

The Oscar for best underwritten loan goes to...

Moderator: Ed Foulon, FHA Platform Manager/Chief UW, KeyBank

Panelist: John Stibley, Deputy Chief UW Healthcare, KeyBank

Panelist: Doug Redford, Managing Director, Grove Street

HUD/ORCF: Rachel Coleman, Workload Manager

The Oscar for best underwritten loan goes to...

Nominations

- The Lord of the Rings: Return of the King
- The Hurt Locker
- Gladiator
- The Shape of Water
- Around the World in 80 days
- The Avengers Endgame



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June 13-14, 2019



Lord of the Rings...

Key Data	FY 2016	FY 2017	FY 2018	T-12 ending 5/30/2019	Appraisal (Market)	Lender's DSC
Effective Gross Income	\$4,267,000	\$4,238,000	\$4,986,000	\$4,181,000	\$4,381,000	\$4,295,000
Net Operating Income	\$1,425,000	\$1,231,000	\$1,058,000	\$1,069,000	\$1,221,000	\$1,137,000
Normalized Net Operating Income	\$1,425,000	\$1,231,000	\$1,058,000	\$1,069,000	\$1,221,000	\$1,137,000
Occupancy	86.6%	79.0%	73.2%	72.8%	80.0%	80.0%
Potential # Res Days	34,675	34,675	34,675	34,675	34,675	34,675
Actual # Res Days	30,044	27,401	25,374	25,255	27,740	27,740

Lord of the Rings...

Key Data	T-12 ending 1/31/2019	T-12 ending 2/28/2019	T-12 ending 3/30/2019	T-12 ending 4/30/2019	Appraisal (Market)
Effective Gross Income	\$4,113,000	\$4,134,000	\$4,145,000	\$4,181,000	\$4,381,000
Net Operating Income	\$1,086,000	\$1,095,000	\$1,088,000	\$1,136,419	\$1,221,000
Normalized Net Operating Income	\$1,069,000	\$1,078,000	\$1,071,000	\$1,119,419	\$1,221,000

THE HURT LOCKER

You don't have to be a hero to do this job. But it helps.

SUMMIT ENTERTAINMENT PRESENTS
VOLTAGE PICTURES and GROSVENOR PARK MEDIA, LP and FCSA
A VOLTAGE PICTURES / FIRST LIGHT / KINGSGATE FILMS PRODUCTION
A KATHRYN BIGELOW FILM "THE HURT LOCKER" JEREMY RENNER ANTHONY MACKIE
BRIAN GERAGHTY EVANGELINE LILLY and RALPH FIENNES DAVID MORSE and GUY PEARCE
EDITED BY MARK BENNETT MUSIC BY MARCO BELTRAMI and BUCK SANDERS COSTUME DESIGNER JOHN BISSELL
PRODUCTION DESIGNER KARL JULIUSSON EXECUTIVE PRODUCERS GEORGE LITTLE and PAUL N.J. OTTOSSON
EXECUTIVE PRODUCERS BOB MURAWSKI CHRIS INNIS PRODUCED BY BARRY ACKROYD, BSC and TONY MARK
WRITTEN BY KATHRYN BIGELOW MARK BOAL NICOLAS CHARTIER GREG SHAPIRO
DIRECTED BY MARK BOAL and KATHRYN BIGELOW

R RESTRICTED
FOR STRONG LANGUAGE AND SOME DRUG USE
DOLBY DIGITAL
CINEMA CENSURE
PG-13
PARENTS STRONGLY CAUTIONED
SOME MATERIAL MAY BE INAPPROPRIATE FOR CHILDREN UNDER 13

