Contract

- Graph showing the percentage of organizations in an ACO or bundled payment contract from 2013 to 2014:
  - 2013: 24.7%
  - 2014: 31.3%
  - Increase: 6.6%

Source: 2015 LeadingAge Ziegler 150 Publication

Joint Venturing for Post-Acute

2015 LZ 150 Organizations Engaged in a Formal Joint Venture

- Graph showing the percentage of organizations engaged in at least one joint venture from 2013 to 2014:
  - 2013: 24.0%
  - 2014: 34.1%
  - Most common:
    - Home health
    - Home care
    - Hospice
    - PACE

Source: 2015 LeadingAge Ziegler 150 Publication
HOME & COMMUNITY-BASED SERVICES

- Another significant element of ACA
- Among the LZ 150, nearly 57% offer some type of HCBS to individuals in the greater community
- For-profit competition is significant
- Consolidation is a key theme in HCBS as well
  - Many are choosing to grow through acquisition (home health & home care)
- Great opportunity for partnerships
  - Increase size and scope
  - Bring in partners with specific expertise you do not currently have
- New models continue to evolve

CEO RETIREMENT & SUCCESSION PLANNING

How many years do you estimate that your CEO has until retirement?

<table>
<thead>
<tr>
<th>Years</th>
<th>2013</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>More than 15</td>
<td>16.9</td>
<td>18.9</td>
</tr>
<tr>
<td>11-15 years</td>
<td>15.5</td>
<td>19.0</td>
</tr>
<tr>
<td>5-10 years</td>
<td>28.5</td>
<td>18.5</td>
</tr>
<tr>
<td>Less than 5</td>
<td>26.1</td>
<td>13.6</td>
</tr>
</tbody>
</table>

Source: Leading Age CEO Survey, July 2015

GROWING DEMAND FOR DIRECT-CARE WORKERS IN THE US, 2010-2030

<table>
<thead>
<tr>
<th>Occupation</th>
<th>Percentage Increase 2010-2030</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal care aides</td>
<td>71</td>
</tr>
<tr>
<td>Home health aides</td>
<td>69</td>
</tr>
<tr>
<td>Nursing aides, orderlies and attendants</td>
<td>20</td>
</tr>
<tr>
<td>All direct-care workers</td>
<td>48</td>
</tr>
<tr>
<td>All occupations</td>
<td>14</td>
</tr>
</tbody>
</table>

Source: Paraprofessionals Healthcare Institute
PACE OF TECHNOLOGY GROWTH AT THE PROVIDER LEVEL

- The external pace of growth in the technology sector is impacting providers
  - Adoption of electronic medical records
  - Need to have staffing expertise to keep up
  - Can feel overwhelming

- Sophistication in care coordination, prevention technologies are becoming a key differentiator
  - Outcomes are key, with the data to back it up
  - Communication with all parties involved in managing the residents

- Opportunity for innovative partnerships

PLANNING FOR TECHNOLOGY NEEDS

- Increasing need for sophistication and individuals who can think strategically about IT

- Providers varied between building internal capacity and outsourcing

- Across the past year, CAST has put forth a number of resources on IT strategic planning and IT selection guides

IT Spending as % of Overall Budget

<table>
<thead>
<tr>
<th>Single-sites</th>
<th>Multi-sites</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.6%</td>
<td>2.1%</td>
</tr>
</tbody>
</table>

Does your organization have a Chief Information/Technology Officer?

- 25.8%
- 74.2%

ZIEGLER LINK•AGE LONGEVITY FUND

- Behavioral Change Management
- Capitated Physician Models
- Concierge Medicine
- Homecare 2.0
- Hospice and Palliative Care

- Clinical Decision Support
- Medication Management
- Population Analytics
- Remote Monitoring
- Telehealth

- Institutional Pharmacy
- Medicare Advantage / Dual Eligible Plans
- Integrated Care Diagnosis and Therapeutics
CLOSING THOUGHTS

- The time is now for not-for-profit senior living leadership to ensure the continued strength of the sector.
- Not-for-profits have historically had minimal risk tolerance. It is time to balance conservative values with proactive virtues and move forward.
- Need to continue to...
  - Differentiate from the competition
  - Grow & evolve
  - Diversify
  - Partner
  - Be a leader!

