



NOT-FOR-PROFIT SPONSORSHIP TRANSITIONS: TRENDS & CASE STUDIES

PRESENTED BY

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OBJECTIVES

- To share updated industry statistics on not-for-profit sponsorship transitions.
- To delve into provider case studies of successful not-for-profit affiliations.
- To give attendees tools to utilize if exploring affiliations and mergers.

AGENDA

TOPIC 1: INTRODUCTION & SPONSORSHIP
TRANSITION TRENDS

TOPIC 2: LIFE ENRICHING COMMUNITIES &
LUTHERAN CONCORD RESERVE CASE STUDY

TOPIC 3: ALBRIGHT CARE SERVICES & ASBURY
COMMUNITIES CASE STUDY

QUESTIONS & ANSWERS



TOPIC 1

INTRODUCTION & SPONSORSHIP TRANSITION TRENDS

Stephen Johnson
Managing Director
Ziegler

HISTORY DOESN'T REPEAT BUT YOU HAVE SEEN THIS MOVIE . . .

1858: First known as
The Home for the
Aged and Indigent
Females

1887: The name was
changed to The Old
People's Home of the
City of Chicago

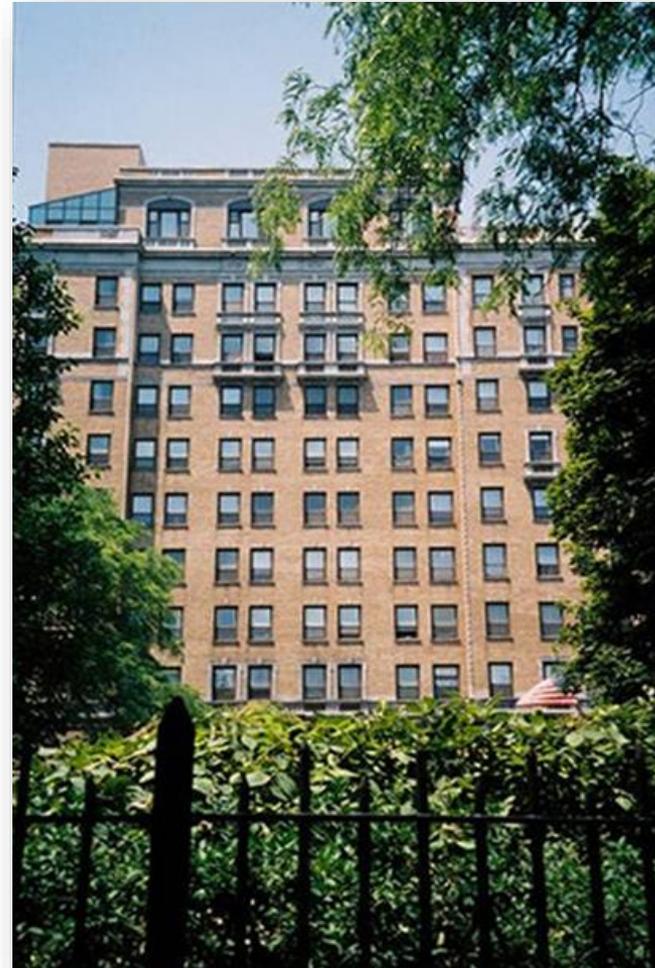


*First Home of The Old People's Home of the City of Chicago,
Completed in 1874 at 39th Street and Indiana Avenue*

THE NAMES HAVE BEEN CHANGED

WHAT MATTERS 2.0 ... 3.0 ...

1960: Moved north from its south Chicago location to take over a well-known residential hotel called The Admiral, located at the corner of Foster Avenue and Marine Drive. Assumed the name The Admiral.



WHAT'S NEXT?



