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Discussion on High Yield Bonds

Bond Summit – South Carolina JEDA

Agenda

I. Introductions

II. Panel Discussion

**HAYNSWORTH
SINKLER BOYD**

FIRM OVERVIEW

- Provide business, litigation and financial legal services to local, regional, national and international clients
- 112 attorneys in Charleston, Columbia, Florence, Greenville and Myrtle Beach
- Oldest and one of the most extensive public finance practices in SC

PUBLIC FINANCE PRACTICE

- 11 public finance attorneys
- Advise private colleges and universities, foundations, nonprofit hospitals, senior living communities and nonprofits
- Assist in mergers, acquisitions, expansions, affiliations and capital improvements
- Closed over \$1.58 billion of bond transactions in 2018

ZIEGLER GENERAL MUNICIPAL & STRUCTURED FINANCE

ZIEGLER INVESTMENT BANKING

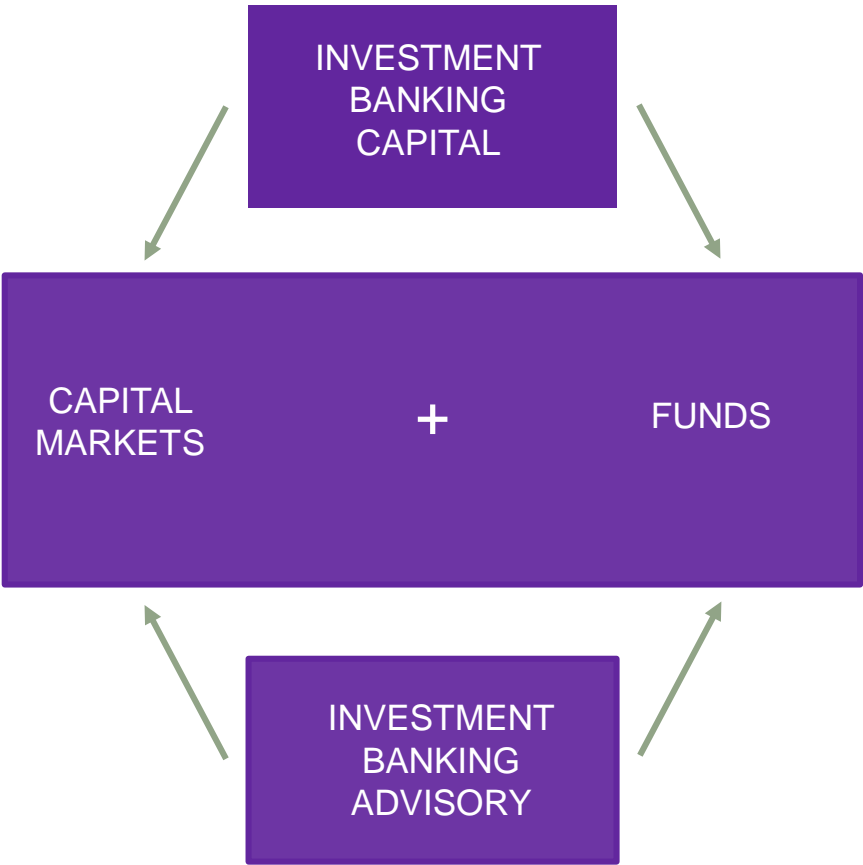
October 24, 2019

PRESENTED BY

Miyun Cho Fellerhoff
Managing Director and Practice Head
312-596-1532
mcfellerhoff@ziegler.com

