June 14, 2016

CAPITAL MARKET UPDATE

Tel: 800-HJS-1935 www.hjsims.com

HJ SIMS FINANCED RIGHT®

Member FINRA/SIPC

Senior Living New Issue Rates as of 6/14/16

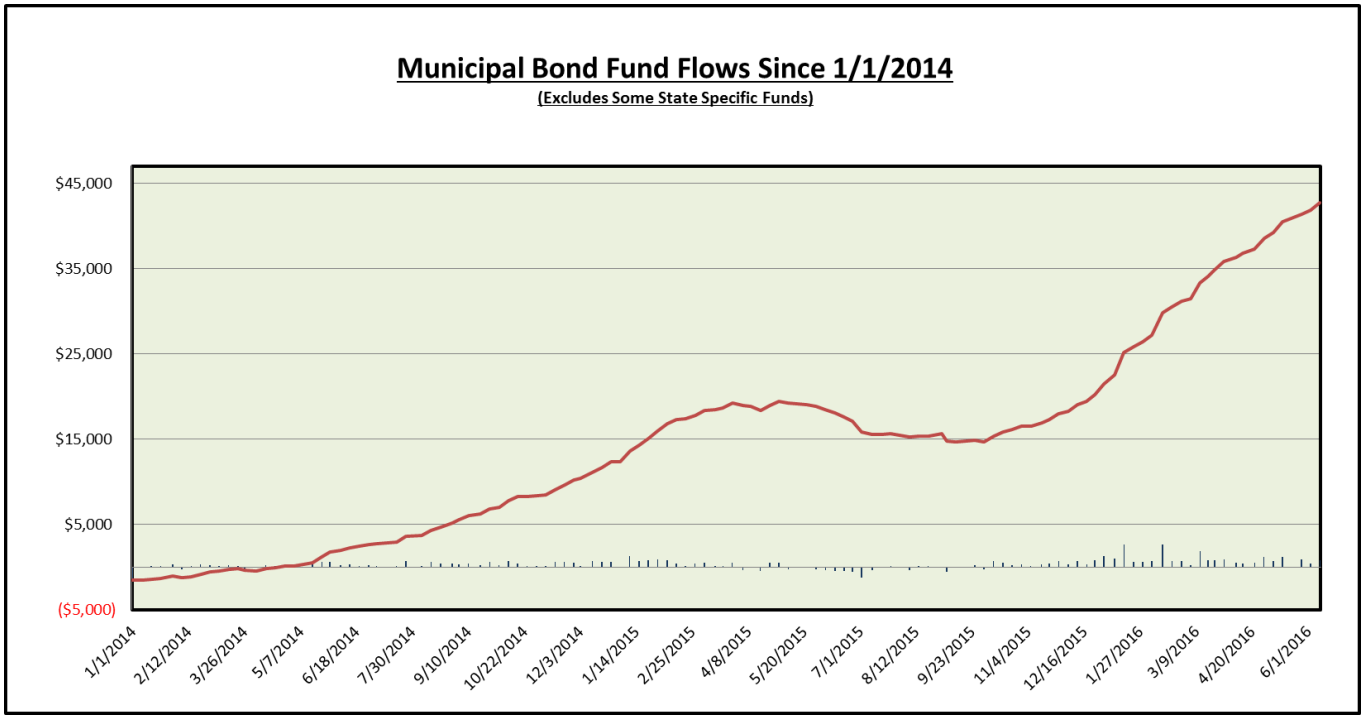
Maturity	Taxable Rates	Tax Free Rates					
	GNMA Taxable	FHA Tax-Exempt	A	BBB	BB	Refinancing & Expansion	Start-Up
5 yr.	NA	1.240%	1.650%	2.050%	2.45%	2.50-3.00%	3.50-4.00%
10 yr.	NA	2.080%	2.350%	2.750%	3.15%	3.40-3.65%	4.20-4.75%
20 yr.	NA	2.750%	3.000%	3.400%	3.80%	4.125-4.40%	4.75-5.25%
30 yr.	3.460%	2.940%	3.150%	3.550%	4.00%	4.50-4.75%	5.10-5.50%

