A CCRC DEEP DIVE: YESTERDAY, TODAY & FUTURE OUTLOOK

PRESENTED BY:  

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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 muni sector
- 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-CCAC Financial Ratios and Trends Publication (*Baker Tilly, CARF-CCAC*)
  - 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. CCaH, 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)

Median age
US: 37.2
TX: 33.6

We Are Here

Source: Urban Land Institute
TEXAS SENIORS
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

Source: Sabi, The Boomer Report 2015
TEXAS BOOMERS

• Texas is home to 5.2 million boomers who will be at least 65 by 2030

• Online resource for Boomers
  - Caregiving for aging parents
  - Raising grandchildren
  - Retirement lifestyles
  - Seniors housing options
  - Wellness & health aging
  - Cost of care; Long-term care insurance
  - Best Texas cities to retire in

• Boomers have more information at their fingertips than any previous generation of seniors

Source: TexasBabyBoomers.com
YESTERDAY, TODAY, TOMORROW

- Homes for Older Adults
- CCRCs
- Life Plan Communities

- Directed Care
- Self-Directed
- Engaged Self-Care

- Institutional
- Levels of Care
- Levels of Service

Source: Ziegler; Greystone Communities
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)

Source: Ziegler; Greystone Communities
TOPIC 2: THE CCRC SECTOR GROWTH & SUPPLY
THE SPECTRUM OF CHOICES FOR SENIORS

AGE

- 60+
- 70+
- 85+
- 90+

Preventative

Long-term Care

Continuing Care Retirement Community

Hospital

AACs

*Community Based Services

Wellness Program

Case Management

Independent Living

Adult Day Services

Assisted Living

Memory Support Assisted Living

PACE Programs

Skilled Nursing

Hospice

Transitional Medicare

*Transportation; Information/Referral; Counseling; Meals-on-Wheels; Integrated Day Care; Homemaker/Chore/Housekeeping; and Emergency Response System

Adapted from Greystone Communities’ Continuum of Care Chart
# TODAY’S RETIREMENT OPTIONS
## A LOOK AT SENIORS HOUSING SUPPLY

<table>
<thead>
<tr>
<th>Housing Type</th>
<th>Number</th>
<th>Percentages</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CCRCs</strong></td>
<td>1,950 communities</td>
<td>80.5% NFP &amp; 11.5% FP</td>
</tr>
<tr>
<td><strong>IL Communities</strong></td>
<td>1,500 communities</td>
<td>2.3% NFP &amp; 97.7% FP</td>
</tr>
<tr>
<td><strong>Affordable Housing</strong></td>
<td>12,000 Properties</td>
<td>33% NFP &amp; 66% Govt. (largely managed by for-profit operators)</td>
</tr>
<tr>
<td><strong>Freestanding AL</strong></td>
<td>24,600 communities</td>
<td>21.6% NFP &amp; 78.4% FP</td>
</tr>
<tr>
<td><strong>Memory Care</strong></td>
<td>1,060 communities</td>
<td>21% NFP &amp; 79% FP</td>
</tr>
<tr>
<td><strong>Nursing Homes</strong></td>
<td>15,700 properties</td>
<td>30.5% NFP &amp; 69.5% FP</td>
</tr>
<tr>
<td><strong>Home Health</strong></td>
<td>12,600 agencies</td>
<td>12% NFP &amp; 88% FP</td>
</tr>
<tr>
<td><strong>Hospice</strong></td>
<td>3,900 agencies</td>
<td>41% NFP &amp; 59% FP</td>
</tr>
</tbody>
</table>

**Sources:** Ziegler National CCRC Listing & Profile, LeadingAge, NIC MAP® Data and Analysis Service, The National Center for Health Statistics, Centers for Medicare and Medicaid Services
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)
2015 LZ 150
ANALYSIS OF THE DATA: SYSTEM HEADQUARTERS
HEADQUARTERS’ LOCATIONS BY SIZE (TOTAL UNITS)

