

CAPITAL MARKET UPDATE

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Senior Living New Issue Rates as of 4/11/17

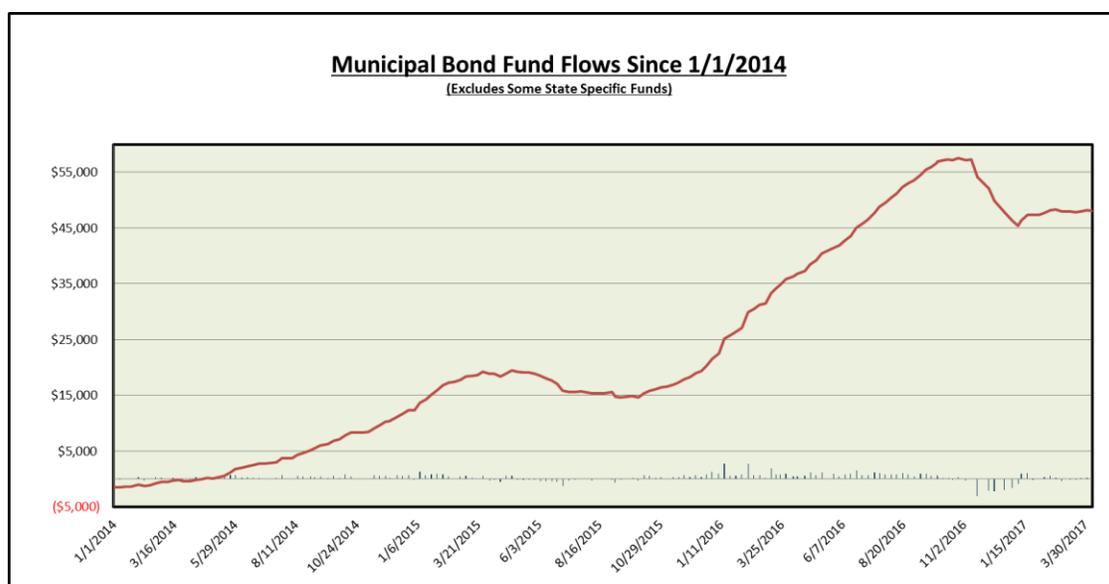
Maturity	Taxable Rates	Tax Free Rates					
	GNMA Taxable	FHA Tax-Exempt	A	BBB	BB	Refinancing & Expansion	Start-Up
5 yr.	NA	1.700%	2.200%	2.600%	2.85%	3.00-3.55%	4.00-4.50%
10 yr.	NA	2.530%	3.200%	3.400%	3.70%	4.00-4.35%	4.75-5.25%
20 yr.	NA	3.350%	4.050%	4.250%	4.70%	4.75-5.20%	5.50-6.00%
30 yr.	3.600%	3.590%	4.150%	4.350%	4.85%	5.00-5.45%	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
0.88%	0.98%

Revenue Bond Index (RBI)	10 Year Treasury	30 Year Treasury
4.00%	2.2820%	2.9220%

	1 Year	3 Year	5 Year	7 Year	10 Year
Weekly SIFMA Swap Rates	1.01%	1.31%	1.52%	1.68%	1.84%
Weekly LIBOR Swap Rates	1.39%	1.76%	1.99%	2.16%	2.33%



Market Commentary

Images of the Syrian villagers went viral, as did film of the aftermath of the terror attack in Stockholm and the suicide bombing in northern Egypt. Our world is never a quiet place, but it felt particularly unsettled as we sent the USS Carl Vinson and its battle group to the Korean Peninsula while Russia sent the cruise missile frigate *Admiral Grigorovich* to join its battle group in the Mediterranean. Despite international events last week, U.S. financial markets were not roiled. The needle on the Chicago Board Options Exchange SPX Volatility Index, better known as the fear index, barely moved and closed the week at 12.87. Stocks were range-bound, finishing just below flat, and oil prices rose slightly to \$52.24 a barrel. The CBOE 10-year Treasury Volatility Index inched up a bit to 5.08, but there was no major rush to safety. 10- and 30-year Treasury yields finished flat on the week at 2.38% and 3.00% respectively.

