



FINANCED RIGHT®

Member FINRA/SIPC

May 17, 2016

CAPITAL MARKET UPDATE

Tel: 800-HJS-1935

www.hjsims.com

Senior Living New Issue Rates as of 5/17/16

Maturity	Taxable Rates	Tax Free Rates				
	GNMA Taxable	FHA Tax-Exempt	A	BBB	Refinancing & Expansion	Start-Up
5 yr.	NA	1.260%	1.700%	2.050%	2.50-3.10%	3.25-4.00%
10 yr.	NA	2.110%	2.450%	2.750%	3.40-3.75%	4.05-4.90%
20 yr.	NA	3.080%	3.100%	3.400%	4.00-4.375%	4.75-5.65%
30 yr.	3.640%	3.290%	3.300%	3.550%	4.50-4.75%	5.05-5.50%

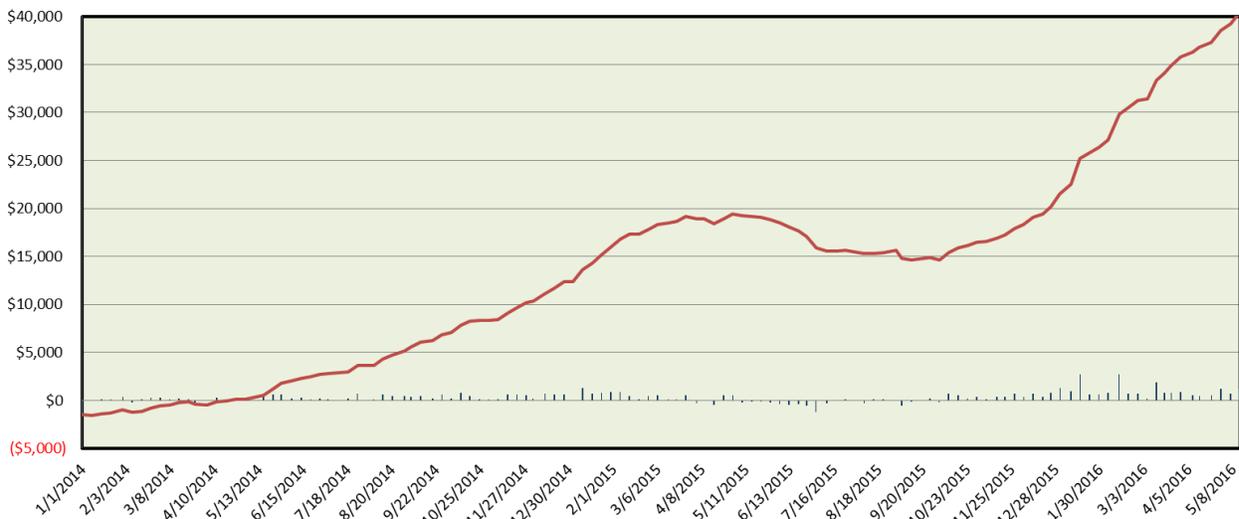
SIFMA Index	LIBOR
0.39%	0.44%

Revenue Bond Index (RBI)	10 Year Treasury	30 Year Treasury
3.54%	1.7500%	2.5950%

	1 Year	3 Year	5 Year	7 Year	10 Year
Weekly SIFMA Swap Rates	0.22%	0.51%	0.75%	0.94%	1.19%
Weekly LIBOR Swap Rates	0.80%	1.04%	1.23%	1.41%	1.64%

Municipal Bond Fund Flows Since 1/1/2014

(Excludes Some State Specific Funds)



Market Commentary

This is the era of drone showrooms, hoverboarding, 3D scanners, Novel Protein Foods, and apps like Yik Yak. Nevertheless, we still see heavy demand for many old, tried and true products like Scotch tape, Band-Aids, Kleenex, Tupperware and municipal bonds. State and local government bond brands happen to have about a 30 minute shelf life right now. They are being grabbed as fast as they are displayed in the over-the-counter market by individuals, funds, and now by foreign banks and pension funds. Across the board, U.S. bond yields are circling historic lows, but overseas investors looking at negative rates on their own sovereign debt are shopping more often these days in the aisles of the muni market. Hungry for income with little appetite for risk, buyers from around the world are filling their carts, lining up at the register and paying top prices to bring our municipal bonds back home.