Source: 2015 LeadingAge Ziegler 150 Publication (data as of 12/31/14)
68 systems are located in the largest 30 MSAs.
# TEXAS LZ 150 ORGANIZATIONS

<table>
<thead>
<tr>
<th>2015 Rank</th>
<th>2014 Rank</th>
<th>System Name</th>
<th>State</th>
<th>Units (as of 12/31/14)</th>
<th>Communities (as of 12/31/14)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Total</td>
<td>ILU</td>
</tr>
<tr>
<td>1</td>
<td>2</td>
<td>National Senior Campuses</td>
<td>MD</td>
<td>18,122</td>
<td>15,503</td>
</tr>
<tr>
<td>2</td>
<td>1</td>
<td>Evangelical Lutheran Good Samaritan Society</td>
<td>SD</td>
<td>18,048</td>
<td>5,032</td>
</tr>
<tr>
<td>15</td>
<td>15</td>
<td>Pacific Retirement Services</td>
<td>OR</td>
<td>2,826</td>
<td>2,086</td>
</tr>
<tr>
<td>29</td>
<td>30</td>
<td>Senior Quality Lifestyles Corporation</td>
<td>TX</td>
<td>1,858</td>
<td>1,130</td>
</tr>
<tr>
<td>37</td>
<td>42</td>
<td>Buckner Retirement Services,Inc.</td>
<td>TX</td>
<td>1,585</td>
<td>857</td>
</tr>
<tr>
<td>43</td>
<td>50</td>
<td>Bethesda Senior Living Communities</td>
<td>CO</td>
<td>1,467</td>
<td>155</td>
</tr>
<tr>
<td>73</td>
<td>75</td>
<td>Blue Skies of Texas</td>
<td>TX</td>
<td>986</td>
<td>730</td>
</tr>
<tr>
<td>89</td>
<td>90</td>
<td>Presbyterian Communities and Services</td>
<td>TX</td>
<td>843</td>
<td>329</td>
</tr>
<tr>
<td>101</td>
<td>99</td>
<td>Morningside Ministries</td>
<td>TX</td>
<td>772</td>
<td>318</td>
</tr>
<tr>
<td>106</td>
<td>104</td>
<td>Methodist Retirement Communities</td>
<td>TX</td>
<td>761</td>
<td>318</td>
</tr>
<tr>
<td>108</td>
<td>106</td>
<td>Christian Care Senior Living Communities</td>
<td>TX</td>
<td>747</td>
<td>386</td>
</tr>
</tbody>
</table>

*Headquartered in Texas*

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

- Expansions/Repositions
- New Community Locations
- Sponsorship Transitions/Affiliations
- For-Profit Ventures
- Joint Ventures
- HCBS Offerings
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
# CCRC Growth by Type (1950 to Present)

<table>
<thead>
<tr>
<th>Locations</th>
<th>Purpose built</th>
<th>Non-purpose built</th>
</tr>
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<tbody>
<tr>
<td>2015-2019</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2010-2014</td>
<td>29</td>
<td>8</td>
</tr>
<tr>
<td>2005-2009</td>
<td>81</td>
<td>20</td>
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<tr>
<td>2000-2004</td>
<td>74</td>
<td>33</td>
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<tr>
<td>1995-1999</td>
<td>65</td>
<td>46</td>
</tr>
<tr>
<td>1990-1994</td>
<td>69</td>
<td>54</td>
</tr>
<tr>
<td>1985-1989</td>
<td>92</td>
<td>54</td>
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<tr>
<td>1980-1984</td>
<td>70</td>
<td>81</td>
</tr>
<tr>
<td>1975-1979</td>
<td>51</td>
<td>93</td>
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<tr>
<td>1970-1974</td>
<td>43</td>
<td>74</td>
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<tr>
<td>1965-1969</td>
<td>51</td>
<td>70</td>
</tr>
<tr>
<td>1960-1964</td>
<td>46</td>
<td>85</td>
</tr>
<tr>
<td>1955-1959</td>
<td>21</td>
<td>52</td>
</tr>
<tr>
<td>1950-1954</td>
<td>6</td>
<td>28</td>
</tr>
</tbody>
</table>

