

CAPITAL MARKET UPDATE

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Senior Living New Issue Rates as of 9/26/17

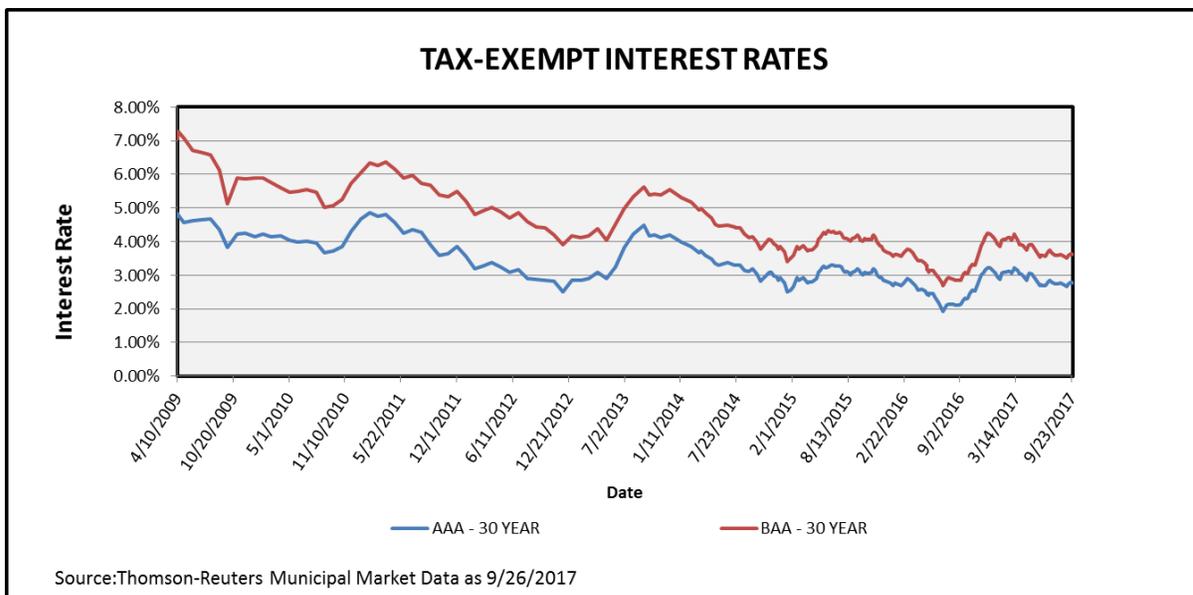
| Maturity | Taxable Rates | Tax Free Rates | | | | | |
|----------|---------------|----------------|--------|--------|-------|-------------------------|-------------|
| | GNMA Taxable | FHA Tax-Exempt | A | BBB | BB | Refinancing & Expansion | Start-Up |
| 5 yr. | NA | 1.330% | 1.900% | 2.250% | 2.50% | 2.60-3.10% | 4.00-4.50% |
| 10 yr. | NA | 2.320% | 2.750% | 3.000% | 3.40% | 3.50-4.00% | 4.50-5.00% |
| 20 yr. | NA | 3.080% | 3.500% | 3.700% | 4.10% | 4.15-4.65% | 5.25-6.00% |
| 30 yr. | 3.420% | 3.390% | 3.650% | 3.900% | 4.30% | 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 |
|-------------|-------|
| 0.88% | 1.24% |

| Revenue Bond Index (RBI) | 10 Year Treasury | 30 Year Treasury |
|--------------------------|------------------|------------------|
| 3.81% | 2.2920% | 2.8470% |

| | 1 Year | 3 Year | 5 Year | 7 Year | 10 Year |
|-------------------------|--------|--------|--------|--------|---------|
| Weekly SIFMA Swap Rates | 1.10% | 1.29% | 1.41% | 1.56% | 1.71% |
| Weekly LIBOR Swap Rates | 1.54% | 1.78% | 1.92% | 2.04% | 2.19% |



