

# CASE STUDY

## NEXT HEALTHCARE CAPITAL

\$19,700,000 | June 1, 2018 | Multiple Locations, FL & NH



FINANCED RIGHT®

## SIMS PROVIDES HUD FINANCING FOR 12-PROPERTY NURSING PORTFOLIO ACQUISITION



### PARTNERED RIGHT

Next Healthcare Capital (“Next”) is a privately held healthcare real estate investment firm specializing in the acquisition and leasing of high-quality skilled nursing facilities. Next is primarily aligned with national operators with a proven track record of operating skilled nursing facilities. Next has made sizable, multi-million-dollar portfolio investments and formed working relationships with operating partners in over 35 states across the country.

Sims previously partnered with a related company of Next in 2013 providing a HUD Plus subordinate loan to finance the acquisition of a nursing portfolio in Florida. Sims then partnered with Next in 2017 to recapitalize the same portfolio.

### STRUCTURED RIGHT

Next reached an agreement to purchase a portfolio of 12 skilled nursing facilities (the “Portfolio”). Next approached Sims to provide subordinate financing, which along with a senior bridge loan, and equity contribution from Next, funded the acquisition of the Portfolio. With plans to refinance the bridge loan with HUD insured debt, the acquisition provided an excellent opportunity for Next to take advantage of HJ Sims’ HUD Plus™ program. Under this program, Sims’ provides subordinate financing to supplement the bridge loan,

increasing leverage for the acquisition and limiting the out-of-pocket equity requirement from the borrower. The HUD Plus loan is designed to meet HUD’s requirements in advance of a future HUD insured refinancing, providing the borrower flexibility to repay the subordinate loan or have all or a portion of the subordinate loan to remain outstanding after the HUD take-out.

### Next At A Glance

| Partnered Right  | Structured Right   | Executed Right   | Financed Right®   |
|--|--|--|---|
| <ul style="list-style-type: none"><li>» Next Healthcare Capital specializes in the acquisition and leasing of high-quality skilled nursing facilities.</li><li>» HJ Sims previously provided subordinate financing to affiliated companies of Next in 2013 and 2017.</li></ul> | <ul style="list-style-type: none"><li>» Next approached Sims to provide mezzanine financing to fund the acquisition of a Portfolio of 12 skilled nursing facilities.</li><li>» Sims worked with Next to provide a subordinate HUD Plus loan to supplement first mortgage bridge financing to fund the acquisition.</li></ul> | <ul style="list-style-type: none"><li>» Sims successfully placed \$19,700,000 of corporate taxable bonds to fund a subordinate HUD Plus loan to complete the acquisition.</li><li>» The loan closed on June 1, 2018 in accordance with Next’s purchase and sale agreement with the seller.</li></ul> | <ul style="list-style-type: none"><li>» The subordinate financing provides additional leverage, supplementing the senior bridge loan and minimizing the equity requirement from the borrower.</li><li>» The HUD Plus structure allows a portion of the loan to remain outstanding upon a refinance, avoiding additional transaction costs, while maintaining high leverage.</li></ul> |

### EXECUTED RIGHT

A new entity, Next Funding II, LLC (the “Sims Issuer”), was formed to issue taxable bonds to fund the Sims Loans. Sims successfully sold \$19.7 million of subordinate taxable bonds through its Private Client Group to high-net-worth accredited investors. HJ Sims funded the subordinate HUD Plus loan on June 1, 2018, meeting Next’s timeline to close on the acquisition in accordance with the purchase and sale agreement with the sellers.

### FINANCED RIGHT®

Sims was able to structure the subordinate HUD Plus financing to meet the needs of Next, as well as the requirements of the senior lender and a future FHA-insured refinancing. The HUD Plus structure maximizes leverage and carries a fixed interest rate with a 10-year term, ensuring a fixed capital structure upon a refinancing with HUD. Additionally, by structuring a portion of the loan to remain outstanding after a HUD insured refinancing, the HUD Plus loan allows Next to avoid potential transaction costs associated with refinancing the subordinate debt. The closing of the financing marks the third financing Sims has completed for Next.

*“We value the creativity and expertise that the Sims team provides. Sims employed an innovative financing solution that provided flexibility and savings, meeting our capital needs.”*

— *Michael Zamir, Managing Partner,  
Next Healthcare Capital*

**For more detailed information  
on how Next Healthcare Capital  
was Financed Right® by HJ Sims,  
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