

CAPITAL MARKET UPDATE

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Senior Living New Issue Rates as of 6/20/17

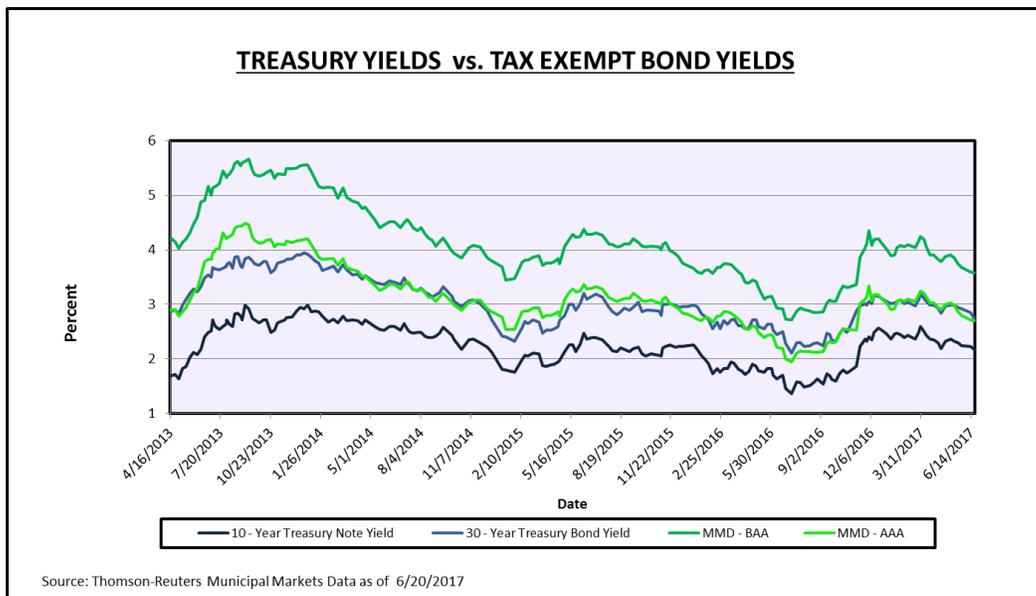
Maturity	Taxable Rates	Tax Free Rates					
	GNMA Taxable	FHA Tax-Exempt	A	BBB	BB	Refinancing & Expansion	Start-Up
5 yr.	NA	1.300%	1.900%	2.250%	2.65%	2.80-3.40%	3.95-4.45%
10 yr.	NA	2.280%	2.750%	3.100%	3.50%	3.80-4.15%	4.45-4.95%
20 yr.	NA	3.070%	3.600%	3.850%	4.50%	4.50-5.00%	5.25-5.75%
30 yr.	3.390%	3.310%	3.750%	4.000%	4.60%	4.70-5.25%	5.90-6.65%

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

SIFMA Index	LIBOR
0.81%	1.14%

Revenue Bond Index (RBI)	10 Year Treasury	30 Year Treasury
3.70%	2.1560%	2.7370%

	1 Year	3 Year	5 Year	7 Year	10 Year
Weekly SIFMA Swap Rates	1.02%	1.25%	1.42%	1.55%	1.71%
Weekly LIBOR Swap Rates	1.42%	1.67%	1.85%	1.99%	2.15%



Market Commentary

Summer officially begins this week, and some in the U.S. Congress are already calling for their traditional August vacations to be cancelled. There are plenty of voters who would like to see legislators keep their noses to the grindstone instead of taking a 38-day break when there is so much to do. There is a long list of tasks to tackle, not the least of which include the debt limit and a budget for the year that starts on October 1. The federal government operates on a different schedule and is not under the same pressure as most states, which cannot run a deficit and must balance their budgets every year. It is not an easy or elegant process. Of the forty-six states that begin Fiscal Year 2018 on July 1, only about half have budgets in place at this writing. Many are still struggling to address shortfalls in the current fiscal year. Illinois faces a \$6.2 billion deficit, and its bonds are already trading as if its credit rating has dropped below investment grade. Alaska is currently short by \$2.7 billion, Louisiana by \$1.2 billion and Pennsylvania by \$1.5 billion. Connecticut, with a credit rating just downgraded to A+, is looking at a \$2.3 billion gap. Last month, New Mexico had to tap the bond market to balance its budget.

