November 29, 2016

CAPITAL MARKET UPDATE

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Senior Living New Issue Rates as of 11/29/16

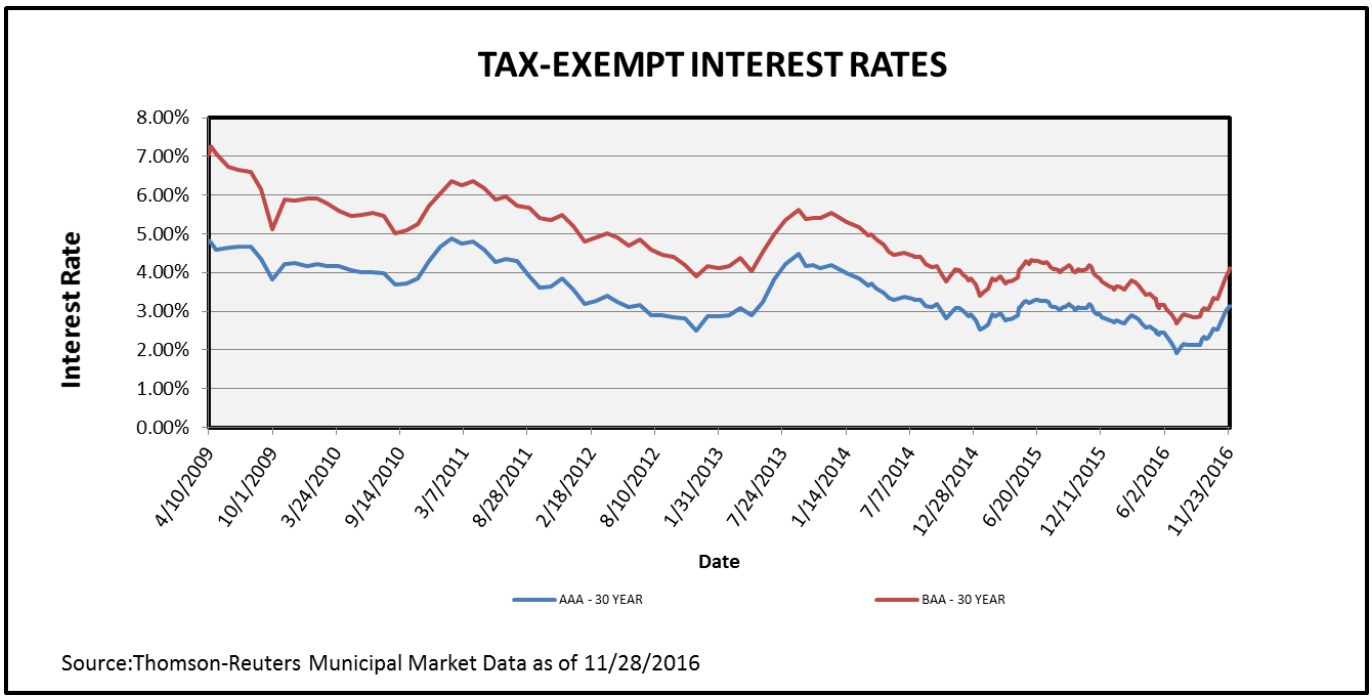
Maturity	Taxable Rates	Tax Free Rates					
	GNMA Taxable	FHA Tax-Exempt	A	BBB	BB	Refinancing & Expansion	Start-Up
5 yr.	NA	1.690%	2.500%	3.000%	3.35%	3.00-3.75%	4.00-4.50%
10 yr.	NA	2.680%	3.450%	3.950%	4.30%	4.00-4.50%	4.75-5.25%
20 yr.	NA	3.450%	4.300%	4.700%	5.10%	4.75-5.50%	5.25-5.75%
30 yr.	3.470%	3.660%	4.400%	4.850%	5.25%	5.00-5.75%	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
0.55%	0.57%

