

CAPITAL MARKET UPDATE



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Senior Living New Issue Rates as of 10/11/16

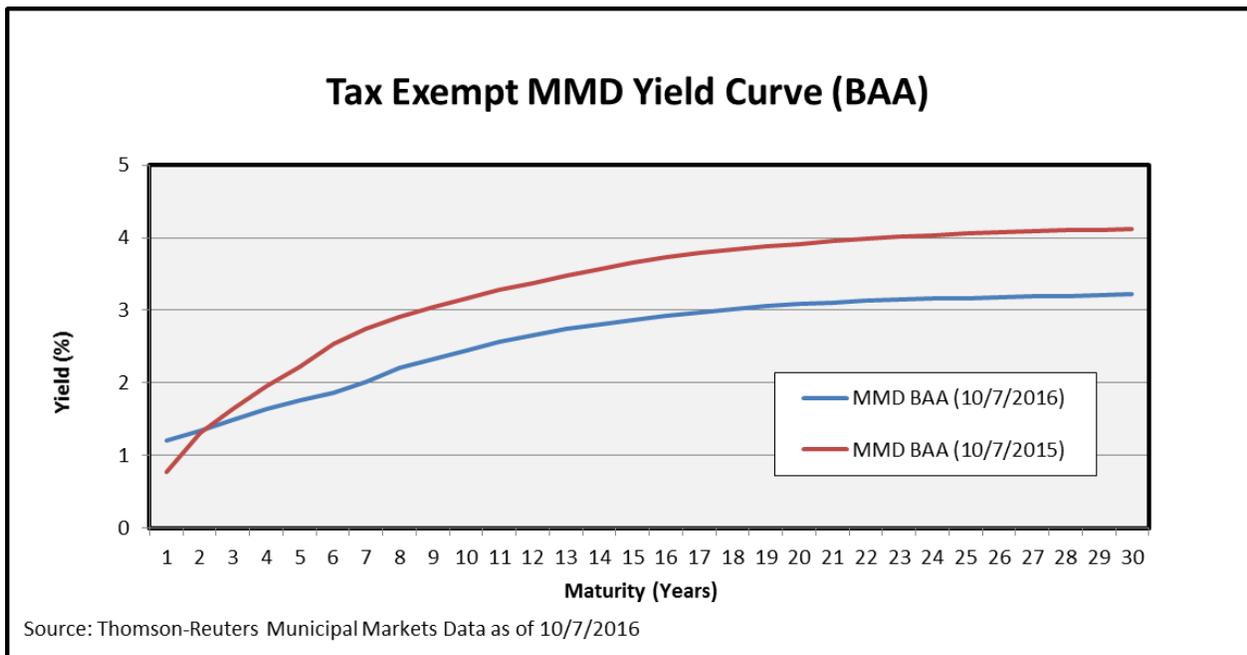
Maturity	Taxable Rates	Tax Free Rates					
	GNMA Taxable	FHA Tax-Exempt	A	BBB	BB	Refinancing & Expansion	Start-Up
5 yr.	NA	1.200%	1.800%	2.150%	2.50%	2.25-2.75%	3.50-4.00%
10 yr.	NA	2.050%	2.450%	2.800%	3.10%	3.10-3.50%	4.20-4.75%
20 yr.	NA	2.880%	3.150%	3.400%	3.85%	3.85-4.25%	4.75-5.25%
30 yr.	3.320%	3.090%	3.350%	3.550%	4.00%	4.00-4.50%	5.10-5.50%

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

SIFMA Index	LIBOR
0.87%	0.53%

Revenue Bond Index (RBI)	10 Year Treasury	30 Year Treasury
3.38%	1.7620%	2.5000%

	1 Year	3 Year	5 Year	7 Year	10 Year
Weekly SIFMA Swap Rates	0.77%	0.86%	0.96%	1.07%	1.20%
Weekly LIBOR Swap Rates	1.01%	1.17%	1.30%	1.43%	1.61%



