2018 CHHSM ANNUAL MEETING
“SENIOR CARE IN TIMES OF CHANGING NEED”
Since January 1991, Ziegler has provided more than $1.6 billion of financings to 18 United Church of Christ organizations in 42 transactions.
<table>
<thead>
<tr>
<th>Project</th>
<th>Location</th>
<th>Details</th>
<th>Date</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retirement Housing Foundation</td>
<td>Long Beach, California</td>
<td>New Money/Refunding Fixed-Rate</td>
<td>AUGUST 2017</td>
<td>$71,305,000</td>
</tr>
<tr>
<td>Retirement Housing Foundation</td>
<td>Long Beach, California</td>
<td>Corporate Taxable Bonds</td>
<td>AUGUST 2017</td>
<td>$21,820,000</td>
</tr>
<tr>
<td>United Church Homes and Services</td>
<td>Newton, North Carolina</td>
<td>New Money Bank Direct Purchase</td>
<td>NOVEMBER 2017</td>
<td>$20,655,000</td>
</tr>
<tr>
<td>United Church Homes and Services</td>
<td>Newton, North Carolina</td>
<td>Refunding Fixed-Rate</td>
<td>DECEMBER 2017</td>
<td>$30,285,000</td>
</tr>
<tr>
<td>Horizon House</td>
<td>Seattle, Washington</td>
<td>New Money/Refunding Fixed-Rate</td>
<td>DECEMBER 2017</td>
<td>$75,000,000</td>
</tr>
<tr>
<td>Horizon House</td>
<td>Phoenix, Arizona</td>
<td>New Money/Refunding Fixed-Rate</td>
<td>DECEMBER 2017</td>
<td>$70,210,000</td>
</tr>
<tr>
<td>The Beatitudes Campus</td>
<td>West Bend, Wisconsin</td>
<td>New Money/Refunding Fixed-Rate</td>
<td>DECEMBER 2017</td>
<td>$38,185,000</td>
</tr>
<tr>
<td>United Church Homes and Services</td>
<td>Newton, North Carolina</td>
<td>Refunding Bank Direct Purchase</td>
<td>OCTOBER 2016</td>
<td>$21,955,000</td>
</tr>
<tr>
<td>United Church Homes and Services</td>
<td>Newton, North Carolina</td>
<td>Refunding Fixed-Rate</td>
<td>APRIL 2015</td>
<td>$23,180,000</td>
</tr>
<tr>
<td>Fox Run at Orchard Park</td>
<td>Orchard Park, New York</td>
<td>New Money/Refunding Fixed-Rate</td>
<td>SEPTEMBER 2015</td>
<td>$44,490,000</td>
</tr>
<tr>
<td>Plymouth Place</td>
<td>La Grange Park, Illinois</td>
<td>New Money/Refunding Fixed-Rate</td>
<td>OCTOBER 2015</td>
<td>$56,260,000</td>
</tr>
<tr>
<td>Phoebe Ministries</td>
<td>Allentown, Pennsylvania</td>
<td>New Money/Refunding Bank Direct Purchase</td>
<td>APRIL 2014</td>
<td>$18,249,000</td>
</tr>
<tr>
<td>Retirement Housing Foundation</td>
<td>Long Beach, California</td>
<td>Refunding Bank Direct Purchase</td>
<td>JUNE 2014</td>
<td>$110,120,000</td>
</tr>
</tbody>
</table>
HOT TOPICS
Top 5 Areas of Concern for 2018

- Staff Recruitment & Retention: 79%
- Labor Costs (wages, benefits): 75%
- Skilled Nursing/Post-Acute Pressures: 47%
- Financial Performance: 46%
- Declining Reimbursement: 36%
- Capital Needs: 31%
- Affordability of product/services: 29%
- Regulatory Changes: 28%
- Technology Costs & Adoption: 27%
- Competition: 26%
- Changing Consumer: 26%
- IL Occupancy: 23%
- Succession Planning: 8%
- Emergency Preparedness: 4%

Source: Ziegler CFO Hotline, January 2018
## MOST EXCITED ABOUT IN 2018

<table>
<thead>
<tr>
<th>Most Excited About in 2018</th>
<th>Number of mentions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expansion plans</td>
<td>30</td>
</tr>
<tr>
<td>Growth in general</td>
<td>13</td>
</tr>
<tr>
<td>Strategic Planning</td>
<td>11</td>
</tr>
<tr>
<td>Capital Improvements</td>
<td>10</td>
</tr>
<tr>
<td>Technology Upgrades</td>
<td>9</td>
</tr>
<tr>
<td>Repositioning projects</td>
<td>7</td>
</tr>
<tr>
<td>Community Renovations</td>
<td>6</td>
</tr>
<tr>
<td>Affiliations/Partnerships</td>
<td>5</td>
</tr>
<tr>
<td>HCBS</td>
<td>4</td>
</tr>
</tbody>
</table>

