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CAPITAL MARKET UPDATE

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Senior Living New Issue Rates as of 11/28/17

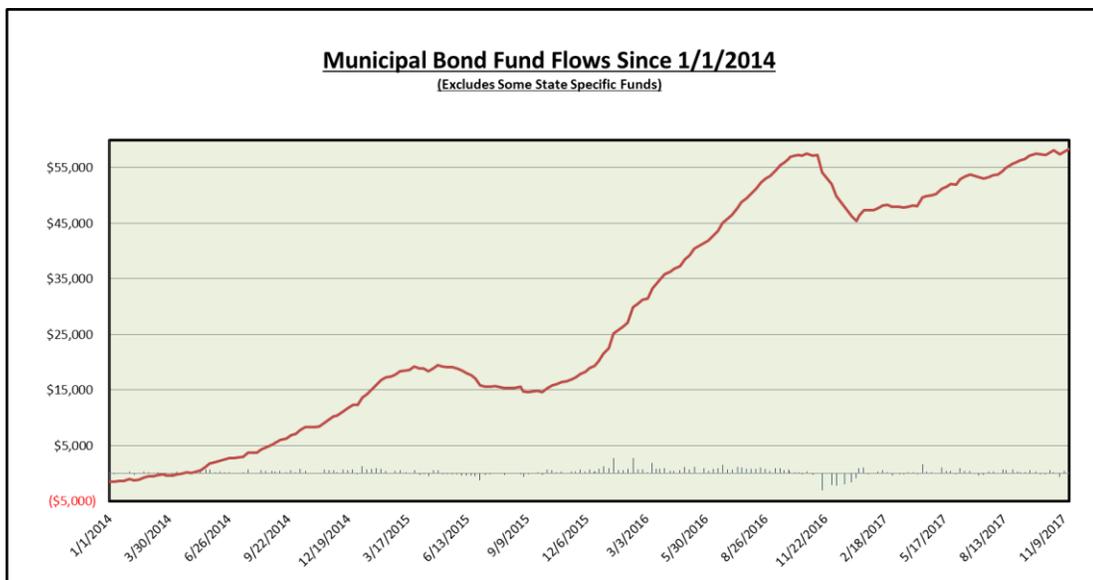
Maturity	Taxable Rates	Tax Free Rates					
	GNMA Taxable	FHA Tax-Exempt	A	BBB	BB	Refinancing & Expansion	Start-Up
5 yr.	NA	1.540%	2.200%	2.450%	2.70%	2.60-3.10%	4.00-4.50%
10 yr.	NA	2.410%	3.000%	3.250%	3.65%	3.50-4.00%	4.50-5.00%
20 yr.	NA	3.110%	3.550%	3.700%	4.15%	4.15-4.65%	5.25-6.00%
30 yr.	3.350%	3.350%	3.700%	3.900%	4.35%	4.35-4.85%	5.75-6.375%

Senior Living new issue rates for borrowers in specialty states are 20-30 basis points lower in yield.

SIFMA Index	LIBOR
0.96%	1.29%

Revenue Bond Index (RBI)	10 Year Treasury	30 Year Treasury
3.97%	2.3280%	2.7580%

	1 Year	3 Year	5 Year	7 Year	10 Year
Weekly SIFMA Swap Rates	1.24%	1.46%	1.59%	1.72%	1.85%
Weekly LIBOR Swap Rates	1.76%	2.02%	2.13%	2.22%	2.33%



Market Commentary: As Time Goes By

It was seventy-five years ago that one of the all-time great movies, *Casablanca*, opened at The Hollywood Theatre in New York City. Humphrey Bogart and Ingrid Bergman starred in a wartime tale of romantic and political intrigue with the unforgettable piano, roulette wheel and letters of transit. Today's headlines call to mind some of the more memorable lines in this classic Academy Award-winning film. Down in Washington, they are shocked, shocked to find out that there is harassment going on in the Capitol. The problems of several prominent Members of Congress do indeed amount to a hill of beans. Tax reform remains at the top of the agenda, and the Senate Majority Leader is rounding up the usual Republican holdout suspects to get votes needed to pass a bill. To fill the temporary vacancy at the Consumer Financial Protection Bureau, the White House gave a nod to the OMB Director: "Here's looking at you, Mick Mulvaney." As time goes by on Wall Street, the stock market continues to hit new record highs. Jerome Powell testifies on his plans to continue a beautiful friendship as the next Fed Chair. Consumer confidence hits a 17-year high, and, after Black Friday and CyberMonday, it appears that we'll always have Amazon Prime. Jeff Bezos, the hundred billion dollar man, says "Go ahead and shop, you'll be doing me a favor." And of all the gals in all the towns in all the world, it was Meghan Markle who walked into Buckingham Palace and captured Prince Harry's heart.