Municipal bonds, on the other hand, rallied in a world of their own. HJ Sims underwrote a \$6.6 million financing for Harambee Institute of Science and Technology Charter School structured with non-rated bonds issued by the Philadelphia Authority for Industrial Development. Also in the high yield sector, the Public Finance Authority of Wisconsin issued \$175 million of BB rated revenue and refunding bonds for Mary's Wood at Marylhurst in Lake Oswego, Oregon that featured 35-year term bonds priced with a coupon of 5.25% to yield 4.95%. The Authority also sold \$67.3 million of non-rated revenue bonds for Delray Beach Radiation Therapy Center in Florida, which priced at par to yield 6.85%. The 10- and 30-year AAA general obligation benchmarks both ended the first week of April stronger by 8 basis points, finishing at 2.17% and 2.97% respectively.

Geopolitical tensions kept markets from being overly fixated on the details of the March Federal Open Market Committee meeting. The minutes reflected a stubborn insistence on three hikes this year and revealed a new interest in starting to normalize, or reduce, the \$4.2 trillion balance sheet. More attention was paid to Sergio Garcia and The Masters golf tournament than to the New York Fed President's comments on Dodd-Frank and the Volker Rule or the Labor Department and its report that a mere 98,000 jobs were added in March. During this holiday-shortened week, the G-7 meets, the first few quarterly earnings come out, the first round of the French elections draws closer and the tax deadline is six days away. Members of Congress are back in their districts getting an earful on legislative priorities. Authority for government spending will soon run out on the 100th day of the new administration, the FY17 budget deficit has crept up to \$400 billion and the Fed just announced that total household debt is nearly as high as it was in 2008 at \$12.58 trillion.

On a smaller scale, we expect a \$5.69 billion municipal calendar that will include a \$75.1 million BB+ rated American Charter Schools Foundation refunding, a \$67.5 million non-rated transaction for Immanuel Lutheran Communities in Kalispell, Montana, a \$30 million non-rated refunding for Montgomery Place in Chicago, a \$27 million BBB-minus rated student housing refunding for Pacific University in Forest Grove, Oregon and a \$15.8 million BB rated deal for Odyssey Charter Schools in Palm Bay, Florida.

The holidays are upon us, and markets are closed on Friday. All of us at HJ Sims wish you a Happy Passover and Happy Easter.

Sims Restructures and Refinances Community's Debt



“Working for a beautiful and once financially troubled community in upstate New York, our senior management sought professional advice from experts in senior living finance. Our search quickly led us to HJ Sims.

HJ Sims and Andrew Nesi became the ideal partner to assist us in our serious predicament. The relationship with Sims began with them fostering hope and presented us with a direct path to a new financing. Andrew engendered confidence for all the success we had achieved in the previous three years and how best to parlay that success into refinancing our debt.

Andrew approached our negotiation with an unusual combination of tenacity and patience. He possesses an intrinsic knowledge of timing on communications between all parties. On behalf of our organization and representing Sims, Andrew exhibited a precise balance, applying pressure without the appearance of desperation or lack of options. His guidance in how to follow through on our strategy for the best outcome was invaluable. We were very impressed by the clear industry insights and his awareness of motivations of the financial institutions on both sides.

If we experienced a setback, our determination was reignited by Andrew who demonstrated a perseverance and faith in the best possible outcome for our community. Ultimately he negotiated a deal that achieved our primary objectives. We are now positioned to move forward, prosper and tell a story that we can be so proud of. Our residents have a renewed validation of their decision to invest and live with us.

It has been a privilege to partner with Sims and the relationship, trust and advice they provided over this period will be very much missed by our entire organization.”