Foreign buyers also snapped up a significant percentage of 10-year Treasuries at the \$23 billion auction held last Wednesday. The relentless demand is keeping prices in the \$13.4 trillion market near all-time highs. The 10-year Treasury yield, which has averaged 5.25% over the course of the past 30, years now stands at 1.75%. The 30-year Treasury, which hit a high of 10.22% in October of 1987 and a low of 2.22% in January of 2015, now yields 2.58%. Global and U.S. equity funds have experienced \$45.8 billion of withdrawals so far this year, but taxable fixed income funds have brought in a net of \$32.2 billion, and municipal bond funds have seen 32 straight weeks of inflows exceeding \$32 billion, including \$1.98 billion last week.

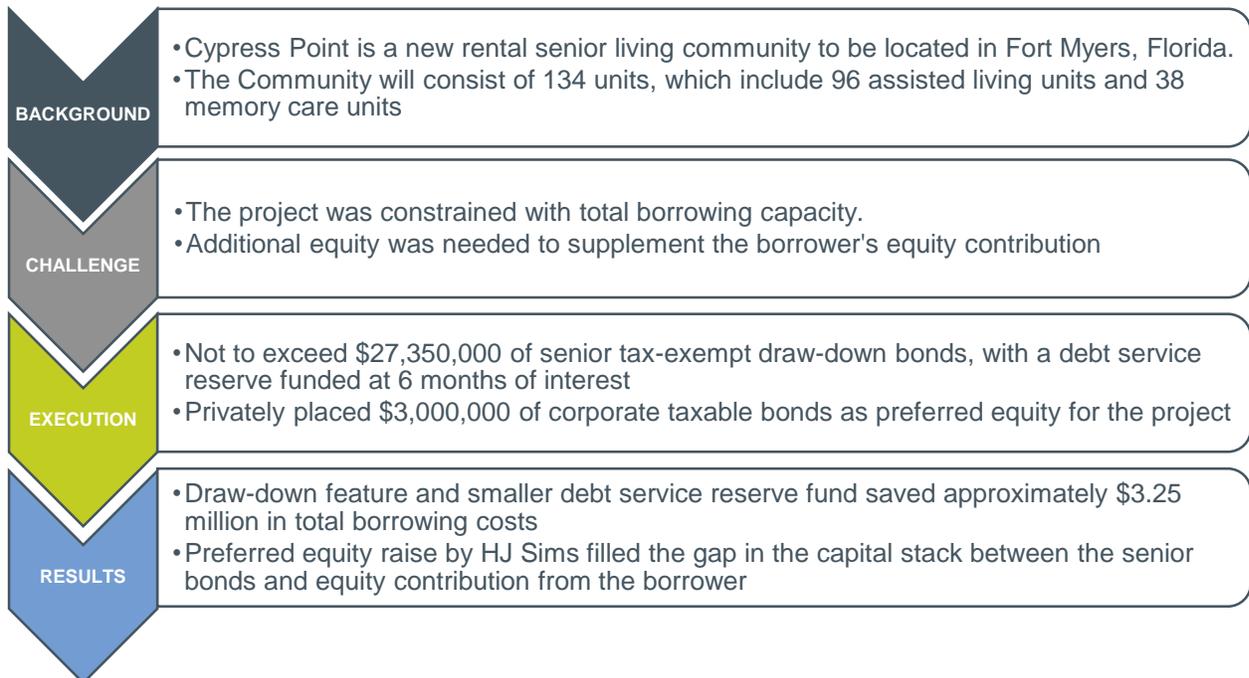
Last week, crude oil futures rose 3.5% to \$46.21 a barrel, the Dow Jones Industrial Average lost 205 points and the S&P 500 Index dropped by 10. Prices on 10- and 30-year Treasuries strengthened by more than 7 basis points, and municipals rallied alongside. 30-year investment grade muni benchmark yields reported some all-time lows; the AAA general obligation bond ended Friday at 2.42%. In the new issue market, the slate totaled \$9 billion. The Phoenix Industrial Development Authority sold \$13.2 million of non-rated education facility revenue bonds for Hope College and Career Readiness Academy priced at 6.35% to yield 6.40% in 2051. The Delaware Economic Development Authority had an \$11.8 million BBB rated revenue refunding bond issue for Newark Charter School, which featured 2046 term bonds priced at 5.00% to yield 3.625% in 2046. The Public Finance Authority of Wisconsin issued \$11.7 million of non-rated education revenue bonds for Envision Science Academy in Raleigh, North Carolina with 30-year term bonds priced at 5.25% to yield 5.375%. And the Bellevue Municipal Building Corporation of Nebraska sold \$7.3 million of non-rated taxable convention center bonds with a final maturity in 2035 that priced at par to yield 5.75%.

