

MEDICAL REAL ESTATE: SALE - LEASEBACK ADVANTAGE



For Healthcare Providers: Owner-Users of Medical-Office, Urgent Care, and Other Free-Standing Outpatient Medical Real Estate Properties

GENERAL OVERVIEW

PROPERTY OWNER	BENEFITS OF SALE-LEASEBACK	POTENTIAL USES OF CAPITAL RAISED
1 Sell Owned Property To Us	(i) Jointly Structure Terms	(i) Invest In and Expand Core-Operations
2 Leaseback Property From Us	(ii) Retain Use and Control of Asset	(ii) Finance Acquisitions or Growth Strategy
3 Use Capital Raised For Desired Purpose	(iii) Enjoy Significant Tax Advantages	(iii) Restructure Business
	(iv) Extract Greater Value As Compared to Mortgage	(iv) Pay Down Debt
	(v) Excellent Middle-Ground Financing Alternative	

SIDE - BY - SIDE

OPTION 1 Senior Debt / Mortgage		vs	OPTION 2 Sale-Leaseback (SLB)		vs	OPTION 3 Mezzanine Financing	
Asset Value	\$5,000,000		Asset Value	\$5,000,000		Asset Value	\$5,000,000
Loan-To-Value	70.00%		Loan-To-Value	100.00%		Loan-To-Value	90.00%
Capital Raised	\$3,500,000		Capital Raised	\$5,000,000		Capital Raised	\$4,500,000
Interest	5.00%		Cap Rate or Cost of Capital	6.50%		Interest	15.00%
Amortization in Years	20		Lease Term in Years	20		Amortization in Years	20
Loan Constant	7.92%		Loan Constant	6.50%		Loan Constant	15.80%
Annual Debt Service	\$277,181		Annual Rent Expense	\$325,000		Annual Debt Service	\$711,066
Total Payments	\$5,543,628		Total Payments	\$6,500,000		Total Payments	\$14,221,327

COST COMPARISON - SLB SAVINGS

SLB vs Debt (Loan Constant Comparison)	
(OPTION 1 - OPTION 2) = vs Senior Debt / Mortgage	1.42%
(OPTION 3 - OPTION 2) = vs Mezzanine	9.30%
➔ COST SAVING VIA SLB	✓
* Effective Cost of Capital (ECOC)	
Interest Rate Required To Fully Amortize Capital Raised Over SLB Term With Rent As Amortization Payments	
➔ SLB ECOC *	2.74%
➔ SLB EFFECTIVE COST	✓
SLB ECOC vs Debt Loan Constant	
(OPTION 1 - SLB ECOC) = vs Senior Debt / Mortgage	5.18%
(OPTION 3 - SLB ECOC) = vs Mezzanine	13.06%
➔ COST SAVING VIA SLB	✓

IMPACT OF LOSS OF OWNERSHIP

Asset Value	\$5,000,000	SLB Adjusted ECOC *	7.83%
Long-Term Appreciation / Yr	2.50%	* Adjusted for loss of ownership	
Potential Residual Value	\$8,193,082		
SLB Adj ECOC vs Debt Loan Constant			
(OPTION 1 - OPTION 2) = vs Senior Debt / Mortgage	0.09%	➔ COST SAVING VIA SLB	✓
(OPTION 3 - OPTION 2) = vs Mezzanine	7.97%		

TAX DEDUCTIBLE COMPONENT

Senior Debt / Mortgage		vs	Sale-Leaseback (SLB)		vs	Mezzanine Financing	
Only Interest	\$2,043,628		Lease Payments	\$6,500,000		Only Interest	\$9,721,327
Increase In Tax Deductibility							
(OPTION 2 - OPTION 1) = SLB vs Sr Debt / Mortgage	\$4,456,372	➔ COST SAVING VIA SLB					✓

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IMPACT OF REINVESTMENT RATE

Senior Debt / Mortgage		vs	Sale-Leaseback (SLB)		vs	Mezzanine Financing	
Reinvestment Rate	15.00%		Reinvestment Rate	15.00%		Reinvestment Rate	15.00%
Capital Raised	\$3,500,000		Capital Raised	\$5,000,000		Capital Raised	\$4,500,000
Term in Years	20		Term in Years	20		Term in Years	20
FV of Capital Raised	\$57,282,881		FV of Capital Raised	\$81,832,687		FV of Capital Raised	\$73,649,418
Less: FV of Debt Service	(\$28,395,457)		Less: FV of Debt Service	(\$33,294,164)		Less: FV of Debt Service	(\$72,844,187)
Future Value - Net Proceeds	\$28,887,424		Future Value - Net Proceeds	\$48,538,523		Future Value - Net Proceeds	\$805,231

Increase In Future Value - Net Proceeds	
(OPTION 2 - OPTION 1) = vs Senior Debt / Mortgage	\$19,651,098
(OPTION 2 - OPTION 3) = vs Mezzanine	\$47,733,291

EXCESS FV OF NET PROCEEDS GENERATED VIA SLB

SLB MORE ATTRACTIVE AS REINVESTMENT RATE INCREASES

POSITIVE IMPACT ON M & A / COMPANY SALE

No Sale-Leaseback (NO SLB)		vs	Sale-Leaseback (SLB)	
			Real Estate Value	\$5,000,000
			Cap Rate or Cost of Capital	6.50%
			Rent Multiple	15.38x
			Annual Rent Expense	\$325,000
HYPOTHETICAL EBITDA	\$500,000		HYPOTHETICAL EBITDA	\$500,000
Less: Annual Rent	\$0		Less: Annual Rent	(\$325,000)
EBITDA, Net of Rent	\$500,000		EBITDA, Net of Rent	\$175,000

Enterprise Value	
EBITDA (Net of Rent)	\$500,000
Multiple	10.00x
Enterprise Value	\$5,000,000

Enterprise Value	
EBITDA (Net of Rent)	\$175,000
Multiple	10.00x
Enterprise Value	\$1,750,000

Real Estate Value	
Real Estate Proceeds	Included Above

Real Estate Value	
Real Estate Proceeds	\$5,000,000

Capital Raised - NO SLB **\$5,000,000**

Capital Raised - SLB **\$6,750,000**

Operating Co.	25.93%	\$1,750,000
Real Estate	74.07%	\$5,000,000

Note: Analysis does not include cost of financing and/or sale

Increase In Capital	
Excess Capital Raised	\$1,750,000
Percentage Increase	35.00%

EXCESS CAPITAL RAISED VIA SLB

CONTACT

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KEY FEATURES

Senior Debt / Mortgage	vs	Sale-Leaseback (SLB)	vs	Mezzanine Financing
Fully Secured by Asset		Reduces Investment in Non-Core Assets		Unsecured
Lower Interest Rates		Offers Favorable Middle-Ground		Higher Interest Rates
Conservative Underwriting		Provides Asset Control Via Long-Term Lease		Expensive - Usually Includes PIK Interest
Increases Indebtedness		Tax Savings - Expense Entire Lease Payment		May Include Warrants
		No Financial Covenants		May Lead to Ownership Dilution
		No Equity Dilution		Increases Indebtedness
		Provides Greater Control Over Core-Business		
		Generates Cash Via 100% Financing		
		Off-Balance Sheet - If Operating Lease		
		Upgrades or Enhances Balance Sheet		
		Maximizes Value of Real Estate		