

# HJ SIMS SERVES AS INVESTMENT BANKER AND AS SWAP ADVISOR, LEADS THE MARSHES OF SKIDAWAY (THE “MARSHES”) THROUGH REFINANCING AND UTILIZING CINDERELLA BOND STRUCTURE

## PARTNERED RIGHT®

Skidaway Health and Living Services, Inc. owns the Marshes of Skidaway Island, a non-profit, 501(c)(3) corporation.

The Marshes is a Life Plan Community that offers a full continuum of care with independent living, assisted living and skilled nursing services on a single campus. The Marshes opened in 2005, and is located on a 58-acre campus on Skidaway Island just outside of Savannah, Georgia. The community is managed by Life Care Services, LLC, and currently consists of 182 independent living units, 21 residential assisted living suites, and 15 private and 4 semi-private skilled nursing units.

HJ Sims has been a partner with the Marshes since the community’s inaugural financing executed in 2003. Working with the community, HJ Sims then refunded the Series 2003 Bonds in 2013 via the Series 2013 Bonds. In 2020, HJ Sims identified an additional refunding structure that would permit the Marshes to refund the aforementioned Series 2013 Bonds (the “Refunded Bonds”) prior to the optional redemption date via Cinderella Bonds. The structure would allow the community to access historically low interest rates and realize immediate savings that would bolster cash flow from operations.

## The Marshes of Skidaway Island At A Glance

Partnered Right®	Structured Right®	Executed Right®	Financed Right®
<ul style="list-style-type: none"> <li>» The Marshes is a long-standing partner of HJ Sims since the community’s original financing in 2003.</li> <li>» HJ Sims presented a refinancing opportunity that would realize significant savings.</li> <li>» The financing process was initiated just before the COVID-19 pandemic.</li> <li>» HJ Sims successfully kept the original schedule on track while educating the Board through the volatility experienced in the financial markets.</li> </ul>	<ul style="list-style-type: none"> <li>» HJ Sims proposed a debt structure which would allow the Marshes to defease the outstanding Series 2013 Bonds prior to the optional early redemption date.</li> <li>» The new financing would have a matching amortization and utilize existing Trustee-held funds from the Series 2013 Bonds.</li> </ul>	<ul style="list-style-type: none"> <li>» The Marshes and its Board, based on analyses provided by HJ Sims, chose to pursue a bank solicitation for the Cinderella refinancing of the community’s outstanding 2013 bonds.</li> <li>» Series 2020 Bonds utilized a synthetically fixed-rate via two swap instruments. The Marshes executed a current taxable swap and a tax-exempt forward with a cancellation feature in year seven of the commitment period.</li> </ul>	<ul style="list-style-type: none"> <li>» The Marshes, HJ Sims, and Truist Bank closed the \$47.1 million financing on December 7, 2020. The financing consisted entirely of directly placed Cinderella Bonds which will utilize a taxable structure and convert to a tax-exempt mode shortly before the call date of the 2013 bonds.</li> <li>» The refunding bank loan was issued with attractive swap rates. The current taxable swap was priced at 1.627%; and the tax-exempt cancellable forward swap was priced at 2.375%.</li> <li>» Ultimately, the refinancing will save the Marshes approximately \$1.14 million annually and \$15.36 million through the twelve-year bank commitment.</li> </ul>

### STRUCTURED RIGHT®

---

The proposed Cinderella financing structure would create a loan that would be sized for all debt service payments through the Series 2013 Bonds optional early redemption date and, eventually, the redemption of the outstanding Series 2013 Bonds. This structure would result in the defeasance of the Refunded Bonds via the escrow generated from the new Series 2020 Bonds. In order to accommodate taxability, the debt service through the optional redemption date of the Refunded Bonds would be taxable. Thereafter, the debt service could be tax-exempt, which required an interest rate conversion during the loan.

