HJ SIMS FINANCED RIGHT®

Member FINRA/SIPC

January 17, 2017

CAPITAL MARKET UPDATE

Tel: 800-HJS-1935 www.hjsims.com

Senior Living New Issue Rates as of 1/17/17

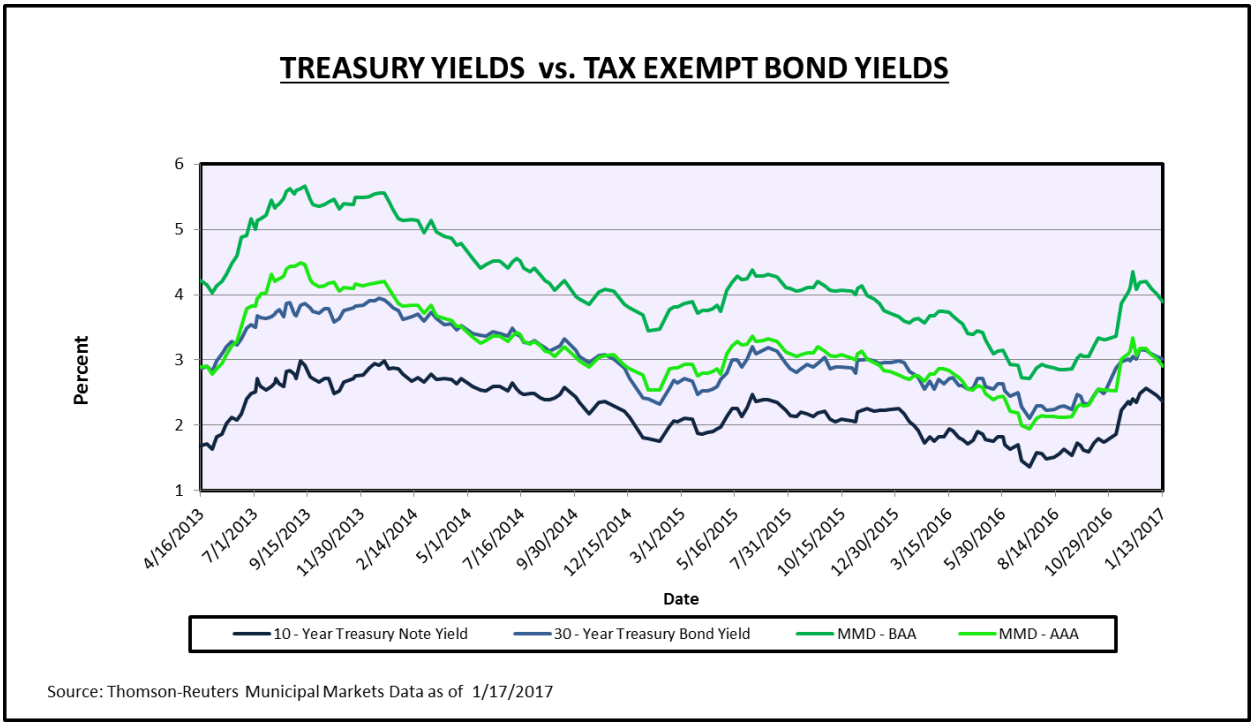
Maturity	Taxable Rates	Tax Free Rates					
	GNMA Taxable	FHA Tax-Exempt	A	BBB	BB	Refinancing & Expansion	Start-Up
5 yr.	NA	1.860%	2.450%	2.900%	3.20%	2.90-3.65%	4.00-4.50%
10 yr.	NA	2.640%	3.300%	3.700%	4.10%	3.90-4.40%	4.75-5.25%
20 yr.	NA	3.480%	4.100%	4.350%	4.90%	4.65-5.40%	5.25-5.75%
30 yr.	3.600%	3.740%	4.200%	4.600%	5.00%	4.90-5.65%	6.00-6.50%

Senior Living new issue rates for borrowers in specialty states are 20-30 basis points lower in yield.

SIFMA Index	LIBOR
0.67%	0.76%

Revenue Bond Index (RBI)	10 Year Treasury	30 Year Treasury
3.85%	2.3240%	2.9290%

	1 Year	3 Year	5 Year	7 Year	10 Year
Weekly SIFMA Swap Rates	0.89%	1.23%	1.45%	1.57%	1.72%
Weekly LIBOR Swap Rates	1.24%	1.70%	1.96%	2.12%	2.29%



Market Commentary

The agenda of this new Administration is as ambitious as any, and its success will hinge on a wide variety of factors ranging from the caliber of the team fleshing out the details to parliamentary procedures in the Congress to just plain good luck if nothing unexpected in the way of major crises occurs to divert attention and resources. Financial markets have adjusted somewhat to the huge uncertainty, settling down after two months of apprehension and exuberance. Risk-takers are still in their element while other investors, unable to find a parallel to this moment in history, are waiting to see what happens. We are among the seasoned hands who are going about our business every day by looking for opportunity and value for our clients. In the municipal bond market today, we find both.