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The Hurt Locker

Key Data	Year ending 12/31/15	Year ending 12/31/16	Year ending 12/31/17	Year ending 12/31/18	Appraisal (Market)	Lender's DSC
Effective Gross Income (from previous table)	\$2,838,000	\$2,940,000	\$2,950,000	\$3,001,000	\$3,197,000	\$3,197,000
Net Operating Income	\$ 642,500	\$ 638,500	\$ 677,500	\$ 873,300	\$ 782,000	\$ 772,500
Normalized Net Operating Income	\$ 653,100	\$ 648,200	\$ 614,500	\$ 812,000		
Occupancy	82.4%	86.7%	85.0%	87.3%	87.0%	87.0%
Potential # Res Days	29,200	29,200	29,200	29,200	29,200	29,200
Actual # Res Days	24,067	25,320	24,833	25,505	25,404	25,404

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Gladiator

Analysis of Existing Indebtedness and Historical NOI

FHA#	Name	# Beds	Type	Borrower in Project Since
XXX-XXXXX	Project to the Maximus	120	SNF	2009

Requested Mortgage Amount	Appraised Value	LTV as Presented
13,600,000	20,000,000	68.0%

Existing Debt				
Project-Related Debt	Date of Project-Related Debt	Non-Project-Related Debt	Date of Non-Project-Related Debt	% of existing debt used for project purposes
6,500,000	6/1/2009	5,000,000	3/12/2019	56.5%

Normalized NOI				
2016	2017	2018	T12 4/30/2019	CAGR
2,000,000	2,250,000	2,500,000	2,550,000	4.3%

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The Shape of Water



Around the world in 80 days

Key Data	FY 2016	T-9 ending 12/31/2017	T-12 ending 12/31/2018	T-12 ending 2/28/2019	Appraisal (Market)	Lender's DSC
Effective Gross Income	\$1,911,000	\$2,232,500	\$2,378,000	\$2,384,000	\$2,462,000	\$2,384,000
Net Operating Income	\$324,000	\$258,000	\$441,000	\$438,000	\$426,500	\$397,000
Normalized Net Operat	\$299,000	\$239,500	\$418,000	\$414,000	\$426,500	\$397,000
Occupancy	82.0%	85.6%	86.0%	85.7%	89.0%	85.7%
Potential # Res Days	28,835	28,835	28,835	28,835	28,835	28,835
Actual # Res Days	23,647	24,683	24,788	24,698	25,663	24,698

Around the world in 80 days

Project Name	Sample				
Address	Minneapolis				
# Beds Available	150				
			Post-Transition New Operator	Stabilized New Operator	
Phase	Previous Operator	At Time of Transition			
Date/Year	May-16	May-17	May-18	May-19	
Revenue	\$1,000,000	\$1,000,000	\$1,025,000	\$1,100,000	
Expense	\$900,000	\$950,000	\$950,000	\$910,000	
NOI	\$100,000	\$50,000	\$75,000	\$190,000	
Occupancy	75%	75%	85%	87%	



