

# Cambridge Realty Capital Companies

*Senior Housing & Healthcare Debt/Equity Programs  
Overview*

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*HOW TO LOOK AT FINANCING OPPORTUNITIES AS A  
CAPITAL PROVIDER AND GET THE RESULTS YOU  
DESIRE... TIPS FROM THE EXPERTS!*

*Presented by  
Jeffrey A. Davis  
Chairman & President*



**Disclaimer:** This Cambridge information piece has been prepared to provide summary information to prospective borrowers, and to establish a preliminary level of interest in the financing structure described above. It does not, however, purport to present all material information regarding a specific financing, and is not a substitute for a thorough review of a financing application outlining all terms and conditions and corresponding documentation. In particular, neither Cambridge Realty Capital Companies nor Cambridge Realty Capital, LLC nor Cambridge Realty Capital Ltd. of Illinois, nor its employees nor stockholders make any warranty or representation whether or not the information presented will be applicable for the readers' specific situation and the accuracy or completeness of the information provided. "Cambridge Realty Capital Companies®", "e-Pulse!®" and its logos are registered trademarks of Cambridge Realty Capital, LLC.

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# Cambridge Overview

- **Cambridge established in 1983, with Senior Housing emphasis beginning in 1988**
  - Consists of three firms – Cambridge Realty Capital, LLC – Origination, Underwriting, Conventional Lending
  - Cambridge Realty Capital Ltd. of Illinois – HUD Lending
  - Cambridge Investment and Finance Company, LLC - Equity Investments and Joint Ventures
- **Cambridge's primary role in the industry**
  - Provide capital using HUD credit enhancement insurance
  - Facilitate Conventional financing on an investment banking basis
  - National Correspondent relationship with American Property Financing for Fannie Mae and Freddie Mac
  - Senior Housing acquisition, joint venture, debt or structuring operating leases for nursing home owner/operators.
- **Leading industry lender for the last 6 consecutive years for HUD 232 program**
- **\$2.75 billion of Senior Housing/Healthcare financing completed for over 300 properties**
- **Extensive industry experience and relationships**



# Cambridge History

- Jeffrey A. Davis founded Cambridge in 1983.
- Andrew Erkes, partner, joined firm in 1984 - His expertise is HUD financing.
- In the 1980's, Cambridge provided financing for all types of commercial real estate, including senior housing / healthcare properties.
- Since 1991, Cambridge has concentrated on the senior housing / healthcare field and has emerged during the last dozen years as one of the nation's preeminent debt and equity financing firms dedicated to senior housing and healthcare properties.
- We are headquartered in Chicago with a network of affiliates around the country.
- We are one of the country's leading HUD 232 lenders.
- We offer conventional lending options through Wall Street and strategic relationships with major funding institutions.
- We acquire nursing homes, assisted living and independent living facilities as a principal.



# Jeffrey A. Davis

## President and Chief Executive Officer

### Cambridge Realty Capital Companies

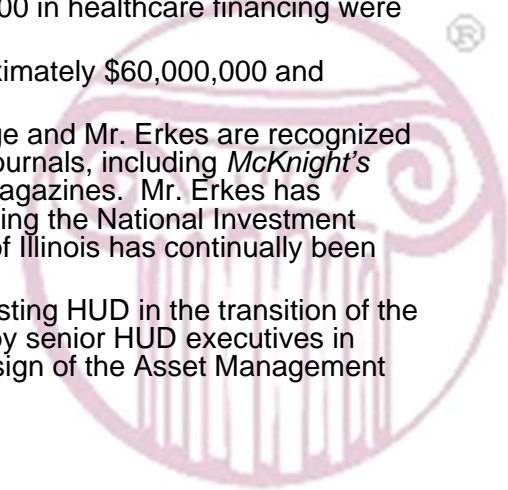
- Jeffrey A. Davis is Chairman and Chief Executive Officer for Cambridge Realty Capital Companies, one of the nation's leading senior housing / healthcare financiers, with more than 300 closed senior housing / healthcare debt and equity transactions totaling more than \$2.75 billion since the 1990s.
- Mr. Davis is a graduate of the University of Illinois with a degree in finance. He earned a Masters degree in Real Estate Investment Analysis and Appraisal from the University of Wisconsin in 1976, and joined Baird & Warner Inc., a diversified Chicago-based real estate firm, the same year. In the commercial lending division, he swiftly moved up through the ranks to become the youngest Senior Vice President in the 150-year-old real estate company's history.
- Mr. Davis founded Cambridge Realty Capital in 1983 as a regional commercial real estate lender and merchant banking firm. In 1987, a decision to specialize in senior housing / healthcare financing was made, and the company began to expand nationally into new markets. Today, Cambridge has a regional office in New York, affiliate offices in Baltimore and Los Angeles, and correspondent relationships in several other U.S. cities.
- The company has underwritten loans in 25 states and has emerged as one of the nation's leading HUD-232 FHA / MAP-approved lenders. Clients also are served by an integrated debt / equity financing strategy that includes direct property acquisitions and joint ventures, sale / leasebacks, conventional and mezzanine debt financing, and the acquisition of distressed debt. The company offers a wide array of conventional lending options, including permanent construction and interim loans on a floating or variable rate basis.
- Mr. Davis has been active in several professional organizations, including the Urban Land Institute, American Health Care Association, American Senior Housing Association, National Association for Senior Living Industry, and the Assisted Living Facility Association of America. He is a board member Emeritus for the Center for Enriched Living, an after-school activity center for mentally disadvantaged children, and a board member for Meals on Wheels Chicago, a not-for-profit organization providing meals to needy seniors, as well as the Holocaust Memorial Foundation of Illinois, a not-for-profit organization created to finance and build a world class educational center and museum to teach the lessons of the Holocaust.
- Mr. Davis has been quoted in business and industry newspapers and magazines, including *National Real Estate Investor*, *Business Week*, *Chicago Tribune*, *Chicago Sun-Times*, *McKnight's Long-Term Care*, *Provider*, *Contemporary Long-Term Care*, *Commercial Property News*, *Dodge Construction News*, *Senior Housing Investor* and numerous other publications.



