

Senior Living New Issue Rates as of 2/20/18

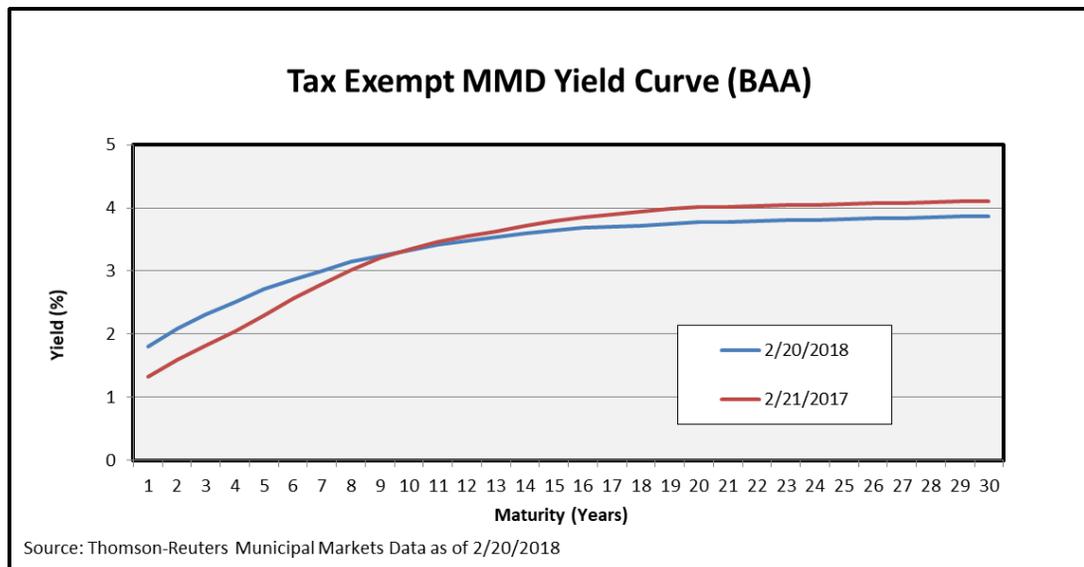
Maturity	Taxable Rates	Tax Free Rates					
	GNMA Taxable	FHA Tax-Exempt	A	BBB	BB	Refinancing & Expansion	Start-Up
5 yr.	NA	1.910%	2.650%	2.800%	3.05%	2.90-3.40%	4.10-4.60%
10 yr.	NA	2.740%	3.200%	3.500%	3.80%	3.65-4.50%	4.60-5.10%
20 yr.	NA	3.290%	3.700%	3.900%	4.25%	4.25-4.75%	5.35-6.10%
30 yr.	3.950%	3.520%	3.850%	4.050%	4.35%	4.40-4.90%	5.85-6.45%

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

SIFMA Index	LIBOR
1.00%	1.59%

Revenue Bond Index (RBI)	10 Year Treasury	30 Year Treasury
4.33%	2.9060%	3.1630%

	1 Year	3 Year	5 Year	7 Year	10 Year
Weekly SIFMA Swap Rates	1.58%	1.90%	2.05%	2.20%	2.37%
Weekly LIBOR Swap Rates	2.23%	2.59%	2.72%	2.79%	2.87%



Market Commentary: Fractions, Algorithms and Statistics

The thrill and majesty of the quadrennial Winter Olympic competitions once again enthrall viewers and patriots around the world. Fractions of seconds and points separate the medal winners from the last place finishers, and teenagers sometimes display more mastery of skill and depth of heart than elite athletes twice their age. One seventeen-year old American took home gold in the men's slopestyle snowboarding, another finished first in the women's snowboard halfpipe, and a third became the first ever to land a quadruple lutz on Olympic ice.

On Wall Street, the robot masters of algorithms went about their work unphased by human feats of glory and terror. Life went on for human traders and investors who worked to recuperate from the last two record-setting weeks of paper losses. Statistics flew fast and furious from the Commerce and Labor Departments. January building permits rose by more than 7% and housing starts were up close to 10%, beating all expectations. Import prices rose as did the core consumer and producer price indices while retail sales unexpectedly fell below forecasts. By the week's end, stock market indices were up 4.3% and back in the black for the year, oil was up 4.2% to \$61.68, and gold was up 2.30% to \$1,346. 10-year Treasury yields climbed another 2 basis points to 2.87% while 10-year AAA general obligation municipal bond yields rose 4 basis points to 2.46%. Thirty year government benchmark yields dipped 2 basis points to 3.13%, but long muni bond yields suffered a 5 basis point increase to 3.02%, a level not seen since last May.