NOT-FOR-PROFIT (“NFP”) SPONSORSHIP TRANSITION IN THE NEWS

CINCINNATI **BUSINESS COURIER**

Aug 13, 2020

Otterbein SeniorLife inks deal with Toledo-based Sunset Retirement Communities

McKnight's
SENIOR LIVING
News, perspective and analysis

June 18, 2019

Expect expansion into middle market after HumanGood, Presby affiliate, CEO says

 **SENIOR HOUSING NEWS**

June 2, 2020

Front Porch and Covia to Affiliate, Creating 54-Community Organization

SENIORS
HOUSING BUSINESS

May 13, 2019

Lifespace to Acquire Three SQLC Communities, Management Company

THE  **SUN**

August 14, 2019

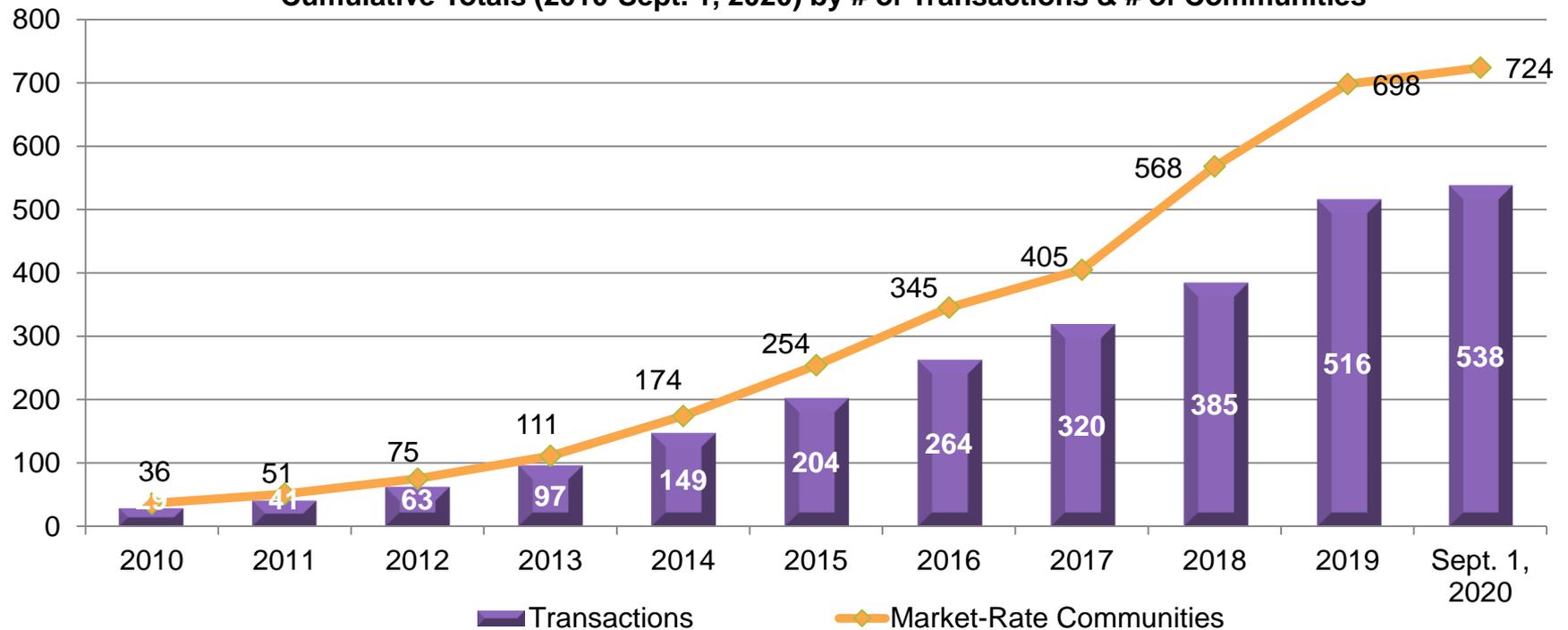
D’Youville announces transition of Catholic sponsorship

 **Ziegler**

SECTOR CONSOLIDATION

- Similar to other health and service-related sectors, the not-for-profit senior living sector is consolidating
- Sponsorship Transitions
 - Affiliations
 - Mergers
 - Acquisitions
 - Dispositions

Cumulative Totals (2010-Sept. 1, 2020) by # of Transactions & # of Communities



Note: Includes market-rate communities; excludes government subsidized; The ELGSS community count is also excluded from the community count (represents 160+ communities); Source: Ziegler Investment Banking 9/1/2020

DRIVERS OF NFP SENIOR LIVING CONSOLIDATION 2020 BC (BEFORE COVID)

Influence ↑



Pressured Situations

-VS-

Strategic Mergers & Affiliations

2000

2010

2020

NFP SPONSORSHIP TRANSITION IN ONE THOUGHTFUL SLIDE

- **Sponsorship is Subjective**
 - M&A = It's Math
 - Sponsorship = It's Just Lunch
 - “Fiduciaries of Legacies”
- **Structure: Affiliation, Acquisition, Merger, Joint Venture, Jenga**
 - Change control: Sole corporate member, reserve powers
 - Optimize capital: isolate risk, phone a friend
 - Achieve covenants: trend lined, and credibility, matter
 - Sell creditors: no is no; smart is smart
- **Strategic, Rational Process:**
 - Shared Objective(s): A Stronger Future
 - Whole greater than the sum of the parts
 - Till death do us part

