

CAPITAL MARKET UPDATE

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Senior Living New Issue Rates as of 4/25/17

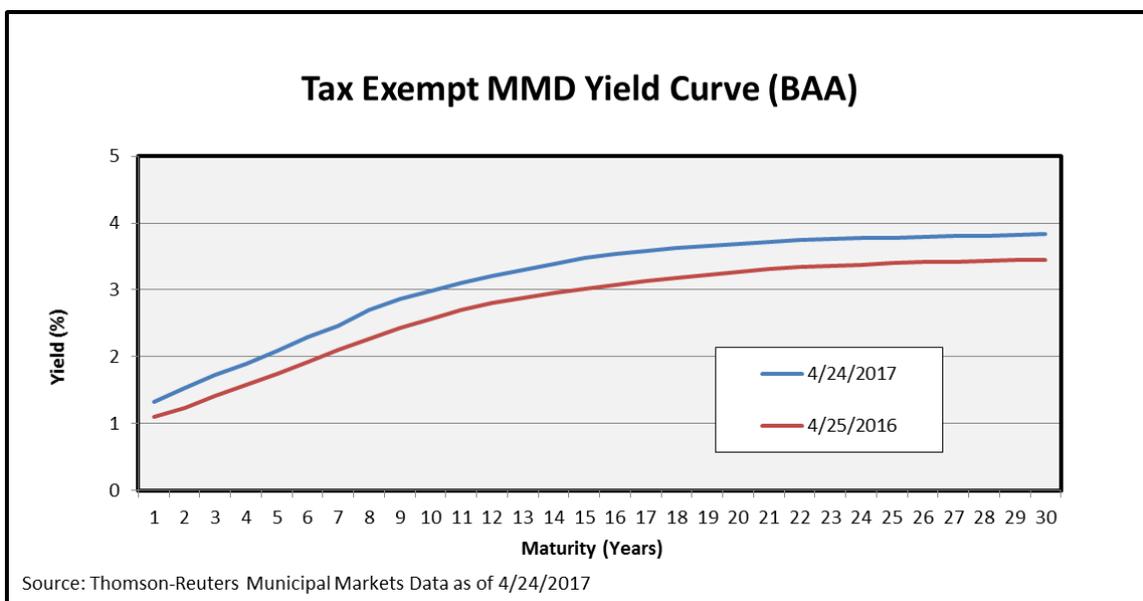
Maturity	Taxable Rates	Tax Free Rates					
	GNMA Taxable	FHA Tax-Exempt	A	BBB	BB	Refinancing & Expansion	Start-Up
5 yr.	NA	1.620%	2.250%	2.550%	2.85%	3.00-3.55%	4.00-4.50%
10 yr.	NA	2.440%	3.250%	3.450%	3.75%	4.00-4.35%	4.75-5.25%
20 yr.	NA	3.280%	4.050%	4.300%	4.75%	4.75-5.20%	5.50-6.00%
30 yr.	3.730%	3.540%	4.200%	4.400%	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
0.92%	0.99%

Revenue Bond Index (RBI)	10 Year Treasury	30 Year Treasury
3.91%	2.3360%	2.9910%

	1 Year	3 Year	5 Year	7 Year	10 Year
Weekly SIFMA Swap Rates	1.01%	1.27%	1.45%	1.60%	1.75%
Weekly LIBOR Swap Rates	1.39%	1.72%	1.94%	2.09%	2.25%



Market Commentary

The Nasdaq traded at record highs over 6,000 this week in a bullish response to the marquee vote held in France on Sunday, recent corporate earnings reports and huge expectations for the tax reform package being delivered from the White House. Despite the historic losses sustained by the two main French political parties, global equities rallied *ensemble* and in relief over the first place finish by Emmanuel Macron of the new *En Marche* movement in the initial round of presidential elections. Relying on polls that failed to reflect the extent of British support for change last year, markets count on Macron to hold onto his wide lead over *populiste* France-first candidate Marine Le Pen in the May 7 runoff and bolster French support for the euro and the European Union. U.S. stocks are also being buoyed by strong quarterly profits being posted by tech as well as industrial giants and in anticipation of the details in the President's plan for reducing corporate and personal income taxes.

