

CASE STUDY

CIVITAS SENIOR LIVING

\$5,850,000 | August 15, 2018 | Red Oak, TX



FINANCED RIGHT®

HJ SIMS INVESTS \$5.85M OF PREFERRED EQUITY IN TEXAS SENIOR LIVING DEVELOPMENT



PARTNERED RIGHT®

HJ Sims had the opportunity to provide subordinate financing for the development of Legacy Oaks of Red Oak (the “Community”), a proposed 188-unit independent living, assisted living and memory care community located in Red Oak, Texas, a southern suburb of Dallas, Texas. The Community will be developed, owned, and operated by Civitas Senior Living (“Civitas”). Civitas is an experienced developer and operator, currently managing 32 communities with over 2,600 units.

EXECUTED RIGHT®

Sims worked with the Civitas to structure a preferred equity investment in the project. The preferred equity structure allowed the investment to be categorized as contributed capital on behalf of Civitas, meeting regulatory requirements for the senior construction lender. By securing a preferred position, the equity investment receives a quarterly priority return before

Civitas At A Glance

STRUCTURED RIGHT®

There were two primary challenges associated with this financing:

- The subordinate financing needed to be structured in a way that met the requirements of the senior lenders and High Volatility Commercial Real Estate Regulations, while also providing sufficient returns to all investors.
- The terms of the Sims’ financing had to be flexible enough to fulfill the capital needs of the client during the development period through certificate of occupancy, while providing sufficient returns to Civitas and its limited partners.

Partnered Right®	Structured Right®	Executed Right®	Financed Right®
<ul style="list-style-type: none">» Civitas Senior Living is developing an independent living, assisted living and memory care community outside of Dallas, TX» Civitas is an experienced developer and operator, currently managing 32 communities with over 2,600 units	<ul style="list-style-type: none">» The investment needed to be structured to:<ul style="list-style-type: none">■ Meet the regulatory needs of the senior lender, and■ Fulfill the capital needs of the client during the development period through certificate of occupancy, while providing sufficient returns to Civitas and its limited partners	<ul style="list-style-type: none">» Sims structured a preferred equity investment, meeting the needs of the senior lender and Civitas, while providing attractive returns to HJ Sims’ investors	<ul style="list-style-type: none">» Sims successfully placed \$5,850,000 of corporate taxable bonds to fund a preferred equity investment in the project

any distributions are made to the owners, providing an attractive source of income for HJ Sims' investors. In consideration for the preferred position, the investment was structured with a capped all-in return, providing attractive upside to Civitas and its partners upon repayment of the preferred equity.

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A new entity, Civitas Funding I, LLC (the "Sims Issuer"), was formed to issue \$5.85 million of taxable bonds. The bonds were successfully sold to Sims' high net worth accredited investors. The proceeds from the bonds were used by Sims to fund its preferred equity investment in the project.

"Our firm is new to the preferred equity space and we have used several different providers over the last two years. When I first met with HJ Sims I was told their customer service and personal attention would set them apart from our other partners. I can say with 100% confidence that this is true. The Sims team went above and beyond during the closing process and exceeding all of my high expectations."

— Jason Dupont, CFO, Civitas Senior Living



**For more detailed information
on how Civitas Senior Living
was Financed Right® by HJ Sims,
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