NFP SPONSORSHIP TRANSITION

WHAT'S NEXT: PHASED PROCESS AND TIMING

Objective Process:

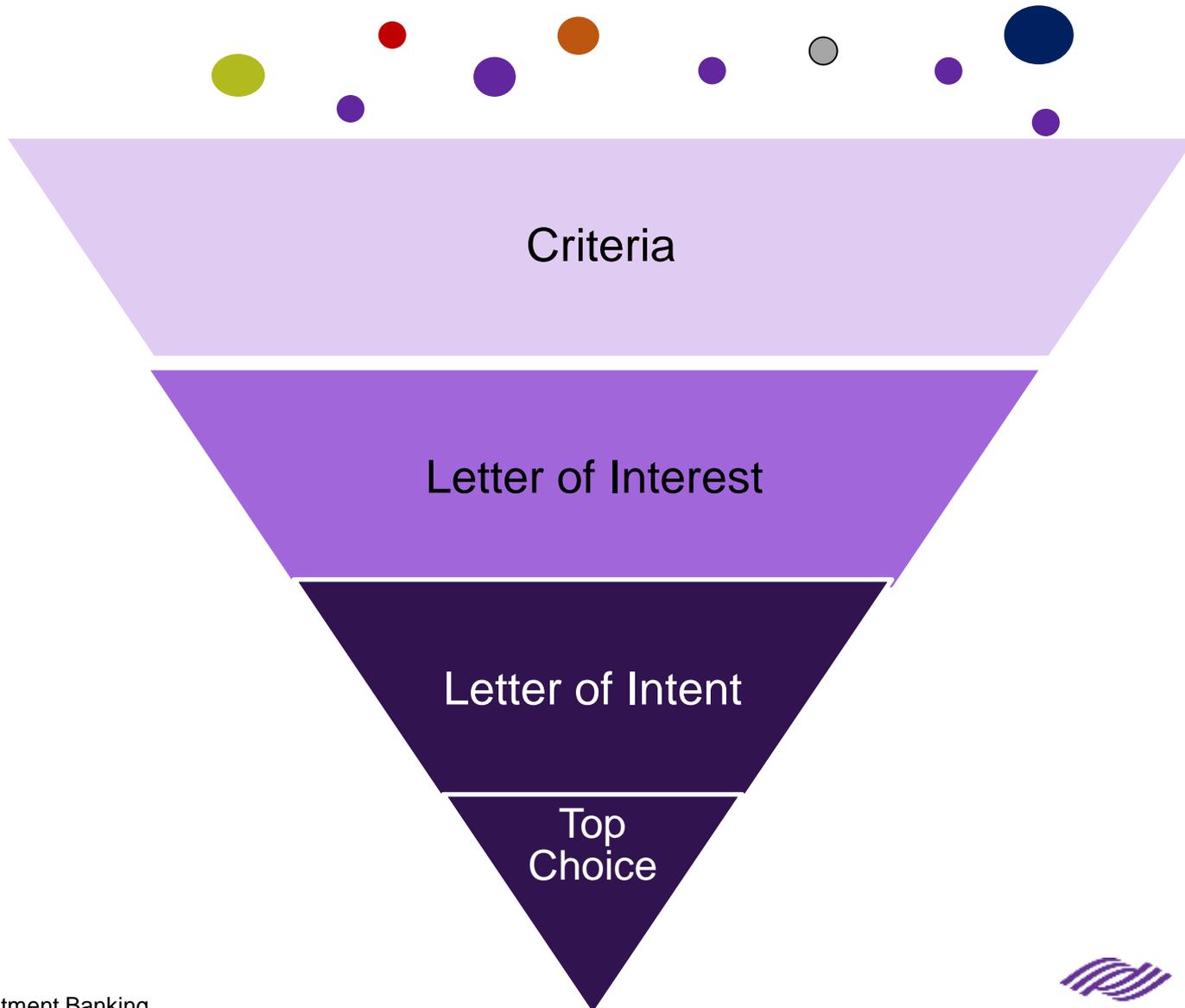
- Define & prioritize Criteria
- Identify Candidates – 10
- Confidential Information Memorandum
- Letter of Interest – 4
- Letter of Intent – 1 or 2
- Interview & Tour
- Final Selection
- Due Diligence
- Close

Essential Elements:

- Dedicated Affiliation Committee
- Leadership with appropriate experience
- Consistent Criteria
- Independent Analysis
- Communication

The must have's and the
No-can-do . . .

