

ZIEGLER INVESTMENT BANKING | SPONSORSHIP TRANSITION

KEEPING FAITH, MISSION AND HERITAGE IN TIMES OF CONSOLIDATION

March 6, 2019

PRESENTED BY

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AGENDA

SECTION 1

- **SURPRISED BY OPPORTUNITY**

SECTION 2

- **KEEPING THE FAITH; HONORING THE PAST; SECURING THE FUTURE**

SECTION 3

- **PRACTICAL IDEAS & NEXT STEPS**

EXHIBITS

- **A: CHARACTERISTICS OF PROACTIVE SENIOR LIVING ORGANIZATIONS**
- **B: SELECT SPONSORSHIP TRANSITION CASE STUDIES**
- **C: BIOGRAPHIES**

SECTION 1: SURPRISED BY OPPORTUNITY

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SPONSORSHIP TRANSITION SENIOR LIVING IN THE NEWS . . .



February 6, 2017

Record Number of Nonprofit Senior Living Transactions in 2016

February 6, 2017 by

WEST SEATTLE BLOG NEWS 24/7

May 13, 2015

‘New era’ as The Kenney finalizes Heritage Ministries affiliation



September 12, 2016

Lutheran and Mennonite retirement communities to merge



Local retirement community joins with Ohio group

July 27, 2017



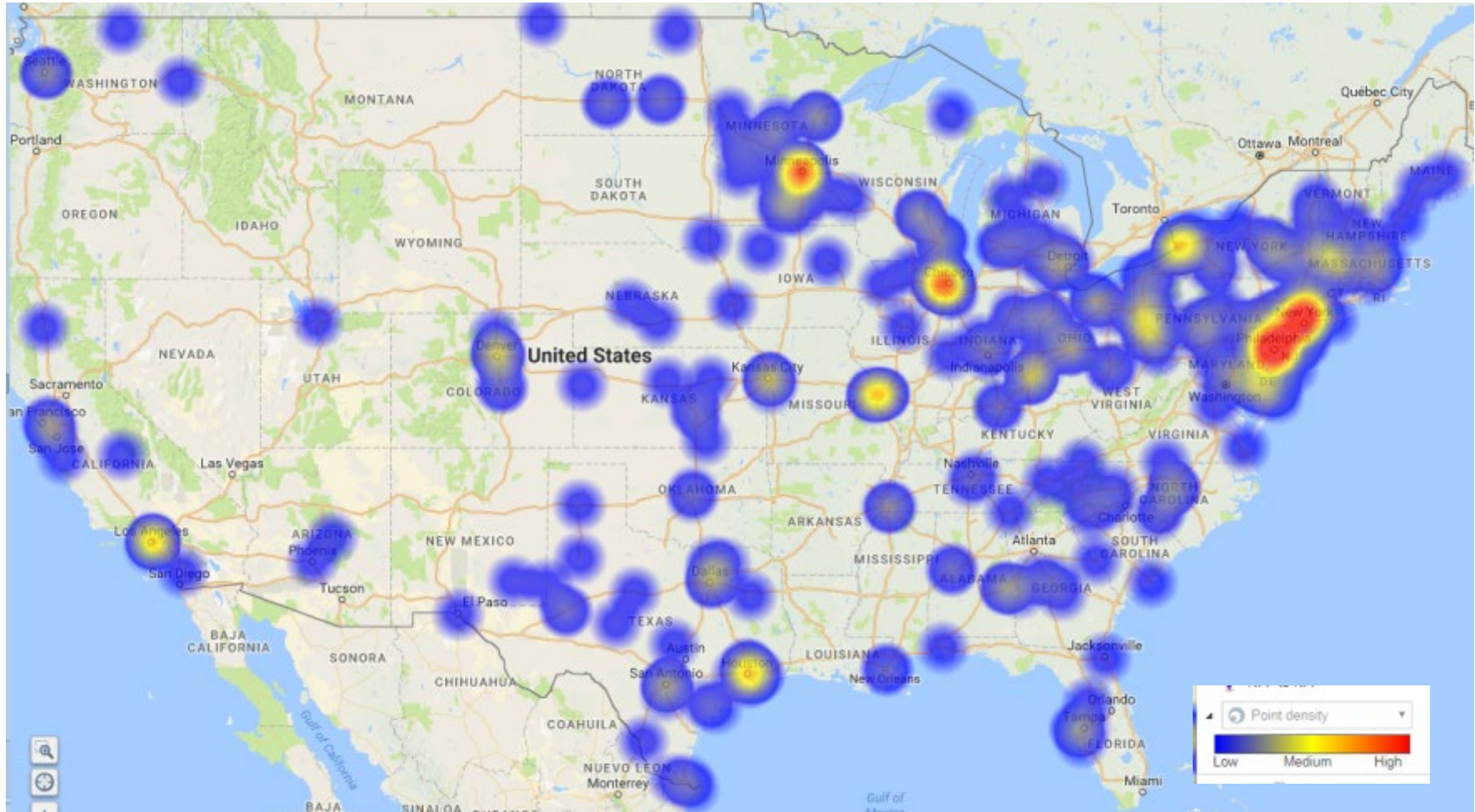
Birch Hill Terrace to affiliate with RiverWoods
\$6 million upgrade of Manchester retirement community to follow
March 23, 2016



HCR ManorCare files for bankruptcy with \$7.1 billion in debt

SPONSORSHIP TRANSITION SENIOR LIVING CONSOLIDATION TRENDS

Approximately 380 Not-for-Profit communities changed sponsor/owner between 2010 and Mid2017



SPONSORSHIP TRANSITION

MISSION DRIVEN

- ***Fulfillment of Existing Mission***
 - Execution of the existing mission
 - “we are have not reached everyone, there is more to do”
- ***Expansion of Mission***
 - Expanding the mission beyond or within a certain geographic scope
- ***Redefinition/Shift in Mission***
 - Organization views itself in a new light with a new purpose

SPONSORSHIP TRANSITION A STRATEGIC PROCESS

- Why called “Sponsorship?”
- Regardless of how change is structured – affiliation, acquisition, merger, joint venture – the sponsorship changes
- The term better reflects the complex process which goes far beyond a “transaction”
- Strategic decision process results in a stronger mission for future for both organizations. Asking the question is strategic.

SPONSORSHIP TRANSITION CONSIDERATIONS

- Allows for greater strength of mission
- Greater ability to generate economies of scale
- Create depth of leadership in case of CEO and executive leadership succession
- Attract better talent & leadership
 - Greater ability to pursue passions
 - Growth provides invigorating challenges; diversion from status quo
 - Compensation and benefits options increase with growth
- Improved access to capital
- Diversification in services insures long-term financial stability
- Greater ability to expand into underserved markets
- Additional programs and services enhance current customer experience



SPONSORSHIP TRANSITION DEFINED

“Affiliation”

- In law, **affiliation** is the term to describe a **relationship** between two or more **parties**
- Stated simply, 2 stay 2 (although 1 generally “**controls**” both)
- Control is in the form of restructured Articles of Incorporation & Bylaws and a management contract

