CAPITAL MARKET UPDATE

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Senior Living New Issue Rates as of 7/19/16

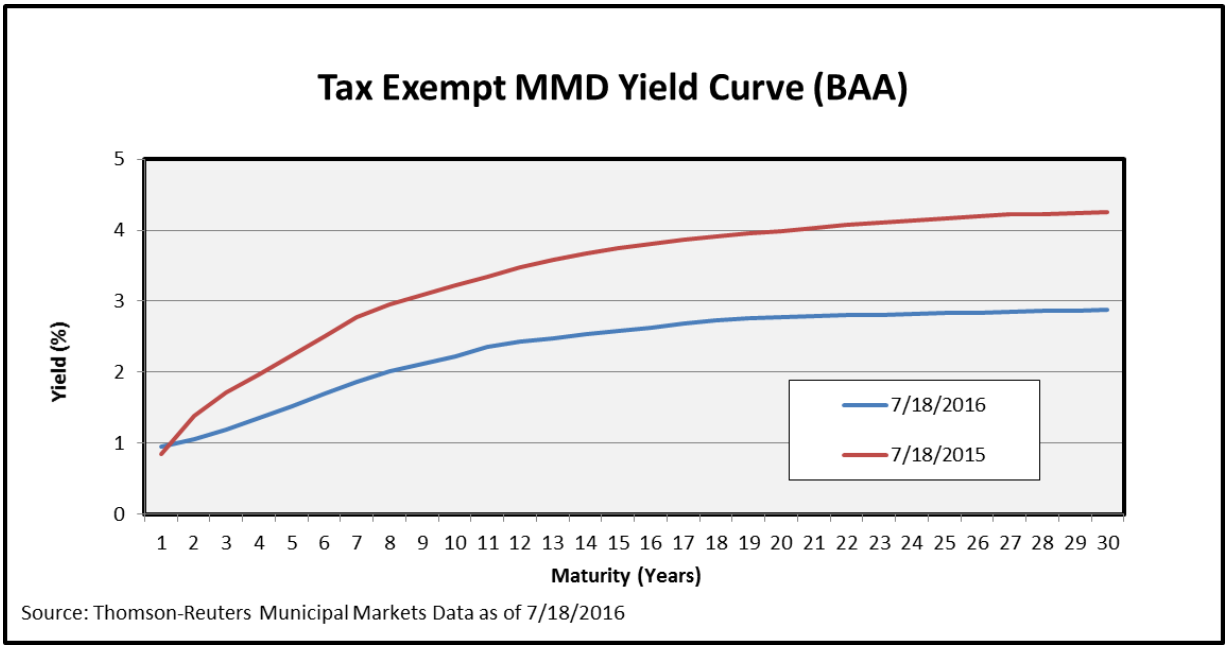
Maturity	Taxable Rates	Tax Free Rates					
	GNMA Taxable	FHA Tax-Exempt	A	BBB	BB	Refinancing & Expansion	Start-Up
5 yr.	NA	1.100%	1.650%	2.100%	2.50%	2.50-3.00%	3.50-4.00%
10 yr.	NA	1.950%	2.300%	2.700%	3.10%	3.40-3.65%	4.20-4.75%
20 yr.	NA	2.650%	2.900%	3.250%	3.70%	4.125-4.40%	4.75-5.25%
30 yr.	3.640%	2.830%	3.000%	3.400%	3.90%	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
0.40%	0.48%

Revenue Bond Index (RBI)	10 Year Treasury	30 Year Treasury
2.98%	1.5560%	2.2730%

	1 Year	3 Year	5 Year	7 Year	10 Year
Weekly SIFMA Swap Rates	0.23%	0.49%	0.70%	0.86%	1.07%
Weekly LIBOR Swap Rates	0.82%	1.00%	1.15%	1.30%	1.48%



Market Commentary

Despite years of massive fiscal and monetary stimulus, flagging growth from east to west continues to flummox world leaders. Central bank interventions on an unprecedented scale, coupled with political uncertainty affecting capitals from London to Caracas, have driven investors into safe havens and brought us to a point where yields on government bonds have been in a free fall. Citigroup reports that nearly 80% of Japanese and German bonds currently have negative yields. The Bank of America Merrill Lynch estimates that there is $13 trillion of negative yielding global debt and as much as $276 billion of euro-denominated corporate bonds trading at negative yields.

