



**HJ  
SIMS**

**FINANCED RIGHT®**

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# CAPITAL MARKET UPDATE

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## Senior Living New Issue Rates as of 8/24/16

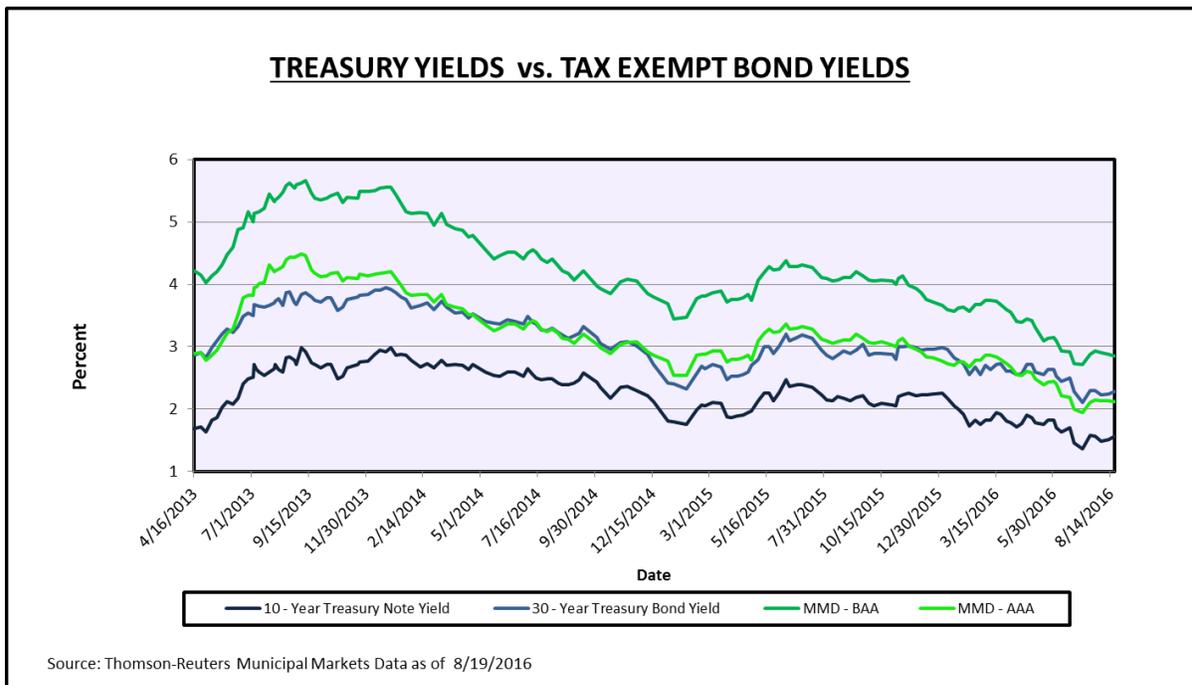
Maturity	Taxable Rates	Tax Free Rates					
	GNMA Taxable	FHA Tax-Exempt	A	BBB	BB	Refinancing & Expansion	Start-Up
5 yr.	NA	1.060%	1.500%	1.900%	2.25%	2.50-3.00%	3.50-4.00%
10 yr.	NA	1.900%	2.100%	2.450%	2.85%	3.25-3.60%	4.20-4.75%
20 yr.	NA	2.650%	2.750%	3.000%	3.55%	4.00-4.30%	4.75-5.25%
30 yr.	3.450%	2.840%	2.850%	3.100%	3.70%	4.25-4.55%	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
0.49%	0.51%

Revenue Bond Index (RBI)	10 Year Treasury	30 Year Treasury
3.06%	1.5440%	2.2300%

	1 Year	3 Year	5 Year	7 Year	10 Year
Weekly SIFMA Swap Rates	0.26%	0.53%	0.72%	0.87%	1.08%
Weekly LIBOR Swap Rates	0.93%	1.08%	1.20%	1.32%	1.48%



## Market Commentary

Seven days before hosting the most exclusive annual gathering of financial oracles and data diviners, the Federal Reserve Board announced a new effort to increase transparency by launching a Facebook page. In response, comments poured in from the citizenry, overwhelming the bland wallpaper of press releases and introductory pieces on the central bank system. The posts from middle America are quite rich in content and well worth a read. It is unlikely, however, that officials who approved this latest social media outreach will have time to respond to any of the feedback from Facebook users, now numbering in excess of 1.7 billion. The crowd in Jackson Hole is all wrapped up in the details of the theme of the symposium “Designing Resilient Monetary Policy Frameworks for the Future.”

Financial markets have grown tired of the will-we-won't-we hike talk by the Fed, but investors will all tune in to the speech by Janet Yellen on Friday. Those without an invitation to the three-day event will not have access to less nuanced private conversations at the dinner tables or on the hiking trails at the famous Wyoming resort. Even reporters covering the conference must observe the “Jackson Hole rules” and treat all talk outside of the proceedings as “off the record”. Those who trade 30-day Fed Fund futures place the odds of an increase at the September 21 meeting at 18%.