In news affecting the \$3.7 trillion municipal bond market this week, Fitch announced that it plans to withdraw its outstanding ratings on all U.S. tobacco asset-backed securities, the Congress again delayed action on a bill to address the debt situation in Puerto Rico and New Jersey lawmakers continue to work on a compromise rescue plan for Atlantic City. The New York Transportation Development Corporation is in the market with a \$2.5 billion Baa3 rated deal that is subject to the alternative minimum tax for LaGuardia Airport's Terminal B redevelopment. Among other deals on the \$11.3 billion calendar, the Delaware County Industrial Development Authority in Pennsylvania has a \$23.4 million BB+ rated financing for Chesterfield Charter School for the Arts. Ham Lake, Minnesota has a \$26 million non-rated issue for DaVinci Academy. The Lehigh County General Purpose Authority is bringing a \$43.7 million A rated transaction for The Good Shepherd Rehabilitation Hospital, its long term care facility and rehabilitation network. Reedley, California has \$10 million of AA-minus rated state mortgage insured certificates of participation financing for Sierra View Homes Retirement Community. And the North East Texas Regional Mobility Authority in Texas has a \$190 million deal which includes \$60.1 million of Baa3 rated subordinate lien revenue bonds. The 30-day visible supply of municipal bonds has increased to \$14.3 billion, but investors are flashing a lot of cash and we continue to see net negative supply, one in which redemptions outpace new issuance, as we head into peak reinvestment season in June and July.

Sims Combines Draw-Down Bonds and Preferred Equity for Start-Up Rental Project



Front Elevation of Cypress Point



Sims Combines Draw-Down Bonds and Preferred Equity

Cont. from Page 3

Partnered Right

Cypress Point is a new construction rental senior living community to be located in Fort Myers, Florida. Once complete, the project will consist of 134 units, which includes 96 assisted living units comprising 102 beds, and 38 memory care units. The project includes the construction of three structures connected by corridors totaling approximately 105,000 square feet on a parcel of approximately five acres. The assisted living portion of the project will be located in three-story building. The memory care community will be a single-story structure containing all private room. The third building, located between the Assisted Living Community and the Memory Care Community, is planned to be connected via interior corridors and will contain the main entry, library, dining rooms, activities areas, exercise area, beauty shop, kitchen and administrative offices.

Cypress Point marks the fourth senior living community owned by Omega Communities, a for-profit company based in Birmingham, Alabama. Omega Communities specializes in the development of faith-based senior living communities in affinity relationships with well-established sponsoring churches. Omega Communities is the majority owner of The Springs of South Biscayne located in North Port, Florida, The Fountains of Hope located in Sarasota, Florida, and River Highlands located in Hoover, Alabama, all of which were financed through HJ Sims.