Revenue Bond Index (RBI)	10 Year Treasury	30 Year Treasury
3.87%	2.2910%	2.9460%

	1 Year	3 Year	5 Year	7 Year	10 Year
Weekly SIFMA Swap Rates	0.81%	1.15%	1.35%	1.51%	1.65%
Weekly LIBOR Swap Rates	1.13%	1.53%	1.81%	2.00%	2.18%



Impact on Senior Living: A Post Election Analysis

We thought that you might be interested in this analysis published by Argentum, a national trade association serving companies that own, operate and support over 7,000 professionally managed senior living communities in the U.S.: http://argentum.org/images/2016PostElectionAnalysis.pdf

Market Commentary

The long Thanksgiving weekend gave traders a chance to unwind a little after two weeks of post-election frenzy. The three major stock indices all hit new records this month, and the dollar rallied to a 10-year high as investors started to feel good about prospects for the U.S. economy and their own pocketbooks. Meanwhile, these same prospects for tax reform and deregulation, health care revamping and infrastructure spending have battered the bond markets. Investors panicked about rising rates, inflation and the loss of attractiveness of tax-exemption in a lower tax environment, have pulled $5.2 billion out of municipal bond funds since Election Day. Those looking to buy munis found a veritable cornucopia of bonds, with as much as $2.6 billion a day out for the bid, and prices tumbled to levels not seen in well over a year.

Thanksgiving traditions drew attention from several economic and political developments. The President-Elect announced several key appointments and his 100-Day policy plan. Minutes from the last Federal Open Market Committee were released, basically confirming the plan to formally raise rates on December 14. The Local Finance Board of New Jersey voted unanimously to approve a five-year state takeover of Atlantic City with power to renegotiate contracts, reverse city council decisions, sell assets and hire and fire staff. The Puerto Rico Oversight Board met for the third time and announced a target date of January 31, 2017 for circulating a fiscal turnaround plan. The U.S. trade deficit rose to $62 billion in October, and both wholesale and retail inventories posted a drop. Existing home sales, durable goods and consumer sentiment came in well above expectations.

Recently in the high yield municipal bond sector, the New York State Dormitory Authority came to market with a $54.4 million BB-minus rated financing for Vaughn College of Aeronautics and Technology that had a thirty-year term bond priced at par to yield 5.50%. The City of Baltimore brought a non-rated $38 million special obligation refunding issue for the Harbor Point project with a 2043 maturity priced with a coupon of 5.125% to yield 5.16%. The City of Hyattsville, Maryland had a similar maturity in its $16.9 million non-rated special obligation refunding deal for University Town Center that sold with a coupon of 5.00% to yield 4.64%. Miami-Dade County Industrial Development Authority sold $24.7 million of BB rated bonds for ASPIRA of Florida that included a 2051 term maturity priced at par to yield 6.00%. The Virgin Islands Water and Power Authority had a $33.9 million sale of non-rated bond anticipation notes due in 2018 that priced at 5.50% to yield 5.75%. The Bucks County Industrial Development Authority in Pennsylvania issued $28.2 million of BBB-minus rated revenue bonds for the School Lane Charter School, featuring 2046 term bonds priced at 5.125% to yield 4.85%. The New Hope Cultural Education Facilities Finance Corporation had a $15 million BB+ rated issue for East Grand Preparatory Academy with 2051 term bonds priced at par to yield 5.50%. And the Pima County Industrial Development Authority in Arizona brought a $10 million non-rated, thirty-year bond issue for Academy Del Sol that priced at par to yield 7.00%.