Investors pulled \$18.6 billion from taxable money market funds last week and added a net of \$1.1 billion to municipal bond funds. Issuers continue to take advantage of the low rate environment, and the muni market is unusually active for late August. The 30-day calendar is heavy with more than \$17 billion of new issues, and most are likely to be oversubscribed as demand for tax-exempt paper is relentless. This week, the Public Finance Authority of Wisconsin is pricing a \$111.9 million non-rated transaction for the North Carolina Charter Educational Foundation. The Arlington Higher Education Finance Corporation has a \$20.2 million financing for Leadership Prep School. The California School Finance Authority plans to sell \$12.2 million of non-rated bonds for City Charter Schools. And the New Hope Cultural Education Facilities Finance Corporation is in the market with a \$49.3 million BB+ rated refunding for MRC Crestview. At this writing, the 10-year AAA municipal general obligation bond yields 1.40%, unchanged from last week, and the 30-year benchmark yields 2.11%, slightly below last week's average of 2.13%. The 10- and 30-year Treasuries are regaining some of the ground lost last week and stand at 1.54% and 2.23%, respectively.

Last week, HJ Sims underwrote \$104.1 million of non-rated bonds for Bancroft Neurohealth and Bancroft Rehabilitation Services; the \$81.3 million Public Finance Authority transaction priced at 5.125% to yield 4.90% in 2048 and the \$22.7 million New Jersey Economic Development Authority issue had term bonds in 2041 which was priced at 5.00% to yield 4.50%. The New Jersey Health Care Facilities Financing Authority issued \$246.8 million of Baa3 rated bonds for St. Joseph's Healthcare System; the maximum yield bonds maturing in 2048 were priced with a 4.00% coupon to yield 3.48%. In the charter school sector, the Clifton Higher Education Finance Corporation sold \$99 million of Texas Public School Fund guaranteed bonds for Idea Public Schools; the final maturity in 2046 was priced at 5.00% to yield 2.54%. Thirty year term bonds issued by the Public Finance Authority in the \$10.3 million deal for Lead Academy in Greenville, South Carolina priced at par to yield 5.125%. The Saint Paul Housing and Redevelopment Authority sold \$30.8 million of non-rated bonds for Community School of Excellence and had a 2047 maturity that priced at 5.75% to yield 6.00%. In the senior living sector, the Dakota County Community Development Agency issued \$19.3 million of non-rated refunding bonds for Hosanna Senior Living, featuring 30-year term bonds priced at par to yield 4.35%. The New Hope Cultural Education Facilities Finance Corporation came to market with a \$61.5 million BBB rated transaction for Westminster Manor that sold with 2040 term bonds priced at 5.00% to yield 2.93%. And the Washington State Housing Finance Commission issued \$130.2 million of BB+ rated revenue and refunding bonds for Presbyterian Retirement Communities Northwest with a final maturity in 2051 priced at 5.00% to yield 3.58%.

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## Merrill Gardens and HJ Sims Partner Again

*“I firmly believe that what constantly draws us back to HJ Sims is the confidence I have developed over the years and that we can rely on their advice and execution. They’ve earned that confidence through the integrity and the atmosphere created by their deep experience in our industry. Sims is a key financial partner for our team at Merrill.”*

- William Pettit, Jr., President and Chief Operating Officer – R.D. Merrill Co.

<b>Partnered Right</b>	<ul style="list-style-type: none"> <li>Merrill Gardens and Sims partner for their third fund together.</li> </ul>
<b>Structured Right</b>	<ul style="list-style-type: none"> <li>Sims created a structure that allows for the flexibility to meet future capital of Merrill as capital calls are made.</li> </ul>
<b>Executed Right</b>	<ul style="list-style-type: none"> <li>Sims successfully placed \$9,375,000 of taxable bonds with Sims high net worth investors to fund the initial capital call and has committed to raise up to \$6,000,000 more to fund additional capital calls.</li> </ul>
<b>Financed Right</b>	<ul style="list-style-type: none"> <li>Successfully tackling complicated transactions is an example of Sims using its extensive investor base to help senior housing providers obtain flexible financing with an experienced, trustworthy partner.</li> </ul>

### Partnered Right

As a result of its past relationship, Sims was approached by affiliates of Merrill Gardens, LLC (“Merrill Gardens”) to co-invest with other accredited investors in its recently formed investment fund RDM V, LLC (“RDM V” or the “Fund”). RDM V was formed to acquire, develop and operate new senior housing and multifamily properties which will be managed by Merrill Gardens and its affiliates. This is the third Merrill fund in which Sims has participated. Sims agreed to partner with Merrill Gardens and subscribed to \$15 million (19%) interest in the Fund. RDM V currently has investments in 3 senior housing properties and 1 apartment property and has identified 4 other senior housing communities as potential investments. Sims successfully raised \$9.375 million to meet the initial capital needs of the Fund.

### Structured Right

There were a number of challenges associated with this financing:

- Initially raising only the amount of funds required by RDM V for its initial capital call, while having the confidence in committing to fund the full subscribed amount at a future date;
- Convincing investors to make an investment when not all of the properties in the Fund have been identified; and
- Explaining to investors the nature of a development fund and its delayed returns.

### Executed Right

A new entity, Merrill Gardens V, LLC (the “Sims Issuer”), was formed to issue a series of taxable bonds to meet the funding needs of RDM V. The first series of bonds was successfully sold to Sims’ high net worth accredited investors. Future series of bonds will be sold to meet future capital needs of the Fund. Proceeds from the bonds, together with funds invested by Merrill Gardens’ key principals and private investors, were used to meet RDM V’s equity commitments.



## Merrill Gardens and HJ Sims Partner Again

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### Financed Right®

Sims was able to underwrite and then implement a customized structure that met the capital needs of Merrill Gardens and its affiliates. Sims' expertise and ability to be flexible resulted in another unique capital solution for a valued client while also meeting the financial objectives of Sims' investors.

Successfully tackling complicated transactions is an example of Sims using its extensive investor base to help senior housing providers finance new development. 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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