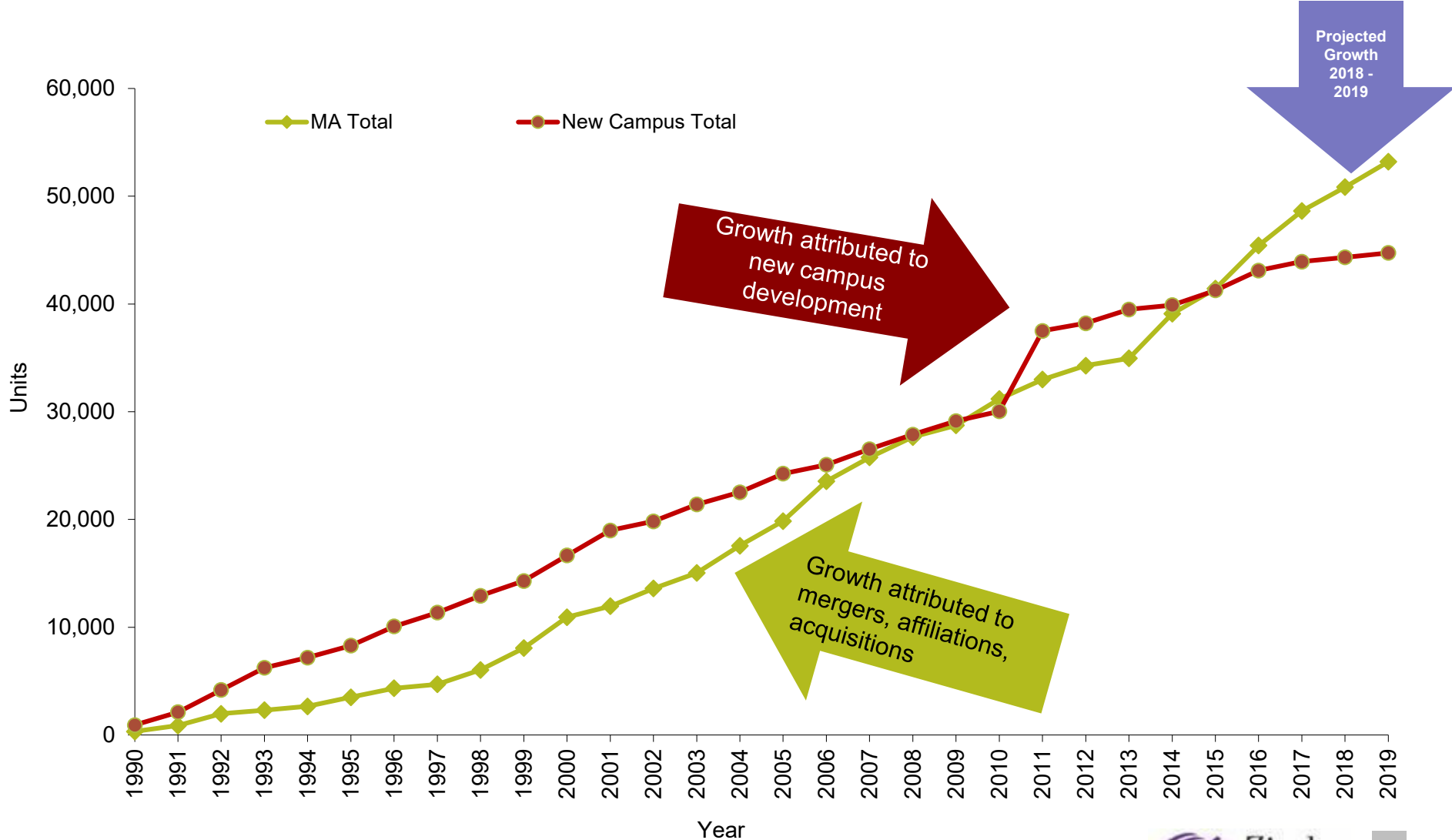
As Opposed to “Merger” or “Acquisition”

- In law, merger is the term to describe the **combining** of 2 or more companies **into one**
- Stated simply, 2 become 1
- In an acquisition, one entity generally acquires the assets of another entity and either combines them with their own or places them in another entity

