2019 STATE OF SENIOR LIVING

PRESENTED BY
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ABOUT ZIEGLER
ZIEGLER is a privately held, national boutique investment bank, capital markets and proprietary investments firm. Specializing in the healthcare, senior living and education sectors, as well as general municipal and structured finance, enables us to generate a positive impact on the communities we serve.

ZIEGLER - THE UNDISPUTED LEADER IN SENIOR LIVING FINANCINGS

Based on full credit given to senior manager of lead-managed underwriting principal volume for senior living transactions completed nationally. Rankings and amounts through Refinitiv data as of 12/31/18.
ZIEGLER'S SENIOR LIVING RESEARCH, EDUCATION & THOUGHT LEADERSHIP

- **Education**
  - 2019 will host a total of 13 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 200
  - CARF Financial Ratios and Trends Publication (Baker Tilly, CARF)
  - Statewide CCRC Reports (MD, VA, TX) (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 (CCRCs) since 1990
  - Senior Living Rated Organizations

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2019 ZIEGLER SENIOR LIVING FINANCE + STRATEGY CONFERENCE

SAVE THE DATE
SEPTEMBER 25-27, 2019
OMNI AMELIA ISLAND PLANTATION RESORT
39 South Lagoon Road, Amelia Island, FL, 32034

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AGENDA

1. Understanding the Growth of the Sector
2. Disruptors & Catalysts in Senior Living
3. The Changing Role of the NFP Senior Living Board

QUESTIONS & ANSWERS
UNDERSTANDING THE GROWTH OF THE SECTOR

U.S. OLDER ADULT POPULATION- DRIVING CHANGE

A CHANGING CONSUMER

- Delivering both quality of life and care (longevity vs quality of life)
- Opportunity for niche communities
  - College/University affiliations
- Increased focus on urban influx
  - 4% of Boomers moving into “urban core”; translates into 400 a day among 65+
- Branding and image are incredibly important
  - Name changes
- Future generations have more information at their fingertips
  - Transparency; Pricing
- Choice = Control
- Growing need for housing options among seniors with limited income

Source: Ziegler Investment Banking
DEMOGRAPHICS ARE DRIVING GROWTH

- Significant new development among for-profit owners and operators
  - Significant Shift to Independent Living development

- Not-for-profits largely growing through expansions and affiliation activity

- Continued growth in HCBS and home-based models

- A number of joint ventures and partnerships are developing

WHY GROW? WHY CHANGE?

- Allows for greater promotion of mission

- Diversification in services insures long-term financial stability

- Additional programs and services enhance current customer experience

- Greater ability to generate economies of scale

- Attract better talent & leadership

- Defensive move against competition

- Increased ability to borrow capital

- Greater ability to expand into underserved markets

REPOSITIONING & GROWTH BUSINESS MODEL INNOVATION OPPORTUNITY
THE POTENTIAL FUTURE NOT-FOR-PROFIT COMPREHENSIVE SENIOR LIVING & SERVICES MODEL CONCENTRATION IN PRIMARY & ADJACENT MARKETS

Maximization of partnerships in the region

TODAY'S RETIREMENT OPTIONS A LOOK AT SENIORS HOUSING & SERVICES SUPPLY

<table>
<thead>
<tr>
<th>Offering</th>
<th>NFP %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Life Plan Communities</td>
<td>11%</td>
</tr>
<tr>
<td>Adult Day</td>
<td>84%</td>
</tr>
<tr>
<td>Affordable Housing</td>
<td>22%</td>
</tr>
<tr>
<td>Hospice</td>
<td>28%</td>
</tr>
<tr>
<td>Nursing Homes</td>
<td>24%</td>
</tr>
<tr>
<td>Freestanding Memory Care</td>
<td>29%</td>
</tr>
<tr>
<td>Assisted Living</td>
<td>17%</td>
</tr>
<tr>
<td>Home Health</td>
<td>15%</td>
</tr>
<tr>
<td>Primarily IL Housing</td>
<td>5%</td>
</tr>
</tbody>
</table>

