CAPITAL MARKET UPDATE

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Senior Living New Issue Rates as of 3/28/17

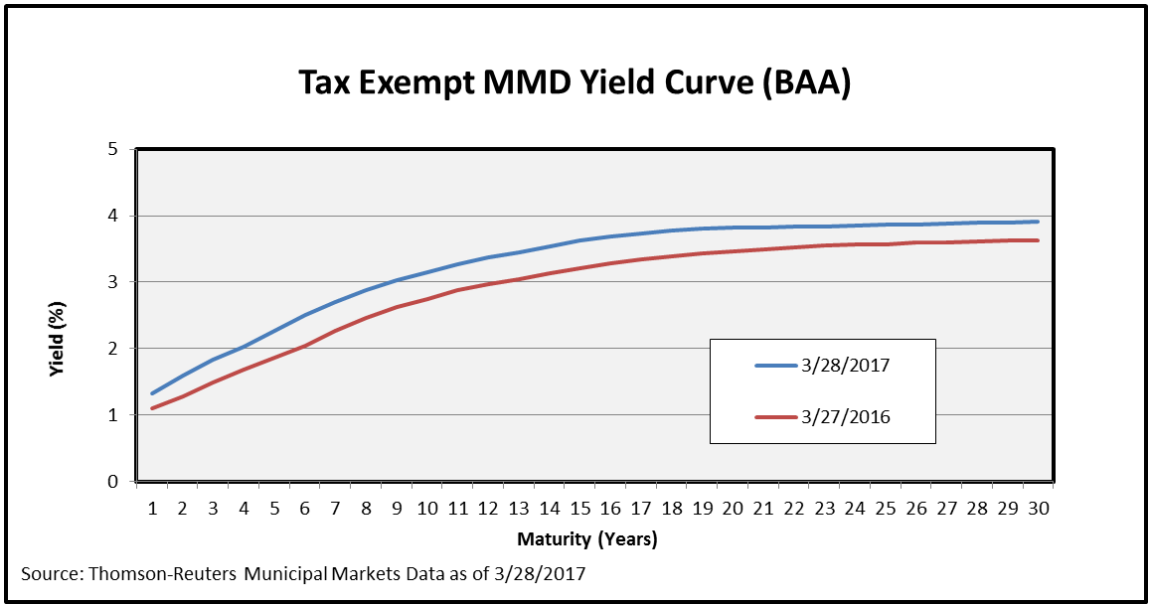
Maturity	Taxable Rates	Tax Free Rates					
	GNMA Taxable	FHA Tax-Exempt	A	BBB	BB	Refinancing & Expansion	Start-Up
5 yr.	NA	1.770%	2.300%	2.700%	3.00%	3.00-3.60%	4.00-4.50%
10 yr.	NA	2.610%	3.300%	3.500%	3.85%	4.00-4.40%	4.75-5.25%
20 yr.	NA	3.430%	4.150%	4.350%	4.85%	4.75-5.25%	5.50-6.00%
30 yr.	3.680%	3.680%	4.250%	4.450%	5.00%	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
0.79%	0.98%

Revenue Bond Index (RBI)	10 Year Treasury	30 Year Treasury
4.08%	2.4000%	3.0170%

	1 Year	3 Year	5 Year	7 Year	10 Year
Weekly SIFMA Swap Rates	1.00%	1.33%	1.54%	1.70%	1.85%
Weekly LIBOR Swap Rates	1.37%	1.78%	2.03%	2.19%	2.35%



Market Commentary

College basketball fans from Florida to Oregon and Palo Alto to Storrs were on the edge of their seats last week during the NCAA's Sweet 16 and Elite 8 tournaments. Investors meanwhile stood transfixed by the contest for votes on healthcare reform in Washington. Clear winners emerged from the young cagers, and the Final Four are set to play this week. But the dramatic arm-twisting in the House Republican cloakroom failed to produce enough rebound votes to secure passage of the American Health Care Act, so the Speaker pulled the bill from floor consideration and the President matter-of-factly reported that he was moving on to other arenas. As if that were not enough to occupy the headlines, Judge Neil Gorsuch faced a full court press in hearings on his nomination, and the Chairman of the House Intelligence Committee was tipped off about the incidental eavesdropping of transition team officials late last year. Never a dull moment in our nation's capital.

Vote-counters and statisticians were in their element, and investors had an onslaught of data to consider as well. We learned that the Federal Reserve remitted $91.5 billion in profit to the U.S. Treasury in 2016, approximately $6.2 billion less than the prior year and $500 million less than projected. In addition, we learned that Medicaid now pays for more than 50% of the babies born in 24 states, that a majority in 52 of the largest 100 U.S. cities are now renters instead of homeowners and that 73% of Americans have outstanding debt at the time of their death, averaging $61,554. Of the $15.98 trillion of U.S. Treasury securities outstanding (excluding savings bonds and state and local government series), foreign and international entities comprise the largest category of holders at 38% with $6.096 trillion, down $272 billion from the first half of last year, and the U.S. municipal bond market has grown to $3.8337 trillion, with $1.644 trillion held by individuals and $906.6 billion by mutual funds.

