

CAPITAL MARKET UPDATE



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Senior Living New Issue Rates as of 7/11/17

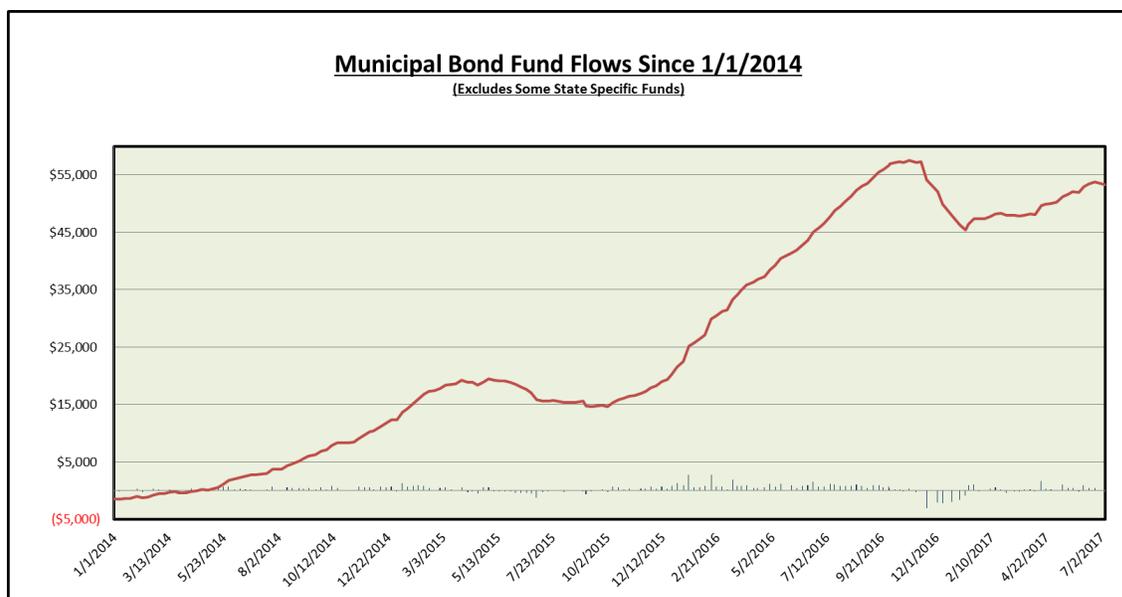
Maturity	Taxable Rates	Tax Free Rates					
	GNMA Taxable	FHA Tax-Exempt	A	BBB	BB	Refinancing & Expansion	Start-Up
5 yr.	NA	1.400%	2.100%	2.450%	2.85%	2.80-3.40%	3.95-4.45%
10 yr.	NA	2.420%	2.950%	3.250%	3.70%	3.80-4.15%	4.45-4.95%
20 yr.	NA	3.180%	3.800%	4.100%	4.70%	4.50-5.00%	5.25-5.75%
30 yr.	3.540%	3.420%	3.950%	4.200%	4.85%	4.70-5.25%	5.90-6.65%

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

SIFMA Index	LIBOR
0.86%	1.23%

Revenue Bond Index (RBI)	10 Year Treasury	30 Year Treasury
3.76%	2.3550%	2.9180%

	1 Year	3 Year	5 Year	7 Year	10 Year
Weekly SIFMA Swap Rates	1.06%	1.30%	1.49%	1.63%	1.78%
Weekly LIBOR Swap Rates	1.46%	1.79%	2.00%	2.17%	2.34%



Market Commentary

If you were on the beach for the past two weeks, you have come back to find some flip flops in the bond market. While you were away, investors saw the tides starting to turn at the central banks in Europe, England, Canada and Japan and decided it was time to price in another rate hike. The Federal Reserve and its counterparts appear to be stepping down from the lifeguard tower in an effort to slowly normalize monetary policy by raising rates and reducing balance sheets. Although there are no signs of inflation, the latest wave of opinion seems to favor the Fed starting to shrink its portfolio in September and increasing the target rate by a quarter point in December. So, in the past fortnight, 10-year Treasury yields have risen 24 basis points to 2.38%, and 30-year yields have climbed 21 basis points to 2.92%. Municipal bond prices lie under the technical umbrella of the supply/demand imbalance and are getting a bit less sunburned. But the 10-year AAA general obligation yield has nevertheless climbed 19 basis points to pass the 2.00% mark, closing at 2.05% on Friday; the 30-year muni benchmark yield shored up at 2.85%, or 16 basis points higher.

