

ACQUISITION OF A SKILLED NURSING PORTFOLIO IN THE MID-ATLANTIC

PARTNERED RIGHT

An experienced owner and operator of skilled nursing and senior living properties (“Borrower”) reached an agreement to acquire the fee simple interest in a skilled nursing facility (the “Fee Simple Facility”) and a long-term leasehold interest in a skilled nursing facility (the “Leasehold Facility” and collectively the “Portfolio”). The Portfolio consists of over 300 beds in the Mid-Atlantic region. The Borrower planned to lease both facilities to a tenant who is a licensed nursing operator with experience in the region.

Sims was approached by a representative of the Borrower to provide subordinate financing, which the Borrower used together with a senior bank loan, a note from the seller, and an equity contribution from the Borrower to fund the acquisition of the Portfolio.

STRUCTURED RIGHT

The financing presented a number of challenges:

- Due to a delay of certain approvals needed to complete the acquisitions, staggered funding dates were needed for each facility in the Portfolio;
- With the acquisition of the fee interest in one facility and the leasehold interest in the other, each facility provided different security packages, requiring flexibility with the structuring of the financing;
- As a result of the different ownership structures of the two facilities and the number of parties involved, several intercreditor agreements needed to be negotiated, adding to the complexity of the financing.

EXECUTED RIGHT

In order to meet the timing needs of the acquisition, HJ Sims structured two separate subordinate loans totaling \$6.025 million, with the first loan of \$5.00 million used to finance the acquisition of the Fee Simple Facility and the second loan of \$1.025 million used to finance the acquisition of the Leasehold Interest Facility. The two loans were structured to effectively be cross-collateralized through Pledge and Limited Principal Guaranty agreements, helping to diversify the risk between the two properties by requiring excess cash flow from one facility to be used for debt service shortfalls at the other. Additionally, Sims was able to negotiate several intercreditor agreements between the multiple stakeholders involved in the financing.

At A Glance

Partnered Right	Structured Right	Executed Right	Financed Right®
<ul style="list-style-type: none"> » Sims had the opportunity to provide subordinate financing to fund the acquisition of a skilled nursing facility and a long-term leasehold interest in a nursing facility » The Borrower is an experienced owner and operator of assisted living and nursing facilities with a national presence 	<ul style="list-style-type: none"> » Due to a delay in approvals, Sims financing needed to be funded in multiple tranches » Because of different underlying collateral for each property, Sims financing needed to be structured differently for the fee-simple property and the leasehold interest acquisitions 	<ul style="list-style-type: none"> » Sims structured two separate subordinate loans to meet the timing needs of the client » The loans were effectively cross-collateralized requiring excess cash flow from one facility to be used for debt service shortfalls » Sims negotiated multiple intercreditor agreements between the different stakeholders involved 	<ul style="list-style-type: none"> » Sims successfully placed \$6.025 million of corporate taxable bonds to fund the subordinate loans to complete the acquisition » The Series II bonds closed and funded within 30 days of the Borrower receiving the approvals needed to complete the acquisition

FINANCED RIGHT®

Sims issued two series of taxable bonds, which were sold through its Private Client Group to high-net-worth accredited investors, to fund the subordinated loans. The Series I Bonds closed in January 2018 and the Series II Bonds closed in May 2018, within 30 days of the Borrower receiving the requisite approvals needed to complete the acquisition.

**For more detailed information
on how this transaction was
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