2018 LZ 200 GROWTH OF COMBINED UNIT MIX

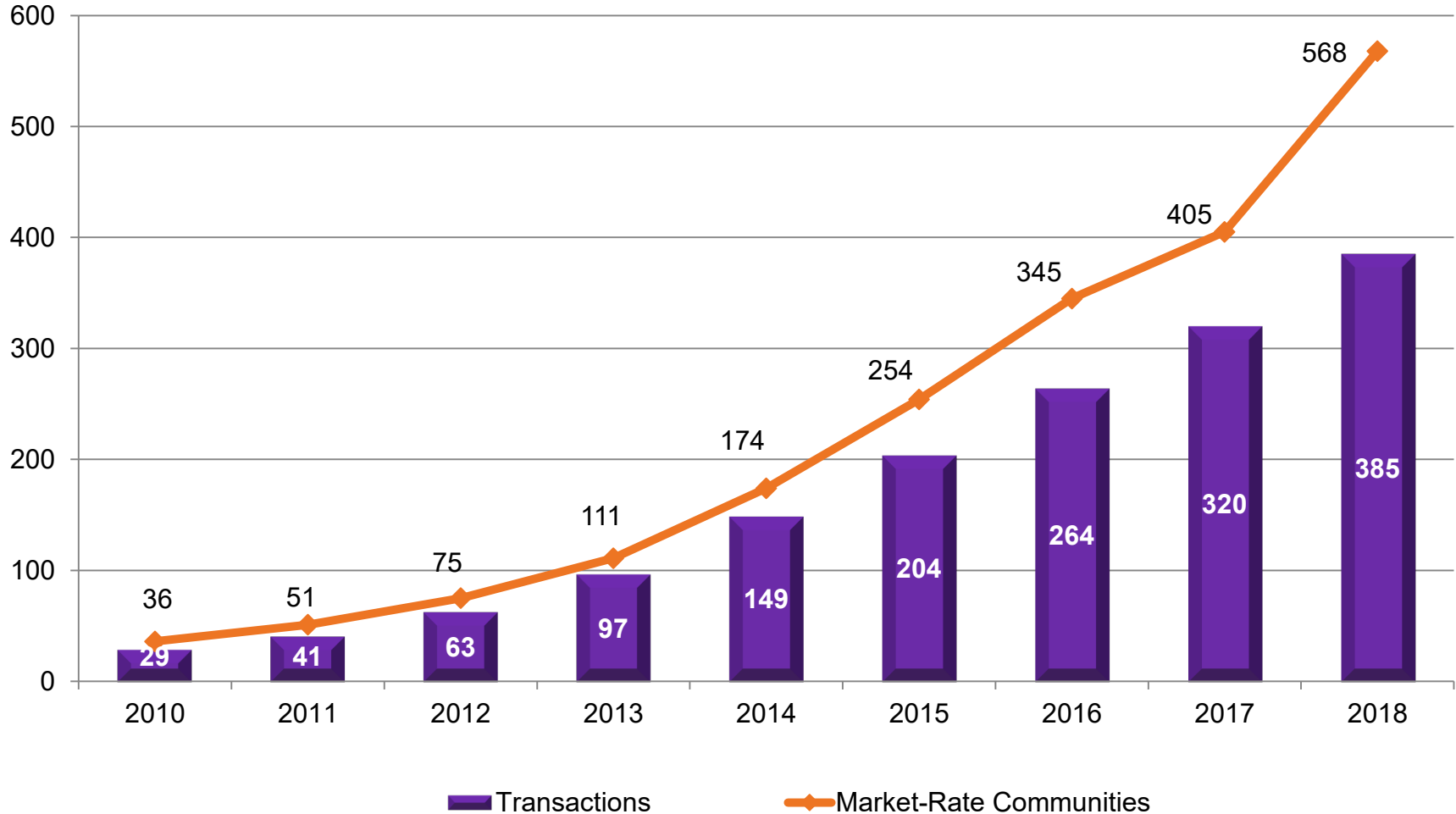
FROM 1990

BY AFFILIATIONS, MERGERS & ACQUISITIONS AND NEW CAMPUS GROWTH



SPONSORSHIP TRANSITIONS NFP CUMULATIVE DATA

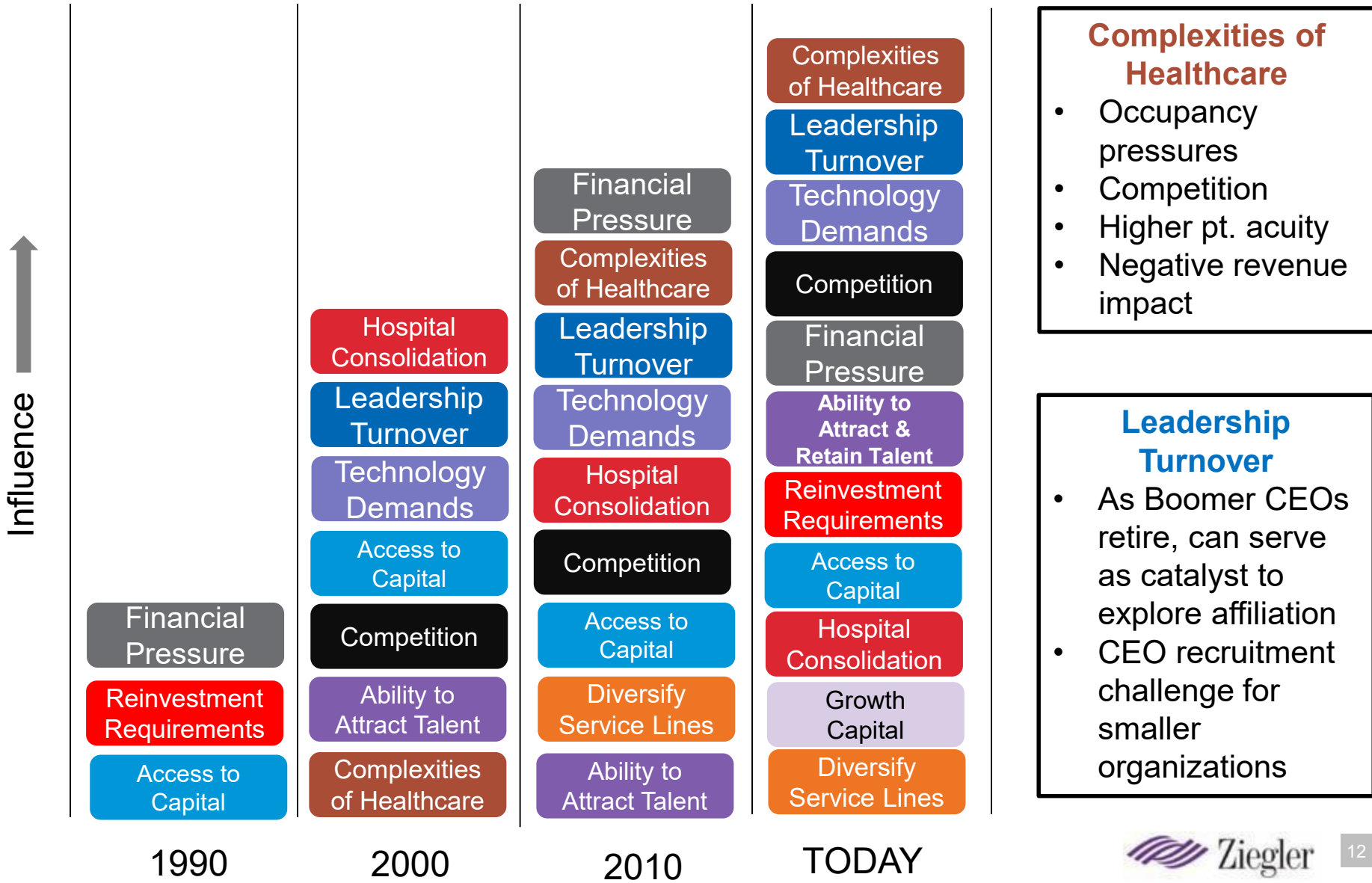
Cumulative Totals (2010-YE 2018) by # of Transactions & # of Communities



Note: Includes market-rate communities; excludes government subsidized
Source: Ziegler Investment Banking 12/31/2018

SENIOR LIVING CONSOLIDATION TRENDS

MARKET DRIVERS



SENIOR LIVING CONSOLIDATION TRENDS

MARKET DRIVERS

Complexities of Healthcare

- Needed large-scale visibility in local market
- Greater market power w/ consolidation
- Healthcare consolidation elevating sophistication of local hospitals/health systems
- Need to invest in EHR/EMR platforms

Ability to Attract Talent/Workforce Management

- Need large-scale branding to facilitate recruitment
- Scale leads to greater professional development opportunities
- Growth in for-profits leading to greater competition for staff