Source: Ziegler National CCRC Listing
GROWTH PLANS OVER THE NEXT TWO YEARS

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

Source: Ziegler LeadingAge 150, data as of 12/31/14
Forty-six percent (46%) of LZ 150 have affordable housing units. The 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
• 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
## RECENT NFP-NFP SPONSORSHIP TRANSITIONS

<table>
<thead>
<tr>
<th>Year</th>
<th>Organization</th>
<th>New Sponsor</th>
<th>Community Type</th>
<th>State</th>
</tr>
</thead>
<tbody>
<tr>
<td>In Process</td>
<td>Northern California Presbyterian Homes &amp; Services &amp; Episcopal Senior Communities</td>
<td></td>
<td>CCRCs, Aff Hsing</td>
<td>CA</td>
</tr>
<tr>
<td>In Process</td>
<td>Friends Home, Inc.</td>
<td>The Presbyterian Homes, Inc.</td>
<td>CCRCs</td>
<td>NC</td>
</tr>
<tr>
<td>In Process</td>
<td>American Baptist Home of the West &amp; be.group</td>
<td></td>
<td>CCRCs, Aff Hsing</td>
<td>CA</td>
</tr>
<tr>
<td>2015</td>
<td>Christian Ministries, Inc.</td>
<td>Greencroft Communities</td>
<td>CCRCs</td>
<td>IN</td>
</tr>
<tr>
<td>2015</td>
<td>Shenango Presbyterian</td>
<td>Presbyterian SeniorCare</td>
<td>CCRC</td>
<td>PA</td>
</tr>
<tr>
<td>2015</td>
<td>Presbyterian Homes of Lake Erie</td>
<td>Presbyterian SeniorCare</td>
<td>CCRCs</td>
<td>PA</td>
</tr>
<tr>
<td>2015</td>
<td>Cathedral Village</td>
<td>Presbyterian Senior Living</td>
<td>CCRC</td>
<td>PA</td>
</tr>
<tr>
<td>2014</td>
<td>Martin’s Run</td>
<td>Wesley Enhanced Living</td>
<td>CCRC</td>
<td>PA</td>
</tr>
<tr>
<td>2014</td>
<td>The Kenney</td>
<td>Heritage Ministries</td>
<td>CCRC</td>
<td>WA</td>
</tr>
<tr>
<td>2014</td>
<td>Fred Lind Manor</td>
<td>Pacific Retirement Communities Northwest</td>
<td>IL/AL</td>
<td>WA</td>
</tr>
<tr>
<td>2014</td>
<td>Sarah Moore Health Care Center</td>
<td>Ohio Presbyterian Retirement Services</td>
<td>AL/SN</td>
<td>OH</td>
</tr>
<tr>
<td>2014</td>
<td>The Leland Home</td>
<td>Deaconess Abundant Life Communities</td>
<td>SNF</td>
<td>MA</td>
</tr>
<tr>
<td>2014</td>
<td>Cape Albeon</td>
<td>St. Andrew’s Resources for Seniors</td>
<td>CCRC</td>
<td>MO</td>
</tr>
</tbody>
</table>

Source: Ziegler Investment Banking
INCREASING ACTIVITY IN NOT-FOR-PROFIT AFFILIATIONS, DISPOSITIONS, SPONSORSHIP TRANSITIONS

Total NFP Owner/Sponsor Transactions

Source: Ziegler Investment Banking 12/31/15; each count represents one community/facility
SPONSORSHIP TRANSITIONS BY CATEGORY
NFP CHANGE OF OWNER TRANSACTIONS: 2010-2015YTD

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

NFP to FP, 68%
NFP to NFP, 21.1%
 Closure, 8.1%
FP to NFP, 8.1%

Source: Ziegler Investment Banking, 12/31/15
PACE OF FOR-PROFIT GROWTH
IS IT SHOWING SIGNS OF A SLOW-DOWN?