The municipal bond market continues to offer very attractive rates to state and local government borrowers. At this writing, the 10-year AAA general obligation bond yields 1.86%, and the 30-year benchmark yield is 2.70%, flat from last week but down 4 basis points from the start of the month. At these levels, it will not be a lazy summer for tax-exempts. Over the next 30 days, demand for munis is expected to outweigh supply by \$30 billion. This week we have a \$14.3 billion calendar – including several deals postponed from last week -- the \$1.1 billion American Dream at Meadowlands project financings and the \$208.5 million non-rated Atlanta Development Authority financing for the Georgia Proton Treatment Center. In other high yield financings, the South Carolina Jobs and Economic Development Authority plans a \$59.1 million non-rated refunding and revenue bond deal for The Woodlands at Furman in Greenville, and the Arizona Industrial Development Authority has a \$32.4 million transaction with a BB rated series for the Academies of Math and Science.

The financial markets have a lot of news to track this week. Seven Fed officials take to the podium while initial jobless claims, PMI (Purchasing Managers' Index) and new and existing home sales data are released. The U.S. Treasury has four auctions planned. Brexit negotiations between Britain and the European Union begin. There is the Paris Air Show, the White House tech summit, a speech on tax reform by the House Speaker and two high profile Congressional races in Georgia and South Carolina. Last week, the markets yawned as the Federal Open Market Committee hiked rates by another quarter point to a target range of 1.00% to 1.25%. While acknowledging that inflation remains below expectations, Chair Yellen announced that she anticipates at least one more increase this year, three in 2018 and the start of a gradual monthly roll-off of a fixed amount of assets. The skeptical bond markets look at weak retail sales and consumer price index data and raise their eyebrows. The 10-year Note strengthened by 5 basis points last week and currently yields 2.15%; the 30-year Treasury yield dropped 8 basis points last week and is down another 4 basis points to 2.73% this week.

Mutual fund investors added \$184 million to high yield muni funds last week, bringing year-to-date inflows to \$4 billion. Among higher yielding new issues, the Illinois Finance Authority sold \$38.4 million of non-rated refunding bonds for Franciscan Communities structured with a 2047 maturity that priced with a coupon of 5.00% to yield 4.35%. The City of Terre Haute, Indiana issued \$30.1 million of non-rated 7.25% solid waste facility revenue bonds subject to the alternative minimum tax and due in 2028 for the Pyrolex tire recycling plant. The Indiana Finance Authority issued \$21.3 million of BB rated revenue bonds for Avondale Meadows Academy in Indianapolis including 30-year term bonds priced at 5.375% to yield 5.50%. The Maryland Health and Higher Educational Facilities Authority had a \$22.1 million non-rated deal for Green Street Academy in Baltimore that featured term bonds in 2052 priced at 5.375% to yield 5.46%. And the Public Finance Authority of Wisconsin was in the market with \$7.4 million of non-rated revenue bond transaction for Chattahoochee Hills Charter School in Fairburn, Georgia, that had a single maturity in 2047 priced at 5.875% to yield 5.90%.



In Memoriam of Bruce Cannon

Everyone in the senior living industry who knew Bruce Cannon was shocked and saddened by his passing last week. Many of us at Sims have very fond memories of Bruce. Here are some of our thoughts:

I have known Bruce since his days with Earl Wade at Ernst & Whinney in Memphis. He was very smart, excellent at his job, honest and friendly. Anytime Bruce voiced an opinion about a senior living community I paid close attention. One time, Bruce visited me at home in Connecticut. He, my daughter, Amanda, and I took out my 15 foot Boston Whaler jet boat. Bruce steered while Amanda was in a tube being pulled by the boat. Bruce was unfamiliar with a jet boat not having a propeller; we hit a wave way too fast, and our boat and Amanda went flying. Everyone was fine, Amanda thought it was great fun and Bruce was chagrined for years. He was a wonderful person, and we will all miss him greatly.

- William B. Sims, Managing Principal, HJ Sims

Bruce was a family man and loved talking about his children. You could just see his eyes light up during those conversations. His love of family extended to others as well. Every time you saw Bruce, he would ask about your family and, somehow, he remembered all of your children's names (or at least most of them). Years ago, when my daughter was playing soccer in college, Bruce took an interest and would follow the box scores of the UConn women's soccer team (not easy to do) and send me congratulatory greetings to pass to my daughter when they won or she had a good game. I am sure he did the same for many others. Bruce's willingness to take time out of his busy life to care about others was his special gift to the world, and we will sorely miss it.

