

CASE STUDY

HEATHERWOOD REHABILITATION AND HEALTH CARE CENTER / ORCHARD VIEW MANOR
\$5,283,200 / \$14,589,800 | June 2016 | Newport, RI / East Providence, RI



SIMS MORTGAGE FUNDING CLOSES \$19,873,000 FOR TWO HUD-INSURED LEAN LOANS TO RECAPITALIZE SKILLED NURSING HOMES IN RHODE ISLAND



Heatherwood



Orchard View

PARTNERED RIGHT

Athena Health Care Systems, one of New England's largest owner and operators, acquired **Orchard View Manor** in September 2013 and **Heatherwood** in July 2014 with conventional bank financing and preferred equity issued by HJ Sims. The bank debt was scheduled to mature in 2020 and 2021.

Athena turned to Sims Mortgage Funding to obtain HUD-insured loans well in advance of the maturities of their current debt because they wanted to eliminate refinancing risk and take advantage of current low, long-term and fixed interest rates.

STRUCTURED RIGHT

Sims Mortgage Funding underwrote two separate loans insured under the LEAN Section 232/223(f) program to refinance the existing debt, which included swap termination fees. The loans also provided a source of funding for capital expenditures and reserves.

Because Athena already had two other HUD-insured projects located in Rhode Island that were financed by Sims Mortgage Funding in 2014, we were able to include the Heatherwood and Orchard View loans in the Master Lease structure that had been established in 2014.

EXECUTED RIGHT

As a result, the HUD-insured loans represented 100% of the cost to refinance the projects and featured 35-year terms. The Orchard View and Heatherwood loans were underwritten at loans-to-value of 74% and 77%

respectively, and had debt-service coverage ratios of 3.16 and 2.92 respectively.

FINANCED RIGHT®

Changes in the appraised values of the projects since their acquisition dates resulted in a "mismatch" in the amounts of debt that each project could support by the new values. However, Sims Mortgage Funding was able to maximize HUD-insured loan proceeds by reallocating the bank debt to each property on the basis of the updated appraised values.

Heatherwood and Orchard View are the seventh and eighth HUD-insured financing Sims Mortgage Funding has completed for Athena since 2013.

For more detailed information on how **Heatherwood and Orchard View** was Financed Right® by HJ Sims and Sims Mortgage Funding, please contact:

Kerrie Tomasiewicz
201-307-9383

ktomasiewicz@simsmortgage.com

hjsims.com
simsmortgage.com

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