February 14, 2017

CAPITAL MARKET UPDATE

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HJ SIMS FINANCED RIGHT®

Member FINRA/SIPC

Senior Living New Issue Rates as of 2/14/17

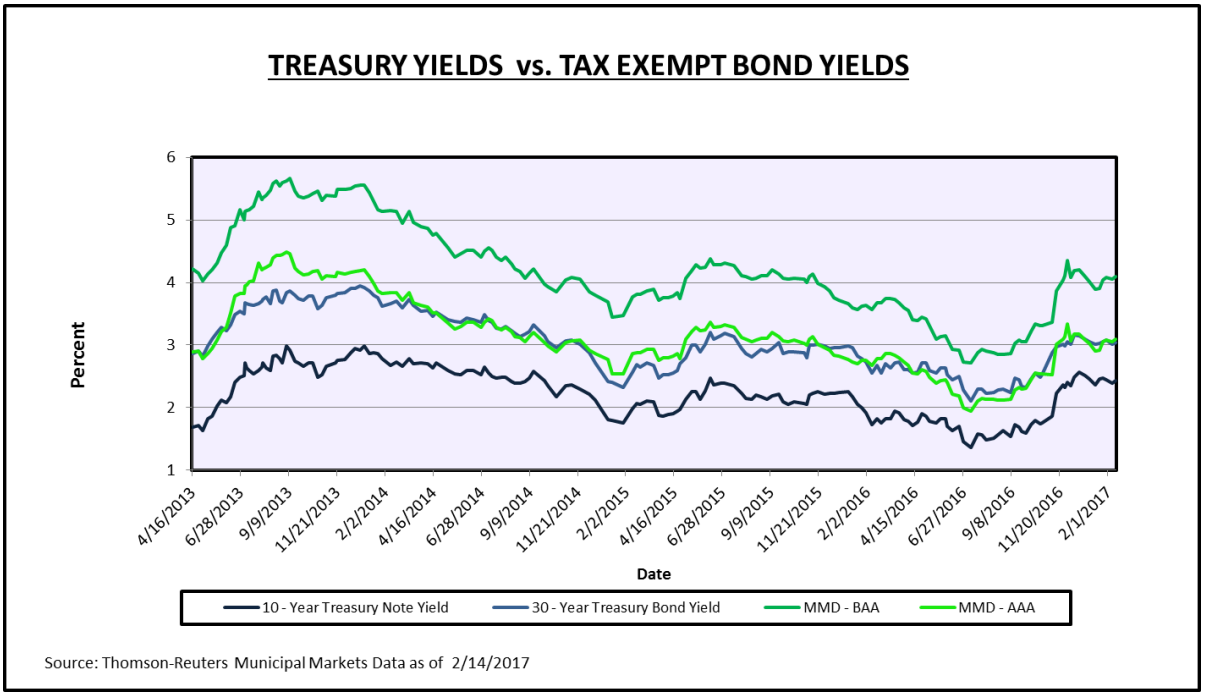
Maturity	Taxable Rates	Tax Free Rates					
	GNMA Taxable	FHA Tax-Exempt	A	BBB	BB	Refinancing & Expansion	Start-Up
5 yr.	NA	1.890%	2.500%	3.000%	3.30%	3.00-3.60%	4.00-4.50%
10 yr.	NA	2.760%	3.350%	3.750%	4.20%	4.00-4.40%	4.75-5.25%
20 yr.	NA	3.590%	4.250%	4.450%	5.00%	4.75-5.25%	5.50-6.00%
30 yr.	3.520%	3.830%	4.350%	4.650%	5.15%	5.00-5.50%	6.00-6.75%

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

SIFMA Index	LIBOR
0.65%	0.775%

Revenue Bond Index (RBI)	10 Year Treasury	30 Year Treasury
4.03%	2.4720%	3.0610%

	1 Year	3 Year	5 Year	7 Year	10 Year
Weekly SIFMA Swap Rates	0.91%	1.25%	2.47%	1.63%	1.79%
Weekly LIBOR Swap Rates	1.27%	1.72%	2.00%	2.19%	2.37%



Market Commentary

Pitchers and catchers start reporting for Spring Training in Arizona and Florida this week, and it is a welcome sight for fans weary of winter. As we await the first official balls and strikes to be thrown on April 2, we fall back on some of our favorite American winter pastime spectator sports. Fans of the University of Connecticut's Lady Huskies applaud the basketball team for stretching its record-setting winning streak to 100 games. And the 141st Westminster Kennel Club Dog Show is tickling hearts once again this week at Madison Square Garden.

Last week saw heavy snowfall in the Northeast and the evacuation of nearly 200,000 people in the area near Oroville Dam in northern California. Three new Cabinet secretaries were confirmed by the U.S. Senate. Fed Governor Daniel Tarullo announced his resignation from the seven-member board, making a third seat available for appointment by the president. Mexican spirits-maker Jose Cuervo took advantage of the animal spirits in the investment world and raised more than $912 million in its initial public offering. During a U.S. rally, the Dow Jones Industrial Average rocketed to two consecutive record highs and finished the week up 197 points at 20,269. The S&P 500 Index rose more than 18 points to 2,316. Oil was up three cents to $53.86, and bonds rallied as well. 10-year Treasury yields dropped 6 basis points to finish the week at 2.40% and the 30-year performance was even stronger as yields fell from 3.09% to 3.00%. The 10-year municipal AAA general obligation yield fell 3 basis points to 2.30%, and the 30-year benchmark dipped 2 basis points to close at 3.07%.