Senior Housing Construction by Profit Status; MAP31
4Q05 – 4Q15

Number of Properties Under Construction

Primarily free-standing
AL/MC or IL/AL

For-Profit

Not-For-Profit

Source: NIC MAP® Data & Analysis Service, as of 12/31/15  © National Investment Center for the Seniors Housing & Care Industry | www.NICMAP.org
TEXAS GROWTH- >10% OF INVENTORY UNDER CONSTRUCTION LARGELY FP IL/AL/MC
TEXAS GROWTH - TOP 10 MARKETS FOR NEW CONSTRUCTION

Source: NIC MAP® Data & Analysis Service  Q4 2015     © National Investment Center for the Seniors Housing & Care Industry | www.NICMAP.org
## 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>34,772</td>
</tr>
<tr>
<td>Boston Capital</td>
<td>Boston, MA</td>
<td>486</td>
<td>29,741</td>
</tr>
<tr>
<td>NorthStar 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>12,359</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><strong>ACTS Retirement-Life Communities</strong></td>
<td><strong>West Point, PA</strong></td>
<td><strong>21</strong></td>
<td><strong>7,982</strong></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>22,561</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>Elmcroft 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>7,982</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>7,483</td>
</tr>
<tr>
<td>Meridian Senior Living</td>
<td>Hickory, NC</td>
<td>130</td>
<td>7,026</td>
</tr>
<tr>
<td>American House Senior Living Communities</td>
<td>Bloomfield Hills, MI</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: ALFA 2014 Largest Senior Living Providers
Integral Senior Living, Carlsbad, CA

- 47 Communities in 15 States
  - AL, AZ, CA, ID, IL, MI, OK, OR, TN, TX, UT, WA

- 5,832 Total Units
  - 55+ Community
  - Independent Living
  - Assisted Living
  - Skilled Nursing
  - Memory Care

Source: ALFA 2014 Largest Senior Living Providers
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, WY

- 42,203 Total Units
  - 55+ Community
  - Independent Living
  - Assisted Living
  - Skilled Nursing
  - Memory Care

Source: ALFA 2014 Largest Senior Living Providers

www.holidaytouch.com
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
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
SENIOR LIVING SECTOR: FOR-PROFIT

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

www.fivestarseniorliving.com
Capital Senior Living Corp, Dallas, TX

- 112 Communities in 24 States
  - AZ, AR, CA, CT, FL, GA, IL, IN, IA, KS, MA, MI, MN, MS, MO, NE, NJ, NY, NC, OH, SC, TX, VA, WI

- 14,600 Total Units
  - 55+ Community
  - Independent Living
  - Assisted Living
  - Skilled Nursing
  - Memory Care

Source: ALFA 2014 Largest Senior Living Providers
NOT-FOR-PROFITS LEAD IN OCCUPANCY

CCRC Occupancy by Profit Status; MAP31
4Q05 – 4Q15

Source: NIC MAP® Data & Analysis Service, as of 12/31/15 © National Investment Center for the Seniors Housing & Care Industry | www.NICMAP.org
TEXAS OCCUPANCY
ALL PROPERTY TYPES

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

Source: NIC MAP® Data 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

Sources: CMS.gov
LZ 150 ORGANIZATIONS IN AN ACO OR BUNDLED PAYMENT CONTRACT

Yes, in a formal contract for ACO or bundled payment

- 2013: 24.7%
- 2014: 31.3%

Source: 2015 LeadingAge Ziegler 150 Publication
JOINT VENTURING FOR POST-ACUTE
2015 LZ 150 ORGANIZATIONS ENGAGED IN A FORMAL JOINT VENTURE

Most common
- Home health
- Home care
- Hospice
- PACE

Yes, in at least one joint venture

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

- **More than 15 years**: 16.9% (2015), 18.9% (2013)
- **11-15 years**: 15.5% (2015), 19.0% (2013)
- **5-10 years**: 28.5% (2015), 26.1% (2013)
- **Less than 5 years**: 33.6% (2015), 35.0% (2013)

35% have a formal succession plan in place for the CEO position.