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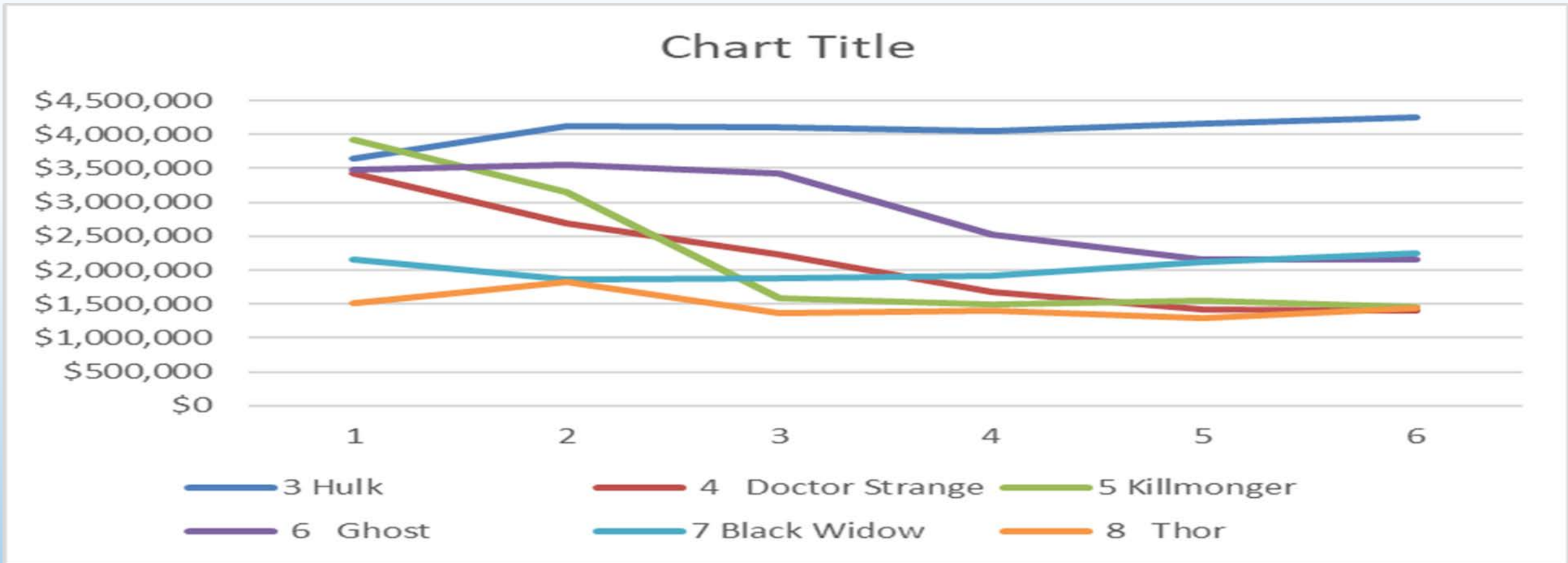
Avengers Endgame

		Normalized	Normalized	Normalized	Normalized	Normalized	Normalized		
		Appraiser NOI	Appraiser NOI	Appraiser NOI	Appraiser NOI	Appraiser NOI	Appraiser NOI	HUD Appraisal	Lenders
FHA Number	Facility Name	2015	2016	2017	T12 09 30 2018	T12 12 31 2018	T12 01 31 2019	NOI	DSCR
1	Ironman	\$727,558	\$1,053,255	\$515,620	\$654,654	\$795,605	\$893,219	\$703,030	2.692
2	Loki	\$445,414	\$175,463	\$92,000	\$64,601	-\$66,222	-\$170,007	\$397,754	#DIV/0!
3	Hulk	\$3,636,426	\$4,124,445	\$4,109,128	\$4,043,879	\$4,166,516	\$4,253,163	\$4,120,472	2.127
4	Doctor Strange	\$3,418,763	\$2,682,291	\$2,221,638	\$1,683,961	\$1,428,759	\$1,404,333	\$1,667,634	1.450
5	Killmonger	\$3,911,641	\$3,142,139	\$1,581,790	\$1,491,754	\$1,549,051	\$1,454,642	\$1,806,066	1.450
6	Ghost	\$3,479,810	\$3,553,999	\$3,418,358	\$2,514,908	\$2,149,988	\$2,153,963	\$2,522,338	1.450
7	Black Widow	\$2,153,839	\$1,864,594	\$1,883,886	\$1,908,911	\$2,124,379	\$2,240,567	\$1,666,157	2.267
8	Thor	\$1,511,192	\$1,819,794	\$1,356,863	\$1,393,039	\$1,298,587	\$1,443,358	\$1,179,267	1.466
9	Ultron	\$607,280	\$996,533	\$650,506	\$517,519	\$270,794	\$247,403	\$646,386	1.450
10	Thanos	\$175,363	\$528,569	-\$42,452	\$266,308	\$190,458	\$178,147	\$273,238	1.451
11	Captain America	\$1,995,079	\$2,079,813	\$1,683,017	\$1,957,944	\$2,030,463	\$1,857,796	\$1,560,537	1.534
12	Captain Marvel	\$1,757,785	\$1,902,660	\$1,954,366	\$2,199,444	\$2,066,997	\$2,098,312	\$2,336,746	1.982
13	Red Skull	\$1,750,072	\$1,343,316	\$933,772	\$1,202,072	\$1,076,287	\$1,139,175	\$938,653	1.653
14	Ant Man	\$3,895,486	\$3,177,604	\$2,895,846	\$2,833,925	\$2,867,561	\$2,963,638	\$2,970,936	2.086
15	Black Panther	\$2,396,150	\$2,577,996	\$2,495,873	\$2,609,956	\$2,693,841	\$2,724,164	\$2,552,724	2.405
		\$31,861,857	\$31,022,472	\$25,750,210	\$25,342,875	\$24,643,065	\$24,881,873	\$25,341,938	1.88