There are only about 20 trading days left in the year. At this writing, the 10-year AAA municipal general obligation bond yield stands at 2.40%, a whopping 67 basis points higher than where it began the month. The 30-year muni benchmark yield is 3.13%, 57 basis points above the level on November 1. The 10-and 30-year Treasury yields have not swung as widely. The 10-year is now yielding 2.31%, up 49 basis points on the month. The 30-year yields 2.96%, up 39 basis points so far in November. Current 30-year sovereign bond yields stand as follows: Mexico, 5.44%; Italy, 2.99%; the United Kingdom, 2.00%; France, 1.50%; Germany, 0.86%; and Japan, 0.54%. Ahead of the high-drama Organization of Petroleum Exporting Countries meeting on Wednesday, oil prices are down $1.52 on the month to $45.15 a barrel. And the Chicago Board Options Exchange Volatility Index, commonly referred to as the “fear gauge”, is at 12.75, hovering around the low point for the month and the year.

From Seed Money to Investment Grade Rating, Sims Finances Cadbury at Lewes

"As has always been our experience with the firm, HJ Sims provided the most thorough, comprehensive guidance for refinancing our bonds. Achieving an investment grade rating within 10 years of opening our community enabled us to obtain maximum debt service savings at the most efficient cost and effective interest rates. We remain loyal clients!"

– Arnold Weiner, Chief Financial Officer, Cadbury Senior Services

Partnered Right	• Cadbury at Lewes, Inc. is a Life Plan Community located in Lewes, Delaware, less than 2 miles from the Atlantic Ocean and Delaware Bay. • A member of Cadbury Senior Lifestyles, a not-for-profit Quaker guided organization with 35 years of experience providing care and services to seniors both in communities and their homes. • HJ Sims provided seed capital for the community's development and underwrote the initial bond issue in 2006.
Structured Right	• The board of directors did not want to extend the maturity of the existing bonds or increase the amount of debt. • HJ Sims worked with Cadbury management on effectively communicating the financial strengths of the organization in order to achieve a BBB rating with a Stable outlook from Fitch Ratings within 10 years of the community's opening.
Executed Right	• HJ Sims sold $17.6 million in bonds to both institutional and individual investors at interest rates closely in line with management's initial expectations despite less than optimal market conditions. • The bonds were structured with a first call date of seven years as compared to the industry norm of 10 years.
Financed Right	• The 2016 bonds generated annual debt service savings of approximately $200,000 for a net present value savings of $2.4 million, equal to over 12% of the refinanced bonds.

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From Seed Money to Investment Grade Rating

Cont. from Page 3

Partnered Right

Cadbury at Lewes, Inc. is a Life Plan Community consisting of 82 independent living apartments, 48 independent living cottages, 45 assisted living bed (including 15 memory care beds), 40 nursing beds, a community center and a wellness center, located in Lewes, Delaware, less than 2 miles from the Atlantic Ocean and Delaware Bay. The community opened in 2007, and the skilled nursing center enjoys a 5 star rating.

Cadbury at Lewes is a member of Cadbury Senior Lifestyles, a not-for-profit Quaker guided organization with 35 years of experience providing care and services to seniors both in communities and their homes.

HJ Sims has had the privilege of working with Cadbury since its inception by providing seed capital for its development and underwrote the initial bond issue in 2006.

Structured Right

Being a conservative organization, the board of directors did not want to extend the maturity of the existing bonds or increase the amount of debt. As such, any debt service savings would need to be accomplished by obtaining the lowest possible interest rates on the new bonds. HJ Sims worked with Cadbury management on effectively communicating the financial strengths of the organization in order to achieve a BBB rating with a Stable outlook from Fitch Ratings within 10 years of the community's opening. This expanded the universe of potential investors significantly to position the new bond offering for optimal results.

Executed Right

After several years of historically low interest rates, market conditions began to change in October when the bond issue was brought to market. Despite the headwinds, HJ Sims sold $17.6 million in bonds to both institutional and individual investors at interest rates closely in line with management's initial expectations. In addition, HJ Sims structured the bonds with a first call date of seven years as compared to the industry norm of 10 years.

Financed Right

The 2016 bonds generated annual debt service savings of approximately $200,000 for a net present value savings of $2.4 million, equal to over 12% of the refinanced bonds.

For more information on how Cadbury at Lewes 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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