

# CASE STUDY

## MORNINGSIDE MINISTRIES

\$28,305,000 | Multiple Locations, TX | March 2020



FINANCED RIGHT®

### REFINANCING LED BY HJ SIMS LOCKS IN LONG-TERM PERMANENT FINANCING AND PROVIDES FLEXIBILITY FOR FUTURE GROWTH



#### PARTNERED RIGHT®

Morningside Ministries (“Morningside”) is a Texas non-profit organization founded in 1959 serving San Antonio seniors in two communities: Morningside at Menger Springs, a 34-acre community in Boerne, Texas with 161 independent living units, 40 independent living cottages, 90 assisted living units, and 40 skilled nursing beds; along with Morningside at The Meadows, a 23-acre community in San Antonio, Texas with 105 independent living units, 39 independent living cottages, 64 assisted living units, and 170 skilled nursing beds. HJ Sims was engaged by Morningside to provide a plan to refinance an existing bank loan and lock in interest rates during a near historic low rate environment.

#### STRUCTURED RIGHT®

Morningside had existing debt that included a long-term variable rate bank loan tied to LIBOR with a pending balloon payment in 2022. Due to the low interest rate environment during late 2019 and early 2020, Morningside wanted to seize the opportunity to lower their overall debt service and minimize their borrowing costs. Morningside also wants to continue evaluating the repositioning of an existing closed asset and acquisition opportunities.

#### Morningside Ministries At A Glance

Partnered Right®	Structured Right®	Executed Right®	Financed Right®
<ul style="list-style-type: none"><li>» Morningside is a Texas nonprofit organization founded in 1959 serving San Antonio seniors in two communities comprising their Obligated Group.</li><li>» Morningside at Menger Springs: 34-acre community in Boerne, Texas with 161 independent living units, 40 independent living cottages, 90 assisted living units, and 40 skilled nursing beds.</li><li>» Morningside at The Meadows: 23-acre community in San Antonio, Texas with 105 independent living units, 39 independent living cottages, 64 assisted living units, and 170 skilled nursing beds.</li></ul>	<ul style="list-style-type: none"><li>» Morningside sought refinancing of an existing variable rate bank loan to take advantage of near record low borrowing rates to generate near term cash flow flexibility and long-term predictability in its debt service obligations.</li></ul>	<ul style="list-style-type: none"><li>» In a favorable interest rate environment, HJ Sims successfully priced \$28,305,000 in fixed rate bonds drawing investors from our private client group and eight institutional investors who had not previously invested in Morningside’s outstanding bonds.</li><li>» Assisted bond counsel in developing a solution to transfer Morningside’s Chandler Estates campus outside of the Obligated Group.</li></ul>	<ul style="list-style-type: none"><li>» Worked with Morningside’s management to maintain a BB+ stable rating with Fitch after Morningside transferred \$8,000,000 to an affiliate entity for potential development and acquisition activities outside of the Obligated Group.</li><li>» Provided level, fixed rate debt service with a final maturity of 35 year at a 3.35% yield.</li></ul>

### EXECUTED RIGHT®

To meet the strategic financing objectives of Morningside, HJ Sims recommended a fixed-rate, tax-exempt bond issue (the “Series 2020 Bonds”). During the financing, HJ Sims helped Morningside mitigate the impact of transferring both the Chandler Estates (“Chandler”) community out of the Obligated Group and \$8,000,000 to an affiliated entity. The transferred funds will be used for the potential repositioning of Chandler Estates and a potential acquisition opportunity. HJ Sims was able to capitalize on a low interest rate environment and a bond market that was showing near historic inflows of cash to bond mutual funds for the Morningside refinancing.

### FINANCED RIGHT®

On February 12, 2020, HJ Sims successfully priced the Series 2020 Bonds of \$28,305,000, which consisted of a \$440,000 taxable tail and \$27,865,000 of tax-exempt bonds. The yield on the 35-year tax-exempt term bond was 3.35%, at a spread of approximately 1.50% over the MMD benchmark. The bonds provided a level debt service structure that eliminated interest rate risk exposure and balloon payment risk, providing Morningside Ministries with a stable platform to pursue growth opportunities.

*“Morningside went through an almost three year process of attempting to find the best debt structure and debt partner to fix some of the issues that existed within our existing structure. Through that process, we vetted any and all options that came to us (banks, investment bankers, private equity, etc). Through this process, Jimmy Rester and Aaron Rulnick with HJ Sims separated themselves from the rest of the pack with their attentiveness, knowledge and overall willingness to think outside the box to bring any and all options to the table for Morningside. In the end, Morningside couldn’t be happier with the decision we made and with the outcome that HJ Sims helped us achieve. We greatly appreciate their efforts and could not have found a better partner to help us navigate through a tough situation.”*

— Jordan Lovelady, Chief Financial Officer,  
Morningside Ministries

For more detailed information  
on how **Morningside Ministries**  
was **Financed Right®** by HJ Sims,  
please call or email:

**Jimmy Rester**

214.559.7175  
jrester@hjsims.com

**Ryan Snow**

214.903.4460  
rsnow@hjsims.com

**hjsims.com**

*HJ Sims is a member of FINRA, SIPC  
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