

# WEDGEWOOD

INVESTMENT GROUP, LLC

## **GROUND UP CONTRUCTION FUND TO FINANCE ASSISTED LIVING AND MEMORY CARE OPERATORS**

Wedgewood has access to a new \$200,000,000 fund for new construction, opportunistic acquisitions, expansions and purchase options via joint venture and lease-saleback financing for senior housing operators.

### **ABOUT WEDGEWOOD INVESTMENT GROUP, LLC COMPANY**

Wedgewood is a boutique investment bank serving independent, assisted living, skilled nursing and memory care organizations nationwide. We offer integrity and a depth of industry contacts and quality advisory services. Wedgewood Investment Group, LLC is based in Chicago, IL, and the Wedgewood team has financed almost \$1,000,000,000 in transactions and has a current pipeline of over \$1,000,000,000 in senior living transactions.

### **THE FUND**

The fund is a privately held, well-capitalized, commercial real estate company that develops, acquires and manages healthcare, properties throughout the United States which can include distressed and or bank owned assets. The Fund oversees acquisitions, and construction to client specifications.

### **THE PROGRAM**

Operator identifies construction or acquisition opportunities  
Operator enters into joint venture or lease with favorable purchase option terms

### **INVESTMENT CRITERIA**

Transaction size between \$5 - \$15 million  
Senior housing operators with track records  
Defined market opportunity

### **BENEFITS**

100% of Project Costs included  
Preserves and builds equity for the developer/operator  
Removes need for mezzanine debt and other equity  
Reduces construction risk  
Development expertise available  
National footprint  
Flexible

### **For More Information, please contact:**

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**QUESTIONS & ANSWERS REGARDING THE FUND**

**1) QUESTION: HOW DOES THE FUND WORK?**

**ANSWER:** The Fund was established to attract quality senior housing operators with track records of successful projects. The belief is that in senior housing, the operator is critical in delivering a successful project, and as such, they should receive value for their success.

The Fund initially owns the real estate and leases it back to the operator on a long term lease. The operator has a purchase option on the real estate that they may exercise anytime within a window (usually between 3-5 years. This timing allows the operator to build equity by stabilizing the facility and then refinance and exercise their purchase option with minimal equity.

**2) QUESTION: WHAT TYPE OF SENIOR HOUSING SERVICES ARE ELIGIBLE FOR THE FUNDS?**

**ANSWER:** Assisted living and memory care facilities.

**3) QUESTION: WHAT TYPES OF PROJECTS ARE ELIGIBLE?**

**ANSWER:** Turnaround acquisitions with renovation or ground up development.

**4) QUESTION: WHAT IS THE TOTAL PROJECT SIZE THAT WILL BE FUNDED?**

**ANSWER:** \$5,000,000 - \$15,000,000

**5) QUESTION: WHO IS ELIGIBLE FOR THE PROGRAM?**

**ANSWER:** Operators in the country nationwide. Capacity is limited.

**6) QUESTION: HOW LONG A LEASE TERM?**

**ANSWER:** The operator will execute a lease for a 15-20 year period. If and when the operator exercises the purchase option, the lease is terminated.

**7) QUESTION: WHAT IS INCLUDED IN THE TOTAL PROJECT COSTS THAT ARE BEING INITIALLY FUNDED?**

**ANSWER:**

- Lease-up reserves
- Land acquisition costs
- Hard and soft costs or renovation costs
- Attorney Fees for lease and debt negotiation
- Debt placement fees from secured lender
- Owner rep/asset management fees
- Equity placement and underwriting fees
- Misc.

**8) QUESTION: WHAT IS THE COST DIFFERENCE BETWEEN THE ACQUISITION OR CONSTRUCTION COSTS VS. THE TOTAL PROJECT COSTS?**

**ANSWER:** Total Project Costs may be 105-107% of the transaction price, exclusive of lease-up reserves and working capital.

- 9) **QUESTION: WHEN DOES THE OPERATOR BEGIN PAYING RENT?**  
**ANSWER:** Negotiated rental payments begin upon certificate of occupancy.
- 10) **QUESTION: CAN YOU PROVIDE AN ESTIMATE OR RENT PAYMENTS AND RENT INCREASES?**  
**ANSWER:** The rent is based on a multiple factors including total project cost, credit strength, project type, project location, and rent increases.
- 11) **QUESTION: HOW MUCH ARE THE THIRD PARTY COSTS IN A RENOVATION PROJECT?**  
**ANSWER:** Third party costs are approximately 4-6% of total project costs and include:
  - Attorney fees for lease and debt negotiation
  - Debt placement fees from secured lender
  - Owner rep fees to supervise construction
  - Equity placement and underwriting fees
- 12) **QUESTION: HOW MUCH ARE THIRD PARTY COSTS IN NEW CONSTRUCTION?**  
**ANSWER:** Third party costs are approximately 5-7% of total project costs and include:
  - Attorney fees for lease and debt negotiation
  - Debt placement fees from secured lender
  - Owner rep fees to supervise construction
  - Equity placement and underwriting fees
- 13) **QUESTION: IS THE LEASE GUARANTEE PERSONAL OR CORPORATE?**  
**ANSWER:** Personal and/or corporate guarantees are required.
- 14) **QUESTION: IS THE FUNDING ALL INCLUSIVE OR IS EQUITY REQUIRED?**  
**ANSWER:** Funding takes into account lease up costs. The operator is expected to provide up to a 6 month security deposit, marketing expenses and working capital.
- 15) **QUESTION: WHEN CAN THE OPERATOR EXERCISE THE BUY-BACK OPTION?**  
**ANSWER:** The buy-back option can be exercised anytime, within the buy-back period which will vary from project to project, but will not exceed 60 months. The sooner you exercise the buyback option, the lower your exercise price.
- 16) **QUESTION: WHAT ARE THE TERMS, TIMING AND CONDITIONS OF THE BUY BACK OPTION UPON STABILIZATION?**  
**ANSWER:** The buyback option is based on current rent at the time of the purchase option. A cap rate is applied to the current rent to arrive at purchase price. The price is based on project costs and return on equity versus value added by the operator. This means that an operator who adds value to a project will receive their share of the value added.
- 17) **QUESTION: ARE THERE FINANCING POINTS PAID TO THE LENDERS AT CLOSING?**  
**ANSWER:** Yes, The Fund will secure and guarantee a bank loan as part of the overall financing and the fees charged to the lender are reflected in the project costs.

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**18) QUESTION: AFTER THE LEASE PAYMENT, WHAT ARE THE RESTRICTIONS ON SURPLUS CASH DISTRIBUTION TO THE LESSEE? FOR EXAMPLE, ARE THERE MINIMUM DAYS OF CASH ON HAND OR MINIMUM DSC?**

**ANSWER:** Unlike a conventional lease, these projects are geared toward eventual ownership by the operator. Therefore, there are minimum lease covenants.

**19) QUESTION: ARE THERE GEOGRAPHICAL RESTRICTIONS TO THE PROJECT?**

**ANSWER:** The preference is to work with an operator within their existing region and within the services they are known to provide. For any new construction, a third party market study is required by a top tier market study firm.