PROPER PLANNING PREVENTS POOR PARTNERSHIPS RINSE WASH REPEAT



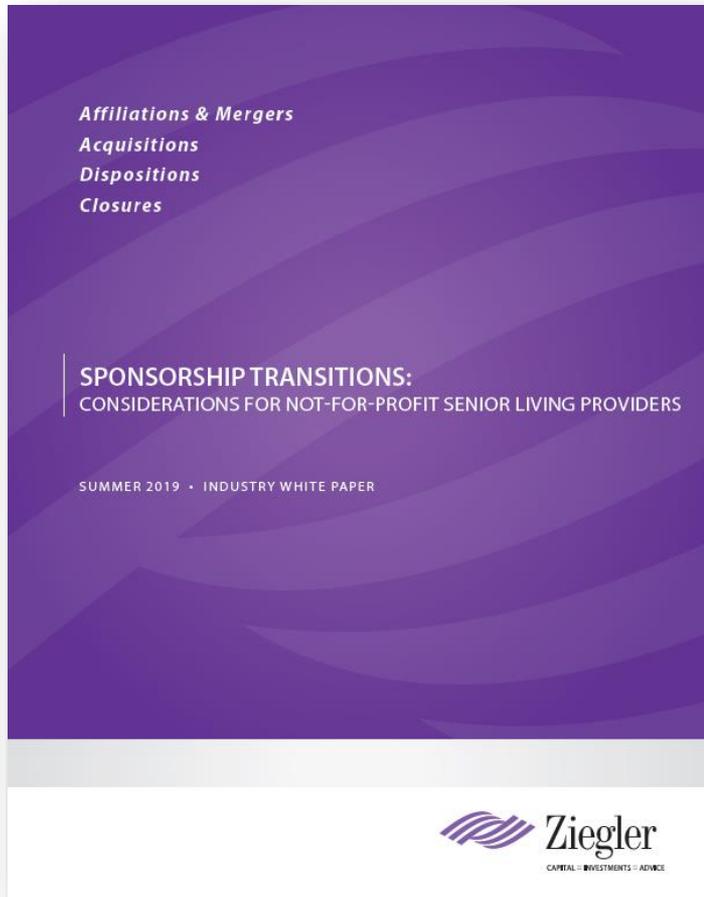
ZIEGLER'S SPONSORSHIP ADVISORY TRANSITION EXPERIENCE

In recent years, Ziegler has served as strategic advisor to many of the leading change of sponsorship transactions in the not-for-profit senior living industry. Selected engagements include:

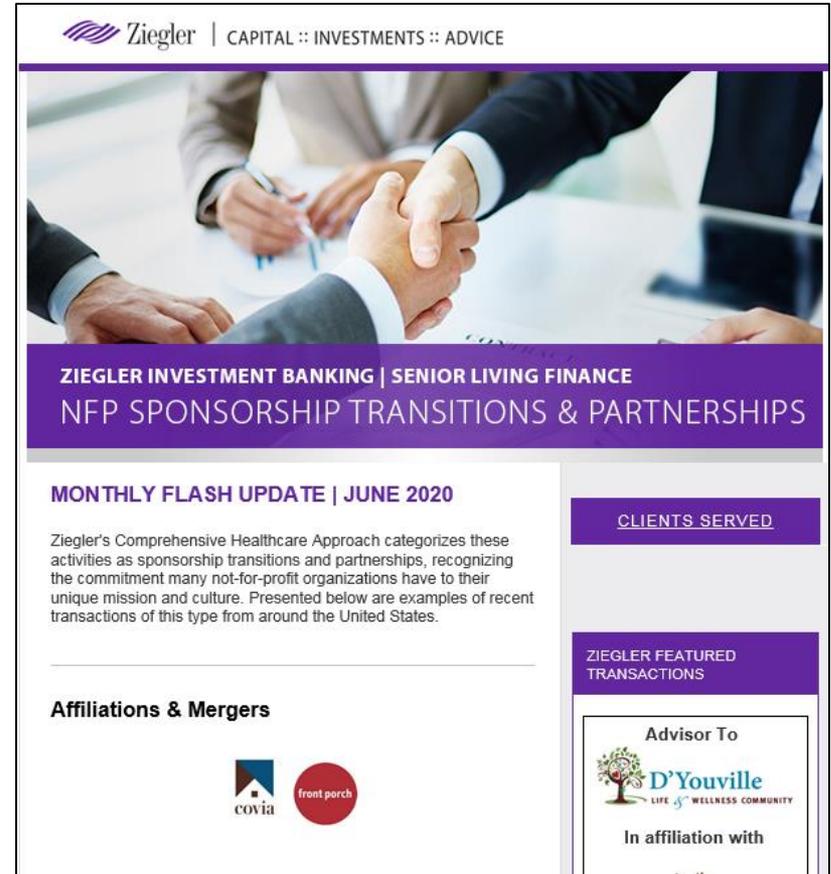
 <p>In affiliation with</p>  <p>2019</p> <p>SELL-SIDE ADVISOR</p>	 <p>PORTER HILLS</p> <p>In affiliation with</p>  <p>UNITED METHODIST RETIREMENT COMMUNITIES</p> <p>2019</p> <p>SELL-SIDE ADVISOR</p>	<p>LONGHORN VILLAGE</p> <p>In affiliation with</p>  <p>Brazos Presbyterian Homes</p> <p>2018</p> <p>BUY-SIDE ADVISOR</p>	 <p>THE EVERGREENS™</p> <p>In affiliation with</p>  <p>Acts LEGACY FOUNDATION</p> <p>Where Loving Kindness Lives</p> <p>2018</p> <p>SELL-SIDE ADVISOR</p>	 <p>In affiliation with</p>  <p>Life Care® Services</p> <p>2018</p> <p>SELL-SIDE ADVISOR</p>
<p>BIRCH HILL Terrace</p> <p>In affiliation with</p>  <p>RiverWoods</p> <p>2016</p> <p>BUY-SIDE ADVISOR</p>	<p>THE PRESBYTERIAN HOME</p> <p>In affiliation with</p>  <p>Friends Homes</p> <p>ESTABLISHED 1984</p> <p>2016</p> <p>MANAGEMENT AGREEMENT</p>	<p>THE Kenney</p> <p>In affiliation with</p>  <p>Heritage Ministries</p> <p>2014</p> <p>SELL-SIDE ADVISOR</p>	<p>PETERSON MEADOW RETIREMENT COMMUNITY</p> <p>In affiliation with</p>  <p>Wesley Willows</p> <p>An extraordinary senior living experience</p> <p>2013</p> <p>SELL-SIDE ADVISOR</p>	 <p>Vinecroft</p> <p>In affiliation with</p>  <p>Heritage Ministries</p> <p>2013</p> <p>SELL-SIDE ADVISOR</p>

