

CAPITAL MARKET UPDATE



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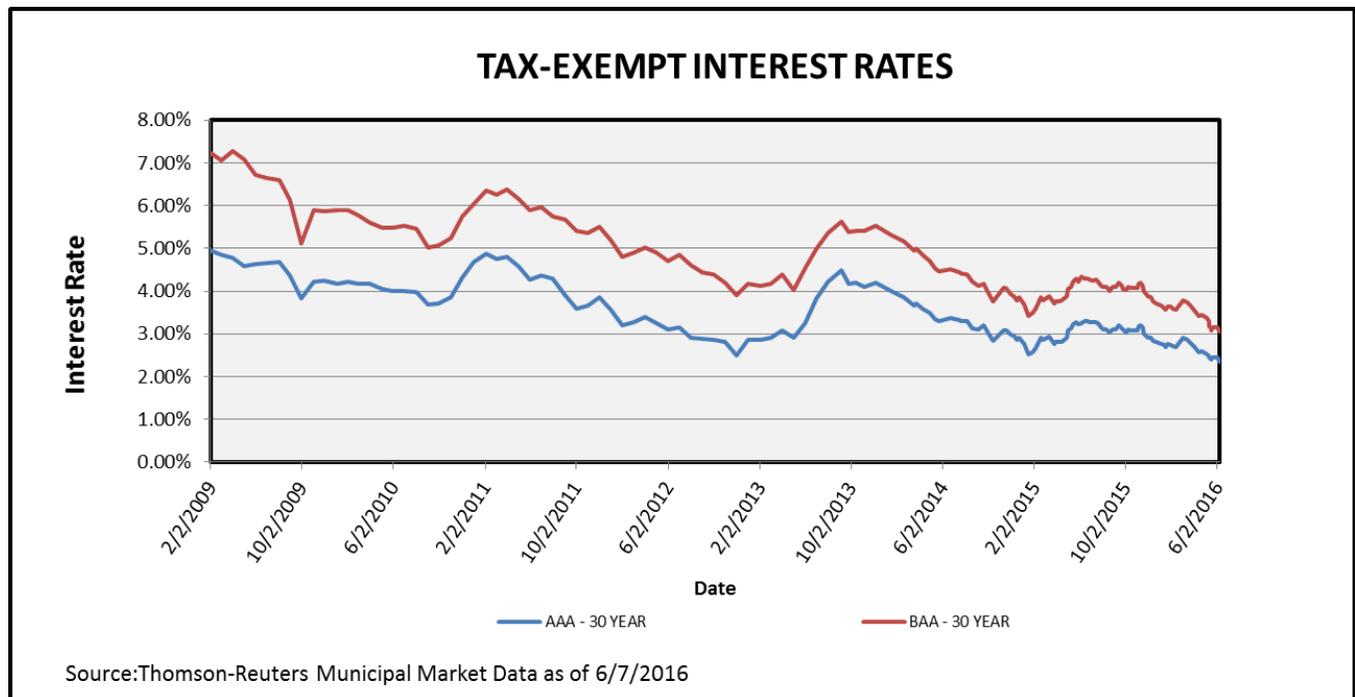
Senior Living New Issue Rates as of 6/7/16

Maturity	Taxable Rates	Tax Free Rates					
	GNMA Taxable	FHA Tax-Exempt	A	BBB	BB	Refinancing & Expansion	Start-Up
5 yr.	NA	1.280%	1.700%	2.100%	2.45%	2.50-3.00%	3.50-4.00%
10 yr.	NA	2.150%	2.450%	2.800%	3.15%	3.40-3.65%	4.20-4.75%
20 yr.	NA	2.850%	3.100%	3.450%	3.80%	4.00-4.375%	4.75-5.25%
30 yr.	3.630%	3.080%	3.250%	3.600%	4.00%	4.50-4.75%	5.10-5.50%

SIFMA Index	LIBOR
0.39%	0.47%

Revenue Bond Index (RBI)	10 Year Treasury	30 Year Treasury
3.48%	1.7160%	2.5350%

	1 Year	3 Year	5 Year	7 Year	10 Year
Weekly SIFMA Swap Rates	0.23%	0.54%	0.75%	0.98%	1.19%
Weekly LIBOR Swap Rates	0.84%	1.07%	1.25%	1.43%	1.64%



Market Commentary

June has arrived, and with it come celebrations of graduations and weddings. The traditional Polish toast on these happy occasions is “Sto lat” (One Hundred Years), the song expressing a heartfelt wish for a long, happy and healthy life. A hundred years was once an impossibly long time to live. Now centenarians are the fastest growing part of the world’s population. In the U.S., there are an estimated 72,000 who were born in or before 1916, when Albert Einstein published his final version of the general theory of relativity and Norman Rockwell was paid \$75 for his first illustration on the cover of *The Saturday Evening Post*. A hundred years ago, Nathan Handwerker took a loan for \$300 to open what would become a very famous hot dog stand in Coney Island, and Charlie Chaplin signed a contract with mutual Studios for a record-setting \$10,000 a week. Back in 1916, U.S. federal outlays totaled \$713 million, and President Woodrow Wilson signed into law a bill granting a national charter to the Boy Scouts of America. The Summer Olympic Games in Berlin, Germany were cancelled as the battle of Verdun and the First World War waged on.

