CAPITAL MARKET UPDATE

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Senior Living New Issue Rates as of 7/12/16

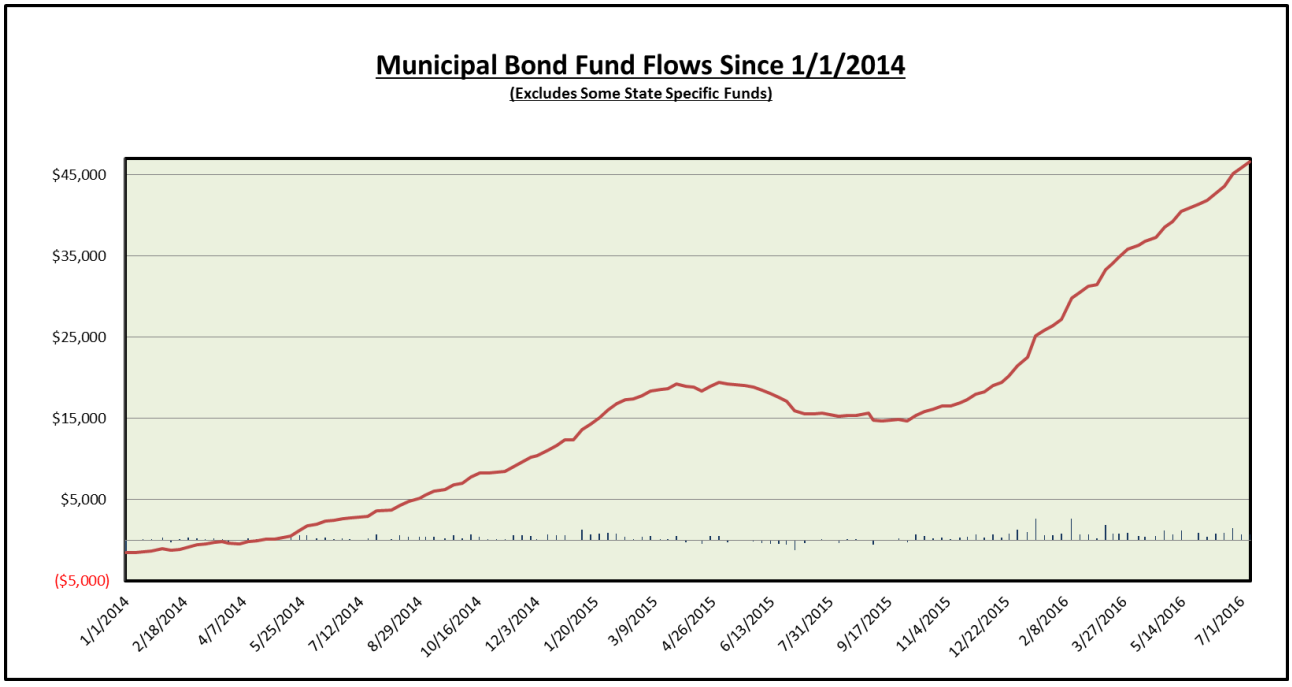
Maturity	Taxable Rates	Tax Free Rates					
	GNMA Taxable	FHA Tax-Exempt	A	BBB	BB	Refinancing & Expansion	Start-Up
5 yr.	NA	1.140%	1.550%	2.000%	2.40%	2.50-3.00%	3.50-4.00%
10 yr.	NA	1.920%	2.200%	2.600%	3.00%	3.40-3.65%	4.20-4.75%
20 yr.	NA	2.590%	2.800%	3.150%	3.60%	4.125-4.40%	4.75-5.25%
30 yr.	3.590%	2.770%	2.900%	3.300%	3.80%	4.375-4.625%	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%	0.47%

Revenue Bond Index (RBI)	10 Year Treasury	30 Year Treasury
2.98%	1.5050%	2.2250%

	1 Year	3 Year	5 Year	7 Year	10 Year
Weekly SIFMA Swap Rates	0.20%	0.43%	0.61%	0.76%	0.96%
Weekly LIBOR Swap Rates	0.74%	0.87%	0.99%	1.13%	1.31%



Market Commentary

After major losses in the wake of the British referendum, stocks have reversed course and turned to positive territory for the year. The S&P 500 and Dow Jones Industrials have hit record intraday levels on news of rising oil prices, strong U.S. jobs data, a new British prime minister and continuing doubts about a Fed rate hike this year. Around the world, signs of growth are minimal, and negative rates prevail. But there is an unparalleled rally underway in both U.S. bond and equity markets, in large part due to heavy foreign demand for yield and/or safety. Unprecedented interventions by central banks have forced overseas investors into our markets, and demand has driven up prices for both stocks and bonds. Clamor for haven assets pushed the yield on the 10-year Treasury down to a record intraday low of 1.32% and a closing low of 1.36% last week. $1.1 billion of new money flowed into municipal bond funds during a week when most folks were gripping barbecue tongs and beverage cans, and the 30-year AAA general obligation tax-exempt bond fell to a new all-time low of 1.95%. The taxable equivalent yield on the 30-year muni is about 3.23%, making it look very attractive against the 2046 bond maturities of Germany, Japan and Switzerland at 0.482%, 0.14% and negative 0.143%, respectively, at this writing. Market attention soon turns to earnings reports, national party conventions in the U.S., formal proceedings in the United Kingdom to leave the European union and actions by the central banks in England and Japan, producing opportunities for more new records as well as additional volatility.