The 10-year AAA general obligation bond has strengthened by 15 basis points from the start of the year and 8 basis points from the prior week; it now yields 2.16%. The 30-year muni benchmark yield at 2.91% is 13 basis points below where it began 2017; prices improved by 9 basis points in the past week. Tax-exempts have been outperforming U.S. Treasuries for several weeks now. The 10-year Note yield dipped 2 basis points to 2.39% in the past week and is down only 5 basis points since the start of the year. The 30-year Bond yield stands at 2.98%, down 2 basis points on the week and 8 basis points so far in 2017.

Last week saw the first active primary market of 2017 with $8.2 billion of municipal supply. High yield municipal bond funds, which have suffered $5.9 billion of outflows during the past ten weeks, finally reported $743 million of net inflows. Among the few high yield financings, Cass County Memorial Hospital in Iowa issued $9.8 million of non-rated refunding bonds with a maximum yield of 3.60% in 2027. The Industrial Development Authority of La Paz County, Arizona sold $10.9 million of non-rated airport facilities revenue bonds for Astin Aviation featuring 2045 term bonds subject to the alternative minimum tax priced with a coupon of 7.125% to yield 7.25%. Two Dos Lagos Community Facilities Districts of Corona, California had non-rated deals in the market: a $13.4 million deal with 2034 term bonds priced at 5.00% to yield 3.98% and a $7 million transaction with 20-year term bonds priced at 5.00% to yield 4.10%.

This week's trading has been shortened by the Martin Luther King holiday on Monday, but the calendar is nevertheless packed for the second week in a row. The $8.9 billion slate includes a $53.2 million BBB-minus rated Red River Education Finance Corporation refunding issue for Houston Baptist University, a $142.2 million Baa3 rated refunding for the North Carolina Turnpike Authority, a non-rated $9 million South Carolina Jobs-Economic Development Authority financing for Presbyterian Communities of South Carolina, a $10.2 million non-rated Florida Development Finance Corporation deal for Classical Preparatory School, and a $44.6 million non-rated Woodloch Health Facilities Development Corporation issue for Inspired Living at Missouri City. The 30-day visible supply of municipal bonds exceeds $14 billion.

Sims Represents Client in Debt Restructuring and Subsequent Refinancing

Taylor
your life, your community™

"Our refinancing was a very complicated process with many bumps and twists and turns on the road. Sims helped smooth out those bumps and was a key player in getting it done. " – Ed Soucy, Chief Financial Officer, Taylor Community

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Sims Represents Client in Debt Restructuring

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Partnered Right	• Taylor Community is a Life Plan Community founded in 1907and located on 104 acres in Laconia, in the Lakes Region of Central New Hampshire. • 122 independent living cottages, 57 independent living apartments, 46 assisted living units, 35 nursing beds and 8 memory care apartments. • Client of HJ Sims since 2012.
Structured Right	• In 2005 Taylor issued approximately $27 million in tax exempt bonds to refinance existing debt and finance expansion of the campus. • Economic and real estate challenges beginning 2008 resulted in significant operating losses and debt covenant violations. • HJ Sims negotiated debt restructuring in 2014 laying groundwork for debt refinancing and debt forgiveness in 2016.
Executed Right	• Improving financial performance created opportunity to place $17.5 million in tax exempt bonds with a local community bank and two participants. • Existing bank agreed to forgive approximately 15% of the outstanding debt.
Financed Right	• Bonds were placed for 10 year period. • 3.75% fixed interest rate.

Partnered Right

Taylor Community is a non-profit Life Plan Community with its main campus in Laconia, New Hampshire, part of New Hampshire's attractive Lakes Region known as a favorite resort and retirement destination. A presence in Laconia since 1907, Taylor is located on 104 acres and comprises 122 independent living cottages, 57 independent living apartments, 46 assisted living residences, 8 memory care apartments and 35 nursing beds.

Structured Right

In 2005 Taylor issued approximately $27 million in variable rate tax exempt bonds supported by a bank letter of credit with proceeds used to refinance existing debt and finance construction of additional independent living apartments on the campus. The real estate downturn beginning in 2008 led to significant operating losses and frequent debt covenant violations.

HJ Sims worked with management to negotiate a restructuring of the 2005 debt and associated interest rate swaps. In 2014 an agreement was reached with the existing bank to convert the bonds into several term loans which paid debt service with either operating cash flow or excess cash flow. HJ Sims also represented Taylor in negotiating the termination of third party interest rate swaps.

Executed Right

Steadily improving financial performance bolstered by increased independent living occupancy created a window of opportunity to seek term sheets to refinance the restructured debt. Despite stronger results, the stabilized cash flow

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Sims Represents Client in Debt Restructuring

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was below the initial forecasted amount, making a complete refinancing unlikely. HJ Sims assisted management in reaching an agreement with the existing bank to accept an approximate 15% discount in the amount it was owed.

After a wide-ranging request for proposal process, a local bank with a historic relationship with Taylor was selected to act as lead bank in a $17.5 million direct bond placement, bringing two other banks in as participants.

Financed Right

On December 22, 2016 the new bond issue closed with a fixed interest rate of 3.75% for a 10-year period. In addition to lower principal, the interest rate is lower than the 5% Taylor was required to pay on the refinanced debt, further reducing the debt service burden for the community.

For more information on how Taylor Community was Financed Right® by HJ Sims, please contact Andrew Nesi at (203) 418-9057 (anesi@hjsims.com).

For more information, please contact an HJ Sims banker.

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