The Series 2020 Bonds would have the same amortization as the Refunded Bonds to avoid the requirement for additional useful life tests. Additionally, the Refunded Bonds had several Trustee held accounts including a Debt Service Reserve Fund, Principal Account, and Interest Account which would be utilized to reduce the borrowing of the Series 2020 Bonds.

### EXECUTED RIGHT®

---

In the early spring of 2020, the Marshes and its Board chose to pursue the Cinderella financing. The Board engaged its long-time, trusted advisor, HJ Sims, to execute the solicitation process for refinancing proposals from commercial banks. HJ Sims conducted a wide bank solicitation, which resulted in five banks participating in a virtual site visit (due to COVID-19) and yielded four competitive term sheets. HJ Sims negotiated with the four banks on behalf of the Marshes, based upon the overall strength of their proposal; the Finance Committee approved the winning proposal from Truist Bank. The commitment contained attractive interest rates, a 12-year commitment, and covenants more favorable than those in the existing Master Trust Indenture. The additional covenant flexibility will benefit the community should they wish to engage in additional expansions or debt and will provide lower event of default thresholds.

HJ Sims also provided swap advisory services to the Marshes. HJ Sims guided the Marshes through a decision on the final hedging structure which was composed of two swaps which created a synthetic fixed-rate vehicle for the Series 2020 Bonds. Initially, a current taxable swap was executed for the debt service through the optional early redemption date of the Refunded Bonds. The second swap was a tax-exempt forward with a cancellation feature beginning in year seven of the commitment period. Combined, the two swaps provided an efficient method to synthetically fix the interest rate for the Series 2020 Bonds.

HJ Sims also coordinated with the escrow bidding agent to maximize the earnings in the escrow account via a portfolio of open market securities which resulted in the Marshes reducing the borrowing amount by approximately \$276,000 prior to close.

### FINANCED RIGHT®

---

On December 7th, 2020, the Marshes and Truist closed on the \$47.1 million loan to defease the community's Series 2013 Bonds. The taxable swap rate achieved through October 2023 was 1.627% and the tax-exempt forward rate in effect from the conversion through 2032 will be 2.375%. The latter has a cancellation which will provide the community with flexibility should they wish to cancel the swap in or after year seven.

As a result of the unique swap structure and financing vehicle that permitted the Marshes to access historically low interest rates, the community will be saving approximately \$1.14 million annually and will save \$15.36 million through the 12-year bank commitment period.



SAVANNAH CHARM, ISLAND STYLE.

*“The Marshes of Skidaway Island has had an excellent relationship with HJ Sims since the community was developed in the early 2000s, including a successful refinancing in 2013. As a result of the combination of favorable market conditions and a solid financial track record, Sims and the Marshes started to explore the possibility of another refinancing in early 2020. Sims advised the process would be complicated by constraints from our previous refinancing and subsequent legislation, but the benefits could be material.*

*Then COVID-19 struck, requiring management to make navigating the community through the pandemic the No. 1 priority. We continued with the refinancing though, with the Sims team of Aaron, Tom, Brady and Siamac leading the way. Their expertise was evident throughout, and they managed our involvement very efficiently through zoom meetings, virtual site visits with potential lenders, and clear and concise communications. The complex refinancing closed in early December, with a quantum improvement in our financial structure. The performance of the Sims team was critical to success and we will continue to work with them on financing matters.”*

*— Chuck Koepke, President, Board of Directors  
Skidaway Health and Living Services, Inc*

**For more detailed information  
on how The Marshes of  
Skidaway Island was  
Financed Right® by HJ Sims,  
please call or email:**

**Aaron Rulnick**

301.424.9135  
arulnick@hjsims.com

**Thomas Bowden**

804.398.8577  
tbowden@hjsims.com

**Brady Richardson**

443.340.9980  
brichardson@hjsims.com

**hjsims.com**

*HJ Sims is a member of FINRA, SIPC and is not affiliated with The Marshes of Skidaway Island. Testimonials may not be representative of the experience of other clients and are not indicative of future performance or success.*