

## Senior Living New Issue Rates as of 9/19/17

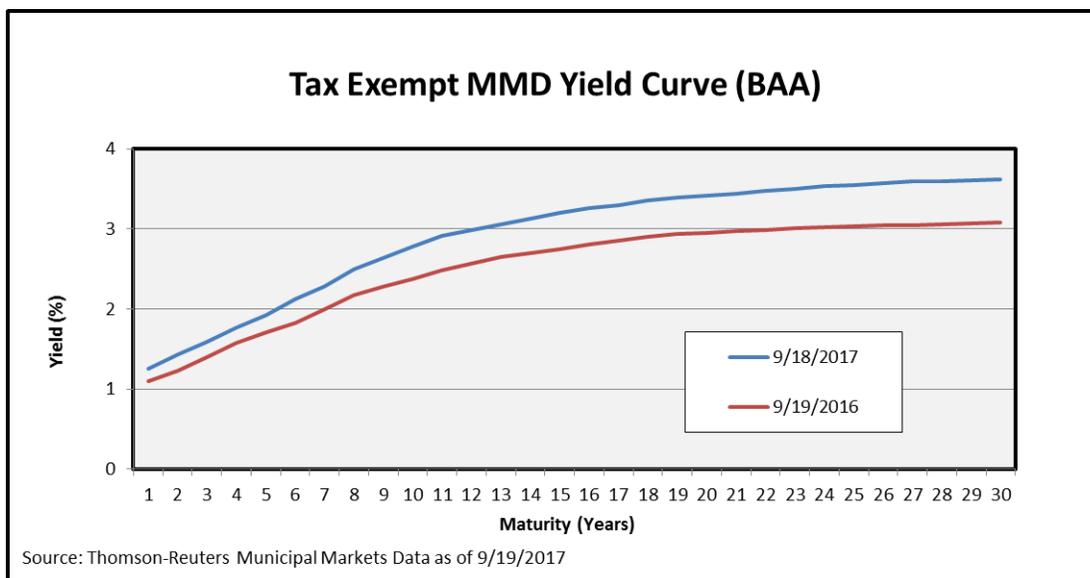
Maturity	Taxable Rates	Tax Free Rates					
	GNMA Taxable	FHA Tax-Exempt	A	BBB	BB	Refinancing & Expansion	Start-Up
5 yr.	NA	1.290%	1.800%	2.250%	2.50%	2.60-3.10%	4.00-4.50%
10 yr.	NA	2.300%	2.750%	3.050%	3.40%	3.50-4.00%	4.50-5.00%
20 yr.	NA	3.070%	3.450%	3.750%	4.15%	4.15-4.65%	5.25-6.00%
30 yr.	3.450%	3.380%	3.600%	3.950%	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
0.82%	1.24%

Revenue Bond Index (RBI)	10 Year Treasury	30 Year Treasury
3.77%	2.2430%	2.8140%

	1 Year	3 Year	5 Year	7 Year	10 Year
Weekly SIFMA Swap Rates	1.08%	1.28%	1.40%	1.55%	1.71%
Weekly LIBOR Swap Rates	1.52%	1.76%	1.91%	2.05%	2.20%



## Market Commentary

The global organization known as the United Nations was formed after World War II to promote international cooperation, peace and security and has been the subject of praise, controversy, criticism and reform efforts for 72 years. Its most familiar affiliates, agencies, programs and representatives are the Security Council, the International Court of Justice at the Hague, the World Bank, the World Health Organization, the International Monetary Fund, UNICEF and the 80,000 peacekeeping troops stationed in 15 of the planet's worst trouble spots. The UN's highest ranking official is Secretary-General Antonio Guterres of Portugal, and this week he presides over the annual General Assembly session in New York City. On Tuesday, General Debate opened in six official languages: Arabic, English, French, Mandarin, Russian and Spanish, and diplomats are focusing on this year's theme: "Striving for Peace and a Decent Life for All on a Sustainable Planet." North Korea and Iran are said to be among the 193 member nations focusing. They are all assessed by the UN for funding needs which exceed \$10 billion a year, approximately \$3.3 billion of which is supplied by U.S. taxpayers.