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

SIFMA Index	LIBOR
0.39%	0.45%

Revenue Bond Index (RBI)	10 Year Treasury	30 Year Treasury
3.38%	1.6220%	2.4340%

	1 Year	3 Year	5 Year	7 Year	10 Year
Weekly SIFMA Swap Rates	0.22%	0.49%	0.70%	0.90%	1.13%
Weekly LIBOR Swap Rates	0.81%	1.00%	1.17%	1.34%	1.55%



Market Commentary

Dot plots are graphs with bullet-like data points marked with labels such as dates and rates, and they enable statisticians to visualize patterns and assess probabilities. The most famous of these charts is included in the Federal Open Market Committee's *Summary of Economic Projections* (SEP), which has been released along with policy statements every quarter since January 25, 2012. This week, the Fed's 17 governors and regional bank presidents will anonymously submit what they believe to be optimal year-end federal funds rates through 2019, and these are plotted for hundreds of economists to analyze. Untold hours will be spent dissecting the dot clusters and outliers to gain insight into how these officials view economic conditions. In March, more than half of the group thought that there should still be two interest rate increases in 2016 and went on a talking spree to convince the markets that the U.S. economy looks good and that they are really serious about tightening this time. Down in the real world, far below the dots in the ivory tower, traders dismiss much of the rosy spin that the Fed puts on economic data. Market expectations are not yet in sync with Fed forecasts as there is an issue of credibility; investors are going with their gut instead of the graph.

Approximately 202 bullets fired from the weapons of an Islamist terrorist early Sunday morning in Orlando left 49 dead, 53 wounded, and a nation in grief. As seems far too common now, financial markets paused for a moment of silence on Monday morning before turning their focus back to global economic concerns: next week's big British referendum on its European Union membership, oil futures and this week's meetings of the Bank of Japan and the FOMC. Futures traders place the odds of a rate hike on Wednesday at only 2%, but the equity markets are on edge. The Chicago Board Options Exchange VIX, an index which measures S&P 500 volatility and is often referred to as the best gauge of fear in the stock market, climbed above the 21 mark for the first time since February. Investors around the world are diving for cover in bonds and, in the face of this demand, many yields have dropped to record lows. With nearly $10 trillion of global sovereign debt carrying negative yields, it comes as no surprise that foreign buyers have even stepped up purchases of U.S. tax-exempts. The Federal Reserve's flow of funds data for the first quarter just released last week show that overseas investors held $89.2 billion of municipal securities, more than the $84.5 billion held by U.S. closed end funds.

As Fed Chair Yellen reeled back expectations for an imminent Fed funds rate increase based on the last dismal set of jobs numbers, 10- and 30-year Treasury yields dropped by more than 5 basis points last week to close at 1.64% and 2.45%, respectively. The 30-year AAA municipal benchmark yield plummeted 18 basis points to 2.22% by Friday afternoon in a fourth straight session of record lows. The 10-year muni benchmark closed the week down 10 basis points to 1.52%, just 5 basis points shy of an all-time low. The muni rally gained steam despite a heavy new issue calendar at $14 billion, the largest of the year and one of the biggest on record, as investors took a look at the huge amount of reinvestment capital expected between now and the end of August ($138 billion) and placed their orders. Municipal bond funds took in money for a 36th straight week; $2.8 billion was added in the period ended June 8, including $1.7 billion to long-term funds. With all this cash in a high-priced market, investors are forced to buy longer dated maturities to get any kind of yield, but the increasing number of long bond buyers has caused the yield curve to flatten -- meaning that there is slim difference between the yields on a one-year bond and a thirty-year bond, namely 164 basis points at this writing.

Last week, the New York Transportation Development Corporation issued $844.2 million of BB rated bonds subject to the alternative minimum tax for the American Airlines project at JFK International Airport; the maximum yield bonds in 2031 were priced with a coupon of 5.00% to yield 3.50%. New York's Sullivan County Infrastructure Local Development Corporation sold $110 million of non-rated 4.85% revenue bonds due in 2031 for the Adelaar casino and resort project. The Municipal Authority of Cumberland County, Pennsylvania had a $35 million BBB+ rated revenue bond issue for Diakon Lutheran Social Ministries featuring 2039 term bonds priced at 3.25% to yield 3.46%. There were also five charter school deals. Wisconsin's Public Finance Authority had a $36.4 million non-rated draw-down revenue bond issue for Colorado Early Colleges structured with 2023 term bonds priced at par to yield 4.25%. In Minnesota, the City of Minneapolis brought a $21.7 million non-rated lease revenue bond issue for Hiawatha Academies with term bonds due in 2047 priced at 5.00% to