APPENDIX A: SENIOR LIVING CAPITAL MARKETS

NOT-FOR-PROFIT SENIOR LIVING FINANCINGS

- Very few financings completed in the 12 months from July 2008 to July 2009.
- 2010 & 2009 volume focused on relieving pent-up demand created during the crisis.
BANK CREDIT A RAPIDLY GROWING PART OF MARKET

- Letters of credit backing tax-exempt VRDB’s predominated through 2008.
- Financial crisis in 2009 significantly reduced LOC volume (BASEL III/ regulatory issues, bank credit allocation considerations, rating downgrades, etc.)
- Since 2009, direct bank purchases of tax-exempt debt, taxable construction loans have replaced VRDB’s.

TODAY - RARE PERIOD WHERE MOST DEBT STRUCTURES NEAR ALL-TIME LOW COST

Bank Placements (variable) ~1%-3%
Bank Placements (fixed) ~3%-5%
HIJ/FHA Structures ~3.5% - 4.25%
Tax-Exempt Fixed-Rate Bonds ~4%-7%
Bond Anticipation Notes ~10%-12%

CAPITAL MARKETS - MUNICIPAL VOLUME (2015)

$403.8 Billion TOTAL MUNICIPAL

- $23.7 Billion 0.7% Healthcare
- TOTAL NFP SENIOR LIVING $3.8 Billion (0.1% of Municipal)

Source: Ziegler Investment Banking
## Historical Interest Rates

### Senior Living Yields

<table>
<thead>
<tr>
<th>Year</th>
<th>30-Year Maturity</th>
<th>Non-Rated New Campus Category</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>4.00</td>
<td>6.00</td>
</tr>
<tr>
<td>2007</td>
<td>4.00</td>
<td>6.00</td>
</tr>
<tr>
<td>2008</td>
<td>4.00</td>
<td>6.00</td>
</tr>
<tr>
<td>2009</td>
<td>4.00</td>
<td>6.00</td>
</tr>
<tr>
<td>2010</td>
<td>4.00</td>
<td>6.00</td>
</tr>
<tr>
<td>2011</td>
<td>4.00</td>
<td>6.00</td>
</tr>
<tr>
<td>2012</td>
<td>4.00</td>
<td>6.00</td>
</tr>
<tr>
<td>2013</td>
<td>4.00</td>
<td>6.00</td>
</tr>
<tr>
<td>2014</td>
<td>4.00</td>
<td>6.00</td>
</tr>
<tr>
<td>2015</td>
<td>4.00</td>
<td>6.00</td>
</tr>
<tr>
<td>2016</td>
<td>4.00</td>
<td>6.00</td>
</tr>
</tbody>
</table>

Source: Ziegler Capital Markets, as of 6/10/16

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### Bank Direct Purchase Market

#### Senior Living Tax-Exempt Bank Direct Purchase Annual Fees (1)

<table>
<thead>
<tr>
<th>Rating</th>
<th>Average Annual Fee (1)</th>
<th>Spread Over 65%-67% of LIBOR (5 Years)</th>
<th>Spread Over 65%-67% of LIBOR (7-10 Years)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrated - Start-Up Communities</td>
<td>6.00%-6.25%</td>
<td>0.25% - 0.50%</td>
<td>378 to 403</td>
</tr>
<tr>
<td>Unrated - Existing Stable Communities</td>
<td>4.25%-4.50%</td>
<td>0.25% - 0.50%</td>
<td>203 to 228</td>
</tr>
<tr>
<td>Unrated - Ziegler Retail</td>
<td>4.25%-4.50%</td>
<td>0.25% - 0.50%</td>
<td>203 to 228</td>
</tr>
<tr>
<td>BBB Rated (Fitch, S&amp;P or Moody's)</td>
<td>3.25%-3.375%</td>
<td>0.80% - 1.00%</td>
<td>173 to 188</td>
</tr>
<tr>
<td>BBB Rated (Fitch, S&amp;P or Moody's)</td>
<td>3.25%-3.375%</td>
<td>0.80% - 1.00%</td>
<td>173 to 188</td>
</tr>
<tr>
<td>A Rated (Fitch, S&amp;P or Moody's)</td>
<td>3.00%-3.125%</td>
<td>0.80% - 1.00%</td>
<td>173 to 188</td>
</tr>
<tr>
<td>A Rated (Fitch, S&amp;P or Moody's)</td>
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</tr>
<tr>
<td>AAA Rated (FHA)</td>
<td>2.70%-2.800%</td>
<td>0.50%</td>
<td>98 to 108</td>
</tr>
<tr>
<td>AAA Rated (Fitch, S&amp;P, Moody's)</td>
<td>2.80%-2.900%</td>
<td>0.50%</td>
<td>98 to 108</td>
</tr>
<tr>
<td>AAA Rated (FHA)</td>
<td>2.60%-2.700%</td>
<td>0.65%</td>
<td>103 to 113</td>
</tr>
<tr>
<td>AAA Rated (Fitch, S&amp;P, Moody's)</td>
<td>2.80%-2.900%</td>
<td>0.50%</td>
<td>98 to 108</td>
</tr>
</tbody>
</table>