The dialogue, traffic, security measures and address by the U.S. President at the UN gathering are hogging headlines typically reserved for the Federal Reserve Bank's Open Market Committee meeting in Washington. The FOMC has not met since July 26, but members are getting pushed to the sidelines for another six weeks as traders wager that damage done by Hurricanes Harvey and Irma, and further damage threatened by Hurricane Maria, have eliminated virtually any prospect for rate hikes before December. Markets will be looking for the announcement of a timetable for starting to shrink the Fed's massive portfolio of Treasury and mortgage-backed securities, but, whether or not it comes on Wednesday, investors will continue on their merry way. The Dow finished up 470 points last week even as U.S. and global equity funds saw \$84 billion of redemptions. Stocks are still on a meteoric rise to yet another record high, regardless of the rockets flying, flood damage, power outages, the British subway terror attack, legislative logjams and the bankrupt status of American icons such as Toys R Us.

Last week began with tributes and moments of silence on the 16<sup>th</sup> anniversary of 9/11. Treasury auctions met with weak demand, and the 10- and 30-year benchmark yields rose 15 basis points and 10 basis points, respectively, to close at 2.20% and 2.77%. The municipal market saw \$7.9 billion of supply, and high yield muni funds saw \$156 million net inflows, but prices declined across the board. The 10-year AAA municipal general obligation bond yield rose 8 basis points to 1.89%, and the 30-year yield climbed 11 basis points to 2.76%. The high yield sector featured only a handful of special assessment financings, but this week's \$6.2 billion calendar has more in store. HJ Sims is co-managing the year's largest life plan community financing, a \$224.2 million BB rated Ingleside at King Farm revenue and refunding bond issued by the City of Rockville, Maryland. California Baptist University is in the market with a \$107 million non-rated refunding, Anderson University has a \$35.6 million BB rated refunding, and Baa3 rated Robert Morris University has a \$27.5 million deal. Non-rated Seven Hills Preparatory Academy is borrowing \$14.8 million through the City of Deep Haven, Minnesota, and the Washington Housing Finance Commission is bringing a \$7.5 million non-rated transaction for Wesley Homes at Des Moines. The New Jersey Economic Development Authority has a \$22.5 million non-rated issue for the Kintock Group, and the South Carolina Jobs-Economic Development Authority is bringing a \$16.4 million non-rated revenue bond issue for River Park Senior Living. The 30-day visible supply of municipal bonds totals \$11.8 billion.



## Sims Works with Long-Term Client to Improve Bank and Bond Terms



**Maple Knoll Village**



**The Knolls of Oxford**

<b>Partnered Right</b>	<ul style="list-style-type: none"> <li>• Founded in 1848, Maple Knoll Communities, Inc. (“MKC”) serves approximately 2,800 seniors each year in the greater Cincinnati, Ohio area in its owned facilities and affordable housing corporations that it manages</li> <li>• Client of HJ Sims for nearly 25 years</li> </ul>
<b>Structured Right</b>	<ul style="list-style-type: none"> <li>• MKC sought to accomplish three objectives:               <ul style="list-style-type: none"> <li>- Extend initial bank term to call date on long-term fixed rate bonds</li> <li>- Reduce its interest rate expense</li> <li>- Reduce its liquidity covenant.</li> </ul> </li> </ul>
<b>Executed Right</b>	<ul style="list-style-type: none"> <li>• Replaced 2/3<sup>rd</sup>s of bank group who did not support initial requests</li> <li>• Secured multiple bank term sheets from banks willing to accept MKC’s desired terms</li> </ul>
<b>Financed Right®</b>	<ul style="list-style-type: none"> <li>• Extended bank term until July 2023</li> <li>• Reduced swap rate by over 60 basis points – even with extended term</li> <li>• Secured approval from banks and bondholders to lower liquidity covenants from 150 to 120 days</li> </ul>

