

CASE STUDY

CARADAY HEALTHCARE

\$7,450,000 | Temple, TX | December 23, 2019



FINANCED RIGHT®

HJ SIMS PROVIDES \$7.45 MILLION HUD PLUS™ LOAN FOR TEXAS SNF PORTFOLIO ACQUISITION



PARTNERED RIGHT®

As part of a larger portfolio acquisition, Caraday Healthcare (“Caraday” or the “Borrower”) acquired the fee-simple interests in four skilled nursing communities located in Temple, Texas (the “Portfolio”). Caraday is a newly formed healthcare company whose skilled nursing centers are advancing integrated and coordinated care that delivers superior outcomes, experience and value. Caraday’s executive team is largely comprised of former executives and senior personnel of Harden Healthcare, a Texas-based healthcare services company focused on post-acute services.

STRUCTURED RIGHT®

As a newly formed company with plans to grow in the future, Caraday was seeking a high-leverage bridge-to-HUD financing solution. Caraday needed capital that provided time to implement multiple operational improvements to reduce expenses and improve financial performance. After implementing the planned operational improvements, next steps included refinancing the first mortgage bridge loan with HUD-insured debt.

Given the Borrower’s long-term capital plan to seek permanent financing from HUD, HJ Sims proposed a subordinate HUD Plus™ loan. The HUD Plus™ loan provided additional leverage to fund the acquisition, limiting the out-of-pocket equity requirement from the Borrower, which preserved capital to support the company during its beginning stages. The HUD Plus™ loan was structured to meet HUD’s

requirements in advance of a future HUD-insured refinancing. At the same time, the structure provided the Borrower flexibility to repay the subordinate loan, if supported by the valuation of the Portfolio after the implementation of the business plan.

Caraday Healthcare At A Glance

Partnered Right®	Structured Right®	Executed Right®	Financed Right®
<ul style="list-style-type: none">» Caraday Healthcare is a newly formed healthcare company whose skilled nursing centers are advancing integrated and coordinated care that delivers superior outcomes, experience and value.» Caraday’s executive team is largely comprised of former executives and senior personnel of Harden Healthcare.	<ul style="list-style-type: none">» The Borrower plans to refinance the Senior Loan with HUD-insured debt within 36 months.» HJ Sims proposed HUD Plus™ mezzanine financing provided a high-leverage financing solution for a growing company that can remain in place, if the HUD financing proceeds are insufficient to repay the subordinate loan in full.	<ul style="list-style-type: none">» HJ Sims provided a \$7,450,000 HUD Plus™ subordinate financing.» The subordinate loan has a 10-year term with favorable pre-payment provisions.	<ul style="list-style-type: none">» The subordinate financing provided additional leverage, supplementing the Senior Loan and minimizing the equity requirement from the Borrower.» The HUD Plus™ structure can be repaid in the short-term, but is also structured to remain outstanding upon a HUD refinancing. This simultaneously solved Caraday’s bridge and long-term financing needs.

EXECUTED RIGHT®

Due to seller requirements, the acquisition needed to close by the end of 2019. HJ Sims was able to successfully underwrite the newly formed company, the Portfolio and the operational improvement plan, and close within an expedited time frame to meet a tight deadline. The Sims HUD Plus™ financing also incorporated an interest-only period, which allowed Caraday ample time to implement their business plan.

FINANCED RIGHT®

HJ Sims structured the subordinate HUD Plus™ financing to meet the needs of the Borrower, 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 while incorporating favorable pre-payment provisions. Such a structure provides the bridge-to-HUD financing Caraday is seeking while simultaneously ensuring a fixed capital structure upon a refinancing with HUD. Additionally, by structuring the loan to remain outstanding after a HUD-insured refinancing, the HUD Plus™ loan allows the Borrower to avoid potential transaction costs associated with raising new subordinate debt in the future.

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