# Andrew L. Erkes

## Principal and Chief Operating Officer of Cambridge Realty Capital Ltd. of Illinois

- **Education:** Bachelor of Arts, Finance – University of Illinois, Champaign/Urbana, Illinois 1978.  
Masters of Business Administration, Finance – Loyola University of Chicago, 1983.
- **Professional:** 1985 through Present - Cambridge Realty Capital Ltd. of Illinois, President & Principal  
FHA Mortgagee 12739 – GNMA Issuer No. 3733 Principal; responsible for all HUD-insured multifamily and healthcare loan underwriting, regulatory compliance, construction loan servicing administration, permanent loan servicing administration, investor relations and mortgage accounting, and supervision of FHA-approved Mortgagee and GNMA Seller/Servicer. Current Servicing Portfolio \$800,000,000.
- **Accomplishments:** 1978 thru 1985 – Percy Wilson Mortgage and Finance Group,  
Loan Officer/Vice-President  
HUD-Insured – Multifamily Lending
- **Overview:** Mr. Erkes has spent his entire professional career of 31 years in the business of originating, processing, underwriting and servicing HUD-insured multifamily and healthcare loans pursuant to applicable sections of the National Housing Act. Mr. Erkes is a MAP Approved Underwriter, a MAP Approved Section 232 Healthcare Underwriter and a Section 232 LEAN Approved Underwriter.
- Mr. Erkes has acted as sole MAP Underwriter for 104 HUD MAP Loans closed since the MAP Program began in 2001. The 104 MAP Loans total approximately \$815,000,000. Of these 104 MAP Loans, 94 of the loans have been for the refinance and purchase or sub-rehab or new construction of healthcare facilities pursuant to Section 232 of the National Housing Act, totaling \$720,000,000 in aggregate MAP healthcare financings.
- In addition to these 104 MAP Loans, between 1979 and 2001 Mr. Erkes has processed and closed 78 loans pursuant to Section 232 of the National Housing Act. These 78 loans totaling approximately \$575,000,000 in healthcare financing were HUD-Insured Loans utilizing Traditional Processing methods.
- Mr. Erkes has acted as Housing Consultant for 28 Section 202/811 programs totaling approximately \$60,000,000 and producing 1,127 units of Section 202/811 Housing.
- Mr. Erkes has developed a renowned sub-specialty in the healthcare lending field. Cambridge and Mr. Erkes are recognized as nationwide experts in this field, and are often quoted in the country's leading healthcare journals, including *McKnight's Long-Term Care, Nursing Home Magazine, Contemporary Long-Term Care, and Provider* magazines. Mr. Erkes has spoken on the subject of Section 232 nursing home financing at national conferences, including the National Investment Conference and the Assisted Living Federation of America. Cambridge Realty Capital Ltd. of Illinois has continually been among the nation's annual leaders in HUD Section 232 loan originations.
- Mr. Erkes also participates on the LEAN Transition Committees for Asset Management, assisting HUD in the transition of the Section 232 Program from MAP to LEAN. He was among a select few participants chosen by senior HUD executives in creating the implementation elements to the LEAN transition and was instrumental in the design of the Asset Management procedures for HUD lenders in healthcare financing.