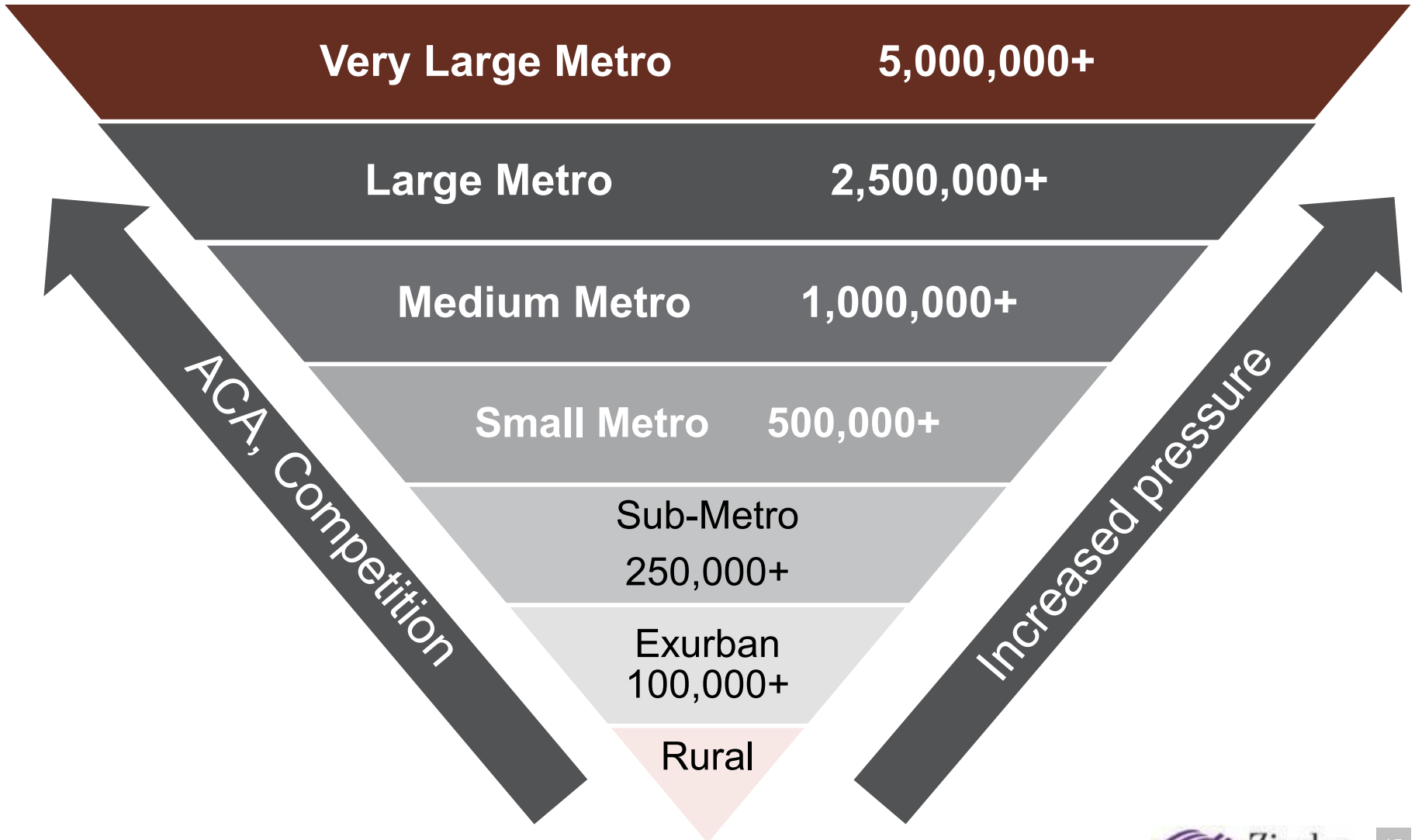
SENIOR LIVING CONSOLIDATION TRENDS

MARKET DRIVERS

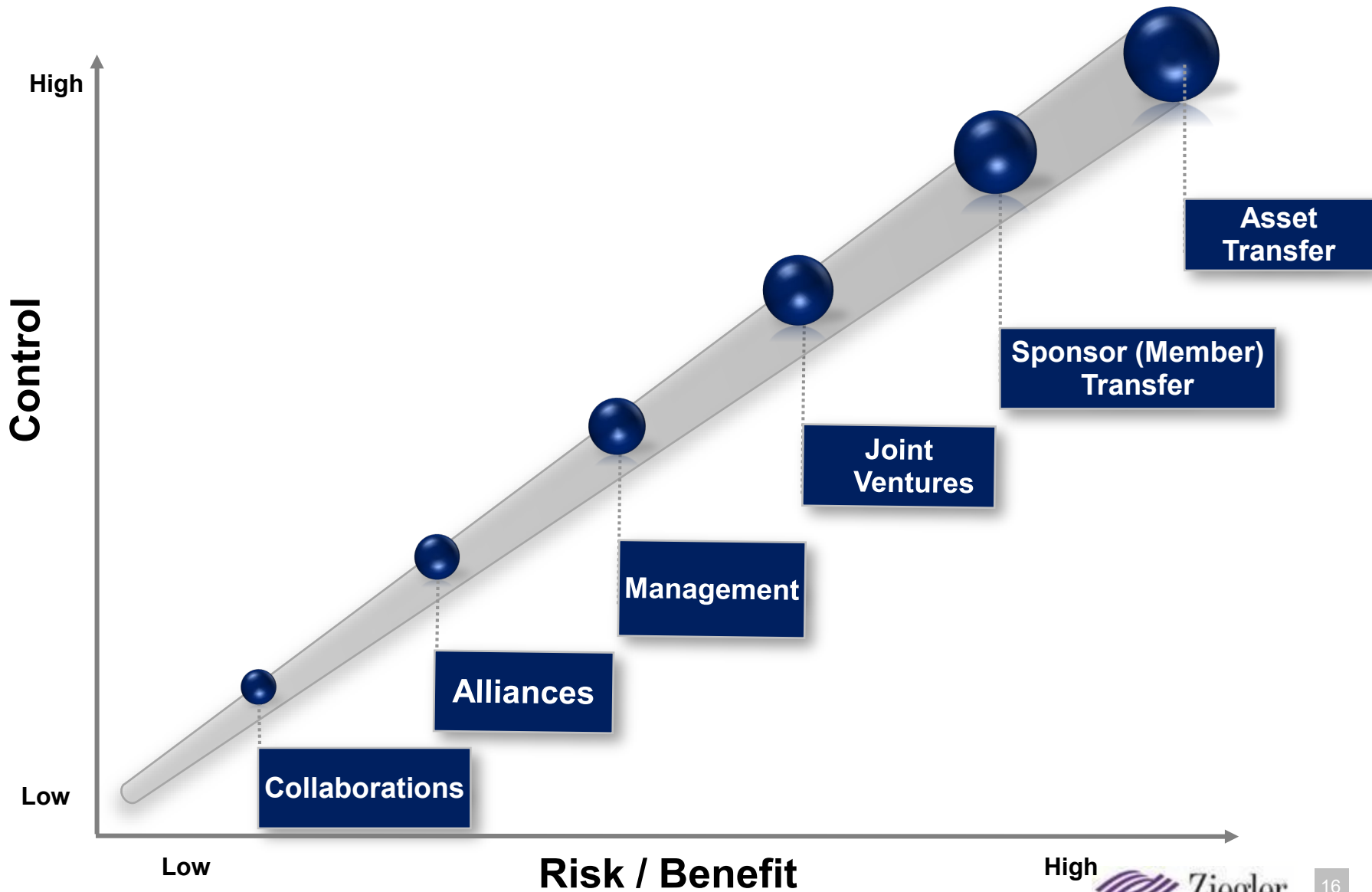
Driver	Definition
Complexities of Healthcare	Service delivery complexity has increased. Bundled payments, HIPPA, regulatory environment, managed care pressure, star ratings
Leadership Turnover	Largely CEO turnover, but greater influence when no clear successor among C-suite team. Retirement of the Boomers.
Technology Demands	Used to be just enterprise-related technologies, then healthcare-related, now consumer technologies are an added element
Financial Pressure	Includes occupancy-related as well as exposure related. Higher expenses, liability, personnel & benefits.
Competition	For-profit competition, consumer choice is greater than ever
Reinvestment Requirements	The need to devote capital to campus reinvestment and repositioning
Access to Capital	Greater scale generally means greater access to capital for growth
Hospital Consolidation	Hospitals growing into regional systems looking for regional partners
Diversification of Business Lines	Ability to expand service lines (affordable housing, HCBS, etc.)
Attracting Talent/ Workforce Management	Strong leaders are looking for upward mobility and professional development opportunities. Competitive compensation packages.
Growth Capital	Investment requirements; planning for future growth

SENIOR LIVING MARKET CONSOLIDATION TRENDS

MARKET DRIVERS



SPONSORSHIP TRANSITION STRUCTURE ALTERNATIVES



SECTION 2: KEEPING THE FAITH; HONORING THE PAST; SECURING THE FUTURE

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SPONSORSHIP TRANSITION

DEFINING THE OPPORTUNITY

- Entered into as intentional strategic consideration
- Outcome of a thoughtful and intentional process – with adequate transition plans
- Resources of sponsor align with organization
- The joining organization is acknowledged for the contribution it will be making to the new sponsorship organization such as a new service line.
- The sponsorship “feels” much more like a partnership approach to meet environmental challenges such as health care reform, changing market expectations and regulations.
- Opportunities to expand mission are greater together.



SPONSORSHIP TRANSITION

THE ROLE OF FAITH & VALUES

- Across the past five years, 80% of the NFP to NFP sponsorship transitions have been among faith-based providers
 - 52% were with another faith-based organization (may/may not be within the same denomination)
 - 20% of those within the same faith/denomination
- Catholic-sponsored entities are under increased pressure
 - Generally larger proportion of healthcare beds
 - Shrinking number of sisters and aging congregations

RESPONSIBILITIES DIFFER DEPENDING ON ORGANIZATIONS' POSITIONS

- One acquires the other
 - Acquirer vs. Acquired
- Merger of equals
- Loose affiliations and Management Contracts
- Other unique arrangements

Preserving and protecting ***mission, faith*** and ***heritage*** maybe as important to future success as ***strategy*** and ***business operations***

- Both organizations' needs need to be factored in!