Market Commentary

The fourth quarter began in earnest last week, and the municipal market saw exceptional supply in the range of \$16 billion. HJ Sims underwrote an \$86.2 million BBB rated refunding for Lenbrook Square Foundation featuring 2042 term bonds issued by the Fulton County Residential Care Facilities for the Elderly Authority that was priced at 5.00% to yield 3.55%. Florida's Capital Trust Agency had a \$22.7 million non-rated financing for Beach House at Wiregrass Ranch with 2047 term bonds priced at 7.00% to yield 6.734%. The North Carolina Medical Care Commission issued \$58.7 million of non-rated bonds for Southminster in South Charlotte; the two term bonds due in 2037 priced at 4.00% to yield 4.125% and 5.00% to yield 3.75%. The Economic Development Authority of Frederick County, Virginia sold \$9.9 million of non-rated adjustable rate term bonds due in 2044 for Village at Orchard Ridge, with two series initially priced at par to yield 4.64% and 5.95%. The City of Milaca, Minnesota brought a \$9.1 million non-rated deal for Grandview Christian Home that included bonds due in 2033 priced at par to yield 3.50%. And the South Carolina Jobs-Economic Development Authority brought a \$27.1 million non-rated refunding transaction for Wesley Commons that priced at 5.00% to yield 4.375% in 2041.

In other sectors, Palomar Health in San Diego County, California sold \$246.7 million of Ba1 rated refunding bonds that had two terms in 2039 priced at 4.00% to yield 3.86% and 5.00% to yield 3.56%. The City of Savage, Minnesota sold \$19.2 million of non-rated lease revenue bonds for Aspen Academy, with a 2048 maturity priced at 5.125% to yield 5.20%. And the Industrial Development Authority of Maricopa, Arizona was in the market with a \$45.5 million BB+ rated refunding for Paradise Schools, structured with term bonds maturing in 2047 that were priced at 5.00% to yield 4.28%. Municipal bond funds took in another \$1.5 billion of new money last week, but prices on tax-exempts eroded in lockstep with Treasuries. The 10-year AAA general obligation bond yield as well as the 10-year Note yield climbed 13 basis points to close at 1.64% and 1.72%, respectively. The 30-year muni benchmark and 30-year Treasury yields both rose 14 basis points and ended the week on parity at 2.45%.

This week, HJ Sims is in the market with \$11.6 million A+ rated Certificates of Participation for the Akron District Energy Project in Ohio. Among other deals on the \$8 billion calendar, the Colorado Educational and Cultural Facilities Authority plans to sell \$23.1 million of BBB-minus rated refunding bonds for Vail Mountain School. The Housing and Redevelopment Authority of St. Paul, Minnesota has a \$16.7 million offering for BBB+ rated Nova Classical Academy. Franklin County, Ohio is scheduled to issue \$21.8 million of BBB-minus rated refunding bonds for Ohio Presbyterian Retirement Services Communities. The Harris County Cultural Education Facilities Finance Corporation has an \$83.1 million BB+ rated refunding for Brazos Presbyterian Homes in Houston. And the Economic Development Authority of Suffolk, Virginia is bringing a \$22 million non-rated refunding for the Lake Prince Woods assisted living community. The last quarter of the year is shaping up to be a busy one. The 30-day visible supply of municipal bonds totals \$22.5 billion.

Sims Assists Long-Term Client in Acquiring New Community



“For its first acquisition in many years, Lutheran Social Ministries of New Jersey naturally turned to its long-term strategic partner, HJ Sims, for assistance in structuring the financing. The Sims team was an important advisor throughout the acquisition process, from developing an initial proposal to the seller, through the date of closing, when two well-established New Jersey institutions joined together for a common mission of caring for those in need. With assistance from HJ Sims in finding a creative solution to financing the acquisition, The Villa at Florham Park will continue its longstanding service as the newest member of the LSMNJ senior living family.”