The first trading week in July was about as lively as driftwood. With so many traders and investors stretching out the Independence Day holiday, daily muni trading volume sank to \$7.6 billion and the municipal calendar totaled less than \$300 million. This week, the slate is back up to \$10 billion. As the market follows this week's Treasury auctions, economic releases and Fed Chair Yellen's remarks to the House and Senate Banking committees, the Dauphin County General Authority is bringing a \$56.4 million BB rated financing for the Harrisburg University of Science and Technology. The California School Finance Authority is in the market with a \$22 million non-rated deal for Escuela Popular. The Utah Charter School Finance Authority has a \$13.8 million revenue refunding deal for BBB-minus rated Quest Academy in West Haven. Virginia's Richmond Redevelopment and Housing Authority is offering \$13.8 million of non-rated bonds for the American Tobacco Apartments. The Illinois Finance Authority has a \$35.3 million revenue refunding bond issue for Three Crowns Park in Evanston, and the Vermont Economic Development Authority plans to issue \$22.7 million of non-rated bonds for Wake Robin in Shelburne. On the forward calendar, HJ Sims plans a \$129 million financing for the renovation and expansion of the Ingleside at Rock Creek life plan community in Washington, D.C. The non-rated transaction is expected to price during the week of July 24.

Sims Finances Start-Up Life Plan Community



"Helping a 145-year-old senior housing organization move from being small and inefficient into a new 48-acre campus with a large Life Plan Community, \$56 million of construction and a \$93 million project financing is no easy task. HJ Sims was with us every step of the way from early dreams in 2011 to the reality of a groundbreaking in 2017. They took the time to understand all the components needed to make this happen. They helped us greatly as we, as a team, created and implemented the project development plan and did a great job of executing the financing at below than expected interest rates. Sims exceeded our expectations and has now helped create another century of service for the sponsor through the creation of Hillside Village."

– Edward J. Kelly, CEO KRI – Development Consultant to Prospect Woodward Home

Sims Finances Start-Up Life Plan Community

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Partnered Right	<ul style="list-style-type: none"> • The Prospect-Woodward Home has origins in Keene, NH dating to 1874 and is the result of a merger between two small assisted living homes in 2016. • In response to a lack of senior living options in the area, the Board elected to develop a new Life Plan Community on 48 acres of farmland 5 miles from downtown Keene. • Hillside Village will consist of 140 independent living apartments and villas, 60 assisted living units (including 18 for memory care), 20 nursing beds and commons areas and amenities typical of many Life Plan Communities. • At financing, 80% of the independent living apartments and villas were reserved. • The Development Consultant, Architect, Construction Manager and Management Company have long track records of success working in the New Hampshire market as well as working together.
Structured Right	<ul style="list-style-type: none"> • The Prospect-Woodward Home invested all of its permitted endowment on development costs necessary to reach construction financing. • Bond proceeds were used to reimburse development costs and provide for future liquidity once Hillside Village opens in late 2018. • Bond Issuer restricts sale of below investment grade bonds to qualified institutional buyers and accredited individual investors. Minimum bond denomination was \$100,000. • Approximately \$35.6 million of the total \$93.0 million bond issue was apportioned to several series of Entrance Fee Principal Redemption Bondssm which will be redeemed fully with new resident entrance fees at approximately 80% occupancy.
Executed Right	<ul style="list-style-type: none"> • Despite distribution restrictions, \$18 million in bonds were sold to individual investors. • Favorable conditions, market intelligence derived from recently priced bond transactions and successful distribution to individual investors combined to establish a range of interest rates lower than initial assumptions.
Financed Right[®]	<ul style="list-style-type: none"> • On June 19, 2017, Sims closed on a \$93.0 million tax exempt bond issue with interest rates ranging from 3.50% to 6.375%. • Use of Entrance Fee Principal Redemption Bondssm is expected to reduce debt by nearly 40% within three years.