Escalating tensions over North Korea, as well as uncertainty over the French election outcome, kept stocks *en garde* last week; but the Treasury Secretary refocused market attention on shiny new prospects for achieving tax reform this year, and *voilà* volatility as measured by the VIX dropped from 15.96 to 14.63, the Dow finished up by more than 94 points and the S&P 500 Index rose 19.74 points. Bonds have retained their *cachet* in the face of explosive growth forecasts and long-posed threats of dire losses in a rising rate environment. The 10- and 30-year Treasury yields ended mostly flat at 2.24% and 2.90% last week but have dropped by 14 basis points and 10 basis points, respectively, on the month. Municipal bonds again outperformed their taxable counterparts with the 10-year AAA benchmark finishing stronger last week by 3 basis points to yield 2.05% and the 30-year better by 1 basis point at 2.90%. Top-rated tax-exempt benchmark yields are still about 35 basis points weaker than where they stood on Election Day 2016, but so far this month the 10-year yield has fallen 20 basis points, and 30-year yields have shed 15 basis points.

Taxpayers making payments just ahead of the filing deadline pulled \$11.2 billion out of money market funds last week, and some of those pocketing refunds added \$290 million to municipal bond funds. For buyers of individual municipal bonds in the primary market, approximately \$5.8 billion of par value was offered. In the high yield sector, the Woodloch Health Facilities Development Corporation sold \$13.7 million of non-rated revenue bonds the Pinnacle Senior Living community in Lufkin, Texas; tax-exempt bonds maturing in 2047 priced at par to yield 7.25%. The City of Lenexa, Kansas brought a \$16.3 million BB+ rated transaction for Lakeview Village structured with two term bonds maturing in 2043 that priced at 5.00% to yield 4.74% and 4.75% to yield 4.85%. The East Central Vermont Telecommunications District issued \$14.5 million of non-rated bonds including a 2040 maturity priced at par to yield 6.125%. The Arizona Industrial Development Authority issued \$73.3 million of BB+ rated revenue and refunding bonds for the American Charter Schools Foundation structured with 30-year term bonds priced at 6.00% to yield 5.88%. Non-rated 2047 term bonds issued by the California School Finance Authority for Kepler Neighborhood School came priced with a coupon of 5.875% to yield 5.95%, while the Clifton Higher Education Finance Corporation had a \$5.2 million non-rated transaction for Coram Deo Academy in Plano, Texas structured with a 30-year maturity priced at par to yield 5.50%. In Florida, the Capital Trust Agency financed \$15.9 million of BB rated revenue bonds for Odyssey Charter School with 2047 term bonds also selling at 5.50%, while the state's Development Finance Corporation sold \$40.8 million of non-rated revenue bonds for Southwest Charter Foundation priced at par to yield 6.125% in 2047.

This week, the Congress is back in session, working on a measure to fund the federal government for some or all of the rest of the fiscal year which ends September 30. The continuing resolution expires at midnight on Friday, and proposals range from clear, straightforward extensions to *a la carte* versions with new money and prohibitions. The appropriations bill originates in the House, but it will require 60 votes in the Senate and a presidential signature to keep things running as of Saturday. Since 1980, there have been twelve periods where the government was not funded. The longest shutdown lasted 21 days, and the most recent was for 16 days in 2013. Certain essential personnel and activities continue during a shutdown, but that would not include the release of economic data by the Labor and Commerce Departments. Among the economic indicators to be released before Friday night: new single family sales, consumer confidence, durable goods and the initial GDP report for the first quarter.

