CAPITAL MARKET UPDATE

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Senior Living New Issue Rates as of 1/24/17

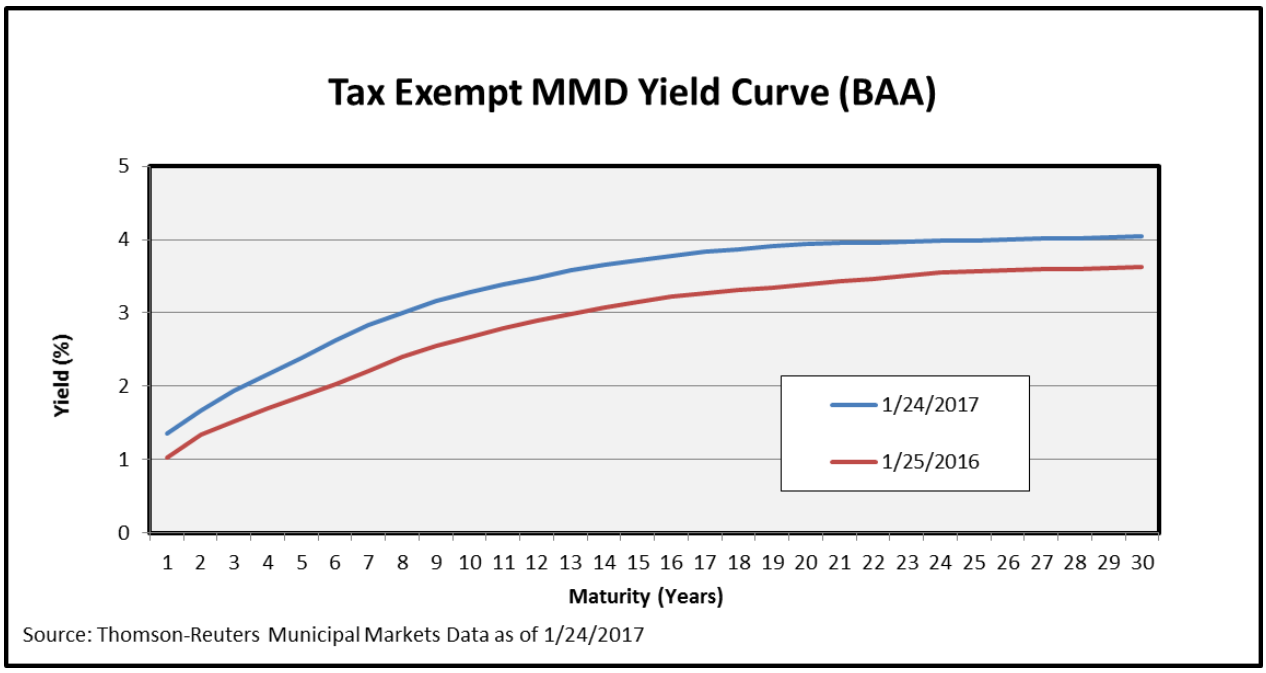
Maturity	Taxable Rates	Tax Free Rates					
	GNMA Taxable	FHA Tax-Exempt	A	BBB	BB	Refinancing & Expansion	Start-Up
5 yr.	NA	1.920%	2.500%	3.000%	3.30%	2.90-3.65%	4.00-4.50%
10 yr.	NA	2.760%	3.500%	3.850%	4.25%	3.90-4.40%	4.75-5.25%
20 yr.	NA	3.620%	4.300%	4.550%	5.00%	4.65-5.40%	5.25-5.75%
30 yr.	3.650%	3.860%	4.400%	4.750%	5.20%	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%	2.4620%	3.0460%

	1 Year	3 Year	5 Year	7 Year	10 Year
Weekly SIFMA Swap Rates	0.90%	1.23%	1.45%	1.59%	1.73%
Weekly LIBOR Swap Rates	1.24%	1.67%	1.95%	2.13%	2.31%



Market Commentary

Markets ground to a virtual halt on Friday as traders were riveted to coverage of the U.S. presidential inauguration, including the 16-minute address by Donald Trump. There are few things more American than our Treasury, stock and municipal bond markets but, instead of rallying, buyers turned cautious as the president has become the primary market-mover.

Stocks and munis are idling as Treasury yields and the dollar fall at this writing. The new administration has issued executive orders on health care and trade, freezes have been placed on non-military hiring and new regulations, and there is new talk of border taxes on companies that move overseas. Markets await more details on tax cuts, infrastructure plans and deregulation priorities, and traders are split in their approach to all the uncertainty. Bulls are convinced that we will see bold fiscal stimulus from the president and Congress, expanding growth to over 3%. Bears worry about our massive debt and deficit, aging population and overseas reactions to protectionist trade policies. For the time being, it seems that we have lost our decade-long obsession with Fed rates hikes, seeing future increases as more of a reaction to fiscal policy than treatment for the lack of having one. The Federal Open Market Committee will meet on January 31 and seven times after that this year, expecting to make 3 rate increases in 2017 and a similar number in each of the next two so that, by the end of 2019, the federal funds target rate reaches 3%.