- R. Jeffrey Sands, Managing Principal / General Counsel, HJ Sims

No matter the setting or situation, people naturally gravitated towards Bruce. Perhaps it was his infectious smile or how he would always welcome you into a conversation. We will miss his great stories and we will miss his passion for the people we serve, but most of all, we will miss him.

- Aaron Rulnick, Managing Principal, HJ Sims

I saw Bruce Cannon consistently several times a year at trade shows, exhibit halls and conferences, where we would have conversations about the senior housing business. He always was friendly, generous with his time and showed a genuine interest in what Sims Mortgage Funding was doing in the HUD space. He will be missed.

- Anthony Luzzi, President, Sims Mortgage Funding

Everyone was Bruce Cannon's friend and it seemed like Bruce knew everyone. You could always count on a "How ya doin'" greeting and a big smile. Our kids were the same age so of course men like us would share cheerleading and dance competition stories, but then it would be driver's license stories, then college stories, usually told on a golf cart or at a conference reception. We didn't work together as frequently in recent years as we had in the past, but I always looked forward to catching up with him whenever we did cross paths.

There are countless people around the country who are better off for having known Bruce, whether it be co-workers, colleagues or most importantly board members and residents in the many communities he has been involved in over many years. We will all continue to do our part in the future as the industry grows. It just won't be as much fun without Bruce.

- Andrew Nesi, Executive Vice President, HJ Sims

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Bruce Cannon

Bruce combined excellent judgment and acumen with great enthusiasm, good nature and humor to all he did. His legacy will be felt for years to come in the senior living communities with which he has been associated, including Riddle Village, home to my parents for the past decade, and in the positive impression that that he made on all whom he encountered. He will be very much missed.

- James Bodine, Executive Vice President, HJ Sims

I have known of Bruce Cannon since I began my career at HJ Sims some 15 years ago, but our personal relationship really developed over the last 5-7 years when he was focused on the southeast United States with Life Care Services. Bruce would always make it a point whenever he was in Florida to call me or go out of his way to be sure to check in on me, not just for work but also personally. In May 2014, I was actually with Bruce on the day I found out that my wife (Catie) and I were pregnant. He didn't know that day but you never forget where you are and Bruce was aware of our trials in waiting to become parents as he would always share with me encouraging stories about being a dad to his son and daughter. After our son, Dominic, was born in January 2015, like clockwork I received a package in the mail with a University of Alabama hat and shirt for Dominic from who else but, of course, Bruce. That was the kind of man Bruce was. He always showed care for you and did his best to connect with you at your level and was always transparent on all issues both professionally and personally. His laugh, smile and heart will be sorely missed, and I am grateful for the professional friendship that I had with him.

- Robert Gall, Senior Vice President, HJ Sims

I met Bruce Cannon seventeen years ago when he invited me into the CRSA family. As a boss, Bruce was extremely smart and so very well versed in our industry. He was a great mentor, friend and always a fun guy! I will always remember our "Ohio State versus Alabama" battles and his "Lexia how you doin'?" greetings. Bruce gave my son Anthony the opportunity to intern one summer in Memphis. Anthony was only a junior in high school at the time. Bruce took much time and showed genuine interest in my son, who went on to intern the next year at PWC and is now a Director in the PWC Cleveland office. Anthony remembers Bruce fondly, as do I. He will be missed.

- Alexia Pozar, Senior Vice President, HJ Sims

A few years ago, I played a round of golf with Bruce prior to a conference. During the round, someone in our group asked how old I was. After I responded, Bruce chuckled and quipped something along the lines of "oh man, I own pairs of socks older than you". Bruce always seemed to have a good line to offer or a great story to tell. I once heard Bruce tell the story Bill referenced below. In Bruce's version, you would have believed the boat was nearly capsized with Amanda lost at sea.

Despite not being as old as some of his laundry, Bruce always treated me with great respect. In our interactions it always felt like I was catching up with an old friend. As Andrew said- Bruce was everyone's friend. A friend that we will all greatly miss.

- Brett Edwards, Assistant Vice President, HJ Sims
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