LZ 200 PUBLICATION: BACKGROUND AND METHODOLOGY

- Size not quality
- Not-for-profit multi-site senior living organizations primary focus
- Descriptive information on each system
  - state, size (by type of unit), classification of system, rating, accreditation, addition of 2nd community
- Statistics related to affiliation, employees, residents and more
- Excludes affordable units when computing size; excludes primarily acute/post-acute/health care systems
- Comparable to other listings of largest organizations (i.e. Fortune 500)
2018 LeadingAge Ziegler 200
Growth: Growth of Largest 10 Systems, Combined Unit Mix FROM 1980 (Excludes Evangelical Lutheran Good Samaritan Society, Trinity Health Senior Communities, Franciscan Senior Living, Benedictine Health System)

PRIMARY NOT-FOR-PROFIT SENIOR LIVING GROWTH IN RECENT YEARS

Community Expansions
Affiliations & Mergers
Acquisitions
New Campus Development

GROWTH PLANS OVER THE NEXT TWO YEARS

Percentage of LZ 200 who plan to grow through...

Source: Ziegler Investment Banking

Source: Ziegler Investment Banking
COMMUNITY EXPANSION & REPOSITIONINGS: TRENDS 2014-2017

- Repositioning dated units
- Conversion to private units
  - *does not include those who downsized SN*
- Carving out specialized memory care units
  - Largely in Assisted Living
- Adding IL units
- Expanding amenities; investing in common areas
- Repositioning dated ILUs

POST-RECESSION NEW ENTRANCE FEE LPCS

- An average of 4 new LPC locations financed annually since 2009, versus 10 new campuses per year from 2000-2008

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
**NOT-FOR-PROFIT SPONSORSHIP TRANSITIONS**

**CUMULATIVE DATA**

Cumulative Totals (2010-YE 2018) by # of Transactions & # of Communities

<table>
<thead>
<tr>
<th>Year</th>
<th>Transactions</th>
<th>Market-Rate Communities</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>38</td>
<td>64</td>
</tr>
<tr>
<td>2011</td>
<td>31</td>
<td>72</td>
</tr>
<tr>
<td>2012</td>
<td>25</td>
<td>63</td>
</tr>
<tr>
<td>2013</td>
<td>111</td>
<td>104</td>
</tr>
<tr>
<td>2014</td>
<td>176</td>
<td>204</td>
</tr>
<tr>
<td>2015</td>
<td>204</td>
<td>216</td>
</tr>
<tr>
<td>2016</td>
<td>234</td>
<td>222</td>
</tr>
<tr>
<td>2017</td>
<td>232</td>
<td>215</td>
</tr>
<tr>
<td>2018</td>
<td>385</td>
<td>568</td>
</tr>
</tbody>
</table>

Note: Includes market-rate communities; excludes government subsidized communities.

Source: Ziegler Investment Banking 12/31/2018

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**SPONSORSHIP TRANSITION TRENDS**

- Of the nearly 600 not-for-profit communities that have changed owner/sponsor since 2010, roughly 54% have been dispositions to the for-profit sector
  - Waiting too long
  - Lack of board strength
  - Heavy skilled nursing exposure

- We are seeing an increase in system affiliations/mergers

- "Merger of equals" trend is on the rise

Source: Ziegler Investment Banking; public sources

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**HOME & COMMUNITY-BASED SERVICES DEFINED**

- Home Care
- Home Health
- Hospice
- Adult Day
- PACE
- Continuing Care at Home
- Concierge Services
- Alternative Models

Source: Ziegler Investment Banking
HOME & COMMUNITY-BASED SERVICES REVENUE
LARGEST PROVIDERS OF HCBS
THOSE WITH REVENUE >$10MILLION