Market Commentary

Iran unveiled a new Khorramshahr ballistic missile at a military parade, North Korea claimed that President Trump's speech at the United Nations was a declaration of war, and the Federal Reserve announced its schedule for selling off part of its \$4 trillion of holdings, but it is the simple human knee that has garnered the most attention of late. The knee is the largest joint, and the kneecap is the largest sesamoid bone in the human body. With support from the hamstring and quadriceps muscles, the knees move like a hinge, making it possible for most of us to sit, stand, squat, walk and jump. Three recent hurricanes have brought millions to their knees in prayer for the safety and recovery of family, friends and communities. In Mexico, rescue workers have been on their hands and knees searching for survivors of two major earthquakes that struck hundreds of miles apart. And a growing number of pro ballplayers started taking a knee during the playing of the national anthem, creating a confusing melee of protests and patriotism.

Having the NFL in the TV and Twitter limelight is a great relief to the U.S. Congress. Aside from kicking the debt limit and 2018 budget cans down the road, neither the House nor the Senate has been able to produce much of anything in response to last November's election mandates. It appears that their latest efforts on health care reform have failed again, some are skeptical that House leadership can forge consensus on a tax plan this week, and no one there is talking about infrastructure anymore except in the context of the massive repairs urgently needed in storm-devastated regions. This week, the first tourists will return to the Florida Keys as rebuilding efforts proceed. Houston is still months away from clearing away flood-damaged property. Dedicated teachers in Puerto Rico are trying to create makeshift classrooms in facilities with no power for students who are homeless, hot and hungry. And National Guard troops are still being transported from around the country to assist the residents in the Virgin Islands who have experienced unprecedented destruction.

Given the financial condition of the Virgin Islands and the outstanding debt and economic situation in Puerto Rico, it is unlikely that they will be able to access the municipal bond market for some time. But across the country, essential community purpose project financings proceed apace, and investors continue to present heavy demand for tax-exempt issues. Municipal bond funds have taken in more than \$7 billion in the past 10 weeks, with \$1.5 billion of the total flowing into high yield funds. Last week the calendar totaled \$5.3 billion, and we had a number of high yield financings priced with 5.00% coupons. Rockville, Maryland issued \$224.2 million BB rated revenue and refunding bonds for Ingleside at King Farm; HJ Sims was a co-manager on the transaction, which featured 20-year term bonds yielding 4.06%. The California Statewide Communities Development Authority sold \$102.3 million of non-rated refunding revenue bonds structured with a 2041 maturity priced to yield 4.31%. The Allegheny County Higher Education Building Authority issued \$27.4 million of Baa3 rated revenue bonds for Robert Morris University in Moon, Pennsylvania, and the 30-year term bonds yielded 4.00%. The City of Deephaven, Minnesota sold \$14.4 million of non-rated charter school lease revenue bonds for Seven Hills Preparatory Academy, which had 2049 term bonds priced at par. The Economic Development Corporation of Dearborn, Michigan came to market with a \$14.1 million non-rated revenue bond issue due in 2044 for Henry Ford Village that priced at par to yield 7.50%. And the New Jersey Economic Development Authority was in the market with two deals: a \$22.5 million of non-rated community correctional facilities revenue bonds for the Kintock Group, which had a subordinate series priced to yield 8.00% in 2019, and a \$13.3 million BB rated financing for Teaneck Community Charter School priced at 5.125% to yield 5.17% in 2052.

The third quarter ends this week with a muni slate totaling nearly \$10 billion. HJ Sims is in the market with a \$93.9 million financing through the Montgomery County Higher Education and Health Authority for BBB rated Philadelphia Presbytery Homes. Denver, Colorado has a \$255.2 million BB-minus rated airport project bond issue for United Air Lines that is subject to the alternative minimum tax. Sartell, Minnesota plans a \$11.7 million non-rated refunding for Country Manor Campus. The California Public Finance Authority is in the market with a non-rated lease revenue bond deal for Temecula Valley Charter School. And the South Carolina Jobs-Economic Development Authority is bringing a \$14.1 million non-rated financing for River Park Senior Living. At this writing, the 10-year AAA general obligation bond yield stands at 1.92%, up 6 basis points on the month. The 10-year Treasury yields 2.22%, up 11 basis points. The 30-year AAA muni benchmark yield is 2.78%, an increase of 8 basis points since the start of September, while the 30-year Treasury yield is up 4 basis points. Oil is up \$4.67 per barrel in September, and the stock market is still the bee's knees, with the Dow up 1.7% and topping 22,300, and the S&P 500 Index over 2,500.