– Jennifer Cripps, Chief Financial Officer, Lutheran Social Ministries of New Jersey



The Villa at Florham Park

Partnered Right	<ul style="list-style-type: none"> • Lutheran Social Ministries of New Jersey (LSMNJ) has been serving NJ residents since 1904 and opened its first home for the elderly in 1923. • LSMNJ provides a broad range of programs and services at 20 locations across the state to more than 6,000 individuals. • HJ Sims has been privileged to work with LSMNJ since 1989.
Structured Right	<ul style="list-style-type: none"> • St. Anne Villa is a community providing skilled nursing and assisted living care for the Sisters of Charity of Saint Elizabeth. Due to declining membership in recent years, the order made the decision to sell the community. • HJ Sims provided assistance to LSMNJ in valuing the facility and structuring an offer for the acquisition. • A subordinated seller note was negotiated representing \$3.5 million of the total purchase price.
Executed Right	<ul style="list-style-type: none"> • On September 30, 2016 LSMNJ completed the acquisition, renaming the community The Villa at Florham Park. • HJ Sims advised LSMNJ on the direct placement of tax exempt bonds to a bank to finance the purchase price and fund a separate taxable line of credit for future working capital needs.
Financed Right	<ul style="list-style-type: none"> • The interest rate on the tax exempt bonds was 2.40% fixed for 5 years with one year interest only and amortization over a 25 year period.



Sims Assists Long Term Client in Acquiring New Community

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Partnered Right

Established in 1904, LSMNJ is a not-for-profit organization committed to “serve residents statewide who hurt, who are in need, or who have limited choices – regardless of religious background or affiliation.” LSMNJ addresses various human and social needs through senior living and healthcare, affordable housing, adoption, disaster recovery, and diverse other programs in 20 locations across New Jersey to more than 6,000 individuals.

HJ Sims has had the privilege of working with LSMNJ since 1989 by underwriting and advising on several tax exempt bond issues for the development and expansion of its existing senior living communities.

Structured Right

The Sisters of Charity of Saint Elizabeth has operated a home for retired sisters in Florham Park, NJ since the 1930’s. Renovated and expanded over time, the community currently consists of 80 skilled nursing beds and 21 assisted living beds. Due to declining membership in recent years, the Sisters of Charity of Saint Elizabeth made the decision to transition their retirement facility to new ownership. They conducted a targeted search for a faith-based organization with a mission and expertise appropriate to operating the facility and continuing to provide care for their retired Sisters.

HJ Sims worked with LSMNJ management on establishing a valuation and structuring an acquisition offer for the property. Although the community would be open to the general public as well as the existing retired sisters under care, we encouraged LSMNJ to include a subordinate seller note as a portion of the purchase price to protect against issues that may arise during the transition.

After a period of inactivity, a definitive agreement with the Sisters of Charity of Saint Elizabeth was reached in August that required closing of the purchase by the end of September. The purchase price was \$16 million, including a \$3.5 million subordinated seller note with a 5-year final maturity.

Executed Right

HJ Sims revived discussions with an interested bank and a working group of attorneys that had receded when negotiations stalled. The cash portion of the purchase price was structured as a direct placement of tax exempt bonds to the bank along with a taxable line of credit for future working capital needs. The credit facilities totaled \$14.4 million. Over the course of 8 weeks, credit approval was obtained by the bank, approval was obtained by the Public Finance Authority to issue the bonds and the required documentation was negotiated to complete the purchase within the required timeframe. On September 30, 2016, LSMNJ acquired the community and renamed it The Villa at Florham Park.

Financed Right

The interest rate on the tax exempt bonds was fixed at 2.40% for five years. Although longer term financing was available, the term coincides with the maturity of the underlying seller note and provides flexibility for potential future growth opportunities at the community.

For more information on how Lutheran Social Ministries of New Jersey was Financed Right® by HJ Sims, please contact Andrew Nesi at (203) 418-9057 (anesi@hjsims.com).



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