Last week was shortened by the Independence Day holiday, so the municipal market saw only $1.4 billion of issuance, including a $10.6 million non-rated refunding for the Cornerstone Academy Community School by the Columbus-Franklin County Finance Authority in Ohio with term bonds maturing in 2042 priced at 5.75% to yield 5.50%. Investors began to digest the historic July 1 default on Puerto Rico's general obligation debt and saw the impact of missed payments on their accounts. As lobbying efforts for membership on the new oversight board intensify, bondholders are left to wonder how long it will be until they are paid and how much they should expect. Negotiations will be intense. This week, the municipal calendar totals $8.7 billion. HJ Sims is the sole managing underwriter on a $46.3 million BBB-minus rate financing for Legacy at Willow Bend in Plano, Texas with bonds issued by the New Hope Cultural Education Facilities Finance Corporation. And Sims is a co-manager on the $9.5 million non-rated City of Greenwood, Minnesota financing for the Main Street School of Performing Arts. The Delaware Economic Development Authority plans a $21 million BB+ rated transaction for Aspira of Delaware Charter Operations, and the Pennsylvania Higher Educational Facilities Authority has a $53.3 million Baa3 rated bond and note deal for student housing at East Stroudsburg University. The 30-year Treasury yield currently stands at 2.24%, and the 30-day visible supply of municipal bonds totals $13.8 billion.

Sims Mortgage Funding Closes $19,873,000 for Two HUD-Insured Lean Loans to Recapitalize Skilled Nursing Homes in Rhode Island

Partnered Right	• Athena Health Care Systems successfully refinanced two skilled nursing homes it acquired with bank debt in 2013 and 2014.
Structured Right	• The two new loans were incorporated into an existing Master Lease that covered two other Athena nursing homes, simplifying the overall deal structure for its Rhode Island properties.
Executed Right	• Sims Mortgage Funding underwrote two HUD-insured loans that covered 100% of the cost to refinance, obviating the need for equity.
Financed Right	• Loan proceeds were maximized by reallocating the bank debt on the basis of current appraised values, not the loan amounts established in 2013 and 2014.

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Sims Mortgage Funding Closes $19,873,000

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Partnered Right
Athena Health Care Systems, one of New England's largest owners and operators, acquired Orchard View Manor in September 2013 and Heatherwood in July 2014 with conventional bank financing and preferred equity issued by HJ Sims. The bank debt was scheduled to mature in 2020 and 2021.

Athena turned to Sims Mortgage Funding to obtain HUD-insured loans well in advance of the maturities of its current debt because it wanted to eliminate refinancing risk and take advantage of current low, long-term and fixed interest rates.

Structured Right
Sims Mortgage Funding underwrote two separate loans insured under the LEAN Section 232/223(f) program to refinance the existing debt, which included swap termination fees. The loans also provided a source of funding for capital expenditures and reserves.

Because Athena already had two other HUD-insured projects located in Rhode Island that were financed by Sims Mortgage Funding in 2014, Sims was able to include the Heatherwood and Orchard View loans in the Master Lease structure that had been established in 2014.

Executed Right
As a result, the HUD-insured loans represented 100% of the cost to refinance the projects and featured 35-year terms. The Orchard View and Heatherwood loans were underwritten at loans-to-value of 74% and 77% respectively, and had debt-service coverage ratios of 3.16 and 2.92 respectively.

Sims Mortgage Funding also coordinated the closing of both loans simultaneously, which was a mandatory condition of the bank loan refinancing.

Financed Right®
Changes in the appraised values of the projects since their acquisition dates resulted in a "mismatch" in the amounts of debt that each project could support by the new values. However, Sims Mortgage Funding was able to maximize HUD-insured loan proceeds by reallocating the bank debt to each property on the basis of the updated appraised values.

HUD approved the Orchard View and Heatherwood loans about three weeks apart. Despite this lag, Sims Mortgage Funding was able to lock in interest rates and terms at the same time.

Heatherwood and Orchard View are the seventh and eighth HUD-insured financings Sims Mortgage Funding has completed for Athena since 2013.

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For more information, please contact an HJ Sims banker.

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