$7 billion of new municipal issues came to market in the week ended February 10, and municipal bond funds saw healthy inflows of $1.9 billion. In the high yield sector, the City of Cold Spring, Minnesota issued $7.3 million of non-rated refunding bonds for Assumption Home; 2038 term bonds were priced at par to yield 4.70%. Orange Regional Medical Center in New York borrowed $237.1 million in a Baa3 rated state Dormitory Authority financing; bonds due in 2037 sold with a coupon of 5.00% to yield 4.38%. Doctors Community Hospital brought $64.1 million Baa3 rated deal through the Maryland Health and Higher Educational Facilities Authority, and its 2038 term bonds priced with a coupon of 5.00% to yield 4.32%. The Miami World Center Community Development District in Florida issued $74 million of non-rated, special assessment bonds featuring 2049 term bonds priced at 5.25% to yield 5.35%. The New Jersey Economic Development Authority brought a $43.7 million BBB-minus rated student housing project financing for Kean University that included 2050 term bonds priced at 5.00% to yield 4.65%. And we saw four charter school financings: the Industrial Development Authority of Pima County, Arizona had an $11.2 million non-rated deal for Champion Schools that came with 30-year term bonds priced at par to yield 6.125%; and Rocketship Education brought three non-rated deals through issuers in Tennessee, California and Wisconsin totaling $42 million with a maximum yield of 5.375% in 2052.

This week, HJ Sims is in the market with a $17.5 million non-rated refunding for the Canton Housing Authority and Provident Village at Canton Cove, Georgia. The $5.6 billion calendar also includes a $126.6 million BB rated retirement community revenue bond refunding for Aberdeen Heights in Kirkwood, Missouri and a $14.6 million non-rated Tomoka Community Development District of Florida special assessment issue. In Washington, a new Treasury Secretary and Secretary of Veterans Affairs have been sworn in, and Federal Reserve Chair Janet Yellen is testifying before the Senate and House banking committees, dropping the bar for raising rates to low limbo height and guaranteeing a wide audience for the next Fed meeting on March 14. In Austin, final preparations are underway for the 14th annual Sims Late Winter Conference on senior living financing methods and operating strategies. We have attention-grabbing, information-packed sessions planned as well as a variety of activities designed to showcase the capital of The Lone Star State and look forward to seeing you in two weeks.

Acquisition Financing Expands 110-Year-Old Senior Living Organization

"I highly recommend Aaron Rulnick for his critical thinking, strategic nature, and willingness to advocate for what is in the best interest of the client. He has a long term view – focused on a long term relationship – and was instrumental in getting the financing done in a very short timeframe."

– Adriene Iverson, President and Chief Executive Officer, Elder Care Alliance

Financed Right®

Elder Care Alliance ("ECA") is a non-profit organization based in Alameda, California that has served seniors and their families throughout California for the last 110 years. The mission of ECA is to enrich the holistic wellness of older adults through education, innovation and a network of professionals. ECA's communities offer a variety of services, including assisted living, memory care, skilled nursing and independent living. In 2016, HJ Sims ("Sims") was engaged in an advisory capacity to assist in formulating the ECA Growth Initiative, a long-term plan focused on achieving organizational expansion through strategic acquisitions.

For its inaugural purchase, ECA targeted The Villa at San Mateo ("VSM"), a 135-unit independent living community located on a 4.5-acre campus 20 miles south of San Francisco and 15 miles north of Palo Alto. Originally constructed in 1957 as the Villa Hotel, VSM was converted to apartments in 2006 and currently consists of one- and two-bedroom apartment homes averaging approximately 755 square feet. Acacia Capital purchased the asset in July of 2010 and had remained owner of the property in 2016. Although the acquisition of this multi-family facility was outside of ECA's core acquisition strategy, as an active-living community in the thriving San Francisco Bay Area, the VSM addition was viewed as a valuable opportunity to expand the organization and better fulfill its mission.

With an acquisition target in place, Sims worked closely with ECA and its Real Estate Consultant, Rockwood Pacific, to carefully evaluate financing alternatives. Initially, Sims held discussions with several national and regional commercial lending institutions to assess the viability of non-recourse bank acquisition financing. While this funding vehicle offered competitive interest rates, the lower loan-to-value constraints and greater ECA financial guarantees required by banks proved highly onerous and cost-prohibitive. As such, Sims and the financing team still faced the challenge of securing low-cost financing with competitive terms while achieving ECA's objective of completing the acquisition financing by the end of calendar year 2016. Ultimately, Sims served as ECA's financial advisor to secure a Fannie Mae loan, which afforded ECA with non-recourse debt featuring flexible loan terms, competitive pricing, reduced issuance costs and an expeditious execution process.

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Acquisition Financing

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Working with ECA, Rockwood Financial and Fannie Mae program lender CBRE, Sims assisted in the structuring of a $46.5 million acquisition of VSM, funded through a $30.4 million debt financing and $16.1 million equity contribution. Sims played an integral role in affording ECA with a streamlined transaction execution process. Despite a highly compressed timetable, ECA was able to successfully close the VSM acquisition financing on December 30, 2016, in advance of the 2017 deadline. Including this transaction, ECA currently serves approximately 660 residents on five campuses across California.

For more information on how ECA was Financed Right® by HJ Sims, please contact Aaron Rulnick at 301-424-9135 or arulnick@hjsims.com.

For more information, please contact an HJ Sims banker.

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