Last week, municipal issuance was light in the run-up to the Thanksgiving holiday. Treasuries finished the week basically flat, with the 10-year yield at 2.34% and the 30-year at 2.76%. Municipal bonds underperformed, with yields for the major benchmarks up by about 8 basis points. The 10-year AAA general obligation bond yield closed at 2.08% and the 30-year at 2.76%. The difference in the yield between a 2-year maturity (1.40%) and a 30-year maturity (2.76%) is just 136 basis points; last year at this time, it was 200 basis points, and two years ago it was 226 basis points. Among the few high yield transactions in the market, the Arizona Industrial Development Authority issued \$45.5 million of non-rated revenue and refunding bonds for Odyssey Preparatory Academy structured with 2052 term bonds priced at 5.50% to yield 5.75%, and the St. Louis County Industrial Development Authority sold \$22.7 million of non-rated tax increment financing revenue bonds for the St. Louis Innovation District that had a single maturity in 2036 priced at par to yield 4.375%. Mutual fund investors added \$659 million to muni bond funds.

This week's calendar will likely exceed \$12 billion and is led by a \$600 million non-rated Florida Development Finance Corporation financing for the Brightline Passenger Rail Project South Segment. The City of Houston has a \$135 million BB-minus rated airport system special facilities revenue issue for United Airlines. The New Hope Cultural Education Facilities Finance Corporation of Texas is bringing an \$84.3 million Baa3 rated student housing revenue bond issue for Texas A&M University. The South Carolina Jobs and Economic Development Authority plans a \$33 million non-rated hospital refunding and improvement issue for Hampton Regional Medical Center. The Arizona Industrial Development Authority has a \$24.9 million revenue and refunding deal for the Arizona Agribusiness and Equine Center. The Upper Illinois River Valley Development Authority is in the market with an \$18.5 million non-rated issue for Cambridge Lakes Learning Center. The California School Finance Authority has a \$16.6 million non-rated deal for Rocketship Public Schools, and the Nevada Public Finance Authority has a \$13 million BBB-minus rated financing for Coral Academy of Science.

The month of November draws to a close, and, after Friday, there are only two full trading weeks left in the year. Unlike Rick Blaine in *Casablanca* who said "I stick my neck out for nobody," Congress has a lot on the line and yet only 12 more days in session to squeeze in major votes to fund the government, raise the debt ceiling and set tax policy for 2018 and beyond. Borrowers fearful of the loss of advance refunding, tax credit and tax-exempt private activity bond financing options are queuing up for market entry and investor attention. Investors distracted by the holidays are nevertheless watching developments closely and looking for places to invest nearly \$30 billion of principal and interest payments expected next month. They added \$2.6 billion to municipal bond mutual funds during the first three weeks of November. The Federal Open Market Committee meeting on December 12 and 13 will almost certainly produce a rate hike and blueprint for additional increases next year. This sounds like welcome news to those looking for more yield than can be found on a flat yield curve but may not have much of an effect on municipal bonds if demand for tax exemption continues and supply shrinks under more restrictive tax provisions.

Presby's Inspired Life Refinances Outstanding Series 2010 Bonds with \$80.145 Million "BBB" Rated Bonds



Exceptional. Without Exception.

Partnered Right	<ul style="list-style-type: none"> Philadelphia Presbytery Homes and Services for the Aging d/b/a Presby's Inspired Life is a regional leader in serving seniors in the greater Philadelphia area since 1955. Sims has served as Presby's investment banker on multiple financings since 2009.
Structured Right	<ul style="list-style-type: none"> Advance refunding of outstanding fixed rate bonds with matched maturity to generate interest rate savings. Current refunding of outstanding bank bonds with extended maturity to eliminate refinancing risk and lock in long-term fixed rates.
Executed Right	<ul style="list-style-type: none"> Preserved Fitch "BBB" rating despite anticipated future debt issuance for proposed expansion. Negotiated reduction in call premium on outstanding bank debt.
Financed Right®	<ul style="list-style-type: none"> Successful refinancing: (1) eliminated variable rate interest exposure; (2) provided annual cash flow savings; (3) enhanced debt service coverage; and (4) leveled out and extended future debt service on a fixed rate basis. Preserved future bank capacity for proposed independent living expansion.

Partnered Right

Philadelphia Presbytery Homes and Services for the Aging ("PPHSA"), d/b/a Presby's Inspired Life ("Presby") is a regional leader in senior living in the greater Philadelphia area that has been serving the area since 1955. With communities in Montgomery County and Delaware County, Pennsylvania, Presby provides senior living services to seniors of all economic backgrounds. Philadelphia Presbytery Homes, Inc. ("PPHI") owns and operates four market rate senior living communities, Rydal Park, Rosemont Presbyterian Village, Spring Mill Presbyterian Village, and Broomall Presbyterian Village, which comprise PPHI's Obligated Group. These communities have a long history of providing services to seniors ranging from independent living accommodations to personal care to skilled nursing care. The Obligated Group currently provides senior living residences and services to over 859 residents and employs 714 team members. PPHI also provides comprehensive management services to all of the PPHI communities and other Presby subsidiaries. PPHI is Presby's largest subsidiary. PPHI also manages 19 affordable housing communities that are sponsored by other entities.