<table>
<thead>
<tr>
<th>Rank</th>
<th>Name</th>
<th>State</th>
<th>HCBS Annual Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>6</td>
<td>Trinity Health Senior Communities</td>
<td>MI</td>
<td>&gt;$50 million</td>
</tr>
<tr>
<td>40</td>
<td>ArchCare</td>
<td>NY</td>
<td>&gt;$50 million</td>
</tr>
<tr>
<td>2</td>
<td>The Evangelical Lutheran Good Samaritan Society</td>
<td>SD</td>
<td>&gt;$50 million</td>
</tr>
<tr>
<td>35</td>
<td>Concordia Lutheran Ministries</td>
<td>PA</td>
<td>&gt;$50 million</td>
</tr>
<tr>
<td>51</td>
<td>Masonicare</td>
<td>CT</td>
<td>&gt;$50 million</td>
</tr>
<tr>
<td>58</td>
<td>Holland Home</td>
<td>MI</td>
<td>&gt;$50 million</td>
</tr>
<tr>
<td>8</td>
<td>Ascension Senior Living</td>
<td>MO</td>
<td>&gt;$50 million</td>
</tr>
<tr>
<td>17</td>
<td>Presence Life Connections</td>
<td>IL</td>
<td>&gt;$50 million</td>
</tr>
<tr>
<td>67</td>
<td>Presbyterian Villages of Michigan</td>
<td>MI</td>
<td>&lt;$25-$50 million</td>
</tr>
<tr>
<td>18</td>
<td>Ohio Living</td>
<td>OH</td>
<td>&lt;$25-$50 million</td>
</tr>
<tr>
<td>109</td>
<td>The New Jewish Home</td>
<td>NY</td>
<td>&lt;$25-$50 million</td>
</tr>
<tr>
<td>66</td>
<td>SpiriTrust Lutheran</td>
<td>PA</td>
<td>&lt;$25-$50 million</td>
</tr>
<tr>
<td>44</td>
<td>National Church Residences</td>
<td>OH</td>
<td>&lt;$25-$50 million</td>
</tr>
<tr>
<td>5</td>
<td>Covenant Retirement Communities</td>
<td>IL</td>
<td>&lt;$10-$24 million</td>
</tr>
<tr>
<td>42</td>
<td>Presbyterian Homes and Services</td>
<td>MN</td>
<td>&lt;$10-$24 million</td>
</tr>
<tr>
<td>89</td>
<td>United Church Homes and Services</td>
<td>NC</td>
<td>&lt;$10-$24 million</td>
</tr>
<tr>
<td>74</td>
<td>Lutheran SeniorLife</td>
<td>PA</td>
<td>&lt;$10-$24 million</td>
</tr>
<tr>
<td>27</td>
<td>Ecumen</td>
<td>MN</td>
<td>&lt;$10-$24 million</td>
</tr>
<tr>
<td>75</td>
<td>Lutheran homes of South Carolina, Inc</td>
<td>SC</td>
<td>&lt;$10-$24 million</td>
</tr>
<tr>
<td>57</td>
<td>WesleyLife</td>
<td>IA</td>
<td>&lt;$10-$24 million</td>
</tr>
<tr>
<td>154</td>
<td>Chelsea Jewish Lifecare, Inc.</td>
<td>MA</td>
<td>&lt;$10-$24 million</td>
</tr>
<tr>
<td>3</td>
<td>Acts Retirement-Services, Inc.</td>
<td>PA</td>
<td>&lt;$10-$24 million</td>
</tr>
<tr>
<td>120</td>
<td>Lutheran Social Ministries of New Jersey, Inc</td>
<td>NJ</td>
<td>&lt;$10-$24 million</td>
</tr>
<tr>
<td>41</td>
<td>Providence Life Services</td>
<td>IL</td>
<td>&lt;$10-$24 million</td>
</tr>
<tr>
<td>46</td>
<td>Hebrew SeniorLife, Inc.</td>
<td>MA</td>
<td>&lt;$10-$24 million</td>
</tr>
<tr>
<td>198</td>
<td>Knute Nelson</td>
<td>MN</td>
<td>&lt;$10-$24 million</td>
</tr>
<tr>
<td>38</td>
<td>Transforming Age</td>
<td>WA</td>
<td>&lt;$10-$24 million</td>
</tr>
</tbody>
</table>

Can be very market-specific
Competition and state reimbursement framework plays role in growth
70% of providers have HCBS revenue less than $10 million

ADVANCING THE COMMITMENT TO GROWTH
- NFP senior living organizations are increasingly creating strategy and business development positions to drive growth and innovation initiatives