WHEN YOUR ORGANIZATION IS THE ACQUIRER/STRONGER “PARTNER”

- Obviously more control
- Tone sets future success
- No one wants to have mission/religious identity/values/heritage extinguished or feel like the “poor sister” in the relationship
- Doing your homework on the other organization is very important
- Gather all information on what is “important” to the new organization
 - Don’t forget artwork, religious symbols, food, special celebrations, historic mission commitment in the community
- Find Common Ground – Use Creativity
- Keep your promises – assign responsibility to oversee implementation
- Communicate/communicate/communicate to various interested groups at appropriate times and throughout the process

WHEN YOUR ORGANIZATION IS THE ACQUIRED/“WEAKER” PARTNER

- Do your due diligence on your potential partners
- Document what is important to your organization from different perspectives e.g. Board, Historic Sponsors, Clients, Community
 - Communicate during due diligence phase
 - In written documents
 - Expectations of Preservation of Mission/Faith/History
 - Who, when, how, what
 - Who/how to monitor implementation of promises
 - Expectations of communications with historic sponsors/Board/etc.
 - How this is framed in public communications is very important

MARRIAGE OR MERGER OF EQUALS

- Both Parties Need to Know what is important to Preserve and how new mission will be expressed
- Determine who will be responsible for implementing
- Expectation of these issues should be written into the documents
- Same issues related to communications

LOOSE RELATIONSHIPS – AFFILIATIONS/MANAGEMENT CONTRACTS

- Is this just a business relationship or a “date” for a more formal relationship?
- Assuming you are the one, with whom the relationship is being sought by others
 - What do they want to realize from the relationship
- Example: Two different religious not for profit organizations coming together to take advantage of scale, expertise, other benefits
- Never going to merge
- Wanted access to expertise, services, group purchasing, etc.
- Catholic System as a host to a Kosher, Jewish SNF
 - SNF participated in Mission Committee
 - Just wages, care for the dying, advocacy for the uninsured
 - Group Purchasing
 - Innovative Activities – such as bundled payments
- No change – both had deep faith commitments: Catholic ethicist/Rabbi met to discuss common ground

UNIQUE ARRANGEMENTS: ST. ANDREWS RESOURCES FOR SENIOR SYSTEMS

#1 Managing Sarah Community for 5 different Catholic organizations

#2 Created a unique relationship – three parties: St. Andrews/St. Francis Home. One congregation of Sisters accepted a transfer of sponsorship from a congregation of Men, and then created a relationship with St. Andrews to oversee all operations.

- Two different sets of reserve powers – enough to preserve Catholic identity of the facility and sufficient control of organization to allow St. Andrews to invest and operate the facility
- In some ways, unique to the Catholic groups and various “permissions” which must be granted to transfer sponsorship

RECOMMENDATIONS

If you are the “stronger” partner:

- Respect and support the mission, history and religious identity of the other organization.
- Be intentional about understanding what is important to be successful
- Be willing to write into document with specifics.
- Designate a point person
- Keep your promises
- Communicate, communicate, communicate at appropriate times and throughout the process

RECOMMENDATIONS

If you are **not** the stronger partner

- Do your due diligence about who you select as a partner
- Write expectations into the documents
 - Limit the number of “Trust MEs” – personnel do change/retire
- Have an initial way to monitor
- Be positive in communications – you want this to be a success and be mindful of the message!
- Expect that there will be changes – no one will do it exactly as you did.
- Mark the transition formally and in a positive way

SECTION 3: PRACTICAL IDEAS & NEXT STEPS

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FINDING THE RIGHT PARTNER STARTS WITH ASKING THE RIGHT QUESTIONS

Scenario	Yes or No for your Organization?	
Do we have a clear plan of succession for the pending retirement of our long-time CEO to ensure strength moving forward? <i>(if applicable)</i>	YES	NO
Do we have the resources needed to bring an aging physical plant up to par for current and future residents?	YES	NO
Are we knowledgeable enough and strong enough to be able to compete in the rapidly changing healthcare environment?	YES	NO
Are we in a position of financial strength where we would be a strong candidate for borrowing capital?	YES	NO
Do we have the expertise and resources to keep up with the technological needs of the organization?	YES	NO
Is our size and scope of services large enough to be a provider with influence and power in our local/regional market?	YES	NO
Are we among the top one or two leaders in our primary market area?	YES	NO
Do we have strong occupancy and a flow of prospective residents interested in our community?	YES	NO
Do we have confidence in our ability to fulfill payment of our debt obligations in the short- and mid-term?	YES	NO
If we were to grow organically on our own, are we confident we would be successful?	YES	NO

FINDING THE RIGHT PARTNER

DEFINING WHAT MATTERS

Purpose: Agreed upon criteria and ranking will be used to assess sponsorship opportunities which Wesley may consider while continuing to implement its strategic growth plan.

Criteria	Priority	Ranking: Ideal	Ranking: Manageable	Ranking: Challenge	Not able to consider
Mission					
Service Continuum Expansion					
Accretive to organization					
Physical Plant: Age and condition					
Reputation					
Financial Strength					
Model of Service delivery					
Size of Campus					
Ability to Expand					

FINDING THE RIGHT PARTNER

DEFINING WHAT MATTERS

Criteria	Priority	Ranking: Ideal	Ranking: Manageable	Ranking: Challenge	Not able to consider
Debt Service Coverage					
Days Cash on Hand					
Location					
Information Technology					
Board integration expectations					
Executive Talent					
Other					

