CASE STUDY

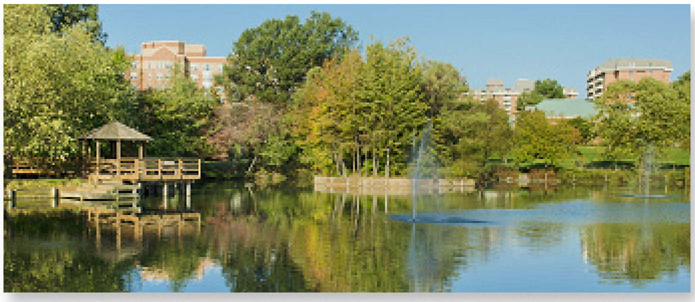
ASBURY MARYLAND OBLIGATED GROUP

$96,120,000 | October 1, 2018 | Gaithersburg, MD

HJ SIMS

FINANCED RIGHT®

HJ SIMS EXECUTES REFUNDING FOR ASBURY'S MARYLAND OBLIGATED GROUP, GENERATING MATERIAL SAVINGS AND ACHIEVING LEVEL DEBT SERVICE



Asbury Methodist Village
Gaithersburg, Maryland

Asbury Solomons
Solomons, Maryland

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Asbury's Maryland Obligated Group (the "Maryland Obligated Group") consists of two life plan communities – Asbury Methodist Village, located on approximately 130 acres in Gaithersburg, Montgomery County, Maryland, and Asbury~Solomons, located on approximately 58 acres bordering the Patuxent River in Solomons, Calvert County, Maryland – owned and operated by Asbury Atlantic, Inc. ("Atlantic"). Asbury Methodist Village ("AMV") provides a continuum of living and care options for approximately 1,300 residents, and Asbury~Solomons provides a continuum of living and care options for approximately 470 residents. Atlantic is owned by Asbury Communities, Inc. ("Asbury"), which owns a number of other entities that operate life plan communities in Pennsylvania, Oklahoma and Tennessee as well as HUD Section 202 senior housing buildings, a foundation, and a for-profit technology consulting firm.

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HJ Sims was engaged by Asbury to refinance its existing higher-rate tax-exempt, fixed-rate bonds and negotiate with the sole holder of its outstanding non-callable bonds having a balloon maturity to exchange the bonds for replacement bonds that fit within their overall level-debt service schedule.

Asbury At A Glance

Partnered Right®	Structured Right®	Executed Right®	Financed Right®
» Asbury's Maryland Obligated Group consists of two life plan communities: ▪ Asbury Methodist Village, located on approximately 130 acres in Gaithersburg, Montgomery County, MD that serves approximately 1,300 residents, and ▪ Asbury~Solomons, located on approximately 58 acres bordering the Patuxent River in Solomons, Calvert County, MD that serves approximately 470 residents	» Asbury's objectives were to minimize overall interest expense while attaining level debt service and maximum flexibility. » Restructured documentation modernized master trust indenture terms and provided additional flexibility for the Maryland Obligated Group.	» Required negotiation with existing holder of non-callable bonds that had a balloon payment for an exchange of bonds with level debt service and an extension of a taxable loan that had been previously issued to pay a swap termination fee. » Minimized interest expense through the use of semi-annual sinking fund installments. » Structure also included a shorter 5-year call provision taking into account the elimination of advance refundings.	» Sims priced the Fitch "BBB" rated fixed rate bonds with spreads over MMD ranging from 56 to 78 basis points for bonds having maturities ranging from 2023 to 2036. » Reduced maximum annual debt service without extending overall maturity of existing debt. » Included $7.5 million of new money bonds for capital expenditures to free up operating cash to partially repay the higher cost taxable debt issued for the swap termination payment. » Achieved over $8.3 million in net present value savings for the Maryland Obligated Group.

CASE STUDY

ASBURY MARYLAND OBLIGATED GROUP *continued*

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In addition, Sims negotiated an extension of a taxable bank loan that was used to pay the termination fee for a swap that remained outstanding after the underlying bonds had been refunded in prior years and facilitated the modification of a support agreement from Asbury in favor of the Maryland Obligated Group. The tax-exempt financing also included proceeds to fund capital expenditure to free up operating cash to partially repay the higher cost taxable bank loan issued to make the swap termination payment. Through the process, HJ Sims suggested an amendment of Asbury's existing Master Trust Indenture to modernize some of the provisions contained therein. Sims worked closely with management of Asbury to facilitate their objectives of minimizing overall interest expense while attaining level debt service and maximum flexibility.

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In order to meet the strategic financing objectives of Asbury, the structure proposed by HJ Sims included semi-annual sinking fund installments, call provisions that took into account the impact of the elimination of advanced refunding bonds, and accelerated repayment of the taxable bank loan. Execution on the structure required negotiations with an existing bondholder, combining the taxable bank loan with the fixed-rate bond financing, facilitating the ratings confirmation process with Fitch, and restructuring the underlying master trust indenture documentation.

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On September 14, 2018, Sims successfully priced, and subsequently closed on October 1, 2018, the aggregate \$96,120,000 Fitch "BBB" rated fixed-rate bond financing, with spreads over the MMD index ranging from 56 to 78 basis points for maturities ranging from January 1, 2023 to January 1, 2036. In all, the issuance resulted in over \$8.3 million in net present value savings for the Maryland Obligated Group and reduced maximum annual debt service to just over \$11.9 million (from \$12.4 million) without extending the overall maturity of the indebtedness, even with the incurrence of \$7.5 million of additional debt to fund various capital expenditures. The implemented financing structure allows Asbury to achieve its objectives of minimizing overall interest expense while sustaining and improvement debt service coverage metrics and providing maximum flexibility.

"This was the first time we had the opportunity to work with the HJ Sims team led by Aaron Rulnick and Melissa Messina, and we are so thankful we selected Sims. We had some unique circumstances impacting our refinancing, which Aaron and Melissa completely understood. They designed a creative solution that enabled us to meet our plan of finance. It was not a simple task coordinating with the parties involved, and we know much happened behind the scenes that the Sims team managed. I would highly recommend Sims, particularly if you have a complex plan of finance."

— Andrew Jeanneret, Chief Financial Officer, Asbury Communities, Inc.

ASBURY® Anticipate More

For more detailed information on how Asbury was Financed Right® by HJ Sims, please call or email:

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