ABOUT US

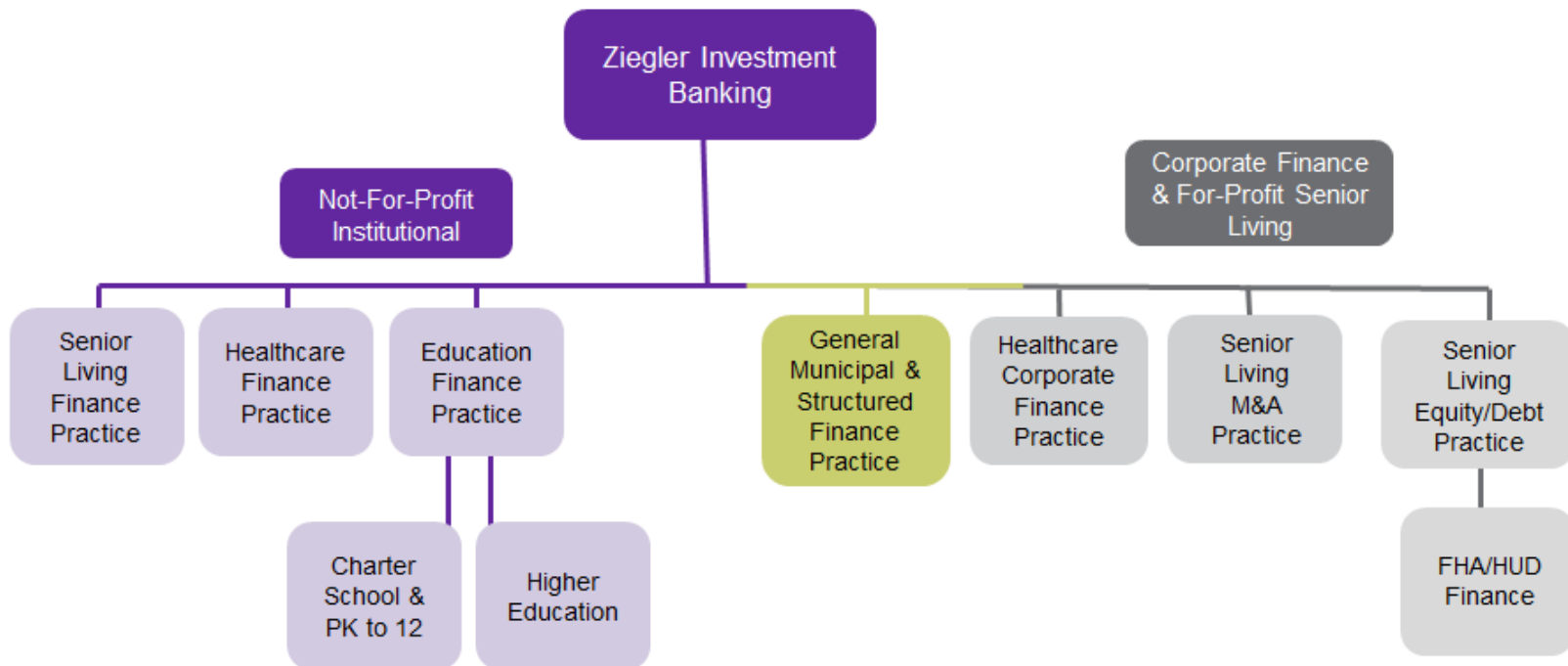
ZIEGLER is a privately held, national boutique investment bank, capital markets and proprietary investments firm. Specializing in the healthcare, senior living and education sectors, as well as general municipal and structured finance, enables us to generate a positive impact on the communities we serve.



INVESTMENT BANKING	Advisory, financing and capital planning solutions in healthcare, senior living and educational sectors as well as general municipal and structured finance
CAPITAL MARKETS	Active participant in municipal sales and trading including public, tax-exempt, taxable, private placement and preferred trading markets
PROPRIETARY INVESTMENTS	Providing opportunities for investors in senior living, healthcare services & technology solutions

COMMITMENT TO PUBLIC FINANCE

- Founded in West Bend, WI in 1902, Ziegler began building its reputation for financing not-for-profit organizations with a loan to Holy Angels Catholic Church in 1913
- Today, Ziegler is a full-service, privately-held specialty investment bank and broker dealer providing its clients with capital raising, equity and fixed income sales & trading, and research



NATIONAL FOOTPRINT

HEADQUARTERED at One North Wacker Drive in Chicago with regional and branch offices throughout the U.S., Ziegler provides its clients with capital raising, strategic advisory services, fixed income sales & trading and research. .

