

# 90% LOAN TO COST, FIRST MORTGAGE LOAN

## PARTNERED RIGHT

A privately held healthcare owner and operator (the “Sponsor”) specializing in the acquisition and management of high-quality skilled nursing facilities reached an agreement to acquire a portfolio of two healthcare campuses consisting of over 200 beds (the “Portfolio”). The Sponsor has demonstrated a strong track record of driving census, reducing expenses through the implementation of more favorable contracts, and improving quality mix at other facilities it has acquired. On average, the Sponsor has driven census by approximately 25% at newly acquired properties dating back to 2015, with a strong Quality Mix in excess of 50% at many facilities. The Sponsor intends to implement similar performance improvement measures at the two campuses in the Portfolio with plans to refinance with HUD insured debt in the future after maximizing operating and financial performance.

## EXECUTED RIGHT

The Sponsor found the A/B Loan attractive for the acquisition as it provided higher leverage compared to a conventional bank loan, allowing them to avoid raising unsecured subordinate debt at a higher cost of capital or diluting its ownership in the Portfolio from taking on additional equity partners. In addition, the loan was structured with a two-year, interest-only period and can be repaid any time after two years, allowing the Sponsor to limit debt service expense over the near-term as it implements performance improvement measures, while providing flexibility to refinance any time after the interest-only period. The \$22.625 million A/B Loan provided approximately 90% of the total cash transaction costs associated with the acquisition.

## STRUCTURED RIGHT

HJ Sims partnered with a national bank (the “Bank Partner”) to propose a high-leverage, unitranche first mortgage loan to fund the acquisition of the Portfolio. The proposed unitranche loan combined two tranches of debt into a single debt instrument (the “A/B Loan”) with the Bank Partner providing “Tranche A” of the loan on a priority basis and Sims providing “Tranche B” of the loan on a subordinate basis. From the perspective of the borrower, the loan functions as a single debt obligation under a single loan agreement and security package. An agent and loan servicer acts on behalf of both lenders for the entire A/B Loan, simplifying the payment and reporting processes required with multiple lenders.

### At A Glance

Partnered Right	Structured Right	Executed Right	Financed Right®
<ul style="list-style-type: none"> <li>» Regional owner and operator with strong track record</li> <li>» Acquiring two high-quality, stabilized communities consisting of 200+ beds</li> </ul>	<ul style="list-style-type: none"> <li>» Sims partners with a national bank to propose unitranche financing (or “A/B Loan”) for the acquisition</li> <li>» The A/B Loan functions as a single loan with a single servicer</li> </ul>	<ul style="list-style-type: none"> <li>» The loan provides high leverage financing limiting the need to raise additional capital</li> <li>» A 2-year, interest-only period reduces debt expense as the Sponsor assumes management of the Portfolio and implements performance improvement plan</li> </ul>	<ul style="list-style-type: none"> <li>» Sims successfully placed \$6,500,000 of corporate taxable bonds to fund Tranche B of the A/B Loan</li> <li>» The loan closed prior to year-end, meeting the timing expectations of the client</li> </ul>

### **FINANCED RIGHT®**

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HJ Sims formed a new single-purpose entity (the “Sims Issuer”), to issue taxable bonds to fund the Sims portion of the loan. Sims successfully sold \$6.5 million of subordinate first mortgage taxable bonds through its Private Client Group of high-net-worth, accredited investors. The financing closed on December 27, 2017, meeting the Sponsor’s timing expectations and agreement with the seller to close by year end.

**For more detailed information  
on how this transaction was  
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*HJ Sims is a member of FINRA, SIPC  
and is not affiliated with the financed property.*