Source: Ziegler CFO Hotline, January 2018
DEMOGRAPHICS DEFINE THE MARKET
FORECASTED U.S. SENIORS POPULATION (1980 TO 2040)
(MILLIONS)

We Are Here

Source: US Census Bureau National Projections)
COST OF CARE – INCREASES FROM 2016 - 2017

• Between 2016 and 2017, the cost for…
  – a private skilled nursing room increased by 5.5%
  – Home health aide services increased by 6.2%

• Genworth attributed the dramatic rising rates to…
  – Increased labor costs
  – Increased acuity of short-stay patients (higher cost of care)

<table>
<thead>
<tr>
<th>Service</th>
<th>2017 U.S. Median Monthly Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assisted Living (private room)</td>
<td>$3,750</td>
</tr>
<tr>
<td>Skilled Nursing (private room)</td>
<td>$8,121</td>
</tr>
<tr>
<td>Skilled Nursing (semi-private room)</td>
<td>$7,148</td>
</tr>
<tr>
<td>Home Health Aide</td>
<td>$4,099</td>
</tr>
<tr>
<td>Adult Day</td>
<td>$1,517</td>
</tr>
</tbody>
</table>
**DEMAND FOR LABOR**

<table>
<thead>
<tr>
<th>Occupation</th>
<th>Number of New Jobs (Projected) 2014-2024</th>
<th>2016 Median Pay</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal Care Aides</td>
<td>458,100</td>
<td>$21,920</td>
</tr>
<tr>
<td>Registered Nurses</td>
<td>439,300</td>
<td>$68,450</td>
</tr>
<tr>
<td>Home health aides</td>
<td>348,400</td>
<td>$22,600</td>
</tr>
<tr>
<td>Combined food prep and serving workers</td>
<td>343,500</td>
<td>$19,440</td>
</tr>
<tr>
<td>Retail salespersons</td>
<td>314,200</td>
<td>$22,680</td>
</tr>
<tr>
<td>Nursing Assistants</td>
<td>262,000</td>
<td>$26,590</td>
</tr>
</tbody>
</table>

*In a number of markets, staff earned income is insufficient to secure quality housing in a reasonable proximity to the community.*

WORKFORCE STATISTICS

- 74% of CNAs leave for jobs outside of the health care sector
  - Manufacturing
  - Retail

- Pressures being felt outside of healthcare positions as well

Source: 2017 Survey by Indiana Health Care Association/Indiana Center for Assisted Living
NOT-FOR-PROFIT SENIOR LIVING GROWTH

• Type of growth in the not-for-profit sector has changed post-recession

• For-profit competition and growth is impacting supply and demand characteristics
  – Residential Options for Seniors
  – Home & Community-Based Services
GROWTH AMONG NFPS DEFINED

- Repositionings
- Expansions
- Affiliations
- Satellite Campuses
- HCBS
- Alliances & Partnerships
- Joint Ventures

- New full-service community locations
### TODAY’S RETIREMENT OPTIONS
#### A LOOK AT SENIORS HOUSING & SERVICES SUPPLY

<table>
<thead>
<tr>
<th>Service Type</th>
<th>Number of Communities</th>
<th>Number of Units</th>
<th>% NFP</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Life Plan Communities</strong></td>
<td>1,955</td>
<td>600,000</td>
<td>79%</td>
</tr>
<tr>
<td><strong>Adult Day</strong></td>
<td>4,800</td>
<td>289 participants/day</td>
<td>51%</td>
</tr>
<tr>
<td><strong>Affordable Housing</strong></td>
<td>12,000</td>
<td>1 million</td>
<td>33%</td>
</tr>
<tr>
<td><strong>Hospice</strong></td>
<td>4,000</td>
<td>1.34 mill discharged/yr.</td>
<td>26%</td>
</tr>
<tr>
<td><strong>Nursing Homes</strong></td>
<td>15,600</td>
<td>1,400,000</td>
<td>24%</td>
</tr>
<tr>
<td><strong>Freestanding Memory Care</strong></td>
<td>1,100</td>
<td>53,000</td>
<td>22%</td>
</tr>
<tr>
<td><strong>Assisted Living/Residential Care</strong></td>
<td>20,250</td>
<td>1million residents</td>
<td>17%</td>
</tr>
<tr>
<td><strong>Home Health</strong></td>
<td>12,600</td>
<td>4 million served/yr.</td>
<td>15%</td>
</tr>
<tr>
<td><strong>Primarily IL Housing</strong></td>
<td>3,200</td>
<td>725,000</td>
<td>3%</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, Ziegler population estimates
GROWTH PLANS OVER THE NEXT TWO YEARS

Percentage of LZ 150 who plan to grow through...