Structured Right

As is common with start-up projects, Cypress Point was constrained on its total borrowing capacity based on projected future cash flows from the project. Also, additional equity or subordinated debt was needed to make the project more attractive to bond investors on loan to cost basis. HJ Sims worked with Omega to structure an efficient financing to reduce negative arbitrage and total borrowing costs.

Executed Right

HJ Sims was able to place senior tax-exempt bonds issued on a draw-down basis with an institutional investor. By allowing the borrower to draw funds as needed during construction, as opposed to paying interest on the full par amount of the bond issue at closing, the draw-down structure provides significant interest savings during construction when compared to traditional bond financing structures. In addition, the senior bonds were structured with a debt service reserve which is funded at an amount equal to six months of interest, as opposed to a full year of maximum annual debt service, which further reduced total borrowing costs, providing additional savings in annual interest expense.

The savings from the draw-down feature and the smaller debt service reserve fund provided additional debt capacity, allowing HJ Sims to structure \$3 million of preferred equity in the form of subordinated taxable bonds sold to Sims' accredited retail investors.

Financed Right

The Series 2016 draw-down bonds were issued in an amount not to exceed \$27.350 million. The draw-down feature of the bonds, along with the smaller debt service reserve fund, reduced overall borrowing costs by approximately \$3.25 million, saving the project approximately \$235,000 in annual interest expense.

The efficient structure of the senior bonds provided capacity for HJ Sims to structure and sell \$3 million of preferred equity to its extensive accredited retail investor base. The preferred equity provided the funds needed to fill the gap in the capital stack between the senior debt and Omega's equity investment, allowing Omega to maintain its capital budget for the project and limit the need for the borrower to raise additional equity.

For more information, please contact Jeffrey Sands at jsands@hjsims.com or 203-418-9002 or Robert Gall at rgall@hjsims.com or 407-313-1701.



For more information, please contact an HJ Sims banker.

Fairfield, CT

William Sims	203-418-9001	wsims@hjsims.com
Jeff Sands	203-418-9002	jsands@hjsims.com
Andrew Nesi	551-427-5135	anesi@hjsims.com
Mackenzie Welch	203-418-9024	mwelch@hjsims.com
Krystal Murphy	203-418-9028	kmurphy@hjsims.com

Rockville, MD

Aaron Rulnick	301-424-9135	arulnick@hjsims.com
Kyrle Turton	203-418-9038	kturton@hjsims.com
Patrick Mallen	203-418-9009	pmallen@hjsims.com

Bloomington, MN

Mark Landreville	952-683-7509	mlandreville@hjsims.com
Jay Hromatka	952-683-7506	jhromatka@hjsims.com
Christina Rapp	952-683-7507	crapp@hjsims.com

Philadelphia, PA

James Bodine	215-854-6428	jbodine@hjsims.com
--------------	--------------	--

Austin, TX

Curtis King	512-519-5003	cking@hjsims.com
James Rester	901-652-7378	jrester@hjsims.com
Brett Edwards	512-519-5001	bedwards@hjsims.com
Elizabeth Sims	512-519-5002	esims@hjsims.com

Orlando, FL

Robert Gall	407-313-1701	rgall@hjsims.com
Kerry Moynihan	407-313-1702	kmoynihan@hjsims.com

Montvale, NJ -Sims Mortgage Funding - 201-307-9383

Anthony Luzzi	aluzzi@simsmortgage.com
Kerrie Tomasiewicz	ktomasiewicz@simsmortgage.com
Andrew Patykula	apatykula@simsmortgage.com

The material presented here is for information purposes only and is not to be considered an offer to buy or sell any security. This report was prepared from sources believed to be reliable, but it is not guaranteed as to accuracy, and it is not a complete summary or statement of all available data. Information and opinions are current up to the date of publication and are subject to change without notice. The purchase and sale of securities should be conducted on an individual basis considering the risk tolerance and investment objective of each investor and with the advice and counsel of a professional advisor. All investments involve risk and may result in a loss of principal. Investors should carefully consider their own circumstances before making any investment decision. This is not a solicitation to buy or an offer to sell any particular investment.