U.S. financial markets, usually ruffled by uncertainty and extremes, seem to have grown comfortable with this highly unusual situation. Stocks and bonds have both been hoisted to all-time highs. The S&P 500 hit another record on Monday, while Treasury and muni yields made history earlier in the month. Red flags abound but, absent a series of unexpected Brexit-like events, these levels may be the new normal for some time. Morgan Stanley strategists recently revised their outlook to reflect their view that there will be no increase in U.S. interest rates until 2018. Investors at home and around the world looking are nevertheless plowing into the U.S. municipal market, adding an average of $1.1 billion to mutual funds every week for the past 41 weeks. Even last week, only days after the historic default by Puerto Rico on $779 million of its general obligation debt, muni funds saw $2.8 billion of inflows. Tax-exempt bonds have been outperforming U.S. Treasuries across the yield curve, but last week both pulled back on rosy retail sales and consumer price news. As the Federal Open Market Committee prepares to meet next week, the prospects of a December rate hike have currently risen to 40%.

This week's new issue slate is expected to total $6.6 billion, including a $51.8 million non-rated financing of the Florida Development Finance Corporation for the Florida Charter Foundation and a $45 million A-minus rated transaction for Deerfield Episcopal Retirement Community in Asheville, North Carolina. Last week's $9.1 billion municipal calendar featured four charter schools. The California School Finance Authority sold $19.5 million of BBB-minus rated bonds for Alliance for College-Ready Public Schools, pricing the 2051 term bonds at 5.00% to yield 3.14%. The City of Greenwood, Minnesota issued $9.9 million of non-rated charter school revenue bonds for the Main Street School of Performing Arts, including 2047 term bonds priced at 5.00% to yield 5.20%. The City of Independence, Minnesota issued $16.3 million for Beacon Academy, and priced bonds maturing in 2048 at 5.00% to yield 5.05%. And the Delaware Economic Development Authority had a $21 million BB+ rated transaction for Aspira of Delaware Charter Operations and sold maximum yield bonds maturing in 2051 with a coupon of 5.00% to yield 4.00%. In the senior living sector, HJ Sims underwrote $45.3 million of BBB-minus rated retirement facility revenue bonds for Legacy at Willow Bend in Plano, Texas. Term bonds maturing in 2051 issued through the New Hope Cultural Education Facilities Corporation were priced at 5.00% to yield 3.375%. At this writing, the 10-year Treasury yields 1.55% and the 30-year yields 2.27%. 10-year AAA general obligation municipal bonds yield 1.45% and the 30-year muni benchmark yield is 2.11%. The 30-day visible supply of municipal bonds totals $15.1 billion.

Sims Completes Financing for Diversified Portfolio

Partnered Right	• Helped Birchwood Health Care Properties successfully acquire a portfolio of 4 skilled nursing facilities, a hospice business and a home health business.
Structured Right	• Created a structure that allowed for immediate acquisition of multiple businesses and will facilitate a future HUD financing.
Executed Right	• Closed within 30 days despite multiple lenders and several regulatory issues.
Financed Right	• Sims successfully placed $5,250,000 of corporate taxable bonds with Sims high net worth investors to fund the transaction.

Partnered Right

Sims was approached by affiliates of Birchwood Health Care Properties ("Birchwood") to provide subordinate loan financing in connection with the acquisition of a Portfolio in Oklahoma comprised of 4 skilled nursing facilities, a hospice business and a home health business. Transition Health Services, an experienced operator, is managing the Portfolio. Sims successfully financed a subordinate loan for $5.25 million to fund a portion of the acquisition.

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Sims Completes Financing for Diversified Portfolio

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Structured Right

There were a number of challenges associated with this financing:

- Assessing and determining the valuations separately to accommodate the mix of real estate and service driven assets within the Portfolio.
- Underwriting mezzanine deal terms that accommodated certain regulatory constraints while at the same time meeting the requirements of both the Senior Lender and an AR Lender.
- Utilizing the Sims HUD Plus program, Sims structured the debt in a way that was flexible enough to allow Birchwood to meet its goal of maximizing a subsequent HUD financing on the real estate assets.

Executed Right

A new entity, BHCP Acquisition, LLC (the "Sims Issuer"), was formed to issue a series of bonds. The bonds were successfully sold to Sims' high-net-worth, accredited investors. Proceeds from the bonds were used by the Sims Issuer to fund the subordinate loan to Birchwood.

Financed Right®

Sims was able to underwrite and then implement a subordinate debt structure that met the needs of Birchwood, the Senior Lender, the AR Lender as well as HUD. Sims' expertise and ability to be flexible allowed Birchwood to acquire a unique Portfolio and conserve its capital for future enhancements.

Successfully tackling complicated transactions is an example of Sims using its extensive investor base to help senior housing providers achieve their objectives. Sims excels in filling the niches that allow an owner or operator to complete a transaction by providing custom financing such as mezzanine debt or preferred equity.

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For more information, please contact an HJ Sims banker.

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