This year marks the 100th anniversary of the National Park System, the Farm Credit System, the Reserve Officer Training Corps (ROTC), *Vogue* magazine and Bayerische Motoren Werke AG (BMW). No one knows what the next hundred years have in store, but pension funds and insurance companies planning for future fixed rate annuity payments are buying bonds with 100-year maturities issued by sovereign governments, corporations and universities. This year so far, we have seen Ireland privately place a 100 million euro-denominated century bond at a yield of 2.35%, Belgium place €100 million of centennial bonds at 2.30% and Wesleyan University refinance the majority of its debt by selling \$250 million of taxable bonds due in 2116 at 4.781%. Walt Disney and Coca Cola were among the first companies to issue century bonds in 1993, and the list has since expanded to include Norfolk Southern, Petrobas, Federal Express, Ford Motor and the Cleveland Clinic.

This week’s \$13 billion municipal bond calendar features very few issues with maturities beyond thirty years, but it will set a record for the largest weekly volume of sales via competitive bid at \$6 billion. Among negotiated sales, the New York Transportation Development Corporation has \$850 million of BB rated special facility revenue refunding bonds subject to the alternative minimum tax for the American Airlines JFK Project. In the senior living sector, we expect to see a \$34.4 million Cumberland County Municipal Authority issue for BBB+ rated Diakon Lutheran Social Ministries. In the charter school space, the California School Finance Authority plans a \$16.7 million non-rated note deal for Ocean Charter School, the La Paz Industrial Development Authority in Arizona is in the market with a \$7.9 million BB rated financing for Albuquerque School of Excellence, the Public Finance Authority of Wisconsin has a \$36.4 million non-rated financing for Colorado Early Colleges and the City of Minneapolis is bringing a \$22 million non-rated lease revenue bond deal for Hiawatha Academies.

Last week, mutual fund investors added another \$528 million to municipal bond funds, and Treasuries sat atop another bond market rally as weak economic data saw odds of a Fed rate hike in June plummet to 2%. The 10-year Treasury yield dropped 15 basis points to close at 1.70%, and the 30-year fell 14 basis points to 2.50%. The 10-year AAA municipal benchmark strengthened by 4 basis points to finish the week at 1.62%, and the 30-year was up 5 basis points to 2.40% on Friday. In this context, the Payne County Economic Development Authority sold \$110.9 million of non-rated bonds for Epworth Living at the Ranch in Stillwater, Oklahoma and priced the 2015 term bonds at par to yield 7.00%. The Multnomah County Hospital Facilities Authority had a \$13.6 million refunding for BBB rated Twerwilliger Plaza in Portland, Oregon, featuring 20-year term bonds priced with a coupon of 5.00% to yield 3.15%. In Arizona, the Pima County Industrial Development Authority issued \$31.3 million of BB rated bonds for Edkey Charter Schools with 2051 term bonds priced at 5.50% to yield 5.65%, and the Maricopa County Industrial Development Authority brought a \$21 million Baa3 rated financing for Reid Traditional Schools with a final maturity in 2037 priced at 5.00% to yield 3.93%. And the Colorado Educational and Cultural Facilities Authority issued \$13.3 million of A rated refunding bonds with the moral obligation of the state for Flagstaff Academy that priced at 3.625% to yield 3.75% in 2046.



***Sims Refinances Debt For LeadingAge
 Innovative Bank Financing Achieves Debt Service Savings and
 Budgetary Certainty through 2028...***

Partnered Right	<ul style="list-style-type: none"> LeadingAge had \$11.09M of tax-exempt bonds and \$4M of taxable notes placed by Sims in 2010 to refinance existing, taxable and tax-free debt 5-year synthetic fixed rate (through 2017) of 2.21% associated with tax-exempt bonds With interest rates near historic lows, Sims assisted LeadingAge in exploring refinancing alternatives to generate debt service savings on outstanding obligations
Structured Right	<ul style="list-style-type: none"> Competitive bank solicitation process resulted in submission of seven refinancing proposals Challenges included i) maximizing debt service savings; ii) minimizing transaction costs; and iii) shortening transaction execution timeframe
Executed Right	<ul style="list-style-type: none"> Sims collaborated with the Working Group to develop an innovative reissuance strategy to achieve LeadingAge’s financing objectives 12-year synthetic fixed-rate structure was pursued with respect to tax-exempt bonds
Financed Right	<ul style="list-style-type: none"> LeadingAge realized 12-year synthetic fixed-rate of 2.194% on tax-exempt refinancing, which generated debt service savings and was lower than previous 5-year rate Taxable notes featured one-year extension and bullet maturity to provide additional cash flow savings and flexibility