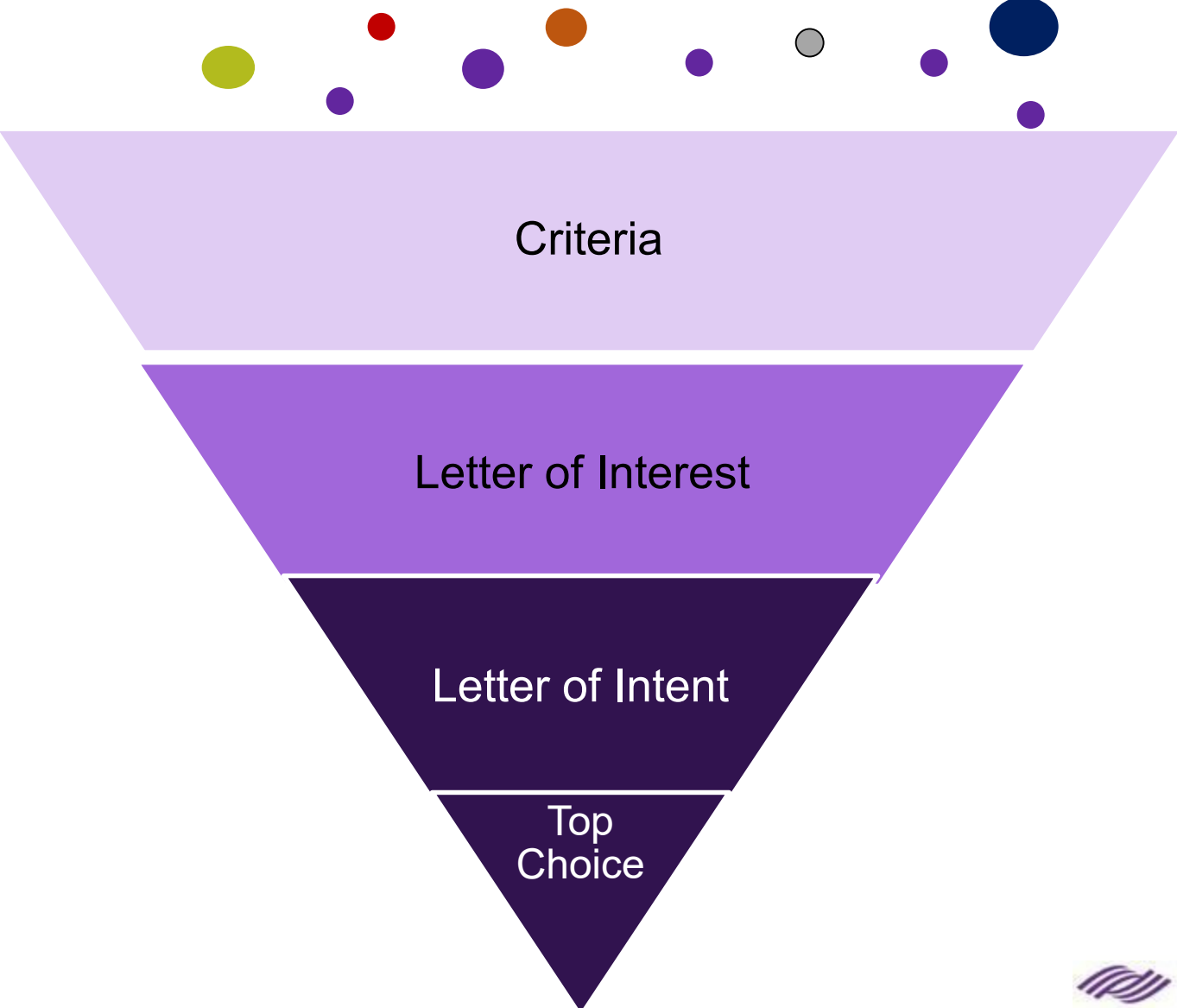
FINDING THE RIGHT PARTNER

STRATEGIC MAPPING OF CANDIDATES

- Approach should be targeted
- Approach is relational
 - May be along affinity
 - May be along faith
 - May be along service lines: compatible or desired
- Plan for a longer timeline
- Be clear on benefit
- Be clear on flexibility around Board structure, identity and independence
- Careful consideration when entering a new state. Nuances and opportunities. Ability to create strength within state.

FINDING THE RIGHT PARTNER

AFFILIATION ADVISORY SERVICES



RECENT NFP LPC SPONSORSHIP TRANSITIONS 2017 & 2018 EXAMPLES

Year	Organization	New Sponsor	FP/NFP	State
2018	Meadows at Mercy Creek – Meadows Mennonite Retirement Community	Franciscan Ministries of Chicago, IL	NFP to NFP	IL
2018	Longhorn Village	Brazos Presbyterian	NFP to NFP	TX
2018	Arbor Glen	Life Care Services (LCS)	NFP to FP	NJ
2018	Covenant Place of Lenexa – Covenant Retirement Communities	Scenic Development	NFP to FP	KS
2018	St. Joseph's John Knox Tampa Bay – Bay Care Health System	Concordia Lutheran Ministries	NFP to NFP	FL
2018	Jewish Geriatric Services	Chelsea Jewish Lifecare	NFP to NFP	MA
2018	The Evergreens	Acts Retirement-Life Communities	NFP to NFP	NJ
2018	Augustana & Elim Care		NFP to NFP	MN
2017	Pisgah Valley	Liberty Healthcare	NFP to FP	NC
2017	Laurel Crest	Presbyterian Communities of SC	NFP to NFP	SC
2017	Asbury Heights	UPMC Senior Communities	NFP to NFP	PA
2017	Westminster Village	Acts Retirement-Life Communities	NFP to NFP	AL
2017	Cadbury at Lewes	Springpoint Senior Living	NFP to NFP	NJ
2017	Eastmont Towers	Transforming Age	NFP to NFP	NE
2017	Friendship Village of Chesterfield & Friendship Village of South Hills		NFP to NFP	MO
2017	Hearthstone Communities	Heritage Ministries	NFP to NFP	IL

EXHIBIT A: CHARACTERISTICS OF PROACTIVE SENIOR LIVING ORGANIZATIONS

CHARACTERISTICS OF TODAY'S PROACTIVE SENIOR LIVING ORGANIZATION



What are proactive single-site organizations doing?

- Investing in current physical plant
- Ensuring strong occupancy through a firm commitment to marketing and sales
- Fully understanding the supply and demand characteristics of the local market
- Strong commitment to operations while at the same time, planning for future growth
- Making sure that brand, identity, mission and values are clear and known to all stakeholders (internal and external)
- Exploring partnerships, where it makes sense to do so

CHARACTERISTICS OF TODAY'S PROACTIVE SENIOR LIVING ORGANIZATION

Characteristic	Description
Visionary	Being a trendsetter, innovative, thought-leader
	Not afraid to fail at new ventures; appropriate risk tolerance
	Gaining information and insights from other industries/walks of life
	Discomfort with the status quo
	Embraces partners for mutual gain
	Embraces Organization's Mission in thought and decision-making
	Board that operates at a generative level
	Clarity of identify and strategic direction

CHARACTERISTICS OF TODAY'S PROACTIVE SENIOR LIVING ORGANIZATION

Characteristic	Description
Relentless Pursuit of Quality of Experience for Residents	Person-centered care
	Cutting-edge common and living areas
	Commitment to consistently reinvest in physical plant
	Technology used where beneficial to resident experience
	Culture that embraces and promotes wellness and healthy living
	Commitment to Disclosure to Residents
	Services easy to access and understand
	Method for gaining resident feedback and evaluation of performance

CHARACTERISTICS OF TODAY'S PROACTIVE SENIOR LIVING ORGANIZATION

Characteristic	Description
Continually Attracting and Retaining Quality Team Members	Innovation/learning central in approach
	Quality communication patterns and practices
	Succession planning from board to mid-level management team
	Inclusive environment where ideas are valued
	Team approach
	Robust staff training and professional development
	Staff are involved and understand direction of organization
	Growth orientation that will attract high-level talent

CHARACTERISTICS OF TODAY'S PROACTIVE SENIOR LIVING ORGANIZATION

Characteristic	Description
Preparing for a Changing Healthcare Marketplace	Significant investment in IT – outcomes tracking
	Strategic updates to offerings/physical plant in healthcare
	Creating opportunities with other partners – joint ventures
	Ability and scale to engage in payment reform initiatives (ACOs, bundles, etc.)
	Organizational name – branded within target markets
	Commitment to data analytics and outcomes
	Hiring of specialized staff to navigate complexity

CHARACTERISTICS OF TODAY'S PROACTIVE SENIOR LIVING ORGANIZATION

Characteristic	Description
Growth Orientation	Maximizing existing real estate assets
	Expansions/repositioning of aging offerings
	Considering affiliation, acquisitions
	Deep understanding of needs and tendencies of target markets
	Expansion into diverse, but related services and business lines
	Effective planning for growth needs (e.g. financial capital, human capital)
	Sophisticated corporate structure that facilitates growth
	Alignment of strategic growth goals and allocation of resources

EXHIBIT B: SELECT SPONSORSHIP TRANSITION CASE STUDIES

SENIOR LIVING SPONSORSHIP TRANSITIONS CASE STUDIES

YEAR: 2019 – IN PROCESS



- **Location:** Eldersburg, MD
- **Type:** Multi-site organization
 - 4 Communities
- **Size**¹: 1,137 market-rate units
- **Revenue**²: \$84,000,000
- **Driver:** Upcoming retirement of CEO; recognition of value of being part of a larger system



Where Loving-Kindness Lives

- **Location:** West Point, PA
- **Type:** National multi-site organization
 - 22 LPCs
- **Size**¹: 8,370 market-rate units
- **Revenue**²: \$448,000,000
- **Driver:** Growth through multi-site affiliation; continued expansion in MD where already had an existing community

- **Process:** The board and executive leadership of Integrace conducted a national search over a roughly two-year period and selected Acts. Retiring CEO at Integrace as well as recognizing the value of being part of a larger organization.
- **Result:** The Evergreens board narrowed down the list of potential candidates and felt that an affiliation with Acts Retirement-Life Communities was the best fit for their needs moving forward. Affiliation official January 2019.