The muni calendar was light again last week, with most of the focus on the upsized \$1.4 billion A1 rated Pennsylvania tobacco master settlement deal that came at a maximum yield of 4.035% in 2039. Among the high yield offerings was a \$20 million non-rated Georgia multifamily housing financing priced at par to yield 4.95% in 2060, an \$8.4 million non-rated Putnam County, West Virginia lease revenue deal structured with 2048 term bonds priced at 4.50% to yield 4.70%, and a \$6.3 million 10-year non-rated Atchison County, Kansas financing for Benedictine College that had a maximum yield of 3.95%. For the first time this year, investors pulled money out of both stock and bond funds. Municipal funds had \$810 million of redemptions, while taxable fixed income funds lost \$8.6 billion and U.S. and global equity funds saw \$3.2 billion of outflows.

Bond yields are still reflecting investor anxiety over inflation pressures and the path being paved by the Federal Reserve for a series of rate hikes this year. Municipals are being bruised by selling pressures coming from dealers with leftover inventory and customers holding out long bid-wanted lists. This week's calendar at \$5.8 billion is shortened by the President's Day holiday and devoid of high yield paper. Next week, we gather with friends and colleagues in Orlando for our 15th annual Late Winter Conference to take a closer look at financing methods and operating strategies designed to meet many of the challenges in the senior living industry. We will be back in two weeks with a recap of the highlights for those unable to join us.

Sims' Taxable and Tax-Free Bond Underwriting Enables Acquisition of Bankrupt Life Plan Community



"This was a very difficult acquisition that required a lot of thinking outside the box. HJ Sims not only provided us with much needed borrowing assistance, but with guidance on the statutory, bankruptcy and other nuances of this acquisition. It was great to have an underwriter that was not just there to sell bonds."

Hank Keith, Chief Financial Officer, Westminster Communities of Florida

Sims' Taxable and Tax-Free Bond Underwriting

Cont. from Page 2

Partnered Right	<ul style="list-style-type: none"> Westminster Pines, an affiliate of Presbyterian Retirement Communities – 14th largest nonprofit senior living provider in the United States, #1 in the state of Florida. Acquire an existing life plan community out of bankruptcy to reposition its business model. 78% current occupancy in all units.
Structured Right	<ul style="list-style-type: none"> Acquire the community through an affiliate of PRC that is not a member of the PRC Obligated Group Address the remaining balance of Guaranteed Refunds. Develop a plan of finance utilizing both tax-exempt and taxable financing options given the large number of independent living units on the campus.
Executed Right	<ul style="list-style-type: none"> Evaluated multiple financing plans and scenarios. Crafted a blended solution of tax-exempt and taxable financing. Secured low interest rate with True Interest Cost of 5.27%.
Financed Right®	<ul style="list-style-type: none"> Guaranteed Refunds balance was lowered. Provided flexibility to bring community into PRC Obligated group over a 5-7 year period. Implemented a revitalization plan to bring stability to the acquired Community.

Partnered Right

Westminster Pines, Inc. d/b/a Westminster St. Augustine (the “Borrower”) is a not-for-profit corporation wholly owned by an affiliate of Presbyterian Retirement Communities, Inc. (“PRC”), otherwise known as Westminster Communities of Florida. In 2017, the Borrower successfully negotiated a purchase agreement to acquire Glenmoor, a life plan community that had been in bankruptcy since 2013. Glenmoor is located in St. Augustine, with a 40-acre landscaped campus that consists of 159 residential units, a Health Center containing 30 Assisted Living Units, 30 Skilled Nursing Beds and a 329,000 square foot Community Center. As of September 2017, the community’s occupancy was 82% in its independent living units, 59% in assisted living units and 78% in skilled nursing units.

PRC and its affiliates (collectively, the “PRC Obligated Group”) constitute the largest group of life plan communities in the State of Florida with a total of 3,244 units including 2,025 residential units, 468 assisted living units and 751 skilled nursing units. According to the 2016 LeadingAge 100 Report, the Obligated Group is the 14th largest nonprofit operator of senior living units in the United States. The PRC Obligated Group currently has an “A-” by Fitch Ratings, Inc.

Of the nine life plan communities currently owned and operated by PRC, six were acquired under circumstances of financial distress.

Structured Right

In 2010, due to the recession and negative attrition, Glenmoor had offered primarily refundable entrance fee contracts, which led to high refund liabilities that had escalated to unpaid balance of approximately \$7 million by 2012. Not able to fulfill its growing obligations, Glenmoor entered into bankruptcy in 2013. By the end of 2016, after the original reorganization plan was unsuccessful, it was ordered by the United States Bankruptcy Court to be sold. Westminster Communities of Florida provided the second highest bid, and won the right to acquire the property after the stalking horse bidder pulled out of the transaction.

Sims' Taxable and Tax-Free Bond Underwriting

Cont. from Page 3

With total refund liabilities of \$19 million to current residents at the time of closing and \$9 million of additional past-due refunds, PRC decided to purchase Glenmoor through its affiliate, Westminster Pines, which is not currently a part of the PRC Obligated Group. At such time that the community reaches stabilized occupancy and a reduction in the amount of refund liabilities, PRC has the right to add the Borrower to the PRC Obligated Group.