Source: Ziegler CFO Hotline, July 2015
GROWING DEMAND FOR DIRECT-CARE WORKERS IN THE US, 2010-2030

Percentage increase 2010-2030

- Personal care aides: 71%
- Home health aides: 69%
- Nursing aides, orderlies and attendants: 20%
- All direct-care workers: 48%
- All occupations: 14%

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**

- Multi-sites: 2.1%
- Single-sites: 1.6%

**Does your organization have a Chief Information/Technology Officer?**

- Yes, have CIO, 21.0%
- No CIO position, 79.0%

Source: Ziegler CFO Hotline; LeadingAge Ziegler 150
ZIEGLER LINK•AGE LOGEVITY FUND
INVESTMENT THEMES

- Fund closed June, 2014; 70 investors are non-profit senior providers
- Specialty fund targeting multi-stage equity investments
- Meaningful introductions to high profile, innovative companies

**Representative Business Models**

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

**Healthcare IT**
- Clinical Decision Support
- Medication Management
- Population Analytics
- Remote Monitoring
- Telehealth

**Other**
- Institutional Pharmacy
- Medicare Advantage / Dual Eligible Plans
- Post-acute Care Diagnostics 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 FINANCIINGS

- 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

SOURCE: Thomson Financial Securities Data, as of 12/31/15, Ziegler Investment Banking, Volume & Other Bank Credit Estimates thru 12/31/15
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

SOURCE: Thomson Financial Securities Data, as of 12/31/15, Ziegler Investment Banking, Other Bank Credit Estimates thru 12/31/15
TODAY - RARE PERIOD WHERE MOST DEBT STRUCTURES NEAR ALL-TIME LOW COST

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

Source: Ziegler Investment Banking
$403.8 Billion
TOTAL MUNICIPAL

Healthcare
$29.7 Billion
0.7%

TOTAL NFP SENIOR LIVING
$3.8 Billion
(0.1% of Municipal)

SOURCE: The Bond Buyer 2015 Annual Review & Thomson Securities Data as of 2/22/16
HISTORICAL INTEREST RATES (SENIOR LIVING)

“AAA” MMD Index
30-Year Maturity Yield

Source: Thomson Financial Municipal Market Monitor, as of 5/13/16
HISTORICAL INTEREST RATES
SENIOR LIVING YIELDS

30-Year Maturity
“A” Category

“A” Category Yield
10-Yr Average - 5.22%
1990 - YTD - 5.85%
Today - 3.25%

Source: Ziegler Capital Markets, as of 5/13/16
HISTORICAL INTEREST RATES
SENIOR LIVING YIELDS

30-Year Maturity
“BBB” Category

Source: Ziegler Capital Markets, as of 5/13/16
HISTORICAL INTEREST RATES
SENIOR LIVING YIELDS

30-Year Maturity
Non-Rated New Campus Category

Source: Ziegler Capital Markets, as of 5/13/16
## Senior Living Tax-Exempt Bank Direct Purchase Annual Fees (1)