1) Letters of Credit are 0.25% - 0.50% higher, if available
2) If available, meaningful equity and/or credit support is required in order to achieve minimum required bank appraisal levels

Source: Ziegler Investment Banking, as of 6/1/16

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### Current Interest Rates (Senior Living)

#### Senior Living Interest Rate Ranges

<table>
<thead>
<tr>
<th>Tax-Exempt Revenue Bonds (1)</th>
<th>AVERAGE ANNUAL PAY</th>
<th>SPREAD TO REVENUE BOND INDEX</th>
<th>AVERAGE LONG-TERM INTEREST RATE RANGES (2)</th>
<th>ALL-IN INTEREST COST</th>
<th>AVERAGE RATE SPREAD TO &quot;AAA&quot; MARKET</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrated - Start-Up Communities</td>
<td>6.00%-6.25%</td>
<td>0.25% - 0.50%</td>
<td>378 to 403</td>
<td>6.00% - 6.25% + 378 to + 403</td>
<td>+ 262 to + 287</td>
</tr>
<tr>
<td>Unrated - Existing Stable Communities</td>
<td>4.25%-4.50%</td>
<td>0.25% - 0.50%</td>
<td>203 to 228</td>
<td>4.25% - 4.50% + 203 to + 228</td>
<td>+ 87 to + 112</td>
</tr>
<tr>
<td>Unrated - Ziegler Retail</td>
<td>4.25%-4.50%</td>
<td>0.25% - 0.50%</td>
<td>203 to 228</td>
<td>4.25% - 4.50% + 203 to + 228</td>
<td>+ 87 to + 112</td>
</tr>
<tr>
<td>BBB Rated (Fitch, S&amp;P or Moody's)</td>
<td>3.25%-3.375%</td>
<td>0.80% - 1.00%</td>
<td>173 to 188</td>
<td>3.95% - 4.10% + 173 to + 188</td>
<td>+ 57 to + 72</td>
</tr>
<tr>
<td>BBB Rated (Fitch, S&amp;P or Moody's)</td>
<td>3.25%-3.375%</td>
<td>0.80% - 1.00%</td>
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<td>3.00%-3.125%</td>
<td>0.80% - 1.00%</td>
<td>173 to 188</td>
<td>3.00% - 3.13% + 173 to + 188</td>
<td>0.00% - 0.50%</td>
</tr>
<tr>
<td>A Rated (Fitch, S&amp;P or Moody's)</td>
<td>3.00%-3.125%</td>
<td>0.80% - 1.00%</td>
<td>173 to 188</td>
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<td>0.00% - 0.50%</td>
</tr>
<tr>
<td>AAA Rated (FHA)</td>
<td>2.70%-2.800%</td>
<td>0.50%</td>
<td>98 to 108</td>
<td>3.20% - 3.30% + 98 to + 108</td>
<td>-18 to + -8</td>
</tr>
<tr>
<td>AAA Rated (Fitch, S&amp;P, Moody's)</td>
<td>2.80%-2.900%</td>
<td>0.50%</td>
<td>98 to 108</td>
<td>2.90% - 3.00% + 98 to + 108</td>
<td>-58 to + -48</td>
</tr>
<tr>
<td>AAA Rated (FHA)</td>
<td>2.60%-2.700%</td>
<td>0.65%</td>
<td>103 to 113</td>
<td>3.25% - 3.35% + 103 to + 113</td>
<td>-13 to + -3</td>
</tr>
<tr>
<td>AAA Rated (Fitch, S&amp;P, Moody's)</td>
<td>2.80%-2.900%</td>
<td>0.50%</td>
<td>98 to 108</td>
<td>2.90% - 3.00% + 98 to + 108</td>
<td>-58 to + -48</td>
</tr>
</tbody>
</table>

1) Non-state specific
2) Long-term (25-30 Yr), fixed rate

Source: Ziegler Investment Banking, as of 6/10/16
QUESTIONS & ANSWERS

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- Ziegler is a privately-held investment bank, capital markets, wealth management and alternative investments firm

- A registered broker dealer with SIPC & FINRA

- Ziegler provides its clients with capital raising, strategic advisory services, equity & fixed-income trading, wealth management and research

- Founded in 1902, Ziegler specializes in the healthcare, senior living, educational and religious sectors as well as general municipal finance

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