Partnered Right

The Prospect-Woodward Home is a nonprofit corporation which presently operates a 24-bed assisted living facility in Keene, New Hampshire. The Corporation is the result of a merger in July 2016 between two long-standing New Hampshire nonprofit organizations, Prospect Hill Home and The Woodward Home, and traces its roots to 1874.

The desire to establish a new Life Plan Community arose from years of market research and analysis spawned by dramatic marketplace changes in New Hampshire in the last two decades and a significant shift in the needs and desires of senior citizens. There are no existing Life Plan Communities in the Keene market area, so the nearest options were at least one hour away and all were full with lengthy wait lists.

The new Life Plan Community will be known as Hillside Village and will be constructed on 48 acres of farmland 5 miles outside downtown Keene. Upon completion, it will consist of 140 independent living apartments and villas, a 60 bed assisted living facility including 18 beds dedicated to memory care and 20 nursing beds. Services and amenities will be consistent with many Life Plan Communities. Once Hillside Village opens, the existing assisted living facility will be closed and its residents transferred to the new community.

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Sims Finances Start-Up Life Plan Community

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The Board engaged a highly experienced team to develop, design, build and manage the community. In addition to many years of individual experience, this group has worked before on other successful communities, and that positive experience has been replicated at Hillside Village.

As an indication of the reception Hillside Village has received from local seniors, 80% of the independent living apartments and villas have been reserved with 10% deposits. This milestone was achieved within 18 months of opening the marketing office. Only two cancellations have been recorded to date as depositors recognize that Hillside Village will be their only Life Plan Community option in the market area due to the long wait lists at other communities.

Structured Right

The Prospect-Woodward Home had a small endowment accumulated over its nearly 150 year history. Working with New Hampshire regulators, it was permitted to invest \$3 million of this endowment in development costs needed to bring Hillside Village to financing. At closing, \$3 million in bond proceeds were used to reimburse the Corporation and will be available to support operations as the community opens. In addition to this sum, \$6 million in initial entrance fees will be available for operating expenses during fill up.

There is no foundation or third-party benefactor available to provide liquidity support to Hillside Village as is often seen in new Life Plan Community financing. The market reception, total lack of competition and low likelihood of depositors canceling in order to move into another community provides confidence that the community will fill quickly, thus lessening the need for back-up support.

Sims created three series of Entrance Fee Principal Redemption Bondssm to capture initial entrance fees from new residents and to reduce debt as quickly as possible. These bond series are anticipated to be redeemed when occupancy reaches approximately 80%.

Executed Right

The bond issuer, New Hampshire Health and Education Facilities Authority, has a policy of restricting sale of below investment grade bonds to qualified institutional buyers and accredited investors in minimum denominations of \$100,000. Nonetheless, Sims was able to leverage its extensive network of individual investors to place approximately \$18 million of the \$93 million bond issue.

Sims used the success of this placement, market intelligence derived from recently priced bond issues and favorable market conditions to establish a range of interest rates lower than initial assumptions and other start-up communities in the bond market.

Financed Right[®]

On June 19, 2017 Sims closed on a \$93.0 million tax exempt bond issue with interest rates ranging from 3.50% to 6.375%. Through the use of Entrance Fee Principal Redemption Bondssm, 40% of the bonds are expected to be redeemed within three years.

For more information on how Hillside Village was Financed Right[®] by HJ Sims, please contact Andrew Nesi at (203) 418-9057 (anesi@hjsims.com).



For more information, please contact an HJ Sims banker.

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