



FINANCED RIGHT®

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# CAPITAL MARKET UPDATE

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## Senior Living New Issue Rates as of 9/13/16

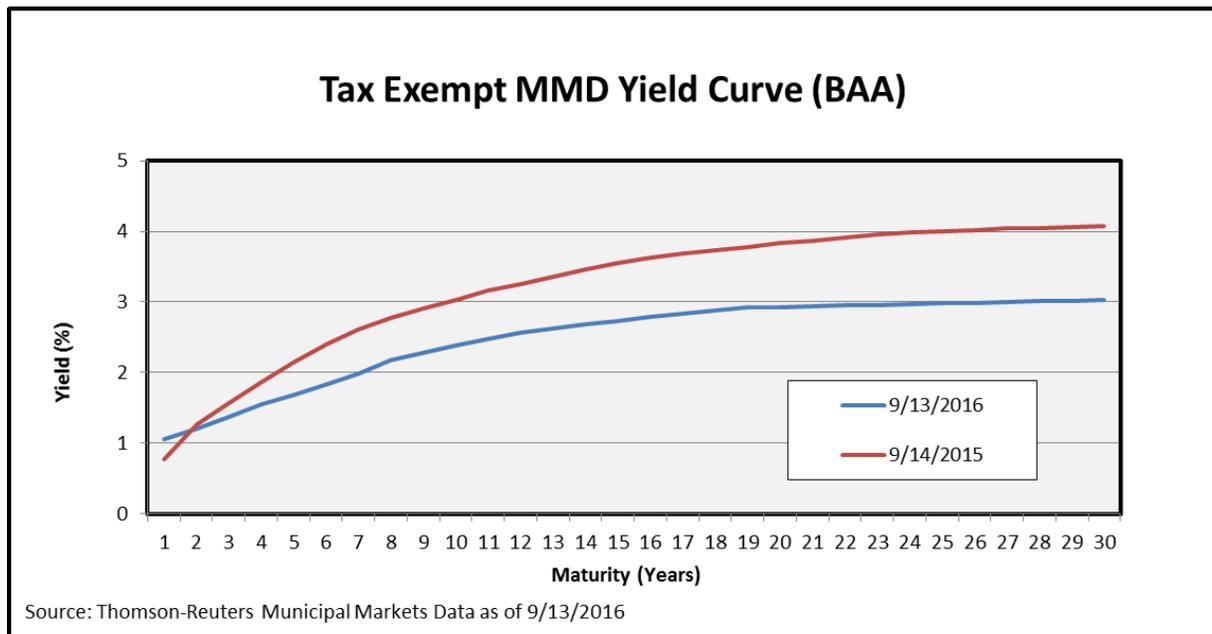
Maturity	Taxable Rates	Tax Free Rates					
	GNMA Taxable	FHA Tax-Exempt	A	BBB	BB	Refinancing & Expansion	Start-Up
5 yr.	NA	1.140%	1.600%	2.000%	2.30%	2.50-3.00%	3.50-4.00%
10 yr.	NA	1.950%	2.200%	2.550%	2.90%	3.25-3.60%	4.20-4.75%
20 yr.	NA	2.700%	2.900%	3.150%	3.60%	4.00-4.30%	4.75-5.25%
30 yr.	3.460%	2.890%	3.000%	3.200%	3.75%	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
0.64%	0.52%

Revenue Bond Index (RBI)	10 Year Treasury	30 Year Treasury
3.05%	1.6840%	2.4350%

	1 Year	3 Year	5 Year	7 Year	10 Year
Weekly SIFMA Swap Rates	0.27%	0.56%	0.75%	0.92%	1.12%
Weekly LIBOR Swap Rates	0.99%	1.13%	1.25%	1.38%	1.54%



## Market Commentary

The financial markets are struggling to cope with stagnant economic conditions and monetary policies inherited from the previous Chair of the Federal Reserve. Many argue that the next rate increase is already reflected in the current prices of stocks and bonds, while others envision turbulence if and when the hike comes in December. Between weak U.S. data, the pass taken by the European Central Bank on expanding asset purchases, and hawkish talk from the dovish Boston Fed President on Friday, both equity and bond markets reacted as if they had been blindsided last week. The Dow Jones Industrial Index and the S&P 500 were both down more than 2%, while 10-year Treasury yields rose from 1.60% to 1.67% and the long bond yield increased from 2.27% to 2.39%. The 10-year AAA general obligation muni yield was up 4 basis points to 1.49%, and the 30-year benchmark yield increased by 6 basis points to 2.20%.