### Partnered Right

Founded in 1848, Maple Knoll Communities, Inc. (“MKC”) is an Ohio not-for-profit corporation that owns and operates two continuing care retirement communities: Maple Knoll Village and The Knolls of Oxford. MKC also offers several programs serving seniors including Maple Knoll Outreach Services for Seniors, three affordable HUD Senior Living Residences, Village Home Health and Hospice, WMKV 89.3 and 89.9 FM Radio Station, a Montessori Child Center, and the Hemsworth Wellness Center. In the greater Cincinnati metropolitan area, MKC serves on average approximately 2,800 seniors each year through its owned facilities, affordable housing corporations and outreach services. In addition, MKC has developed a strong partnership between the University of Cincinnati and its Maple Knoll Village campus and between the Miami University of Ohio and its Knolls of Oxford campus.

## Sims Works with Long-term Client

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Sims has been serving as MKC's investment banker for almost 25 years. In 1993, Sims financed a major expansion to the Maple Knoll campus and then financed phases I and II of the Knolls of Oxford campus in 1999 and 2002 respectively. In 2007, Sims financed incremental expansions at both campuses. The 1999, 2002 and 2007 financings were all financed with letter of credit enhanced variable rate bonds with a syndicate of banks. In 2010, Sims served as financial advisor to MKC to extend a portion of its letters of credit with the balance of the outstanding bank debt converted to bank qualified bonds. The 2010 financing also included a reorganization of the banking syndicate to include a total of six banks. However, as the banking landscape continued to change after the financial crisis, some of the banks expressed the desire for repayment. In 2013, Sims secured alternative financing for MKC to address the expiration of its letters of credit and bank qualified bonds and facilitate the repayment of the three banks that decided to exit the bank syndicate to reduce their portfolio exposure to senior living. The 2013 financing included: (a) \$30.92 million of non-rated fixed rate bonds to repay the banks exiting the syndicate and to lock into longer-term and stable capital and (b) \$36.0 million of a combination of direct bank purchased bonds and a taxable loan to secure a lower overall cost of capital.

### Structured Right

In 2013, the banks agreed to an initial term of seven years, and MKC entered into a corresponding seven-year swap. The call provisions on the 2013 fixed rate bonds, however, were ten years (at par) – three years beyond the initial bank term. This gap created some exposure for MKC and the 2013 bondholders if the banks were not willing to extend their commitment after the initial bank term expired. After three years had elapsed into the initial seven-year bank term, MKC and Sims decided to approach the three members of the bank group to request an extension to the bank term to match the call date on the fixed rate bonds of July 1, 2023. In addition, MKC and Sims began to explore a "blend and extend" strategy for the swap, whereby the initial swap would be extended to correspond with the new bank term, albeit at a lower interest rate given the current low interest rate environment. Finally, MKC sought relief on its liquidity covenant, from 150 to 120 days.

### Executed Right

While MKC's lead bank, Huntington Bank, agreed to extend the term, lower its fee and swap rate and reduce the liquidity covenant, the other two banks did not. As such, MKC requested that Sims secure a commitment from a new bank under the more favorable terms to replace the two banks that did not approve MKC's initial request. Sims was successful in securing term sheets from multiple banks that were willing to accept MKC's requested terms. Ultimately, MKC chose MaineSource Bank to become its new bank partner along with Huntington Bank. The new terms included an extended bank term and swap to July 2023, a 20 basis point reduction in the bank fee and more than 60 basis point reduction in its swap fee and a reduction to MKC's liquidity covenant. In addition, Sims secured approval from the 2013 fixed rate bondholders to amend the 2013 bond documents to lower the liquidity covenant as well from 150 to 120 days cash on hand.

### Financed Right®

"Over our 25-year relationship, HJ Sims has continued to offer innovative and well thought out solutions to Maple Knoll's financing needs. We value them not only as an advisor, but a true partner."

- Jim Stahl, Chief Financial Officer, Maple Knoll Communities

**For more about Financed Right® solutions, please contact Aaron Rulnick at 301-424-9135 or [arulnick@hisims.com](mailto:arulnick@hisims.com).**

**For more information, please contact an HJ Sims banker.**

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