¹ 2018 LeadingAge Ziegler 200; Affiliation press release

² Some revenue figures obtained from GuideStar and LeadingAge Ziegler 200; figures rounded. Figures are prior to affiliation

SENIOR LIVING SPONSORSHIP TRANSITIONS CASE STUDIES

YEAR: 2018



- **Location:** Tampa, FL
- **Type:** Health-system sponsored entity
- **Size**¹: 580 market-rate units
- **Revenue:** Unknown
- **Driver:** Health system looking to transition community to senior living provider; some operating challenges



- **Location:** Cabot, PA
- **Type:** National multi-site organization
 - 5 LPCs
 - Significant HCBS platform
- **Size**¹: 1,898 market-rate units
- **Revenue**²: \$175,800,000
- **Driver:** Growth in a new state

- **Process:** The health system that sponsored St. Joseph's John Knox Tampa Bay was looking to dispose of the community to another senior living provider.
- **Result:** Concordia was the organization selected by Baycare. Affiliation closed spring of 2018 with St. Joseph's John Knox joining Concordia Lutheran Ministries.

¹ 2017 LeadingAge Ziegler 150; Affiliation press release

² Some revenue figures obtained from GuideStar and LeadingAge Ziegler 150; figures rounded. Figures are prior to affiliation

SENIOR LIVING SPONSORSHIP TRANSITIONS CASE STUDIES

YEAR: 2018



- **Location:** Minneapolis, MN
- **Type:** Multi-site organization
 - 22 communities
- **Size**¹: 2,102 market-rate units
- **Revenue**²: \$116,000,000
- **Driver:** Retirements among C-suite executives; competitive MN healthcare environment



- **Location:** Eden Prairie, MN
- **Type:** National multi-site organization
 - 26 communities
- **Size**¹: 1,697 market-rate units
- **Revenue**²: \$133,000,000
- **Driver:** Competitive MN healthcare environment; growth of existing platform

-
- **Process:** Multi-phased process where parent company created, but both operated as separate organizations; Co-CEOs for a period of time, and Elim Care separated from the church. A number of drivers present, including retiring C-suite executives, competitive MN environment, both organizations with heavy healthcare exposure and long history of knowing one another from same market.
 - **Result:** As of July 1, 2018, both organizations officially merged and Bob Dahl, CEO of Elim Care, became the CEO for the parent organization. Tim Tucker (Augustana) to retire and become CEO Emeritus.

¹ 2017 LeadingAge Ziegler 150

² Some revenue figures obtained from GuideStar and LeadingAge Ziegler 150; figures rounded. Figures are prior to affiliation

SENIOR LIVING SPONSORSHIP TRANSITIONS CASE STUDIES

YEAR: 2017



- **Location:** Sellersville, PA
- **Type:** Single-site organization
- **Size**¹: 349 market-rate units
- **Revenue**²: \$20,400,000
- **Driver:** Desire to grow; create more scale and be competitive in changing healthcare landscape



- **Location:** Telford, PA
- **Type:** Single-site organization
- **Size**¹: 542 market-rate units
- **Revenue**²: \$24,300,000
- **Driver:** Desire to grow; create more scale and be competitive in changing healthcare landscape

- **Process:** The two organizations had preliminary conversations across roughly an 18-month period.
- **Result:** The two will affiliate and create a new parent corporation, governed by a Board of Directors comprised of individuals from each community's existing board members.

¹ Affiliation press release

² Revenue obtained from GuideStar; figures rounded; Revenue figures are prior to affiliation.

SENIOR LIVING SPONSORSHIP TRANSITIONS CASE STUDIES

YEAR: 2016



- **Location:** Maryville, TN
- **Type:** Small multi-site organization
 - 2 LPCs
- **Size¹:** 547 market-rate units
- **Revenue²:** \$32,000,000
- **Driver:** Leadership team recognized benefit of being affiliated with a larger organization for long-term sustainability



- **Location:** Germantown, MD
- **Type:** Multi-site organization
 - 6 LPCs
 - 1 Nursing Home
- **Size¹:** 1,932 market-rate units
- **Revenue²:** \$196,000,000
- **Driver:** Continued growth of national platform; expand on existing relationship

-
- **Process:** Asbury Communities was existing manager. Asbury Place leadership spent time in recent years discussing benefits of affiliation and educated board on trends. Two organizations pursued full affiliation.
 - **Result:** Asbury Place became affiliate of Asbury Communities.

¹ 2016 LeadingAge Ziegler 150

² Revenue obtained from 2016 LZ 150 submission as well as GuideStar; figures rounded; Figures are prior to affiliation.

SENIOR LIVING SPONSORSHIP TRANSITIONS CASE STUDIES

YEAR: 2016



- **Location:** Ann Arbor, MI
- **Type:** Single-site organization
 - 1 LPC
- **Size¹:** 416 market-rate units
- **Revenue²:** \$39,000,000
- **Driver:** Succession planning for CEO; recognized need for scale in competitive healthcare market



- **Location:** Livonia, MI
- **Type:** Multi-site organization
 - 20 market-rate communities
 - 7 Affordable Housing communities
 - Extensive HCBS
- **Size¹:** 3,745 market-rate units
- **Revenue²:** \$300,000,000
- **Driver:** Continued growth of national platform; heavy catchment area for Trinity Health

- **Process:** The organization had discussed possibilities of affiliation alongside of succession planning. Existing relationships were in place with Trinity (strong referral partner) and talks between the two organizations ensued.
- **Result:** Glacier Hills became an affiliate of Trinity Health Senior Communities.

¹ 2016 *LeadingAge Ziegler 150*

² Revenue obtained from 2016 LZ 150 submission as well as *GuideStar*; figures rounded; Figures are prior to affiliation.

SENIOR LIVING SPONSORSHIP TRANSITIONS

CASE STUDIES

YEAR: 2016

Saint Anne Villa

*Sisters of Charity
of Saint Elizabeth*

- **Location:** Florham Park, NJ
- **Type:** Single-site organization
 - 1 Nursing Home
- **Size**¹: 101 market-rate units
- **Revenue**²: Unknown
- **Driver:** Long-term stability; Feeling financial pressures and declining membership among congregation



- **Location:** Burlington, NJ
- **Type:** Multi-site organization
 - 1 LPC
 - 1 Nursing Home
 - 6 Affordable Housing
 - PACE program
- **Size**¹: 678 market-rate units
- **Revenue**²: \$75,000,000
- **Driver:** Growth of statewide platform

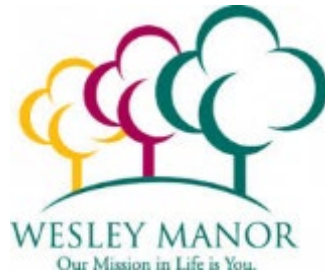
- **Process:** The organization conducted a search for a new partner and LSMNJ was selected as the best fit.
- **Result:** The Sisters of Charity, the sponsor of Saint Anne Villa, transferred ownership to LSMNJ. Renamed Villa at Florham Park. The Sisters of Charity will continue to live and be cared for at The Villa at Florham Park.

¹ 2016 LeadingAge Ziegler 150

² Revenue obtained from 2016 LZ 150 submission as well as GuideStar; figures rounded; Figures are prior to affiliation.

SENIOR LIVING SPONSORSHIP TRANSITIONS CASE STUDIES

YEAR: 2015



- **Location:** Frankfort, IN
- **Type:** Single-site organization
- **Size¹:** 375 market-rate units
- **Revenue²:** \$7,800,000
- **Driver:** Looking to affiliate and be part of a larger organization



- **Location:** Zionsville, IN
- **Type:** Multi-site organization
 - 3 LPCs
 - 2 Affordable Housing
- **Size¹:** 1,179 market-rate units
- **Revenue²:** \$52,000,000
- **Driver:** Growth of statewide network and ongoing mission expansion

- **Process:** Organizations familiar with one another due to proximity in the state; Wesley Manor was feeling impact of economic downturn and 2012 refinancing; Management and board began to explore affiliation opportunities.
- **Result:** Wesley Manor becomes an affiliate of BHI Senior Living.

¹ Affiliation press release

² Revenue obtained from GuideStar and LeadingAge Ziegler 150; figures rounded; Figures are prior to affiliation.

