IF NOT YOU, THEN WHO? THE NOT-FOR-PROFIT LEADERSHIP IMPERATIVE

PRESENTED BY:

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AGENDA

**TOPIC 1**
- DEMOGRAPHICS & THE CONSUMER

**TOPIC 2**
- SECTOR GROWTH & SUPPLY

**TOPIC 3**
- EXTERNAL INFLUENCES SHAPING THE SECTOR

**APPENDIX**
- SENIOR LIVING CAPITAL MARKETS & FINANCIAL RATIOS
OPENING THOUGHTS

- More than ever, providers need to have a **disciplined, intentional** and well-informed approach to strategy and execution
  - Are you fully prepared to adapt to the **changing consumer**?
  - What are the **supply & demand** characteristics in your market?
  - Are you a **leader in your market**? Are you able to combat increasing **competition**? For-profit growth in Texas has been significant!
  - How are you a player in the dynamic **healthcare environment**?
  - Are you a leader in **innovation** and implementing **technology solutions**?
  - What is your **growth plan**? Does it involve partners?

- **Leaders MUST** spend time on these questions!
TOPIC 1: DEMOGRAPHICS & THE CONSUMER
DEMOGRAPHICS DEFINE THE MARKET

FORECASTED U.S. SENIORS POPULATION (1980 TO 2040) (MILLIONS)

Increasing Demand

Median age
US: 37.2
TX: 33.6

We Are Here

Source: Urban Land Institute
BRIEF DIP BEFORE THE DRAMATIC INCREASE

Number of Live Births (1909 to 2013, 000s)

Today’s 82-Year Old Resident Was Born in 1933
And Is Of The Silent Generation

Source: U.S. Census Bureau; NIC MAP® Data Service
THE SENIOR LIVING CONSUMER

• Average age of entry of the IL resident now sits around 82
  - Oldest Baby Boomer is now 70 years old

• Consumers have more choices than ever

• We know that the consumer of tomorrow will be different that 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
### BOOMER INCOME

<table>
<thead>
<tr>
<th>For Richer</th>
<th>For Poorer</th>
</tr>
</thead>
<tbody>
<tr>
<td>• The number of seniors living in poverty declined from 15% to 9% (1970 to 2012)</td>
<td>• Half of 65-75 households have no money in retirement accounts</td>
</tr>
<tr>
<td>• Proportion of older adults enjoying a “high income” increased from 18% to 31%</td>
<td>• 42% of Boomers say the age they expected to retire has increased</td>
</tr>
<tr>
<td>• 2010 - disposable income for 50+ was more than $3 trillion (Boomers holding 77% of all personal assets and ½ of all discretionary spending)</td>
<td>• 36% of Boomer’s children still live with their parents</td>
</tr>
<tr>
<td></td>
<td>• 42% of Boomers are paying medical costs for their parents or other elderly relatives</td>
</tr>
</tbody>
</table>

Source: Sabi, The Boomer Report 2015
The middle class is shrinking

Source: CNN Money, “Middle class no longer dominates in the U.S.” (December 9, 2015)
PROJECTED 75+ HOUSEHOLDS BY INCOME LEVEL

Source: Greystone: 2014 ZGES Finance & Development Workshop; U.S. Census, Claritas
TOPIC 2: SECTOR GROWTH & SUPPLY
THE SPECTRUM OF CHOICES FOR SENIORS

