

Financing Consideration



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Private Placements Another Financing Option

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Private Placements Defined

- A Private Placement is a way to raise capital in the municipal bond market through the private sale of corporate debt to a select group of investors
 - Often time banks and institutional investors
- The bonds are tax exempt, attracting investors

Private Placements Defined

- Some things to consider:
 - Some restrictions on use of funds, though most of what we do as FQHCs would be included (couldn't open a Starbucks though)
 - Still need a City, County, etc. to sponsor the Bonds
 - Must do a TEFRA hearing 14 days in advance
- A request for proposal (RFP) is sent out to up to 50 investors to gauge their interest and request them to submit terms and rates if interested

Private Placements- Advantages

- Speed. Underwriting is faster, can wrap up in less than 3 months
- Control over rates and terms from RFP
 - Lower issuance costs, but must watch interest rates
- Ability to get longer term maturities (up to ~20 years)
 - Bank loans won't generally go past 5-10 years
- Less initial and ongoing regulatory disclosure requirements (EMMA reporting not needed like for public bonds)

Private Placements- Drawbacks

- May have to establish banking relationship for best rates
 - For FHCN, the rate reduction netted to about a 3% annual return on the funds moved over
- May have higher Loan to Value (LTV) requirement
- Maturity is limited versus regular public offering

Private Placements Example

- FHCN refinanced 2008 and 2011 Bonds along with some other loans and saved over \$3.3m NPV.
- Sent out RFP in October 2015, closed April 6, 2016 (less than 4 months)
- Significantly cut down on disclosures and financials being sent out
- Able to do second round of financing for new 38,000sf Hanford site in January 2017 using same resources
- Connected with a bank we would have never worked with and they have been a great partner for FHCN