# Cambridge Realty Capital Companies Senior Housing and Healthcare Debt & Equity Financing Programs

## — *Overview* —

Cambridge has four primary senior housing and healthcare debt and equity financing programs. We have funded and closed over 300 senior housing and healthcare financings totaling in excess of \$2.75 billion. The specifics of the senior housing transaction determines the Cambridge "basket" and deal pricing and strategy.

**HUD 232, HUD 232/223(f) and HUD 242**

**Single Facility & Multi-Facility Conventional**

**Bridge Financing**

**Equity Finance, Joint Venture or Sale / Leasebacks**



# Cambridge Realty Capital Companies HUD Debt Financing Programs

## HUD 232 and HUD 232/223(f)

- Cambridge has been one of the country's leading HUD 232 lenders since 1999
- \$2.5 Million or greater
- Funds licensed senior housing and healthcare-oriented properties:
  - Assisted Living Facilities
  - Board and Care, Personal Care or similar
  - Alzheimer Facilities, MR, DD and other special purpose
  - Nursing Homes
  - Alcohol & Drug Rehab Centers
  - Psychiatric Hospitals
- Cambridge processes HUD Credit Enhancement and funds loans directly
- Borrower will not have any direct dealings with HUD



# Cambridge Realty Capital Companies Single Facilities and Multi-Facility Conventional Debt Financing Programs

## Single Facilities and Multi-Facility Conventional

- \$2.5 Million or Greater
- Act as Mortgage Banker and Advisor
- All Types of Senior Housing:
  - Independent Living
  - Congregate Care
  - Board and Care / Personal Care
  - Assisted Living Facilities
  - Nursing Homes
- New Construction or Refinance





# Cambridge Realty Capital Companies Bridge Financing Programs

## Cambridge Bridge Financing Programs

- \$1 Million or Greater
- Act as Mortgage Banker or Advisor
- Existing Facilities Only
- Senior Housing and Healthcare Properties Including:
  - Independent Living
  - Congregate Care
  - Board & Care / Personal Care
  - Assisted Living
  - Nursing Homes



# Cambridge Realty Capital Companies Equity Finance, Joint Venture or Sale / Leasebacks

## Equity Finance, Joint Venture or Sale / Leasebacks

- \$2,500,000 or Greater
- Existing Facilities Only
- Act as Principal
- All Transactions Done With Experienced Operating Partner/Lessee or Management Firm
- 100% Acquisitions
- Joint Venture
- Sale / Leasebacks
- Senior Housing and Healthcare Properties Including:
  - Independent Living
  - Congregate Care
  - Board and Care / Personal Care
  - Assisted Living, Nursing Homes



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# Who are Lenders and Investors in Senior Housing and Healthcare Financing? A Scorecard

- Commercial / Savings Banks-Both Local and Regional
- Credit Companies
- Institutional Players:
  - Insurance Companies
  - Pension Funds
  - Investment Banks
- Governmental Conservators
  - Fannie Mae and Freddie Mac
- Direct Government: HUD
- Taxable and Tax-Exempt Bond Funds
- Conduits (REMICs)
- Venture Capital
- Equity Markets



# Introduction:

## Issues for Owners to consider when going on Capital Pursuit:

- Underwriting issues facing lenders and investors
- Documents to have available for financing
- How to present to lenders and equity investors
- Decision/deal points
- Key factors that determine financial success
- Summary and conclusion



# Key Underwriting Issues Facing Lenders And Investors

- Loan to value ratio
- Debt service coverage ratios
- Clinical history
- Equity requirements
- Borrower credit analysis
- Historical performance
- Collateral / security
- Operator track records
- Timing requirements
- Exit strategy



## **Documents Needed For Financing**

- Business plan
- Market feasibility study
- Financial forecasts / financials
- Qualifications of principals
- Sources & uses of funds
- Title report



## Presentation To Lenders

- Be prepared
- Know your audience
- Respond quickly to lenders' documentation requests – provide information & documentation in timely fashion.
- Get your third-party studies done by accepted & approved consultants
- Understand lender's type of financing & hot buttons
- Understand the lender's background & be prepared to educate on senior housing and related issues when necessary
- Know your project





# Financing Decision Points

- Timing
- Recourse and level of guarantee
- Leverage/loan amount
- Structure
- Time horizon/exit strategy
- Covenants & reporting requirements
- Rate/pricing



# Factors Determining Financing Success

- Market
  - Demographics
  - Competition
  - Regulatory environment
  - Project positioning
- Management
  - Direct industry experience
  - Company depth & reputation
  - Adaptability over time
  - Historic operating performance
- Collateral
  - Physical plant
  - Marketability
  - Location
  - External forces
- Financing/Clinical Performance and Cash Flow History
  - Debt service coverage
  - Financial performance
  - Clinical history
  - Cash flow stability
  - Leverage request



## Summary and Conclusion