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Avengers Endgame



Avengers Endgame

- Upon closing of each individual HUD 232/223(f) refinance, a portion of debt from this Credit Facility will be repaid based on **lead-bank set release prices for each property**.
- The release prices will be set at **80% of value or HUD determined maximum proceeds net of HUD transaction costs and reserves**.
- A payoff letter from the lead bank with those release prices provided at closing.
- Fungible debt. Term debt paid off 1st, then Mezz debt, then partnership debt.
- Allocation of Debt analysis showing that the estimated release prices do not disproportionately allocate debt to the 15 properties going to HUD.

Avengers Endgame

Deals	Appraised Value	% on Value	Huntington Bank %	Seller's Notes %	Total Debt	Key's Debt Release Allocation							
						%	HNB %	Seller's Notes %	Partnership Debt	Capital Expenditures	Total Debt	Available Debt in MILC	Borrower Cash or Cash Note
Ironman	\$5,170,000	14.75%	\$2,441,826	\$0	\$2,441,826	14.75%	\$2,441,826	\$0	\$1,299,770	\$113,478	\$3,855,074	\$3,907,377	-\$52,303
Loki	\$19,730,000	56.27%	\$9,318,614	\$5,280,696	\$14,599,310	56.27%	\$9,318,614	\$5,280,696		\$123,983	\$14,723,293	\$14,099,973	\$623,320
Hulk	\$10,160,000	28.98%	\$4,798,638	\$2,719,304	\$7,517,942	28.98%	\$4,798,638	\$2,719,304		\$118,132	\$7,636,074	\$7,182,772	\$453,302
Totals	\$35,060,000	100.00%	\$16,559,078	\$8,000,000	\$24,559,078	100.00%	\$16,559,078	\$8,000,000	\$1,299,770	\$355,593	\$26,214,441	\$25,190,122	\$1,024,319

Deals	Units	% on Value	Huntington Bank %	Seller's Notes %	Total Debt	Key's Debt Release Allocation							
						%	HNB %	Seller's Notes %	Partnership Debt	Capital Expenditures	Total Debt	Available Debt in MILC	Borrower Cash or Cash Note
Ironman	45	21%	\$3,402,550	\$0	\$3,402,550	21%	\$3,402,550	\$0	\$1,299,770	\$113,478	\$4,815,798	\$3,907,377	\$908,421
Loki	115	53%	\$8,695,406	\$5,287,356.32	\$13,982,763	53%	\$8,695,406	\$5,287,356		\$123,983	\$14,106,746	\$14,099,973	\$6,773
Hulk	59	27%	\$4,461,121	\$2,712,643.68	\$7,173,765	27%	\$4,461,121	\$2,712,644		\$118,132	\$7,291,897	\$7,182,772	\$109,125
Totals	219	100%	\$16,559,078	\$8,000,000	\$24,559,078	100%	\$16,559,078	\$8,000,000	\$1,299,770	\$355,593	\$26,214,441	\$25,190,122	\$1,024,319

Avengers Endgame

- Thor is a One Star Facility.
- Thor had 16 deficiencies in 2016, including the 3 G-tags; 29 low-level deficiencies in 2017; and only 11 low-level deficiencies in 2018.
- As is practice, the Lender engaged Quality InCite to conduct a review of the facility's operations to determine steps to improve its star rating. Below is a synopsis of Quality InCite's findings and recommendations.