<table>
<thead>
<tr>
<th>AGE</th>
<th>60+</th>
<th>70+</th>
<th>85+</th>
<th>90+</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Preventative</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Senior Center Services</td>
<td>Wellness Program</td>
<td>Case Management</td>
<td>Independent Living</td>
<td>Adult Day Services</td>
</tr>
<tr>
<td>Geriatric Assessment &amp; Case Management</td>
<td>Senior Health &amp; Wellness Center</td>
<td>Continuing Care at Home</td>
<td>Assisted Living</td>
<td>Memory Support Assisted Living</td>
</tr>
<tr>
<td>Long-term Care</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Continuing Care Retirement Community</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hospital</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*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>Type</th>
<th>Number of Communities</th>
<th>Number of Units</th>
<th>NFP Percentage</th>
<th>FP Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>CCRCs</td>
<td>1,950</td>
<td>676,000</td>
<td>80.5%</td>
<td>11.5%</td>
</tr>
<tr>
<td>IL Communities</td>
<td>1,500</td>
<td>179,000</td>
<td>2.3%</td>
<td>97.7%</td>
</tr>
<tr>
<td>Affordable Housing</td>
<td>12,000</td>
<td></td>
<td>33%</td>
<td>66%</td>
</tr>
<tr>
<td>Freestanding AL</td>
<td>24,600</td>
<td>885,000</td>
<td>21.6%</td>
<td>78.4%</td>
</tr>
<tr>
<td>Memory Care</td>
<td>1,060</td>
<td>51,000</td>
<td>21%</td>
<td>79%</td>
</tr>
<tr>
<td>Nursing Homes</td>
<td>15,700</td>
<td>1,400,100</td>
<td>30.5%</td>
<td>69.5%</td>
</tr>
<tr>
<td>Home Health</td>
<td>12,600</td>
<td>3.5 million</td>
<td>12%</td>
<td>88%</td>
</tr>
<tr>
<td>Hospice</td>
<td>3,900</td>
<td>1.3 million</td>
<td>41%</td>
<td>59%</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)
2015 LeadingAge Ziegler 150
Organizational Characteristics: Metropolitan Statistical Areas (MSAs)
NUMBER OF HEADQUARTERS LOCATED IN THE LARGEST 30 MSAs

68 systems are located in the largest 30 MSAs

Source: 2015 LeadingAge Ziegler 100 Publication (data as of 12/31/14)
# 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
WHY DOES THE NFP SECTOR NEED TO CONTINUE TO GROW AND EVOLVE?

• Operating leverage & economies of scale
• Ability to attract staff and resources
• Market concentration
• Expansion of mission
• Access to capital
• Defensive response
  - FP growth is impacting supply & demand dynamics in certain markets
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)
1.6% Average Annual Growth (AAG) in total communities from 2000 to 2014

**Note change from 100 to 150 with the 2014 publication**

Source: Preliminary 2015 LeadingAge Ziegler 100 Publication (data as of 12/31/14)
NEW LOCATION DEVELOPMENT & EXPANSION OF EXISTING CAMPUS

- 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)

Source: Ziegler National CCRC Listing
FUTURE NEW MARKET-RATE LOCATION DEVELOPMENT

<table>
<thead>
<tr>
<th>Largest Number of Future Purpose Built CCRCs</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>North Carolina</td>
<td>8</td>
</tr>
<tr>
<td>California</td>
<td>6</td>
</tr>
<tr>
<td>Florida</td>
<td>5</td>
</tr>
<tr>
<td>New York</td>
<td>5</td>
</tr>
<tr>
<td>Georgia</td>
<td>4</td>
</tr>
<tr>
<td>New Hampshire</td>
<td>4</td>
</tr>
<tr>
<td>Texas</td>
<td>4</td>
</tr>
<tr>
<td>Minnesota</td>
<td>3</td>
</tr>
</tbody>
</table>

- Tracking 80 CCRC development projects
- Vary from early concept to opening in early 2016
- Thirty-three of the states have at least one future CCRC being tracked
- 68% are NFP
- Nine are single-sites growing to two campuses

Source: Ziegler Investment Banking 1/1/16
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

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
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

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Pressure</td>
<td>Access to Capital</td>
<td>Access to Capital</td>
<td>Hospital Consolidation</td>
<td>Complexities of Healthcare</td>
<td>Leadership Turnover</td>
<td>Financial Pressure</td>
</tr>
<tr>
<td>Reinvestment Requirements</td>
<td>Access to Capital</td>
<td>Access to Capital</td>
<td>Competition</td>
<td>Competition</td>
<td>Access to Capital</td>
<td>Hospital Consolidation</td>
</tr>
<tr>
<td>Access to Capital</td>
<td>Complexities of Healthcare</td>
<td>Complexities of Healthcare</td>
<td>Ability to Attract Talent</td>
<td>Diversify Service Lines</td>
<td>Ability to Attract Talent</td>
<td>Ability to Attract Talent</td>
</tr>
</tbody>
</table>