Cont. on Page 3

Market Commentary

Cont. from Page 2

yield 4.75%, and the Winona Port Authority sold $4.75 million of non-rated refunding bonds for Bluffview Montessori School priced at 4.75% in 2046. The California School Finance Authority sold $18.5 million of non-rated grant anticipation notes for Ocean Charter School at a yield of 6.00% in 2019. And the Industrial Development Authority of La Paz County, Arizona issued $8.2 million of BB rated lease revenue bonds for the Albuquerque School of Excellence in New Mexico with 30-year term bonds priced at 5.00% to yield 5.25%.

This week's muni calendar is below average at $6 billion and features a $550 million competitive sale by the State of Illinois, which has been unable for more than 11 months to produce a budget. Puerto Rico continues to dominate the headlines. The Supreme Court ruled that its 2015 debt restructuring law violates the U.S. federal bankruptcy code, leaving debt matters in the hands of the Congress. A compromise bill imposing a federal oversight board sailed through the House last week and appears to have the approval of the Senate and President; but the Commonwealth is expected to default on a portion of its July 1 debt service payments, and more litigation may ensue. On the new issue docket, the Arlington Higher Education Finance Corporation in Texas has a $43.6 million BBB-minus rated charter school deal in the market for Uplift Education. The New Hope Cultural Education Facilities Finance Corporation plans a $35.8 million Baa3 rated student housing revenue bond financing for Texas A&M University at Corpus Christi. And the Astoria Hospital Facilities Authority in Oregon is bringing an $18.1 million BBB-minus rated deal for Columbia Memorial Hospital. The 30-day visible supply of municipal bonds totals $10.4 billion.

Sims Provides Subordinate Loan Financing for a Life Plan Community (CCRC) Acquisition

Partnered Right	• Affiliates of Wakefield Capital Management, including an existing Sims client, successfully financed the acquisition of a for-profit CCRC in Ridgeland, MS
Structured Right	• Sims' underwriting met the needs of the client and the Senior Lender as well as HUD's requirements for a future refinancing
Executed Right	• A new entity was formed to issue taxable bonds that ultimately funded a portion of the acquisition alongside senior debt and equity
Financed Right	• Sims privately placed $5,160,000 of corporate taxable bonds for the financing

Partnered Right

Sims was approached by affiliates of Wakefield Capital Management ("Wakefield"), an experienced investor in healthcare related real estate, to provide subordinate loan financing in connection with the acquisition by Wakefield of a 197 unit Life Plan Community (CCRC) in Ridgeland, Mississippi. Sims successfully financed a subordinate loan for $5.16 million to fund a portion of the acquisition.

Structured Right

There were several challenges associated with this financing:

- Underwriting late-stage revised deal terms that would meet client needs and align with the bridge loan provided by the Senior Lender.
- Creating a flexible debt structure that would allow Wakefield to meet its goal of maximizing a subsequent HUD financing.
- Structuring the subordinate debt so that it could remain outstanding even after the HUD refinancing.

Sims created and funded a subordinate loan structure to accommodate Wakefield's needs and HUD's requirements.

Cont. on Page 4

Sims Provides Subordinate Loan Financing

Cont. from Page 3

Executed Right

A new entity, Wakefield Portfolio Funding I, LLC (the "Sims Issuer"), was formed to issue taxable bonds. The bonds were successfully sold to Sims' high-net-worth, accredited investors through a private placement. Proceeds from the bonds were used by the Sims Issuer to fund the subordinate loan to Wakefield. The transaction was closed within 30 days of the initial mailing of the Placement Memorandum.

Financed Right®

The ability of Sims to quickly underwrite and then implement a subordinate debt structure met the needs of Wakefield as well as those of the Senior Lender. Sims' track record and its access to high net worth customers, allowed Sims to quickly and efficiently raise the needed capital and close the financing. The flexibility and creativity of Sims' bankers, along with the industry knowledge of its retail investors, resulted in another successful financing for a valued client.

Sims excels in filling the niches that allow an owner or developer to complete a transaction by providing custom financing such as mezzanine debt or preferred equity.

For more information, please contact Jeff Sands at jsands@hjsims.com (203-418-9002) or Curtis King at cking@hjsims.com (512-519-5003).

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 Rappl	952-683-7507	crappl@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