Avengeers Endgame

Expense Categories	FY 2015	FY 2016	FY 2017	T-12 ending 1/31/2019	Appraisal (Market)	Lender's DSC
General/Administrative	\$ 391,610	\$ 409,496	\$ 484,037	\$ 492,678	\$ 503,076	\$ 492,678
Marketing	-	-	-	-	-	-
Bad Debt	152,929	138,613	146,184	154,549	141,491	154,549
Quality Assurance Fee	779,698	854,400	870,273	898,042	981,040	898,042
Benefits/Payroll Taxes	692,867	698,880	518,008	549,399	526,433	549,399
Plant Operations	152,149	140,055	126,011	167,613	154,516	167,613
Utilities	192,417	176,905	164,472	176,910	176,077	176,910
Dietary	495,943	519,539	582,767	591,886	574,944	591,886
Housekeeping/Laundry	244,641	344,496	350,484	346,357	344,966	346,357
Nursing	3,102,223	3,416,747	3,655,146	3,980,192	3,719,169	3,980,192
Therapies/Ancillaries	1,492,755	1,364,992	1,340,540	1,196,760	1,338,542	1,373,564
Activities and Social Services	217,849	196,571	201,859	190,621	197,637	190,621
Insurance	357,634	377,688	503,893	325,270	88,000	325,270
Accounts Receivable						50,160

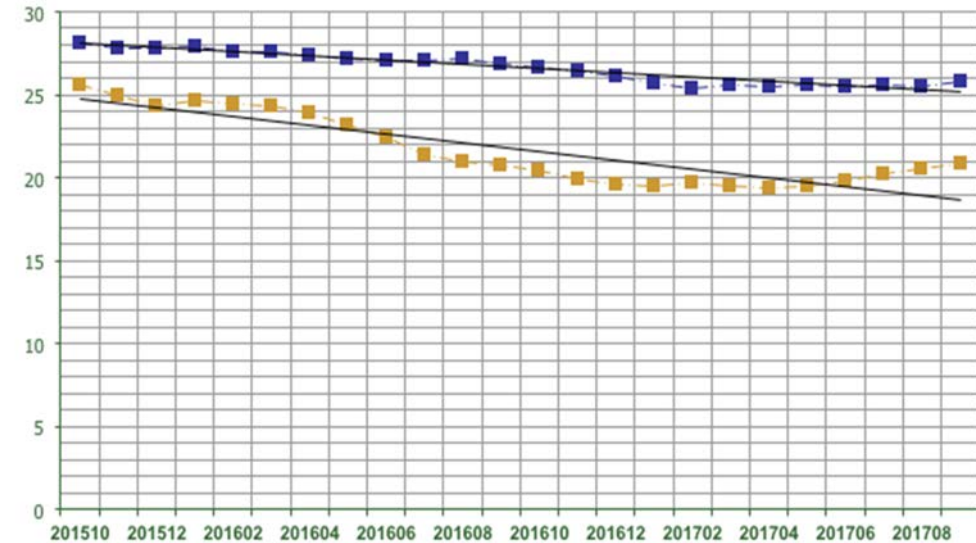
Sub-total	\$8,272,715	\$8,638,381	\$8,943,674	\$9,070,276	\$8,745,892	\$9,297,241
Real Estate (Property) Taxes	71,703	71,222	72,681	73,125	76,000	73,125
Management Fees	477,004	511,222	466,008	457,172	528,403	457,172
Replacement Reserves	-	-	-	-	38,500	78,080
Total Expenses	\$8,821,423	\$9,220,825	\$9,482,363	\$9,600,573	\$9,388,795	\$9,905,618
Expense Percentage	87.0%	88.9%	95.0%	90.7%	88.8%	93.6%
Normalization Calculations						
Deduct Actual Taxes	\$ 71,703	\$ 71,222	\$ 72,681	\$ 73,125		
Add Market Rate Taxes	76,000	76,000	76,000	76,000		
Deduct Actual Management Fee	477,004	511,222	466,008	457,172		
Add Market Management Fee @ 5.0%	506,777	518,740	499,154	529,252		
Deduct Actual Reserves for Replacement	-	-	-	-		
Add Market Reserves by Appraiser	38,500	38,500	38,500	38,500		
Deduct Actual Insurance	357,634	377,688	503,893	325,270		
Add Market Insurance by Appraiser	88,000	88,000	88,000	88,000		
Deduct BPCI Revenue Adjustment	-	449,397	542,325	352,707		
Normalized Expenses	\$8,624,359	\$8,981,933	\$9,141,435	\$9,476,758	\$9,388,795	\$9,905,618
Normalized Expense Percentage	85.1%	86.6%	91.6%	89.5%	88.8%	93.6%
Normalized Expense per Res Day	\$ 247	\$ 250	\$ 255	\$ 263	\$ 261	\$ 271
Key Data	FY 2015	FY 2016	FY 2017	T-12 ending 1/31/2019	Appraisal (Market)	Lender's DSC
Effective Gross Income	\$ 10,135,550	\$ 10,374,800	\$ 9,983,089	\$ 10,585,043	\$ 10,568,060	\$ 10,585,043
Net Operating Income	\$ 1,314,127	\$ 1,153,975	\$ 500,726	\$ 984,470	\$ 1,179,266	\$ 679,425
Normalized Net Operating Income	\$ 1,511,191	\$ 1,392,867	\$ 841,653	\$ 1,108,285	\$ 1,179,266	\$ 679,425
Occupancy	87.1%	89.3%	89.4%	89.8%	89.5%	91.0%

