

SIMS PROVIDES HIGH-LEVERAGE FIRST MORTGAGE LOAN TO FUND ACQUISITION

PARTNERED RIGHT

A recently formed real estate investment group (the “Borrower”) reached an agreement to acquire a portfolio of two senior living communities located in the Midwest (the “Portfolio”). The Principals of the Borrower are experienced healthcare real estate owner and operators. As part of its acquisition strategy, the Borrower reached an agreement to lease the communities in the portfolio to a nationally recognized senior living operator (the “Lessee”) pursuant to a long-term, triple-net lease. Both communities in the Portfolio opened within the past two years were fully stabilized reaching occupancy levels in excess of 95%.

EXECUTED RIGHT

The Borrower found the first mortgage financing 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 2-year, interest-only period, followed by a 25-year amortization schedule, providing flexibility to refinance any time after the interest-only period. The \$12.17 million first mortgage loan provided approximately 92% of the total cash transaction costs associated with acquisition.

STRUCTURED RIGHT

HJ Sims partnered with a national bank (the “Partner”) to propose a high-leverage, unitranche first mortgage loan to fund the acquisition of the Portfolio. The proposed first mortgage loan combined two tranches of debt into a single debt instrument with the 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.

At A Glance

Partnered Right	Structured Right	Executed Right	Financed Right®
<ul style="list-style-type: none"> » A new real estate investment group, formed by experienced Principals, is acquiring a portfolio of two new senior living communities (the “Portfolio”) » Both communities opened within the past two years with occupancy over 95% 	<ul style="list-style-type: none"> » Sims partners with a national bank to propose unitranche financing (or “A/B Loan”) for the acquisition » The A/B Loan functions as a single loan with a single servicer 	<ul style="list-style-type: none"> » The loan provides high leverage financing limiting the need to raise additional capital » A 2-year, interest-only period reduces debt expense as the Lessee assumes management of the Portfolio and implements their business plan 	<ul style="list-style-type: none"> » Sims successfully placed \$2.47 million of Subordinated Mortgage Bonds to fund Tranche B of the First Mortgage Loan » The bonds were deliverable end of March, meeting the timing expectations of the client

CASE STUDY

ACQUISITION OF TWO SENIOR LIVING COMMUNITIES

continued



FINANCED RIGHT®

FINANCED RIGHT®

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 \$2.47 million of the subordinated mortgage bonds through its Private Client Group to high-net-worth accredited investors. The financing closed on April 23, 2018 meeting the Borrower’s timing expectations and agreement with the seller.

**For more detailed information
on how this transaction was
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