<table>
<thead>
<tr>
<th>(Ratings: Fitch/S&amp;P/Moody's)</th>
<th>AVERAGE ANNUAL FEE (%)</th>
<th>SPREAD OVER 65%-67% OF LIBOR (5 YEARS)</th>
<th>AVERAGE ANNUAL FEE (%)</th>
<th>SPREAD OVER 65%-67% OF LIBOR (7-10 YEARS)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrated - Start-Up Communities (2)</td>
<td>1.20</td>
<td>1.50</td>
<td>1.50</td>
<td>1.75</td>
</tr>
<tr>
<td>Unrated - Existing Stable Communities</td>
<td>1.00</td>
<td>1.20</td>
<td>1.30</td>
<td>1.50</td>
</tr>
<tr>
<td>&quot;BB&quot; Rated (Fitch, S&amp;P or Moody's)</td>
<td>0.80</td>
<td>1.00</td>
<td>1.10</td>
<td>1.25</td>
</tr>
<tr>
<td>&quot;BBB&quot; Rated (Fitch, S&amp;P or Moody's)</td>
<td>0.50</td>
<td>0.70</td>
<td>0.75</td>
<td>0.90</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 12/31/15
## CURRENT INTEREST RATES (SENIOR LIVING)

### Senior Living Interest Rate Ranges

Tax-Exempt Revenue Bonds (1)

<table>
<thead>
<tr>
<th>SENIOR LIVING FINANCING STRUCTURES (1) (Insurers Ratings: Fitch/S&amp;P/Moody’s)</th>
<th>AVERAGE LONG-TERM INTEREST RATE RANGES (2)</th>
<th>CREDIT ENHANCEMENT</th>
<th>ALL-IN INTEREST COST</th>
<th>AVERAGE RATE SPREAD TO &quot;AAA&quot; MARKET</th>
<th>SPREAD TO REVENUE BOND INDEX</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrated - Start-Up Communities</td>
<td>6.00% - 6.25%</td>
<td>--</td>
<td>6.00% - 6.25%</td>
<td>+ 358 to + 383</td>
<td>+ 246 to + 271</td>
</tr>
<tr>
<td>Unrated - Existing Stable Communities</td>
<td>4.35% - 4.50%</td>
<td>--</td>
<td>4.35% - 4.50%</td>
<td>+ 193 to + 208</td>
<td>+ 81 to + 96</td>
</tr>
<tr>
<td>Unrated - Ziegler Retail</td>
<td>4.35% - 4.50%</td>
<td>--</td>
<td>4.35% - 4.50%</td>
<td>+ 193 to + 208</td>
<td>+ 81 to + 96</td>
</tr>
<tr>
<td>&quot;BBB&quot; Rated (Fitch, S&amp;P or Moody’s)</td>
<td>3.70% - 3.85%</td>
<td>--</td>
<td>3.95% - 4.10%</td>
<td>+ 153 to + 168</td>
<td>+ 41 to + 56</td>
</tr>
<tr>
<td>&quot;A&quot; Rated (Fitch, S&amp;P or Moody’s)</td>
<td>3.40% - 3.50%</td>
<td>--</td>
<td>3.40% - 3.50%</td>
<td>+ 98 to + 108</td>
<td>+ -14 to + -4</td>
</tr>
<tr>
<td>&quot;AA&quot; Rated (FHA)</td>
<td>3.00% - 3.10%</td>
<td>0.50%</td>
<td>3.50% - 3.60%</td>
<td>+ 108 to + 118</td>
<td>+ -4 to + 6</td>
</tr>
<tr>
<td>&quot;AA&quot; Rated (Fitch, S&amp;P, Moody’s)</td>
<td>3.20% - 3.30%</td>
<td>--</td>
<td>3.20% - 3.30%</td>
<td>+ 78 to + 88</td>
<td>+ -34 to + -24</td>
</tr>
<tr>
<td>&quot;AAA&quot; Rated (FHA)</td>
<td>2.90% - 3.00%</td>
<td>0.65%</td>
<td>3.55% - 3.65%</td>
<td>+ 113 to + 123</td>
<td>+ 1 to + 11</td>
</tr>
</tbody>
</table>

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

SOURCE: Ziegler Investment Banking, as of 5/13/16
QUESTIONS & ANSWERS
ABOUT ZIEGLER

• 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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