Hospital Uses Sims Mortgage Funding for Expansion

“Sims Mortgage Funding has been a trusted partner of Parkview Community Hospital since 2011, when they helped us refinance our short-term, high interest rate debt with a HUD-insured loan. They recently guided us through another HUD-insured financing for the expansion of our emergency department, a much-needed activity that will help us continue to serve our community. They have a strong knowledge of HUD’s programs and procedures, and were able to skillfully lead the hospital, architect and construction manager through a complicated financing process and to a successful closing.”

- Stephen Popkin, CEO, Parkview Community Hospital Medical Center



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|-----------------------------------|--|
| Partnered Right | <ul style="list-style-type: none"> • Parkview Community Hospital needed additional capital to finance an expansion of its emergency department (ED), which was undersized and overutilized. However, financing options were limited because its existing HUD-insured loan could not be refinanced until 2021. |
| Structured Right | <ul style="list-style-type: none"> • SMF secured a \$30,112,000 Supplemental Loan under the Section 242/241 program to finance the ED expansion. The loan covered 100% of the Project’s costs. |
| Executed Right | <ul style="list-style-type: none"> • SMF obtained approval from the HUD Office of Hospital Facilities in Washington, DC in approximately 120 days and also obtained HUD approval to jump-start the construction process before closing. |
| Financed Right[®] | <ul style="list-style-type: none"> • This is the second HUD-insured financing SMF has closed for Parkview. The first, in 2011, refinanced its short-term, high interest rate bridge loan that the hospital used to stave off a predatory lender. The 2011 HUD-insured loan was the first-ever loan closed under its Section 242/223(f) program. |

Hospital Uses Sims Mortgage Funding for Expansion

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Partnered Right

Parkview Community Hospital is a 193-bed not-for-profit community-based hospital in Riverside, California serving mostly low-and-moderate income households. Its emergency department was undersized and overutilized, which led to a loss of admissions. Because its existing HUD-insured loan could not be prepaid until 2021, Parkview's options to finance the expansion were limited. It looked to SMF to provide a capital solution that would maximize loan proceeds and not affect its primary debt.

Structured Right

SMF secured a second HUD-insured loan for \$30,112,000 under the Section 242/241 Supplemental Loan program for the ED expansion. By including an appraisal of the hospital with the mortgage insurance application, SMF demonstrated that the combined primary and proposed debt would be less than 90% of hospital's value. As a result, the Supplemental Loan was for 100% of the Project costs, which will help Parkview's liquidity during the construction period. Moreover, by carefully aligning Parkview's prepaid project costs into the loan application, SMF helped Parkview maximize its reimbursement at closing, further enhancing its liquidity.

Executed Right

SMF obtained approval from the HUD Office of Hospital Facilities (OHF) in Washington, DC in approximately 120 days and also obtained approval to jump-start the construction staging process before closing by coordinating among HUD, Parkview, and its Construction Manager ("CM") a Pre-Commitment Services Agreement. This helped the hospital and CM prepare in advance for the State construction review process post-closing.

Financed Right®

This is the second HUD-insured financing that SMF has closed for Parkview. SMF closed the first-ever refinancing under the HUD Section 242/223(f) program for Parkview in April 2011; that financing replaced 18% short-term bridge debt with a 20-year insured loan. The Section 242/241 Supplemental Loan builds upon the initial successful financing with HUD and provides affordable capital to enable Parkview to continue to serve the Riverside community.

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For more information, please contact an HJ Sims banker.

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