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Avengers Endgame

Gettysburg Center	2016	2017	T12 9/30/2018	2018	T12 01/31/2019	Appraised
EGI	\$ 10,824,197	\$ 10,525,414	\$ 10,683,072	\$ 10,765,771	\$ 10,937,751	\$ 10,568,061
BPCI Revenue	\$ 449,397	\$ 542,325	\$ 317,141	\$ 245,220	\$ 352,707	\$ -
EGI without BPCI	\$ 10,374,800	\$ 9,983,089	\$ 10,365,932	\$ 10,520,552	\$ 10,585,043	\$ 10,568,061
Normalized Expenses	\$ 9,294,091	\$ 9,584,445	\$ 9,615,595	\$ 9,707,464	\$ 9,731,663	\$ 9,388,794
Normalized NOI	\$ 1,080,709	\$ 398,644	\$ 750,336	\$ 813,088	\$ 853,380	\$ 1,179,267
PLI adjustment	\$ 289,688	\$ 415,893	\$ 325,562	\$ 240,280	\$ 237,270	\$ -
BPCI Management Fee	\$ 22,470	\$ 27,116	\$ 15,857	\$ 12,261	\$ 17,635	\$ -
Normalized PLI adjusted Expenses	\$ 8,981,933	\$ 9,141,435	\$ 9,274,176	\$ 9,454,923	\$ 9,476,758	\$ 9,388,794
Normalized PLI adjusted NOI	\$ 1,392,867	\$ 841,654	\$ 1,091,755	\$ 1,065,629	\$ 1,108,286	\$ 1,179,267



Avengers Endgame

Professional Liability Costs:

The market PLI costs per state were further supported by the Appraiser in the following tables for each state.