The \$8.3 billion muni calendar this week is expected to include an \$81.3 million non-rated revenue bond issue for West Maui Hospital in Hawaii, a \$20 million BBB-minus rated revenue bonds for Beverly Community Hospital in Montebello, California, a \$43.8 million BB+ rated issue for Collegium Charter School in Exton, Pennsylvania, a \$35.6 million non-rated deal for the Academy for Classical Education in Macon, Georgia and a \$7.4 million non-rated revenue and refunding bond transaction for the Detroit Service Learning Academy.

Sims Mortgage Funding (SMF) Recapitalizes Three Affordable Housing Projects in Minnesota with One HUD-Insured Loan

“We manage two HUD PRAC facilities and one Section 202 project. Our PRACs are 19 and 22 years old and have never been upgraded with new décor. Since borrowing funds to upgrade a PRAC is not an option and there are not enough funds in the Reserve for Replacement accounts, through the advice and expertise of Sims, we were able to refinance our Section 202 and use the proceeds to upgrade all three of our HUD properties with new décor and mechanical upgrades for the tenants’ benefit for years to come. Without Sims leading and directing this process Good Shepherd Homes, Inc. could not have completed this transaction alone. We are so grateful that Sims helped us make the lives of our tenants so much better!”

– Bruce Glanzer, President/CEO, Good Shepherd Community



Partnered Right	<ul style="list-style-type: none"> • Good Shepherd Community needed capital for its three HUD-financed Section 202 communities, but only one project had debt capacity.
Structured Right	<ul style="list-style-type: none"> • SMF developed a refinancing loan based on a market-value underwriting that would generate sufficient loan proceeds to recapitalize all three properties.
Executed Right	<ul style="list-style-type: none"> • The timeframe from submission of the mortgage insurance application to approval was 71 days.
Financed Right®	<ul style="list-style-type: none"> • In addition to recapitalizing three communities, the Sponsor benefits from the transaction by earning a Developer Fee and the release of its Residual Receipts account.

Partnered Right

Sims Mortgage Funding (SMF) recently closed a \$2,358,000 HUD-insured loan for Good Shepherd Apartments, a 58-unit elderly housing community located in Sauk Rapids, MN. The Project was built in 1979 and financed with a Section 202 Direct Loan. All units are covered with a Section 8 Contract. Located on the same campus are two additional Section 202 projects which were financed by HUD under the Capital Advance program. Good Shepherd Community is the common Sponsor.

In addition to the Project, the related communities needed improvements; however, because of their capital structure as “Section 202 PRAC Projects”, they had no viable funding options on their own.



Sims Mortgage Funding (SMF) Recapitalizes

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Structured Right

SMF identified a financing solution based on the Sponsor's dual goals of providing capital for Good Shepherd Apartments and the PRAC communities. A refinancing loan based on a market-value underwriting would generate sufficient loan proceeds to recapitalize Good Shepherd Apartments and provide funding for the other buildings.

SMF originated a \$2,358,000 loan insured under the Section 223(f) program that was processed by the Fort Worth HUD Office under the Multifamily Accelerated Processing (MAP) program. The timeframe from application submission to loan closing was 120 days.

Executed Right

New loan proceeds were used to prepay the Project's Section 202 Direct Loan, fund \$343,600 in an initial deposit to the Reserve Fund for Replacements and establish a repair escrow of \$482,700. The Sponsor also received a 15% Developer Fee that was fully disbursed at closing. Our underwriting also generated enough additional loan proceeds to fund \$594,000 in capital improvements for the PRAC communities. The escrow established at closing for this purpose provided the Sponsor with flexibility in determining the scope of work for each building.

Financed Right®

SMF's financing enabled Good Shepherd Community to recapitalize three affordable communities in a single transaction. In addition, the Sponsor benefits from the transaction by earning a Developer Fee and the release of its Residual Receipts account.

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For more information, please contact an HJ Sims banker.

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