Corporate Positions Added in Past Year
<table>
<thead>
<tr>
<th>Position</th>
<th>Number of LZ 200 adding the position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chief Clinical/Health Officer</td>
<td>18</td>
</tr>
<tr>
<td>Business Development/Strategy Officer</td>
<td>10</td>
</tr>
<tr>
<td>Chief Information/Technology Officer</td>
<td>6</td>
</tr>
<tr>
<td>Marketing &amp; Sales Officer</td>
<td>6</td>
</tr>
<tr>
<td>Regional Leadership Positions</td>
<td>5</td>
</tr>
<tr>
<td>Chief Financial Officer</td>
<td>4</td>
</tr>
<tr>
<td>Chief Operating Officer</td>
<td>4</td>
</tr>
<tr>
<td>Chief Talent/Human Resources Officer</td>
<td>4</td>
</tr>
<tr>
<td>Chief Compliance Officer</td>
<td>3</td>
</tr>
<tr>
<td>Philanthropy/Foundation Director</td>
<td>3</td>
</tr>
</tbody>
</table>

Estimated that roughly 20% of LZ 200 organizations have allocated a full or half FTE to this role

PROVIDER EXAMPLES – COMPREHENSIVE SENIOR LIVING & SERVICES MODEL (HOUSING, SERVICES, AGE, INCOME)
### NFP PROVIDER CASE STUDIES: GROWTH

<table>
<thead>
<tr>
<th>Provider</th>
<th>Type of Growth</th>
<th>Growth Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acts Retirement Communities (PA)</td>
<td>Horizontal</td>
<td>Type-A, CCRC Organization; growth through affiliations, expansions, new campus development, eastern U.S.</td>
</tr>
<tr>
<td>Holland Home (MI)</td>
<td>Vertical &amp; Horizontal</td>
<td>Significant expansion into HCBS (PACE, home care, hospice, Tandem 365, joint ventures), campus expansions</td>
</tr>
<tr>
<td>BHI Senior Living (IN)</td>
<td>Horizontal</td>
<td>Primarily a CCRC organization; growth through affiliations and acquisitions; new development (satellite campuses)</td>
</tr>
<tr>
<td>Concordia Lutheran Ministries (PA)</td>
<td>Vertical &amp; Horizontal</td>
<td>Significant growth through acquisitions (both communities &amp; home health, hospice agencies)</td>
</tr>
<tr>
<td>The RiverWoods Group (NH)</td>
<td>Horizontal</td>
<td>Growth through development of satellite campuses and new CCRCs, affiliation activity as well</td>
</tr>
<tr>
<td>Ohio Living (OH)</td>
<td>Vertical &amp; Horizontal</td>
<td>Affiliation activity, expansions; significant HCBS platform; developing I-SNP plan</td>
</tr>
</tbody>
</table>

Source: Ziegler Investment Banking

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### DISRUPTORS & CATALYSTS IN SENIOR LIVING

- Older adults have more choices than ever
  - Multiple residential housing options
  - Ability to “age in place” in own home

- Workforce recruitment and retention pressures continue

- Healthcare payment reform is moving fast
  - Pressures on post-acute providers
  - Skilled nursing occupancies are at record lows
  - Vertical integration of healthcare providers may be a game changer

- Technology as a solution and stimulator of change

Source: Ziegler Investment Banking
**VIEWING YOUR STAFF AS YOUR CUSTOMER**

- Sheer numbers ... Boomers exiting the workforce; aging population
- Minimum wage pressures
- Image problems with the sector
- Immigration policy
- Growth among for-profit providers and agencies
- Workforce shortages impacting construction market

Source: Ziegler CFO HotlineSM, January 2018

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**OVERALL SENIORS HOUSING INVENTORY**

Total Inventory of Market-Rate Communities
Excludes Freestanding Nursing Homes

Source: Ziegler Investment Banking Estimates & Projections (August, 2018); based on sources from ASHA, CMS, LeadingAge NIC, ASHA

Note: As of 2017, there were approximately 15,600 nursing homes in the U.S.

