

# CASE STUDY

## SEARSTONE

\$8,000,000 | December 28, 2016 | Cary, NC



FINANCED RIGHT®

### ***SIMS OBTAINS BONDHOLDER CONSENT TO ENABLE SEARSTONE TO EXPAND***



*“Aaron Rulnick and the Sims team were instrumental in negotiating and accomplishing this transaction funded by SearStone’s existing bondholders in a difficult market environment. It provides a much needed solution to our health care needs. We are highly appreciative of the Sims team’s outstanding efforts.”*

*— Stan Brading, President, Samaritan Housing Foundation*

#### **PARTNERED RIGHT**

Samaritan Housing Foundation, Inc. (the “Corporation”) owns and operates a life plan community known as “SearStone Retirement Community” (“SearStone”) which is located on approximately 59 acres in Cary, North Carolina. In June 2012, Sims financed the first phase of SearStone with a \$117.5 non-rated fixed rate bond issue. Sims had previously provided \$6.8 million in pre-development capital as well. The first phase consisted of 131 independent living apartments, 38 independent living estate homes, 8 assisted living units and 16 skilled nursing beds. The assisted living and skilled nursing services are offered at the Brittany Place Healthcare Center (“Brittany Place”). SearStone has gardens, walking trails and an approximately 16 acre lake. The Community first accepted residents in the fall of 2013 and was 97% occupied as of February 28, 2017.

#### **STRUCTURED RIGHT**

Brittany Place has reached a point of maximum functional capacity and has been operating near or at 100% occupancy. Some SearStone residents who need nursing care have had to be cared for at off-site facilities at which SearStone has made prior arrangements. Some residents have remained in their independent living

units, and SearStone has been providing home care to meet these residents’ needs due to the space limitations at Brittany Place. As soon as space becomes available at Brittany Place, these residents will be transferred back. As such, SearStone is planning an expansion to Brittany Place to add 6 assisted living units and 9 skilled nursing beds, for a total of 15 beds (the “Healthcare Expansion”).

#### ***SearStone At A Glance***

Partnered Right	Structured Right	Executed Right	Financed Right®
<ul style="list-style-type: none"><li>» SearStone Retirement Community: life plan community in Cary, North Carolina consisting of 169 independent living units, 8 assisted living units and 16 skilled nursing beds</li><li>» Sims provided \$6.8 million of pre-development capital and \$117.5 million of permanent financing for initial phase</li></ul>	<ul style="list-style-type: none"><li>» Three distinct funding needs:<ul style="list-style-type: none"><li>■ Expand health center by 15 beds as current number of health center beds is inadequate for resident needs</li><li>■ Improve landscaping across the entire campus</li><li>■ Acquire and control land for future Phase II expansion</li></ul></li></ul>	<ul style="list-style-type: none"><li>» \$8.0 million of tax-exempt fixed rate bonds issued on parity with outstanding Series 2012 bonds</li><li>» Secured consent from majority of Series 2012 bondholders to incur additional debt</li></ul>	<ul style="list-style-type: none"><li>» Series 2017 Bonds wrapped around debt service on outstanding Series 2012 Bonds to minimize debt service burden on existing operations</li><li>» Secured five-and-a-half year optional call on the Series 2016 Bonds to match call date on Series 2012 Bonds to facilitate more efficient future refinancing</li></ul>

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## SEARSTONE *continued*



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In addition, given the growing demand for independent living units at SearStone, preliminary planning has commenced for the development of a Phase II expansion. In order to secure control of the Phase II land, the Corporation entered into a land purchase agreement for \$8.55 million, of which an initial installment payment of \$2.75 million was required. A significant portion of the land purchase price is deferred until closing of the financing for the Phase II expansion.

Finally, Management and residents of SearStone had identified some significant landscaping enhancements and repairs that were needed across the campus.

### EXECUTED RIGHT

The total cost of the Brittany Place expansion, initial land loan installment payment and landscaping improvements totaled approximately \$6.4 million. Funded interest, a debt service reserve fund and capitalized interest took the new debt up to \$8.0 million. The incurrence of this additional debt required consent of the majority of bondholders. Sims and the Corporation have maintained regular update calls with the bondholders and had communicated regularly with them regarding the additional funding needs and the preliminary plans for the Phase II expansion. Accordingly, Sims was able to secure consent from a majority of the Series 2012 bondholders to incur the additional \$8.0 million of new parity debt.

### FINANCED RIGHT®

The Series 2016 bond issue closed on December 28, 2016 with a 33-year final maturity. The amortization of the Series 2016 bonds was wrapped around the outstanding Series 2012 Bonds. The Series 2016 Bonds are interest only until the Series 2012 Bonds mature in 2047, with principal on the Series 2016 Bonds to be paid in 2048 and 2049. Even with the deferral of principal to the final two years of the Series 2016 Bonds, the debt service in these years will be less than the average annual debt service while the Series 2012 Bonds are outstanding. This structure minimizes the additional debt service obligation on SearStone's operations.

In addition, Sims was able to secure an optional call date of June 1, 2022 on the Series 2016 bonds that matches the optional call date on the Series 2012 Bonds. This short call date will enable the Corporation to facilitate a more efficient refinancing of both series of outstanding bonds should it elect to do so in the future.



**For more detailed  
information on how  
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