Last week, investors poured another \$882 million into municipal bonds through funds which have now absorbed 49 consecutive weeks of inflows. Although shortened by the Labor Day holiday, \$42.3 billion of munis traded. In the primary market, the Clifton Higher Education Finance Corporation in Texas sold \$18.1 million of BBB rated bonds for Idea Public Schools including serial bonds in 2028 priced at 5.00% to yield 2.62%. The Colorado Educational and Cultural Facilities Authority issued \$18 million of non-rated bonds for Addenbrooke Classical Academy priced at par to yield 4.50% in 2021. The St. Paul Housing and Redevelopment Authority sold \$5.6 million of non-rated bonds for St. Paul City School with a maturity in 2036 priced at par to yield 5.00%. In the senior living sector, Hamilton County, Ohio sold \$138.7 million of BBB-minus rated improvement and refunding bonds for Life Enriching Communities, featuring 2051 term bonds with a 5.00% coupon to yield 3.40%. And the North Carolina Medical Care Commission came with a \$29.2 million A-minus rated financing for Presbyterian Homes that had two term bonds due in 2036 which priced at 3.00% to yield 3.125% and 5.00% to yield 2.71%.

This week, the muni calendar boasts an estimated \$14.5 billion of new issues, including more than \$1.9 billion for nine hospitals and healthcare systems. On the high yield list, we expect a \$120 million BB+ rated financing for Air Force Villages, an \$88.7 million non-rated refunding issue by the Economic Development Authority of Newport News for Lifespire of Virginia, a \$66.8 million non-rated Colorado Health Facilities Authority deal for Christian Living Neighborhoods, and a \$54.5 million non-rated refunding by the Washington State Housing Finance Commission for Wesley Homes Lea Hill. The California Municipal Finance Authority is also in the market with a \$20 million non-rated transaction for The Creative Center of Los Altos and, among investment grade offerings, the Industrial Development Authority of Glendale, Arizona is scheduled to sell \$35.7 million of A rated refunding bonds for Royal Oaks Life Care Community in Sun City. The 30-day visible supply of muni bonds totals \$17 billion.

## Sims Moves Quickly To Finance Acquisition By Affinity



<b>Partnered Right</b>	<ul style="list-style-type: none"> <li>This is the third transaction with Affinity to assist in the reorganization and strategic growth of their portfolio of properties.</li> </ul>
<b>Structured Right</b>	<ul style="list-style-type: none"> <li>Sims' flexible structure met the needs of the client as well as senior lender requirements.</li> </ul>
<b>Executed Right</b>	<ul style="list-style-type: none"> <li>Sims' ability to meet a tight timeline allowed the client to lock in a low rate in a rising interest rate market.</li> </ul>
<b>Financed Right</b>	<ul style="list-style-type: none"> <li>Sims successfully placed \$2,475,000 of corporate taxable bonds to fund a subordinate loan to complete the acquisition.</li> </ul>

### Partnered Right

Sims was approached by an affiliate of Affinity Living Group ("Affinity") to provide financing in connection with the acquisition of a portfolio of two senior living communities in North Carolina. The portfolio is comprised of 176 assisted living beds and 40 memory care beds. Using its "HUD Plus" program, Sims successfully provided a mezzanine loan totaling \$2.475 million to Affinity to complete the acquisition. This is the third financing that Sims has completed for Affinity allowing it to reorganize and grow its portfolio resulting in more flexibility and savings.

## Sims Moves Quickly To Finance Acquisition By Affinity

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### Structured Right

There were several challenges associated with this financing:

- The debt needed to be structured in a way that met the requirements of a demanding Senior Lender.
- The terms of Sims' mezzanine financing had to be flexible enough to allow for a potential refinancing with HUD in the future.
- Sims needed to meet a very tight timeline.

### Executed Right

A new entity, Affinity Portfolio Funding II, LLC (the "Sims Issuer"), was formed to issue taxable bonds. The bonds were successfully sold to Sims' high net worth accredited investors. The proceeds from the bonds were used by the Sims Issuer to fund the subordinate loan to Affinity. This approach allows Sims' high net worth clients to invest in selected transactions but leaves the asset management and key decisions in the hands of Sims and its partner.

### Financed Right®

Sims was able to underwrite and then implement a subordinate debt structure that met the needs of Affinity as well as the Senior Lenders in a timely fashion. Sims' ability to be flexible resulted in both short and long-term cost savings for Affinity and allowed Affinity to preserve its capital for future projects.

A creative financing solution for strategic growth is an example of Sims using its extensive investor base to provide attractive financing to senior housing providers. Sims excels in filling the niches that allow an owner or developer to complete a transaction by providing custom financing such as mezzanine debt or preferred equity.

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