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**FOR-PROFIT DEVELOPMENT SLOWING, BUT LEVELS REMAIN SIGNIFICANT**

Construction vs. Inventory; MAP31 Seniors Housing | 4Q05 – 1Q19

* Excludes CCRCs

Source: Ziegler Investment Banking Estimates & Projections (August, 2018); based on sources from ASHA, CMS, LeadingAge NIC, ASHA
**SKILLED NURSING & POST-ACUTE DISRUPTION**

- Occupancies at all-time lows nationally
  - Dramatically varies by state and market

- Shortages of caregivers impacting operations
  - Ability to staff to census
  - Some providers shutting down units
  - Rural areas significantly impacted (telehealth solution)

- Payment reform squeezing providers
  - Discharges to the home
  - Growing Managed Medicare

- Consumer preference to ‘age in place’

Source: Ziegler Investment Banking

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**UNRAVELING THE SKILLED NURSING MARKETPLACE**

- Changing preferences among consumers to stay in AL or IL with services
- Future of private pay?

- “Skip the SNF” trend
- Decreasing LOS
- Referral networks narrowing
- FP up-scale development

Source: Ziegler Investment Banking

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**SKILLED NURSING**

- Some NFP communities exiting skilled nursing entirely, largely western U.S.
  - Replace with high acuity assisted living
  - Replace with home care and home health
  - Refer off-site

Source: Ziegler Investment Banking
SENIOR LIVING & POST-ACUTE’S EMERGING MANAGED CARE ROLE

Senior living operators increasingly empowered to take a lead role in US healthcare industry

Aging Population
Pressure on Broader Senior Living Industry
Managed Medicare & Medicaid Expansion
Senior Living Operators & Risk Relationships
Momentum re: Senior Living and Managed Care

Share of Medicare Beneficiaries Enrolled in Medicare Private Plans, by State, 2017

PARTNERSHIP-PERENNIAL CONSORTIUM

Ohio Living
CHRISTIAN LIVING COMMUNITIES
JUNIPER
AllyAlign Health

TECHNOLOGY – CATALYST & DISRUPTOR

Brain Fitness
Consumer Engagement
Chronic Disease Management
EMR Platforms
Remote Monitoring
Smart Home Technologies
Telehealth Solutions
Voice Activation/AI
Workforce Solutions
Infrastructure
Wellness/Prevention
GENERATING RETURNS, both financial and strategic, for organizations across the healthcare and aging services landscape that have a significant interest in finding innovative solutions to improve the independence, quality and cost of care, and overall lives of the aging population.

SCANNING THE TECH-ENABLED & SENIOR SERVICES ECOSYSTEM

ZIEGLER LINK•AGE FUNDS

DEMO THURSDAY PROGRAMS | ZLF INVESTMENTS

A key goal of our Funds is to foster collaboration between our limited partners and our portfolio companies, and introduce limited partners to new technologies and services. Since launching our first fund, Ziegler Link•Age Longevity Fund, the Investment Managers have:

- Sponsored >80 demonstrations of new technologies and services for senior care providers
- Helped arrange >30 pilot programs/customer relationships between our limited partners and portfolio companies or companies conducting demonstrations
THE CHANGING ROLE OF THE NFP SENIOR LIVING BOARD

EXAMPLES OF NFP SENIOR LIVING ORGANIZATIONS WHO HAVE EVOLVED GOVERNING BOARDS

SENIOR LIVING GOVERNANCE TRENDS

- Smaller boards
- Fewer standing committees
- More adaptable structures/procedures
- Fewer meetings
- Greater delegation to management
- Vigilant monitoring of key performance indicators

Source: Rick Stiffney, Mennonite Health Alliance, 2017
SENIOR LIVING GOVERNANCE TRENDS (CONTINUED)

- Greater engagement in strategic/generative work
- Greater diversification on boards
- Monitoring of progress on strategic priorities/
- More rigorous board-driven evaluation and growth

Source: Rick Stiffney, Mennonite Health Alliance, 2017

ADDITIONAL DISCUSSION / Q&A

ABOUT ZIEGLER

- Ziegler is a privately-held investment bank, capital markets 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 and research
- Founded in 1932, Ziegler specializes in the healthcare, senior living and educational sectors as well as general municipal finance
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