Expansion or repositioning of existing community
- 2015: 75.2%
- 2016: 76.5%
- 2017: 71.5%

New community locations (affiliations or development)
- 2015: 38.0%
- 2016: 36.0%
- 2017: 32.0%

Estimated 40% new locations

Source: 2015, 2016 & 2017 LeadingAge Ziegler 150 Publications
GROWTH THROUGH SPONSORSHIP TRANSITION

- Currently the primary mode of growth for residential settings among not-for-profit senior living providers
  - Systems coming together
  - Two smaller organizations joining to form larger
  - Single-sites joining a system
DRIVERS FOR NFP SENIOR LIVING CONSOLIDATION

Complexities of Healthcare
- Occupancy pressures
- Competition
- Higher pt. acuity
- Negative revenue impact

Leadership Turnover
- As Boomer CEOs retire, can serve as catalyst to explore affiliation
- CEO recruitment challenge for smaller organizations

1990
- Hospital Consolidation
- Leadership Turnover
- Technology Demands
- Access to Capital
- Reinvestment Requirements
- Financial Pressure

2000
- Terminal Competition
- Ability to Attract Talent
- Diversify Service Lines
- Access to Capital
- Hospital Consolidation
- Financial Pressure

2010
- Complexities of Healthcare
- Leadership Turnover
- Technology Demands
- Hospital Consolidation
- Competition
- Access to Capital
- Reinvestment Requirements
- Growth Capital

TODAY
- Complexities of Healthcare
- Leadership Turnover
- Technology Demands
- Hospital Consolidation
- Competition
- Access to Capital
- Reinvestment Requirements
- Diversify Service Lines
- Growth Capital
NFP SPONSORSHIP TRANSITIONS

Approximately 380 Not-for-Profit communities changed sponsor/owner between 2010 and Mid 2017

Source: Ziegler Investment Banking (9/1/17)
Is your organization experiencing any of the following regarding your healthcare setting?

- Decreased length of stays in skilled care: 2017 - 83.5% (2016 - 74.3%)
- Patients with a higher level of acuity than in years' past: 2017 - 82.1% (2016 - 61.0%)
- Narrowing of networks from area hospitals, physicians groups: 2017 - 56.6% (2016 - 33.3%)
- An increase in consumers with treatment plans that skip skilled care altogether: 2017 - 53.8% (2016 - 29.5%)

Source: Ziegler CFO Hotline, August 2016 & August 2017
SKILLED NURSING BEDS - FUTURE PLANS

Regarding the number of skilled nursing beds throughout your community/system, which of the following best applies:

- We are not looking to make any changes to the number of skilled nursing beds we have: 61.0% (All), 62.2% (Single Site), 60.0% (Multi Site)
- We are planning/considering adding to the number of skilled nursing beds we have: 11.7% (All), 14.3% (Single Site), 7.3% (Multi Site)
- We are planning/considering a reduction in the number of skilled nursing beds we have: 27.3% (All), 23.5% (Single Site), 32.7% (Multi Site)

Source: Ziegler CFO Hotline, August 2017
SKILLED NURSING OCCUPANCY CONTINUING TO SET RECORD LOWS

Source: National Investment Center for Seniors Housing; Skilled Nursing Data Report (Q3 2017)
THE CHANGING FACE OF SENIOR CARE TECHNOLOGY

This Seattle start-up is building an Amazon Alexa for health care

- SayKara aims to be a virtual scribe for doctors.
- Doctors are spending half of their time on busywork, including filling out fields on the electronic medical record.
- The Seattle-based start-up is launching this week with $2.5 million in funding.

Christina Farr | @chrissyfarr
Published 21 Hours Ago | Updated 19 Hours Ago

Ziegler white paper

Senior Living Sees Slow But Steady Robot Revolution

September 15, 2017 by Tim Regan
ZIEGLER LINK•AGE FUND (ZLF)

Aging in Place

Reduction of Hospitalizations and Readmissions

Coordination of Care

Prevention and Wellness Strategies

Chronic Disease Management

Government Funded Programs / Public Health Related Matters

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

ZLF Fund

Source: Ziegler Link.age Longevity Fund

(RECENTLY ACQUIRED BY AFAM)
Of the overall growth in seniors housing since 2005, **49%** is attributed to For-profit AL and For-profit Memory Care growth.

*Construction vs. Inventory; MAP31 Seniors Housing | 4Q05 – 4Q17*

* Excludes CCRCs

Source: NIC MAP® Data Service (12/31/17)
NOT-FOR-PROFIT CCRCS MAINTAIN HIGHER OCCUPANCY

CCRC Occupancy by Profit Status; MAP31
4Q05 – 4Q17

Source: NIC MAP® Data Service (12/31/17)
ABOUT ZIEGLER

- Ziegler is a privately-held investment bank, capital markets, wealth management and proprietary 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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