ZIEGLER SPONSORSHIP TRANSITIONS THOUGHT LEADERSHIP & INFORMATION SHARING

White paper



Sponsorship Transitions Newsletter



Available on the Ziegler website: www.Ziegler.com



TOPIC 2

LIFE ENRICHING COMMUNITIES & LUTHERAN CONCORD RESERVE CASE STUDY

Scott McQuinn
CEO
Life Enriching Communities

NOT-FOR-PROFIT MULTI-SITE SENIOR LIVING ORGANIZATION **PROFILE**

2020 LZ 200: **LIFE ENRICHING COMMUNITIES**



NOT-FOR-PROFIT MULTI-SITE SENIOR LIVING ORGANIZATION *PROFILE*

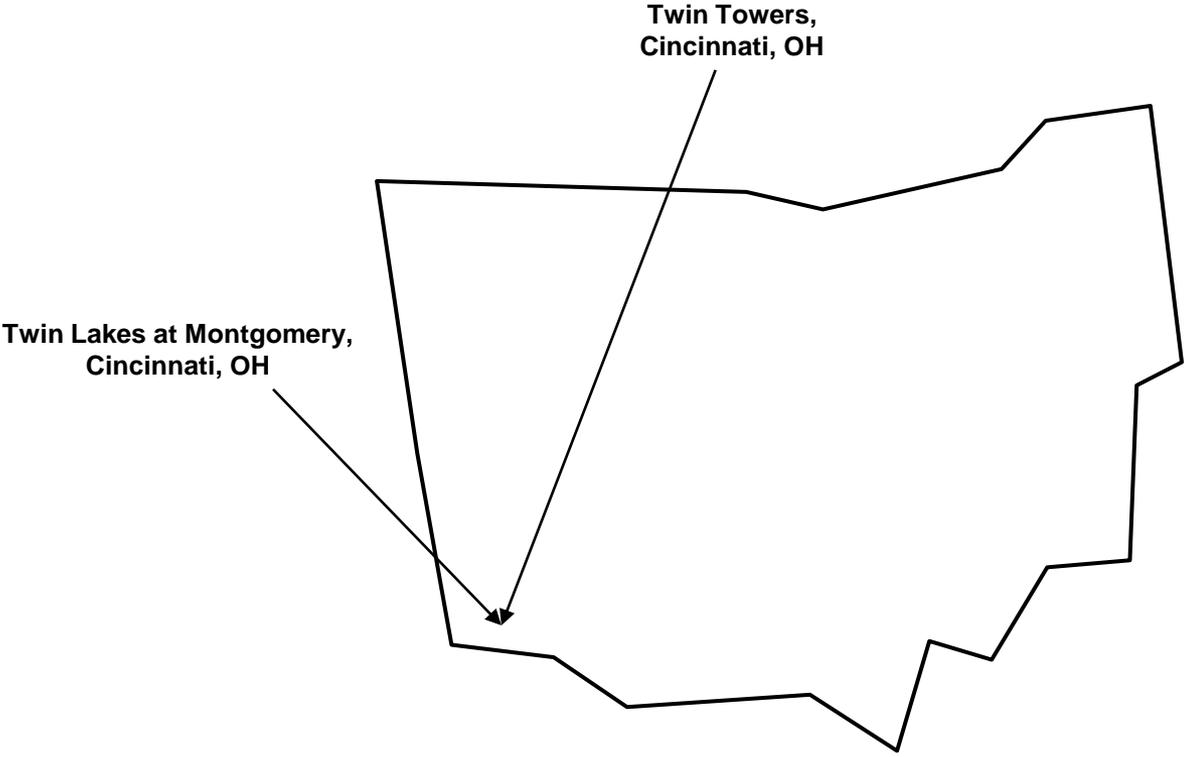
2020 LZ 200: *LIFE ENRICHING COMMUNITIES*



Life Enriching Communities
Cincinnati, Ohio
www.lec.org

NOT-FOR-PROFIT MULTI-SITE SENIOR LIVING ORGANIZATION *PROFILE*

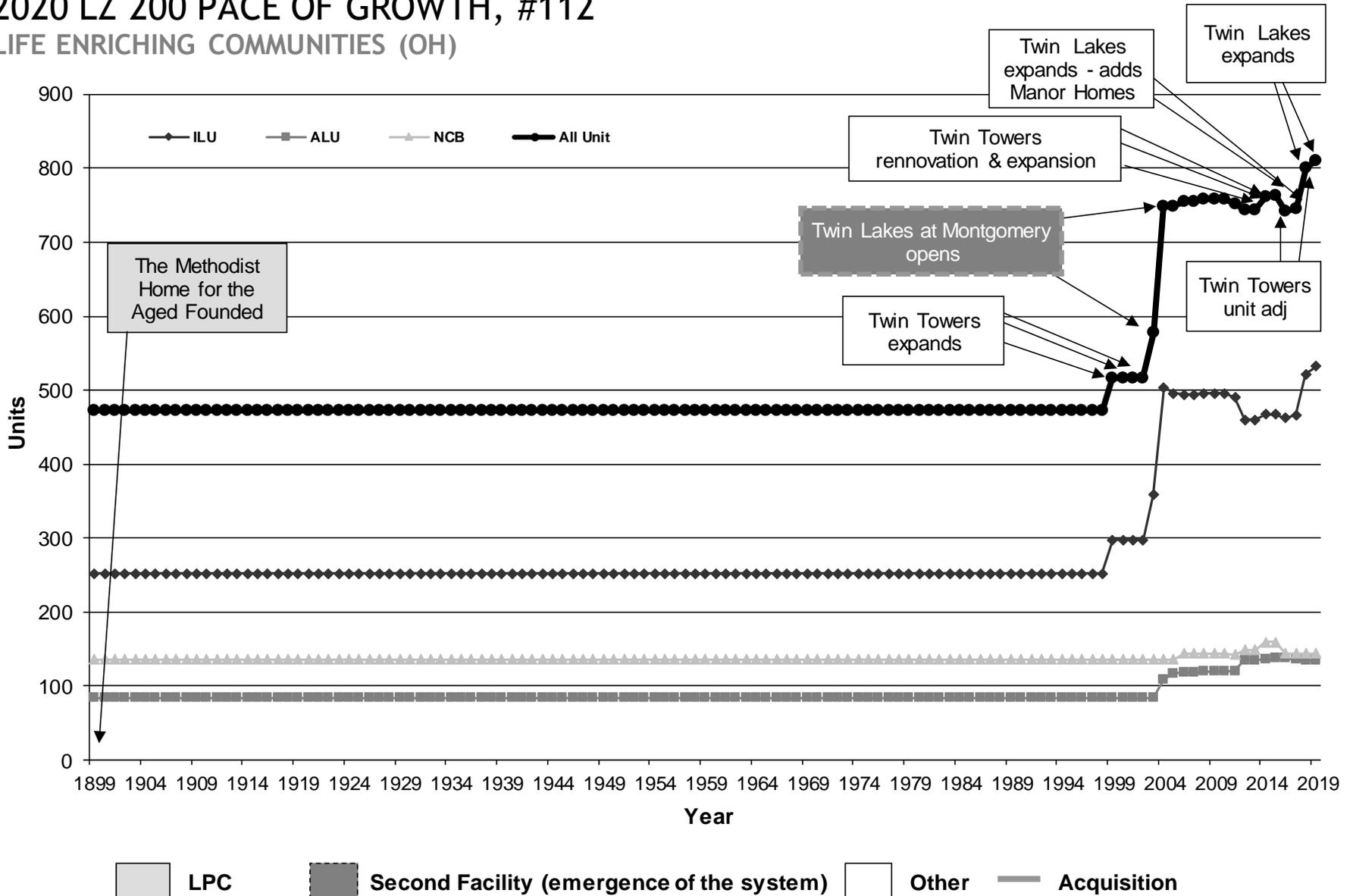
2020 LZ 200: *LIFE ENRICHING COMMUNITIES*