SENIOR LIVING SPONSORSHIP TRANSITIONS CASE STUDIES

YEAR: 2015



- **Location:** Goshen, IN
- **Type:** Multi-site organization
 - 6 LPCs
 - 2 Affordable Housing
- **Size**¹: 1,409 market-rate units
352 affordable units
- **Revenue**²: \$65,000,000
- **Driver:** Looking to expand regional platform.



- **Location:** Fort Wayne, IN
- **Type:** Multi-site organization
 - 2 LPCs
- **Size**¹: 350 market-rate units
- **Revenue**³: \$10,000,000
- **Driver:** Pending retirement of CEO. Board recognizing need to affiliate and increasing complexity of business.

- **Process:** Two organizations had known one another for a number of years. Christian Ministries CEO introduced affiliation concept to the board as part of succession planning.
- **Result:** Golden Years and Great Lakes affiliated with Greencroft Communities. Christian Ministries CEO retired.

¹ 2015 LeadingAge Ziegler 150

² Revenue obtained from 2015 LZ 150 submission; figures rounded; Revenue figures are prior to affiliation.

³ Revenue obtained from IRS 990

SENIOR LIVING SPONSORSHIP TRANSITIONS CASE STUDIES

YEAR: 2015



- **Location:** Oakmont, PA
- **Type:** Multi-site organization
 - 3 LPCs
 - 22 Affordable Housing
- **Size¹:** 1,114 market-rate units
999 affordable units
- **Revenue²:** \$128,100,000
- **Driver:** Continued growth in Western PA.



- **Location:** Erie, PA
- **Type:** Multi-site organization
 - 3 LPCs
- **Size¹:** 322 market-rate units
- **Revenue³:** \$22,500,000
- **Driver:** Join larger regional system to ensure future success.

- **Process:** Had known one another for a number of years, given regional presence. Leadership explored options and brought to the board for due diligence and approval.
- **Result:** Presbyterian Homes of Lake Erie now a part of Presbyterian SeniorCare.

¹ 2015 LeadingAge Ziegler 150

² Revenue obtained from 2015 LZ 150 submission; figures rounded; Revenue figures are prior to affiliation.

³Revenue obtained from IRS 990

SENIOR LIVING SPONSORSHIP TRANSITIONS CASE STUDIES

YEAR: FORMAL MANAGEMENT AGREEMENT W/ AFFILIATION REVIEW

FRIENDS HOMES, INC.

- **Location:** Greensboro, NC
- **Type:** Multi-site organization
 - 2 LPCs
- **Size**¹: 577 market-rate units
- **Revenue**²: \$24,000,000
- **Driver:** Succession planning, growth of regional platform



- **Location:** High Point, NC
- **Type:** Multi-site organization
 - 3 LPCs
- **Size**¹: 958 market-rate units
- **Revenue**²: \$53,000,000
- **Driver:** Growth of regional platform

- **Process**³: Extensive process to increase awareness of respective organizations and to build trust. Participation in respective organizations' board meetings. Next step is board approvals for extension of letter of intent and draft of definitive agreement.
- **Result:** The two organizations will combine through a formal affiliation.

¹ 2014 LeadingAge Ziegler 150

² Revenue obtained from 2014 LZ 150 submission; figures rounded to the nearest millionth; Revenue figures are prior to affiliation.

³Ziegler Investment Banking, Sponsorship Transitions Practice

SENIOR LIVING SPONSORSHIP TRANSITIONS CASE STUDIES

YEAR: 2013



- **Location:** Rockford, IL
- **Type:** Single-site organization
 - Continuing Care Retirement Community
- **Size**¹: 134 market-rate units
- **Revenue**²: \$3,000,000
- **Driver:** Sponsor (Lutheran Social Services of Illinois) sought a new NFP sponsor to allow full-focus on social service ministry.



- **Location:** Rockford, IL
- **Type:** Single-site organization
 - Continuing Care Retirement Community
- **Size**¹: 517 market-rate units
- **Revenue**²: \$7,000,000
- **Driver:** Expansion into a multi-site organization.

-
- **Process:** LSSI identified a few select providers which fit their mission and geographic criteria.
 - **Result:** Wesley Willows selected as the new sponsor of Peterson Meadows.

¹ Ziegler Investment Banking; Sponsorship Transitions Practice

² Revenue obtained from IRS 990 forms; figures rounded to the nearest millionth; Revenue figures are prior to affiliation.

SENIOR LIVING SPONSORSHIP TRANSITIONS CASE STUDIES

YEAR: 2013



- **Location:** Clarence Center, NY
- **Type:** Single-site organization
 - Independent Living Community
- **Size²:** 62 market-rate units
- **Revenue²:** \$2,000,000
- **Driver:** Declining occupancy and challenges to debt service obligations.



- **Location:** Gerry, NY
- **Type:** Multi-site organization
 - 3 IL Communities
 - 2 AL Communities
 - 3 Nursing Homes
- **Size¹:** 624 market-rate units
- **Revenue¹:** \$38,000,000
- **Driver:** Growth of regional platform

- **Process:** Board of Vinecroft pursued new sponsor as part of a forbearance agreement with lender.
- **Result:** Heritage Ministries was selected as the new sponsor of Vinecroft.

¹ 2014 LeadingAge Ziegler 150

² Ziegler Investment Banking; Sponsorship Transitions Practice

EXHIBIT C: BIOGRAPHIES

ZIEGLER INVESTMENT BANKING



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Stephen Johnson is a Managing Director and leader of the Senior Living Sponsorship Transition Advisory Practice at Ziegler in Chicago.

Since joining the firm in 1999, Steve has senior managed or co-senior managed more than 80 public debt offerings – raising more than \$4 billion through a variety of diverse capital structures.

His current focus is advising not-for-profit providers on growth through strategic initiatives including affiliations, mergers and joint ventures. In all of these activities, he has become a leading authority on the metro-Chicago senior living marketplace.

Previously, Steve served as executive director of one of the nation's premiere senior living organizations, Willow Valley Retirement Communities and as an associate with a leading venture firm in the Silicon Valley of northern California. There, he participated in raising and managing private equity in the United States and Japan.

Steve received a M.B.A. from Northwestern University's Kellogg Graduate School of Management, Evanston, IL and a B.A. from Wheaton College, Wheaton, IL. He is a member of the President's Club of the Chicago Council on Global Affairs and a third generation Cubs fan.

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Susan McDonough joined the senior living team at Ziegler in 2016. As a special consultant for Catholic Elder Care and Post Acute issues, she is providing strategy advice to Ziegler's clients, while also working to promote a sustainable future for Catholic elder care services.

From 1996 until 2016, Susan was the vice president, Strategy & System Development for Covenant Health in Massachusetts. In this position, she was responsible for creating system-wide strategy and new business development. Susan provided strategic planning, oversaw advocacy and communication efforts, analyzed new business and acquisition opportunities, supported operational improvement initiatives and directed start-up management and operational support services to both acute and elder care programs. She directed Covenant's consulting services congregations, dioceses, and other not-for-profit organizations. Over the course of her career, she was a principal with the firm Lanzikos, McDonough & Associates, a Boston-based management consulting firm specializing in elder care. She has also served as the State Long Term Care Ombudsman for the Commonwealth of Massachusetts.

Susan serves and has served as a board member for a wide range of organizations including Presence Health, in Chicago, IL, LeadingAge, Washington DC, the Catholic Health Association of the United States, the Massachusetts Alzheimer's Association, LeadingAge Massachusetts and several skilled nursing, assisted living and elder care campuses, including Seashore Point in Provincetown, MA, a member organization of Deaconess Abundant Life Communities. She is a frequent speaker on health and elder care issues.

Susan is licensed as both a Nursing Home Administrator and Social Worker and is a Fellow of the American College of Healthcare Executives.

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