– Meg Cardamone, Executive Director Preswick Glen

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Sims Restructures and Refinances

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Partnered Right	<ul style="list-style-type: none"> • Opened in 2007 Preswick Glen is a 124 unit independent living community on the campus of Presbyterian Homes & Services in New Hartford, New York. • Residents may pay an Entrance Fee upon move in or opt for a monthly rental option. The community offers a wide variety of services and activities with health care available at the contiguously located Presbyterian Home. • Client of HJ Sims since 2014.
Structured Right	<ul style="list-style-type: none"> • In 2006 Preswick Glen issued approximately \$38.5 million in tax exempt bonds supported by a bank letter of credit and a construction loan with proceeds used to construct the new community. • Economic and real estate challenges beginning in 2008 resulted in significant operating losses and debt covenant violations. Furthermore, shortly after opening, a change in local government led to the revocation of a prior property tax agreement resulting in a more than ten-fold increase in property taxes. • Preswick Glen negotiated a debt restructuring in 2012 which significantly reduced the annual debt service without forgiving any debt. The agreement required the debt to be refinanced by May 2017.
Executed Right	<ul style="list-style-type: none"> • Management's dedication and commitment raised occupancy from 69% in 2010 to full occupancy today. • Improved financial performance created an opportunity to place \$8.5 million in new tax exempt bonds with a large regional bank. • Existing bank agreed to forgive approximately 75% of the outstanding debt.
Financed Right®	<ul style="list-style-type: none"> • Bonds were placed for 5 year period. • Initial floating rate of 2.95%.

Partnered Right

Preswick Glen is a 124 unit independent living community and an integral part of the Presbyterian Homes & Services' campus in New Hartford, New York. The community opened in 2007 and complements the assisted living, skilled nursing, rehabilitation, adult day care and affordable housing services provided elsewhere on the campus.

Residents moving into Preswick Glen have several options and can choose to either pay a one-time Entrance Fee with several refund options and an ongoing Monthly Service Fee or opt for a rental arrangement whereby no Entrance Fee is paid but a higher Monthly Service Fee is required. There is no pre-paid or subsidized health care benefit, although residents have access to the services nearby.

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Sims Restructures and Refinances

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Structured Right

In 2006, Preswick Glen issued \$38.5 million in a combination of variable rate tax exempt bonds supported by a bank letter of credit and a taxable construction loan with the same bank. Proceeds were used to construct the new community. Initial entrance fees from residents were to be used to repay the construction loan.

The community opened in 2007 as the country was entering the Great Recession. The New Hartford, NY real estate market was especially hard hit, and the local economy began to struggle. As a result, the forecasted operating and occupancy targets were not met, which led to covenant violations.

Compounding the challenge was a revocation of Preswick Glen's PILOT agreement when there was a turnover in local government. Preswick Glen litigated the matter for several years but ultimately agreed to accept a property tax assessment with a more than ten-fold increase in the annual tax expense. This increase cut operating income by one-third, making the existing debt load unsustainable.

In 2012 Preswick Glen negotiated a debt restructuring that apportioned the existing \$32 million in debt into several tranches with tiered priority as to debt service and excess cash flow recapture. The agreement was set to expire in May 2017.

Executed Right

HJ Sims was engaged to seek banks to refinance the debt. A tremendous effort and commitment by management dramatically improved Preswick Glen's financial profile. Occupancy increased from 69% in 2011 to full occupancy by 2014, where it has remained. This occurred despite a local economy that has not fully recovered.

A large regional bank provided a term sheet in the spring of 2015 that reflected the operating performance of the community. Unfortunately, the repayment to the original lender was insufficient, and the offer was rejected. For the next year, management made some difficult decisions to reduce expenses further and increased cash flow accordingly. Preswick Glen was fortunate that the local bank saw the value of the community and agreed to increase its commitment.

HJ Sims negotiated with the regional bank and the original lender to secure an agreement whereby the original lender would accept \$8.5 million in full satisfaction of the existing \$32 million debt, representing an approximate 75% write off.

Financed Right®

On March 31, 2017 the new tax exempt bond issue closed with an initial floating interest rate of 2.95%. The local bank agreed to hold the new bonds for a five-year period.

For more information on how Preswick Glen 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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