Source: 2020 LeadingAge Ziegler 200 Publication (data as of 12/31/19)

2020 LZ 200 PACE OF GROWTH, #112

LIFE ENRICHING COMMUNITIES (OH)



Source: 2020 LeadingAge Ziegler 200 Publication (data as of 12/31/19)

LUTHERAN HOME AT CONCORD RESERVE

- Lutheran Home at Concord Reserve and Concord Place Independent Living
 - Concord Reserve consists of 154 Skilled Nursing Beds, 18 Assisted Living Units and 25 Memory Care Units
 - Concord Place will consist of 80 Independent Living Apartments once opened
 - Lutheran Home covers the additional cost of care for its Medicaid nursing residents, who comprise more than 70% of our nursing population.
- Lutheran Home is an independent 501(c)3 organization overseen by its Lutheran Home Board of Directors.
- The Board services its member/owner which consists of 32 members of the Association of Lutheran Churches.
 - Each Member congregation may be represented by three church delegates
 - For 88 years the Association of Lutheran Churches has held an annual meeting to conduct the business of the corporation and install its board members

LUTHERAN HOME AT CONCORD RESERVE



CONCORD RESERVE INDEPENDENT LIVING



LEC SPONSORSHIP – AFFILIATION SELECTION

- Opportunities in Order of Preference
 - Affiliation (strong preference)
 - Acquisition
 - Management Contracts – only as a prelude to future Affiliation

LEC SPONSORSHIP – AFFILIATION SELECTION

- Criteria for Target Selection
 - Moderate to Strong Market Demographics
 - Metro or near Metro locations primarily
 - Immediately Financially Accretive
 - Primary factor – Non-dilution of Obligated Group (OG) DSCR
 - Secondary factor – Non-dilution to OG Reserve Ratio
 - Opportunity to Leverage LEC Infrastructure (spread overhead over more units)
 - Relatively Lower Amounts of Capital Required
 - Geographically Easily Accessible to LEC
 - Within Three to Four Hour Drive Ideal
 - States Considered: Ohio, Indiana, Kentucky, Michigan, Tennessee

LEC SPONSORSHIP – AFFILIATION SELECTION

- Characteristics for Ideal Targets
 - Strong market in Metro or Near Metro Areas
 - Single Site or Smaller Scale Multi-site
 - Succession Issues
 - Financially Strong History, Early Recognition of Declining Trends
 - Available Contiguous Land for Future Development a Plus

CONCORD RESERVE AFFILIATION



CONCORD RESERVE SWOT ANALYSIS - STRENGTHS

1. Strong support services team to execute repositioning
2. Available capital outside LEC Obligated Group (OG) and indebtedness capacity/liquidity support available through OG
3. Established professional services expertise team
- legal and financing

CONCORD RESERVE SWOT ANALYSIS - WEAKNESSES

1. Limited team experience in contract/services repositioning
2. No apparent bench player available to transplant to be Executive Director
3. May utilize a significant amount of non-obligated group liquidity over the next few years and somewhat limit ability to undertake other large-scale opportunities