Last week, the muni market advanced again, and tax-exempts outperformed their taxable counterparts. The 10-year AAA general obligation benchmark yield fell by 12 basis points to 2.28%, and the 30-year benchmark dropped 11 basis points to 3.07% as the 10-year and 30-year Treasuries fell 9 basis points to 2.41% and 3.01%, respectively. High yield municipal bond funds took in $223 million of new money, and the $4.4 billion calendar included a number of high yield financings. The Cleveland-Cuyahoga County Port Authority brought a $48.3 million non-rated deal for the Pinecrest public improvement project with 7.00% bonds maturing in 2048 priced to yield 7.16%. The Tulsa County Industrial Authority sold $106.4 million of BBB-minus rated refunding bonds for the Montereau retirement community structured with 2045 term bonds priced at 5.25% to yield 4.76%. The Washington Housing Finance Commission issued $25 million of non-rated bonds for Wesley Homes at Des Moines priced at par to yield 6.10% in 2049. The Utah Charter School Finance Authority sold $8.7 million of non-rated bonds for Voyage Academy that included 30-year term bonds priced at par to yield 5.60%. In Colorado, three metropolitan districts were in the market with non-rated 30-year term bonds priced with a 5.25% coupon to yield 5.30%, 5.35%, and with a 6.50% coupon at par. In addition, the state's Educational and Cultural Facilities Authority brought a $13.5 million 5.00% non-rated charter school revenue bond issue for Prospect Ridge Academy due in 2023 priced at par.

This week, HJ Sims is in the market with a $102.9 million BB+ rated refunding for the Lancaster County Hospital Authority and Brethren Village in Manheim Township, Pennsylvania. The $5.6 billion calendar also includes a $67 million non-rated Prince George's County, Maryland financing for Collington Episcopal Life Care Community; a $54.5 million Ba2 rated California Public Finance Authority student housing project financing for Claremont Graduate Colleges; a $24.5 million non-rated Housing Authority of Albany, Georgia transaction for Albany/Warner Robins Multifamily Housing facilities; and a $20.6 million non-rated tax increment and special district revenue bond issue of the Industrial Development Authority of Rolla, Missouri for the Westside Marketplace Redevelopment. The 30-day visible supply of municipal bonds totals $12 billion.

Forward Starting Swap and Bank Bonds Allow Vicar's Landing to Lock In Savings

"We are very pleased with how this forward swap and refinancing worked out. With great, long-term partners like H.J. Sims, we are able to work creatively to achieve long-term goals. The savings going forward will help us to better serve our residents and meet our mission."

-Bruce Jones, CEO, LCPS Management

Partnered Right	• Vicar's Landing: 'BBB' rated Life Plan Community in Ponte Vedra Beach, FL • Outstanding Series 2007 bonds that were not advance refundable • Existing commercial bank relationship with Series 2014 bondholder
Structured Right	• Sought to reduce overall debt service • Determined additional bank financing would produce greatest savings and allow for early commitment of future refunding
Executed Right	• Two-part closing requiring upfront issuer approval • Swap unsecured until effective date • 7 year swap cancellation option, coinciding with put date on Series 2014 debt
Financed Right®	• Net Present Value savings of $2 million, and initial annual savings of $880,000 • Additional savings of $312,000 by locking into swap six months in advance • Maintained existing covenants

Partnered Right

Vicar's Landing, located in the seaside community of Ponte Vedra Beach, FL, is a Life Plan Community consisting of 227 independent living units, 38 assisted living units and 60 skilled nursing beds. In operation since 1988, Vicar's Landing has experienced strong independent living occupancy in excess of 95% for the last several years. HJ Sims has served as Vicar's Landing's investment bank since the community's inception.

The community just completed a major renovation of its main common areas and the exteriors of all independent living buildings, which was funded with a Series 2014 direct bank bond issuance. In September 2015, Sims began to survey possible refinancing solutions for Vicar's outstanding Series 2007 Bonds. The Series 2007 Bonds were not eligible for an advance refunding as the bonds had repaid Vicar's Landing's Series 1993 bonds, which were used to advance refund its original Series 1987 bonds.

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Forward Starting Swap and Bank Bonds

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Structured Right

Vicar's Landing's sought to reduce its overall debt service but was exposed to interest rate risk since a current refunding could not occur for more than a year. Vicar's Landing and HJ Sims determined that the best option would be to seek a proposal from the community's existing commercial banking partner, to see if they would commit in advance to refinance the Series 2007 bonds at the earliest date possible, 90 days prior to the optional redemption date.

Executed Right

HJ Sims and Vicar's Landing worked with the commercial bank to receive a commitment letter in January 2016. The two-part closing process included first the execution of a forward starting swap in May 2016; in advance of this, Sims needed to get the entire transaction approved with the conduit issuer.

The swap went into effect on the closing date, November 17, 2016, which was also when the escrow was funded for the current refunding of the Series 2007 Bonds. The forward starting swap was required to be issued on an unsecured basis until the actual closing since a secured swap would have required bondholder approval.

Financed Right®

As a result of the financing, Vicar's Landing was able to achieve the following objectives:

Lock in interest rate despite limitations imposed by prior Bond Issues: By executing the forward starting swap in May 2016, Vicar's Landing was able to lock in a 2.76% interest rate for 10 years versus the 5% interest rate on its Series 2007 Bonds. The ability to receive a bank commitment allowed Vicar's to take future interest rate and capital risk off of the table and saved a net present value of $2 million.

Reduce Overall Debt Service: Vicar's was able to reduce its annual debt service by approximately $880,000 a year over the next 10 years. Since it was able to execute the forward starting swap, an additional $312,000 of savings was realized versus where swaps rates were in November 2016 after the election. The additional savings also allowed Vicar's to utilize $1.2 million of bond proceeds for capital improvements.

Maintain Financial Flexibility*:* The forward starting swap rate also included a 7 year cancellation clause so that Vicar's Landing could maintain the option refinance the Series 2014 and Series 2016 bonds together when the mandatory tender for the Series 2014 bonds would occur in January 2024. The 2016 refinancing was also issued a refunding indebtedness under its 2007 indenture so that all covenants were maintained.

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For more information, please contact an HJ Sims banker.

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