

HJ SIMS PROVIDES ACQUISITION FINANCING FOR GROWING ASSISTED LIVING PROVIDER



PARTNERED RIGHT®

Magnolia Senior Living is newly created company founded by Henry Orlinsky and Spencer Mandelbaum that focuses on providing excellent senior care in the most affordable way. Grace Manor at North Park (the “Community”), is Magnolia’s first acquisition and is consistent with its strategy to grow by acquiring high-quality senior living properties in strong markets on the east coast. Magnolia’s principals and key personnel are experienced healthcare and senior living professionals.

STRUCTURED RIGHT®

As a newly formed company with plans to grow in the future, Magnolia was looking for a high-leverage bridge-to-HUD financing solution. Magnolia approached HJ Sims who partnered with Lakeland to fund a first mortgage loan (the “First Mortgage Loan”) under a “unitranche” structure to finance the acquisition.

The First Mortgage Loan combined two tranches of debt into a single debt instrument with Lakeland providing a priority “A” tranche and HJ Sims providing a subordinate “B” tranche (“Tranche B Funding”). From the perspective of Magnolia, the First Mortgage Loan functions as a single debt obligation under one loan agreement and security package. An agent and loan servicer acts on behalf of both lenders for the First Mortgage Loan, simplifying the payment and reporting processes required with multiple lenders.

Magnolia Senior Living At A Glance

Partnered Right®	Structured Right®	Executed Right®	Financed Right®
<ul style="list-style-type: none"> » Magnolia Senior Living is a newly created company founded by Henry Orlinsky and Spencer Mandelbaum to own and operate senior living properties » Magnolia’s principals and key personnel are experienced healthcare and senior living professionals 	<ul style="list-style-type: none"> » HJ Sims partnered with Lakeland Bank to provide \$8.5 million of first mortgage financing which will be used together with equity from Magnolia to acquire Grace Manor at North Park, an assisted living community in Pennsylvania » HJ Sims funded the subordinate Tranche B of the First Mortgage Loan with Lakeland funding the priority Tranche A Funding » A portion of the Tranche B Funding can be converted to mezzanine debt behind HUD-insured financing if certain LTV and performance criteria are met » The First Mortgage Loan functions as a single loan with a single servicer 	<ul style="list-style-type: none"> » An interest-only period reduces debt expense as Magnolia assumes management of the Community and implements its business plan 	<ul style="list-style-type: none"> » The First Mortgage Loan provides high leverage financing limiting the equity contribution for a growing company » The interest-only period and Mezzanine Loan conversion feature provide Magnolia with a structure that meets their short and long-term financing needs

To meet the long-term needs of the client, HJ Sims structured the Tranche B Funding so that a portion of the First Mortgage Loan could be converted into mezzanine debt (the “Mezzanine Loan”) behind HUD-insured financing if certain criteria are met.

EXECUTED RIGHT®

Magnolia found the First Mortgage Loan attractive for the acquisition as it provided higher leverage compared to a conventional bank loan, allowing Magnolia to avoid raising subordinate debt at a higher cost of capital or diluting its ownership in the Community from taking on additional equity partners. In addition, the loan was structured with an interest-only period, allowing Magnolia to limit debt service expense over the near-term as it implements performance improvement measures.

FINANCED RIGHT®

The customized finance structure helps Magnolia with both its short and long-term financing needs. By maximizing leverage, Magnolia is able to preserve capital for future growth and supports of its communities. The unique Mezzanine Loan conversion feature mitigates long-term refinancing risk by allowing Magnolia to refinance with HUD-insured financing even if the First Mortgage Loan cannot be repaid in full with HUD proceeds. Thus, Magnolia will not have to raise new subordinate debt in the future if valuations or capital markets change and it is unable to refinance the First Mortgage Loan in full.

“HJ Sims has been an exceptional lending partner to work with, facilitating a seamless transaction. Their ability to develop unique structures provides us with flexible financing solutions that help us with both our short and long-term financing needs. We look forward to working together again in the near future.”

— *Spencer Mandelbaum,*
Principal at Magnolia Senior Living

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

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