- **Complexities of Healthcare**
- **Leadership Turnover**
- **Technology Demands**
- **Financial Pressure**
- **Hospital Consolidation**
- **Competition**
- **Access to Capital**
- **Diversify Service Lines**
- **Ability to Attract Talent**
## 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

In process: 34 situations for 60+ market-rate facilities

Projected: 80 when final counts are in

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

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

For-Profit

Not-For-Profit

Primarily free-standing
AL/MC or IL/AL

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

Source: NIC MAP® Data & Analysis Service | © 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>West Point, PA</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>
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<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>
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<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
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
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
Yellow clusters show areas of significant ACO concentration
These are areas where senior living providers are under the most pressure to respond
2015 LEADINGAGE ZIEGLER 150
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: 35% (2015), 33.6% (2013)
- Less than 5 years: 26.1% (2015)

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

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

- 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

<table>
<thead>
<tr>
<th>Healthcare Services</th>
<th>Healthcare IT</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Behavioral Change Management</td>
<td>• Clinical Decision Support</td>
<td>• Institutional Pharmacy</td>
</tr>
<tr>
<td>• Capitated Physician Models</td>
<td>• Medication Management</td>
<td>• Medicare Advantage / Dual Eligible Plans</td>
</tr>
<tr>
<td>• Concierge Medicine</td>
<td>• Population Analytics</td>
<td>• Post-acute Care Diagnostics and Therapeutics</td>
</tr>
<tr>
<td>• Homecare 2.0</td>
<td>• Remote Monitoring</td>
<td>• Hospice and Palliative Care</td>
</tr>
<tr>
<td>• Hospice and Palliative Care</td>
<td>• Telehealth</td>
<td>• Government Funded Programs / Public Health Related Matters</td>
</tr>
</tbody>
</table>
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

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
CAPITAL MARKETS - MUNICIPAL VOLUME (2014)

$336.5 Billion
TOTAL MUNICIPAL

Healthcare
$21.4 Billion
6.0%

TOTAL NFP SENIOR LIVING
$3.3 Billion
(1.0% of Municipal)

SOURCE: Totals from Thomson Securities Data and The Bond Buyer as of 12/31/14
HISTORICAL INTEREST RATES (SENIOR LIVING)

“AAA” MMD Index
30-Year Maturity Yield

Source: Thomson Financial Municipal Market Monitor, as of 1/8/16
APPENDIX B: ZIEGLER EXPERIENCE IN TEXAS
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 250 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
Since 2010, Ziegler has led other investment banking firms in providing tax-exempt financing to senior living facilities domiciled in Texas.

Focus has been on high quality, not-for-profit senior living organizations.

ZIEGLER’S TEXAS SENIOR LIVING EXPERIENCE

<table>
<thead>
<tr>
<th>Rank</th>
<th>Underwriter</th>
<th># of Issues</th>
<th>$ Millions</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Ziegler</td>
<td>15</td>
<td>$577.5</td>
</tr>
<tr>
<td>2</td>
<td>BB&amp;T Capital Markets</td>
<td>9</td>
<td>$410.4</td>
</tr>
<tr>
<td>3</td>
<td>Cain Brothers</td>
<td>2</td>
<td>$147.3</td>
</tr>
<tr>
<td>4</td>
<td>Raymond James Morgan Keegan</td>
<td>1</td>
<td>$53.0</td>
</tr>
<tr>
<td>5</td>
<td>Piper Jaffray &amp; Co.</td>
<td>1</td>
<td>$38.1</td>
</tr>
<tr>
<td>6</td>
<td>Cross Point Capital</td>
<td>3</td>
<td>$30.7</td>
</tr>
<tr>
<td>7</td>
<td>Lawson Financial</td>
<td>1</td>
<td>$10.2</td>
</tr>
<tr>
<td>8</td>
<td>Herbert J. Sims &amp; Co.</td>
<td>3</td>
<td>$5.4</td>
</tr>
<tr>
<td>9</td>
<td>Bosc</td>
<td>1</td>
<td>$5.0</td>
</tr>
</tbody>
</table>

Source: Thomson Financial Securities Data. Full credit given to Senior Manager, as of 12/31/15.
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