Presby's Inspired Life Refinances

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Sims' first financing for Presby dates back to 2009, when Sims secured \$55 million in bank financing for a three-phased repositioning of its Rydal Park campus. In 2010, Sims served as Co-Manager on PPHI's \$40.3 million refinancing in conjunction with PPHI's initial "BBB-" rating from Fitch. In 2013, Sims served as financial advisor to Presby on the extension of PPHI's outstanding bank financing. In 2017, Sims served as Sole Manager on PPHI's \$88.145 million "BBB" (Fitch) rated fixed rate bond issue to refinance a portion of the Obligated Group's outstanding debt and finance future capital improvements.

Structured Right

Despite a call date of December 1, 2021 on PPHI's outstanding Series 2010 Bonds, Sims provided Presby with a refinancing analysis that demonstrated material cash flow savings given the current low interest rate environment even with the cost of the escrow through the call date. Sims analysis included matching and extending the maturity on the 2010 bonds. While Sims could generate greater annual cash flow savings by extending the maturity, Presby chose to match the maturity on its outstanding fixed rate bonds and maximize the net present value savings. In addition, the term on the 2013 bank bonds was up for renewal on 2020. Given an anticipated rise in short-term rates and the uncertainty of what the interest rate environment would be in 2020, Sims and Presby decided to take advantage of the current low interest rates and refinance the 2013 bonds with new long-term fixed rate bonds as well. For the bank debt, Sims analyzed wrapping the refinancing of the bank debt around the refinancing of the 2010 bonds and extending the maturity to 2048.

In addition, Presby had purchased land adjacent to its Rydal Park campus and is now planning to use this land for a new independent living project called Rydal Waters. Presby will need new capital to finance pre-development costs for Rydal Waters, so refinancing the outstanding bank debt freed up capacity among Presby's strong existing bank relationships to finance the future Rydal Waters project. Additionally, Presby sought to maintain its "BBB" credit rating with Fitch and limit the effects of new debt against their debt service coverage.

Executed Right

Presby and Sims prepared a presentation describing the plan of finance to Fitch in August 2017. Fitch affirmed Presby's "BBB" rating in September 2017 even with the anticipated future debt issuance for the Rydal Waters project given Presby's strong financial profile, the anticipated savings generated from the refinancing and the elimination of the bank renewal risk. However, interest rates began to rise through the month of September, compromising the level of potential savings, and the Treasury Department reinstated the SLGS program. Sims accelerated the process of preparing the refinancing to enter the market and analyzed how to optimize the escrow with SLGS or open market securities. Sims also worked with Presby to facilitate discussion with its commercial bank partners to discuss relief from the unfavorable prepayment penalties on the outstanding bank debt.

Financed Right®

Presby and Sims successfully accomplished the multitude of financing and refinancing objectives. The 2017 bonds eliminated Presby's variable rate interest exposure, provided annual cash flow savings, boosted debt service coverage and leveled out and extended future debt service on a fixed rate basis. On the pricing day, Sims further improved the economics of the refinancing by helping to structure the refunding escrow with open market securities instead of SLGS.

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Presby's Inspired Life Refinances

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Sims estimates the open market securities escrow reduced the cost of the financing by nearly \$100,000. Finally, Sims worked successfully with Presby to negotiate a 1% reduction in the banks' redemption premium and by refinancing the outstanding bank debt, preserved capacity from Presby's commercial banking relationships to finance the future Rydal Waters project.

"Presby's Inspired Life's obligated group, Philadelphia Presbytery Homes, Inc., has completed several financings with the help of HJ Sims. Our most recent 2017 bond issue, along with the refunding of our 2010 bonds and extinguishment of bank debt, was guided expertly by the HJ Sims team. This refinancing garnered us favorable interest rates, a lower maximum annual debt service, and additional funds for capital improvements. HJ Sims serves as a valuable resource for us and with their support we are better positioned for future construction projects. We are proud to include HJ Sims as a partner in our mission to provide exceptional living experiences for people age 62 and better."

- Jennifer S. Kappen, Chief Financial Officer, Presby's Inspired Life

For more information on how Presby's Inspired Life was Financed Right® by HJ Sims, please contact Aaron Rulnick at (301) 424-9135, arulnick@hjsims.com or Patrick Mallen at (203) 418-9009, pmallen@hjsims.com.

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