Additional PA Insurance Comparable Data								
Facility	Address	City	State	Year Built	Building SF	Beds	Insurance	Ins/Bed
Laurel Ridge Center	75 Hickle Street	Uniontown	PA	1964/1995 & 2002	23,953	61	211,830	3,473
Mifflin Healthcare Center	500 Philadelphia Avenue	Shillington	PA	1964/2013	55,931	136	458,011	3,368
Renaissance Healthcare and Rehabilitation Center	4712 Chester Avenue	Philadelphia	PA	1979	52,980	123	144,561	1,175
Spring Creek Rehabilitation and Health Care Center	1205 South 58th Street	Harrisburg	PA	1975/2007	205,525	404	191,549	474
Palmyra Nursing Home	341 N. Railroad Street	Palmyra	PA	1955/1974	10,332	39	28,028	719
Denver Nursing Home	400 East Lancaster Avenue	Denver	PA	1960/1974/1988	41,701	96	76,990	802
Butler Valley Manor	463 N Hunter Highway	Drums	PA	1935/1960/1970	17,380	37	27,581	745
Saint Mary Manor	701 Lansdale Avenue	Lansdale	PA	1945/1990	142,890	205	415,843	2,029
Latrobe Health and Rehabilitation Center	576 Fred Rogers Drive	Latrobe	PA	1963	24,790	107	58,569	547
Towne Manor East	2004 Old Arch Road	Norristown	PA	1978	47,648	120	132,605	1,105
Chester Valley Rehabilitation and Nursing Center	283 East Lancaster Avenue	Malvern	PA	1980	81,288	184	161,700	879
							Min	474
							Max	3,473
							Median	879
							Average	1,392

Avengers Endgame

- PDPM:
- Additionally, the Underwriter has considered that CMS has announced a major shift to Medicare reimbursement for SNFs that is slated to begin on October 1, 2019. The current RUGs-based system will be replaced by the Patient-Driven Payment Model (PDPM).
- As part of this shift, SNFs will be required to shift to the much more complex ICD-10 coding for residents, which is the system used by hospitals.
- An analysis is shown below, using information from the CMS website, estimating that the shift to PDPM will result in a net 15.9% ($\$1,776,604 / \$1,531,629 - 1$) increase to the Subject's Medicare rate. This is better than the statewide average for Pennsylvania, in which total Medicare payments are expected to increase 1.3% under PDPM from \$1.553 million to \$1.574 million. Below is a summary of the expected impact on Medicare Revenue:

Avengers Endgame

NEXT-GEN Facilities	CCN	City	State	RUG-IV Total Payments (\$)	PDPM Total Payments (\$)
Brandywine	395740	West Grove	PA	1,150,946	1,086,401
Cranbury	315353	Northfield	NJ	2,069,952	2,529,478
Crestview	395459	Lansdale	PA	1,486,259	1,367,989
Fox Hill	075183	Forestville	CT	1,191,252	1,298,374
Gettysburg	395733	Glen Mills	PA	1,531,629	1,776,604
Hillcrest	395481	Wynnewood	PA	1,670,678	2,256,029
Holly Manor	315143	Hackensack	NJ	9,325,303	9,018,425
Kimberly North	075279	Hamden	CT	1,059,350	990,097
Kimberly South	075237	Brooklyn	CT	953,160	928,784
Laurel	395408	Harmony	PA	381,987	399,426
Millville	315243	Andover	NJ	1,805,954	2,057,224
North Cape	315350	Dover	NJ	3,721,125	3,750,697
Sanatoga	395904	Quakertown	PA	2,172,349	2,256,832
Shenandoah	515167	Baker	WV	400,090	472,537
Willow Manor	225511	Natick	MA	1,253,238	1,203,558

Row Labels	Average of RUG-IV	Average of PDPM
CT	\$2,251,278.49	\$2,250,765.16
MA	\$2,091,759.90	\$2,136,841.17
NJ	\$4,062,090.77	\$3,955,824.92
PA	\$1,552,934.19	\$1,573,728.38
WV	\$1,119,216.88	\$1,171,531.28
Grand Total	\$2,246,626.20	\$2,246,312.32

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Avengers Endgame

Higher Cap Rate. Appraiser had concluded to a 12% cap rate for facility but utilized a 12.5% cap rate and quoted the PDPM, BPCI, and PLI insurance as reasons for higher cap rate.

6 month MRF. PLI risk was calculated in the excess risk for the portfolio given the National Operator