

HJ SIMS PROVIDES ACQUISITION FINANCING FOR SKILLED NURSING FACILITY IN CALIFORNIA

PARTNERED RIGHT®

Founded in February 2017, Links Healthcare Group (“Links”) is a privately held company based in San Diego, California. Links provides healthcare and rehabilitation services to more than 1,000 long-term residents and short-term high-acuity patients in its skilled nursing facilities. Links focuses on acquiring under-performing assets, and improving performance through the implementation of its policies and procedures and cost-control measures, while improving overall patient care. HJ Sims previously partnered with Links in 2019 to provide first mortgage financing to fund the acquisition of another skilled nursing facility in California.

STRUCTURED RIGHT®

Links took over management of a troubled skilled nursing community (the “Community”) located in California in January 2018. At the time Links assumed management, the Community was suffering from both clinical and financial issues. Links was able to significantly improve the quality of care at the community as well as its financial performance. Links reached out to HJ Sims and its national bank partner (the “Bank Partner”) for debt financing to acquire the Community.

HJ Sims and the Bank Partner proposed a high-leverage, unitranche first mortgage (the “A/B Loan”) to fund the acquisition. The proposed loan combined two tranches of debt into a single debt instrument (the “A/B Loan”) with the Bank Partner providing a portion of the A/B Loan (the “Tranche A Funding”) on a priority basis

Links Healthcare Group At A Glance

Partnered Right®	Structured Right®	Executed Right®	Financed Right®
<ul style="list-style-type: none"> » Founded in February 2017, Links is a privately held company based in San Diego, California specializing in owning and operating healthcare facilities » Focus on acquiring under-performing assets and improving performance through implementation of its own policies and cost-control procedures while improving overall patient care » Operates more than 1,000 beds in California 	<ul style="list-style-type: none"> » HJ Sims partnered with a national bank to provide first mortgage financing to acquire the Community » The A/B loan functions as a single debt obligation under a single loan agreement and security package » Loan includes potential for a future loan advance or “Earn Out” funding provided certain performance thresholds are met 	<ul style="list-style-type: none"> » The loan provides high leverage financing limiting the need to raise additional equity » A 3-year interest-only period reduces debt expense until the Community obtains permanent financing » Covenants were structured to ramp up over time, providing the borrower cushion in the event that there are near term dips in performance from the impacts of COVID 	<ul style="list-style-type: none"> » The customized finance structure helps Links with both its short and long-term financing needs » The loan closed on June 15th, meeting the timing expectations of the client

and HJ Sims providing a portion of the A/B Loan (the “Tranche B Funding”) 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.

Links believes the financial performance of the Community can be further improved through the continued implementation of its business plan. So that Links is able to monetize any future increase in value, the A/B Loan includes a provision for a future loan advance or “Earn Out” upon the achievement of certain performance thresholds.

EXECUTED RIGHT®

Links found the A/B Loan attractive for the acquisition as it provided higher leverage compared to a conventional bank loan, allowing Links to avoid raising unsecured subordinate debt at a higher cost of capital or diluting its ownership in the Community from taking on additional equity partners. The loan was structured with interest-only payments throughout the three-year term of the loan and can be repaid any time after the first year, allowing Links to limit debt service expense over the near-term, while providing flexibility to refinance any time after twelve months.

Financial covenants for the A/B Loan were structured to ramp up over time. Given that impacts from COVID may impact short-term performance, this feature was important to the borrower as it ensures that they can focus on operating the community.

FINANCED RIGHT®

The customized financing structure helps Links with both its short and long-term financing needs. By maximizing leverage, Links is able to preserve capital for future growth and support of its communities. Additionally, the Earn-Out provision of the loan provides the opportunity for Links to secure additional loan proceeds to fund future growth with successful results at the Community. Through its Private Client Group, HJ Sims secured capital from its high-net-worth investors in a turbulent market to fulfill its investment. The loan closed on June 15, 2020, meeting Links’ timing expectations and agreement with the seller. The financing marks HJ Sims’ second successful closing with Links.

**For more detailed information
on how Links Healthcare Group
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