CONCORD RESERVE SWOT ANALYSIS - OPPORTUNITIES

1. New, high quality IL product (80 units)
2. Strong market
3. Relatively little capital likely required for affiliation
4. Buildable land available for IL expansion
5. Workable debt arrangements in place
6. Diversification – geography and revenue streams
7. Spread LEC overhead over 277 more units
8. Management fee opportunity pre-affiliation
9. No successor for CEO

CONCORD RESERVE SWOT ANALYSIS - OPPORTUNITIES

10. Cost saving opportunities on admin staffing and using LEC's purchasing power
11. Strong AL occupancy, even in very competitive market
12. Cleveland Clinic and Post-acute care strategy implementation
13. Scarcity of entrance fee competitors in market
14. Long presence in market (88 years)
15. No resident contracts (i.e., no refund liability)

CONCORD RESERVE SWOT ANALYSIS - THREATS

1. Nursing bed count is out of balance (154) and physical environment is very dated
2. Negative cash flow and significant dependency on nursing revenue, rehab in particular
3. Labor market for nursing is tight
4. Cleveland Clinic dependency/concentration for rehab business
5. Limited executive talent
6. IL Project fill-up execution including adequacy of pricing
7. The mission is a crutch – culture out of balance

SUITABILITY FOR AFFILIATION

- LEC believes Concord Reserve represents an unusually favorable affiliation target primarily because of:
 - strong demographics in the Westlake, Ohio market in which it resides along with scant competition for NFP independent living with entrance fee contracts
 - net equity of approximately \$10 million
 - new independent living building with no remaining construction risk
 - no refund liabilities that typically exist with senior living organizations (LPCs)
 - committed and energized staff
 - strong history and reputation in marketplace
 - Christian-based heritage very consistent with LEC's culture, mission and values.

SUITABILITY FOR AFFILIATION

- Primary challenges are:
 - liquidity is thin (less than 10 Days Cash on Hand (“DCOH”) and Concord Reserve is in default on both debt agreements
 - City of Westlake’s ordinance preventing senior living development
 - campus is capital-starved and significant deferred maintenance exists (nursing and assisted living buildings)
 - too much nursing capacity with an unfavorable payer mix of >70% Medicaid
 - very competitive market for nursing and assisted living; market research concluded there are no growth opportunities for these levels of service. In addition, there is fill-up risk for the independent living building; however, the market study and marketing and sales consultant’s opinions provide us with confidence of a successful 22-month fill-up period.

TOPIC 3

ALBRIGHT CARE SERVICES & ASBURY COMMUNITIES CASE STUDY

Doug Leidig
President & CEO
Asbury Communities

Shaun Smith
President & CEO
Albright Care Services



- Founded in 1926
 - 17th largest not-for-profit senior living organization in US
 - Located in MD, PA & TN
 - 2,300 Associates & 4,000 Residents/Clients
 - Business lines include: CCRCs, IT, Foundation, HCBS, Home Health, HUD
 - Faith-based commitment; pride in Methodist heritage
- Founded in 1916
 - Located in Central PA
 - 500 Employees & 850 Residents/Clients
 - Business lines include: CCRCs, Pharmacy, Foundation, HUD & LIFE/PACE (3 now, 1 new site pending)
 - Faith-based commitment; pride in Methodist heritage

STRONGER TOGETHER



STAYING CONNECTED



DECIDING TO AFFILIATE

1.

Seek organizations that want to affiliate

2.

Evaluate how the affiliation expands the mission to serve more

3.

Engage in transparent conversations focused on long-view and opportunities

ELEMENTS OF THE PROCESS

1.

Seek a facilitator

2.

Identify how both organizations benefit operationally

3.

Address governance

BOARD INVOLVEMENT

1.

Engage Boards
through
subcommittees

2.

Create an
affiliation charter

3.

Connect Board
members

WHAT DID WE LEARN?

1.

Variables can impact the timing for finalization in unexpected ways.

2.

You never know when a crisis may strike. COVID-19 accelerated our schedule.

3.

Including a clause to separate can affect stakeholders' perspectives differently.

LOOKING TO AFFILIATE? OUR ADVICE TO YOU.

1.

Obtain board support before engaging in discussions

2.

Use the same IT platform and systems as early as possible

3.

Be proactive and affiliate before your organization needs to

WHAT WE'RE PROUD OF SO FAR

1.

COVID-19 fostered quick team development

2.

Making the IT switch and integrating key partnerships

3.

Pharmacy services expansion already in place from ACS to Asbury

QUESTIONS?



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QUESTIONS & ANSWERS



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- 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 1902, Ziegler specializes in the healthcare, senior living and educational sectors as well as general municipal finance

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