In addition, due to the current IRS code, the purchase price for the independent living units could not be financed with tax-exempt bonds, and, therefore, a portion of the plan of finance would need a form of taxable financing.

Executed Right

After evaluating several financing plans, Sims recommended the use of non-rated taxable and tax-exempt bonds to acquire the community, pay down past due refunds and fund capital improvements. The \$43,805,000 bond issue consisted of an allocation of \$34,975,000 of taxable bonds and \$8,830,000 of tax-exempt bonds.

To provide the Borrower with a lower cost of capital and recognizing the intent to bring the community into the PRC Obligated Group over the next 7 years, the bonds were structured with a mandatory seven-year tender from the closing date and amortized over 30 years to allow for sufficient debt service coverage on a pro-forma basis. PRC and its affiliates provided \$11.5MM of support in the form of subordinate loans as required by the State of Florida for the project's working capital and minimum liquid reserves. The non-rated bond issue obtained a blended cost of capital of 5.27% with an optional redemption beginning in year 5 at a 101% call premium.

Financed Right®

As a result of the transaction, PRC acquired a community with minimal construction and fill-up risk in a market where it has demonstrated historical success at Westminster Julington Creek, which is 15 miles from Glenmoor. The acquisition provides the opportunity for Westminster St. Augustine (formerly "Glenmoor") to have both operational and financial stability while allowing PRC the opportunity to expand its presence in the Jacksonville/St. Augustine market.

Ultimately, PRC was able to:

Reduce Remaining Balance of Guaranteed Refunds

With support from PRC and its affiliates, the Guaranteed Refunds payable to residents was reduced by \$9 million, and the remaining \$19 million will be paid out over the course of the next 8 years as the new revitalization plan is implemented and generates excess cash flow.

Provide Financial Flexibility to PRC.

The 7 year mandatory tender provides for Westminster Pines to have a taxable fixed rate of 5.50% and a tax-exempt fixed rate of 4.125%, while also having the flexibility to evaluate strategic options for the community over the next 5-7 years.

Sims' Taxable and Tax-Free Bond Underwriting

Cont. from Page 4

Implement a Revitalization Plan

Under the new plan, Westminster Pines will utilize PRC's buying power, which will produce savings in every department; and, under the management of Westminster Services, Inc., operations will become more efficient. Additionally, to ensure a powerful presence among surrounding competitors, Westminster St. Augustine's Entrance and Monthly Fees will provide for adjusted pricing for Independent Living units to boost sales. Marketing plans and budgets have also been created to ensure rebranding and public relations efforts. Ultimately, the plan should bring greater stability to the community, ensuring its ability to serve current residents and to meet the needs of future residents.

For more information, please contact Robert Gall at rgall@hjsims.com or 407-313-1701.

For more information, please contact an HJ Sims banker.

Fairfield, CT

William Sims 203-418-9001 wsims@hjsims.com
Jeff Sands 203-418-9002 jsands@hjsims.com
Andrew Nesi 551-427-5135 anesi@hjsims.com
Mackenzie Welch 203-418-9024 mwelch@hjsims.com
Krystal Murphy 203-418-9028 kmurphy@hjsims.com

Rockville, MD

Aaron Rulnick 301-424-9135 arulnick@hjsims.com
Melissa Messina 203-418-9015 mmessina@hjsims.com
Patrick Mallen 203-418-9009 pmallen@hjsims.com
Joseph Melville 203-418-9069 jmelville@hjsims.com

Bloomington, MN

Mark Landreville 952-683-7509 mlandreville@hjsims.com
Jay Hromatka 952-683-7506 jhromatka@hjsims.com
Christina Rappl 952-683-7507 crappl@hjsims.com

Philadelphia, PA

James Bodine 215-854-6428 jbodine@hjsims.com

Austin, TX

Curtis King 512-519-5003 cking@hjsims.com
James Rester 901-652-7378 jrester@hjsims.com
Brett Edwards 512-519-5001 bedwards@hjsims.com

Orlando, FL

Robert Gall 407-313-1701 rgall@hjsims.com

Montvale, NJ -Sims Mortgage Funding - 201-307-9383

Anthony Luzzi aluzzi@simsmortgage.com
Kerrie Tomasiewicz ktomasiewicz@simsmortgage.com
Andrew Patykula apatykula@simsmortgage.com

The material presented here is for information purposes only and is not to be considered an offer to buy or sell any security. This report was prepared from sources believed to be reliable, but it is not guaranteed as to accuracy, and it is not a complete summary or statement of all available data. Information and opinions are current up to the date of publication and are subject to change without notice. The purchase and sale of securities should be conducted on an individual basis considering the risk tolerance and investment objective of each investor and with the advice and counsel of a professional advisor. All investments involve risk and may result in a loss of principal. Investors should carefully consider their own circumstances before making any investment decision. This is not a solicitation to buy or an offer to sell any particular investment.