30-year Treasury and AAA municipal general obligation yields passed the 3% marker again last week in response to the hawkish Fed talk, anticipation of big policy changes from the new administration and a statement that the dollar was "too strong" by the president-elect. The long bond yield climbed 6 basis points from 2.98% to 3.04% during the holiday-shortened week, while the 30-year tax-exempt yield jumped 15 basis points from 2.91% to 3.06%. $1.1 billion of new money flowed into municipal bond funds, and the municipal calendar exceeded $9 billion, led by a $1.1 billion City of Chicago general obligation issue featuring 2038 term bonds priced at 6.00% to yield 6.20%. Among other higher yielding deals coming to market as conditions weakened, the Red River Education Finance Corporation of Texas sold $52.7 million of BBB-minus rated refunding bonds for Houston Baptist University and priced the 30-year term bonds with a coupon of 5.50% to yield 4.60%. The Woodloch Health Facilities Development Corporation in Texas brought a $44.6 million non-rated financing for Inspired Living at Missouri City that featured 2051 term bonds priced at 7.125% to yield 7.531% and a subordinate series priced at 10.50% to yield 11.063%. The Public Finance Authority of Wisconsin had a $9.4 million transaction for West Ridge Academy Charter School in Greeley, Colorado with non-rated bonds due in 5 years priced at par to yield 5.50%. A $219 million sale planned by the U.S. Virgin Islands was pulled for the second time, as investors, concerned with the territory's structural deficit, passed on bonds rated B1/BB/BB- that offered yields as high as 7.75%.

This week, along with several key economic releases, we expect a $110.2 million BBB-minus rated California Public Finance Authority deal for Henry Mayo Newhall Hospital, $105 million of taxable BB+ rated revenue anticipation certificates for Columbus Regional Healthcare System in Georgia and a $16 million Baa3 rated refunding for the Surry County Northern Hospital District in North Carolina. The calendar is expected to exceed $6.8 billion, and the 30-day visible supply totals $9.8 billion.

$160 Million Advance Refunding for Presbyterian Retirement Communities Generates over $34 Million in Gross Savings

"We expected this advanced refunding to be a fairly routine bond issue. As it turns out, with the election and a lot of refinancings \ borrowings in the market, this was not a routine bond issue. HJ Sims provided the additional resources, time and years of experience to accomplish all of the goals that we had set out at the beginning of the process. Thank you HJ Sims for your continued support of our mission."

- Henry Keith, Chief Financial Officer, Westminster Communities of Florida

Partnered Right	• Presbyterian Retirement Communities: 3,233 units in 9 Life Plan Communities. • 10th Largest nonprofit senior living provider in the United States. • 93.4% occupancy across all units. • Focus on middle income residents.
Structured Right	• Reduce cost of capital, increase debt capacity. • Borrow new money for capital improvements, maintain credit rating. • Provide improvements to covenants.
Executed Right	• Evaluated multiple financing plans and scenarios. • Secured low interest rate with True Interest Cost of 4.27%.
Financed Right	• Reduced Cost of Capital. • Provided additional debt capacity and maintained Fitch "A-" rating. • Improved covenants.

Partnered Right

Presbyterian Retirement Communities, Inc. ("PRC"), d/b/a Westminster Communities of Florida, and its affiliates (collectively, the "Obligated Group") constitute the largest group of life plan communities in the State of Florida with a total of 3,244 units including 2,025 residential units, 468 assisted living units and 751 skilled nursing units. According to the 2015 LeadingAge 100 Report, the Obligated Group is the 10th largest nonprofit operator of senior living units in the United States.

PRC was originally chartered on December 31, 1954 and opened its first Life Plan Community, Westminster Manor in Bradenton, in 1961. The obligated group currently consists of nine Life Plan communities. As of September 2016, PRC maintained total occupancy of 94% across all of its communities and levels of care.

Since 1954, PRC has developed its communities and focused its marketing efforts in order to attract the middle-income market. Entrance Fees at the Obligated Group's communities range from $44,100 to $357,000, with an average Entrance Fee of $120,600 for the fiscal year ending March 31, 2016.

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$160 Million Advance Refunding for Presbyterian Retirement

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Structured Right

As interest rates continued to decrease in the first half of 2016, HJ Sims worked with PRC to evaluate and monitor potential refunding opportunities. PRC engaged HJ Sims in August 2016 to advance refund its 2010A bonds and fund up to $45 million of new money for capital project. HJ Sims worked with PRC to achieve the following strategic objectives:

a) Reduce overall cost of capital and annual debt service.
b) Increase debt capacity and use it to borrow new money without affecting credit rating.
c) Provide improvements to financial covenants.

Executed Right

In order to meet PRC's financing objectives, HJ Sims worked with the Obligated Group to produce and evaluate multiple refinancing structures and scenarios. HJ Sims monitored the capital market environment throughout the financing process and adjusted accordingly as conditions changed. The goals were to maximize annual Net Present Value savings on the refunding portion of the bond issue and limit aggregate Maximum Annual Debt Service for the proposed 2016 bond issue and PRC's existing debt.

HJ Sims successfully closed the $160,365,000 issue on December 15th, 2016 with an all in True-Interest-Cost of 4.27%. On a present value basis, the refunding saves PRC approximately $9.421 million, with actual aggregate Savings of approximately $34.8 million through the life of the prior bonds.

Financed Right

As a result of the financing, PRC was able to achieve the following objectives:

Reduce Overall Cost of Capital
PRC was able to take advantage of historically low interest rates and borrow at a True Interest Cost of 4.27% for the Series 2016 bonds. The outstanding balance of the refunded bonds carried an average interest rate of 5.94%.

Provide Additional Debt Capacity, Maintain Rating
Savings from the refunding provided capacity for PRC to borrow additional funds for capital improvements with little impact to the Obligated Group's overall Maximum Annual Debt Service, which was an important factor in maintaining an investment grade rating from Fitch of "A-".

Improvement to Covenants
PRC was able to reduce its Debt Service Reserve Fund requirement for the 2016 bonds to be equal to the statutory requirement from the Florida Office of Insurance Regulation, which is equal to the next year's principal and interest payment, saving PRC approximately $2.35 million in borrowing cost from the prior requirement. In addition, other covenants were improved to allow PRC more flexibility to transfer money in and out of the Obligated Group.

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For more information, please contact an HJ Sims banker.

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