Partnered Right

LeadingAge is helping its members create the future of aging services. Founded in 1961, the organization represents over 6,000 mission-driven, not-for-profit nursing homes, life plan communities, assisted living and senior housing providers and a range of home and community-based service providers. In 1999, LeadingAge financed a headquarters building in Washington, D.C. through the issuance of \$11 million of tax-exempt bank qualified District of Columbia Revenue Bonds, Series 1999 and a \$5.3 million taxable senior promissory note. The 1999 obligations were later refinanced by LeadingAge in 2005, with those obligations redeemed with direct-purchase bank debt in 2010. In connection with its tax-exempt obligations, LeadingAge entered into an interest rate swap agreement in 2012 to lock-in a synthetic fixed-rate of 2.21% through October 1, 2017. In 2016, with interest rates near historically-low levels, and given the expectation of a higher interest rate environment when the existing bank term expires, HJ Sims (“Sims”), as financial advisor, assisted LeadingAge in exploring options to refinance its outstanding debt to generate savings.

Structured Right

In late 2015, Sims developed a comprehensive Request for Proposals (“RFP”) that was distributed to 16 commercial banks in the Washington D.C. and Mid-Atlantic areas. A few weeks later, a site visit was held in which banks had the opportunity to tour the LeadingAge headquarters building, meet management and staff and attend a presentation providing additional background on the organization. Seven proposals were ultimately received, with the winning bank selected by the LeadingAge Board in January 2016 to provide a 12-year tax-exempt term loan issued through the District of Columbia as well as a five-year direct purchase of



Sims Refinances Debt for LeadingAge

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taxable notes. At this stage, LeadingAge faced the following financing challenges: 1) identifying the most effective strategy to maximize debt service savings, including interest rate hedging alternatives; 2) minimizing transaction costs, which would be funded with taxable debt and thus subject to a higher rate of interest; and 3) reducing the time required to execute the refinancing. With respect to interest rate mode, based on the prevailing market environment, viable alternatives included traditional fixed-rate debt, unhedged variable-rate debt and synthetic fixed-rate debt.

Executed Right

In February 2016, Sims collaborated with the Working Group to develop an innovative reissuance strategy that would achieve LeadingAge's debt service savings objective without being considered a refunding. As such, the existing bond indenture would be amended and restated to provide for a new mode through which the tax-exempt obligations might be transferred to a new bank. Although this transaction would be considered a new issuance of debt for tax purposes, because it was not a refunding, the following key financing objectives would be achieved: 1) reduction in transaction costs compared to a traditional refunding; and 2) shortening of the transaction execution process, as formal approval from the District of Columbia would not be required. With respect to interest rate mode, Sims advised LeadingAge to issue \$2.6 million of taxable notes as unhedged floating-rate debt and \$11.09 million of tax-exempt bonds as floating-rate debt hedged with either a synthetic fixed-rate swap or interest rate cap, with the taxable notes fully amortizing first given the higher bank spread. Sims developed a comprehensive presentation for the LeadingAge Budget and Finance Committee outlining the mechanics and risks associated with each hedging strategy, after which it was determined that LeadingAge would hedge its tax-exempt bonds with a 12-year synthetic fixed-rate percentage of LIBOR swap.

Financed Right®

The LeadingAge Working Group prepared for a transaction closing on May 26, 2016. Sims, in partnership with Kensington Capital Advisors, negotiated an equitable termination fee with respect to the existing swap on LeadingAge's tax-exempt bonds. Furthermore, although the term of LeadingAge's tax-exempt refinancing debt was longer than the bonds redeemed, LeadingAge was still able to secure a lower synthetic fixed-rate of 2.194%. Complementing the budgetary certainty and debt service savings achieved from the tax-exempt refinancing, the taxable notes were structured with a one-year extension and bullet maturity to provide LeadingAge with additional annual cash flow savings through 2021.

For more information, please contact Aaron Rulnick at arulnick@hjsims.com (301-424-9135) or Kyrle Turton at kturton@hjsims.com (203-418-9038).

"Thank you for your skillful guidance throughout the refinancing journey. I, along with the entire Budget and Finance Committee, am grateful for your help, expertise and participation. We're delighted with the outcome, which will hold LeadingAge in good stead for the next twelve years."

-Katie Sloan, CEO, LeadingAge

"A tremendous thank you for your consummate professionalism and thoughtful advice throughout the refinancing process. Your leadership and experience was invaluable in ensuring a successful refinancing outcome for LeadingAge."

-Jean Van Hyning, Director of Finance, LeadingAge

HJ Sims Bankers at LeadingAge Texas



Minnie Pearl of Hee Haw stopped by to visit with HJ Sims bankers Jimmy Rester and Brett Edwards at the 2016 LeadingAge Texas Annual Meeting and Trade Show in Dallas, Texas. The Annual Meeting and Trade Show was well attended and provided excellent opportunities to connect with peers and gain insights into the challenges facing senior living providers in the state of Texas. The Annual Meeting was highlighted by an opening session featuring Katie Smith Sloan, the new President and CEO of Leading Age, and a closing session featuring Elizabeth McCormick, a retired Black Hawk Pilot with the US Army.



Brett Edwards, Minnie Pearl and Jimmy Rester

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
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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

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