1902

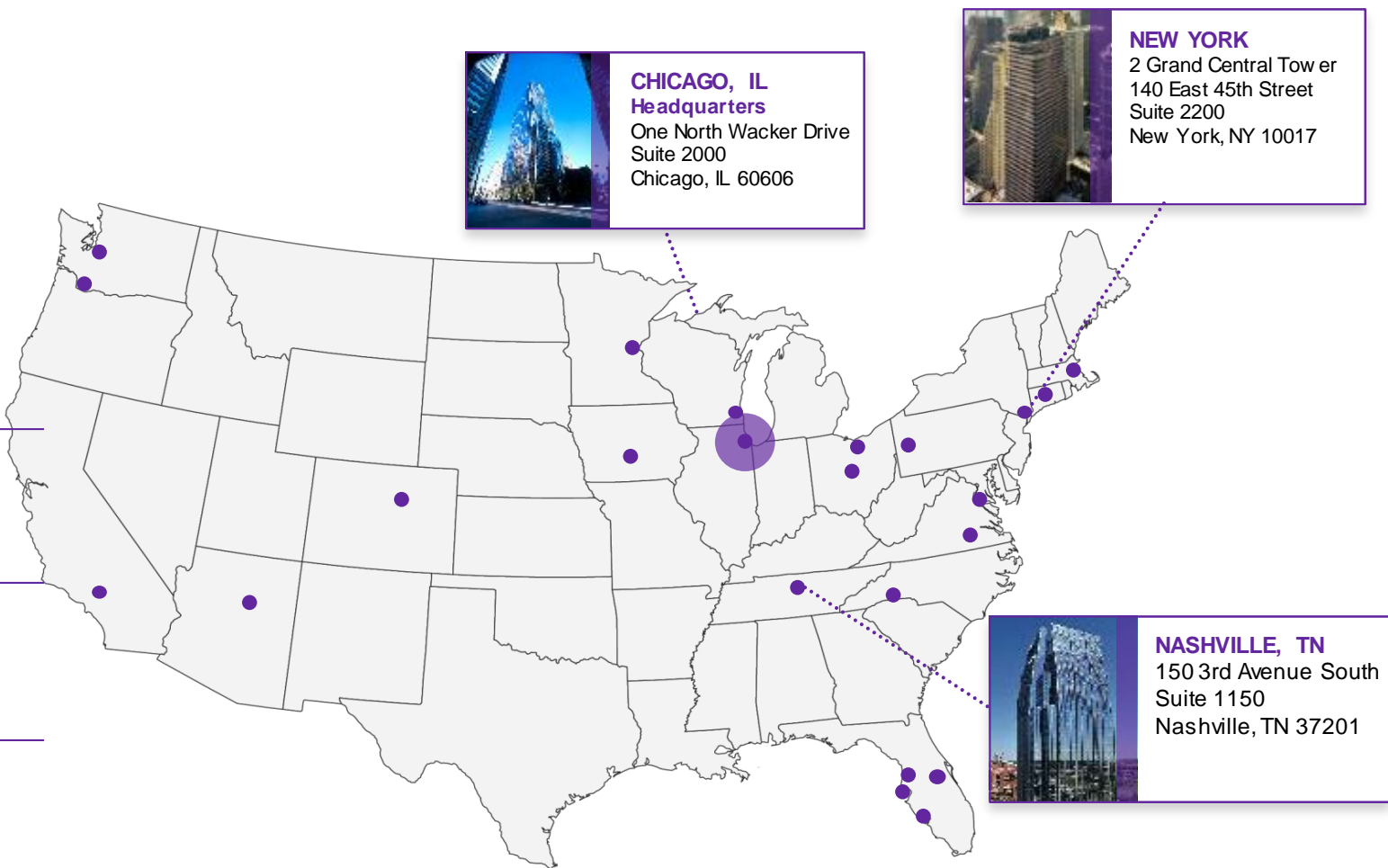
established

140

number of associates

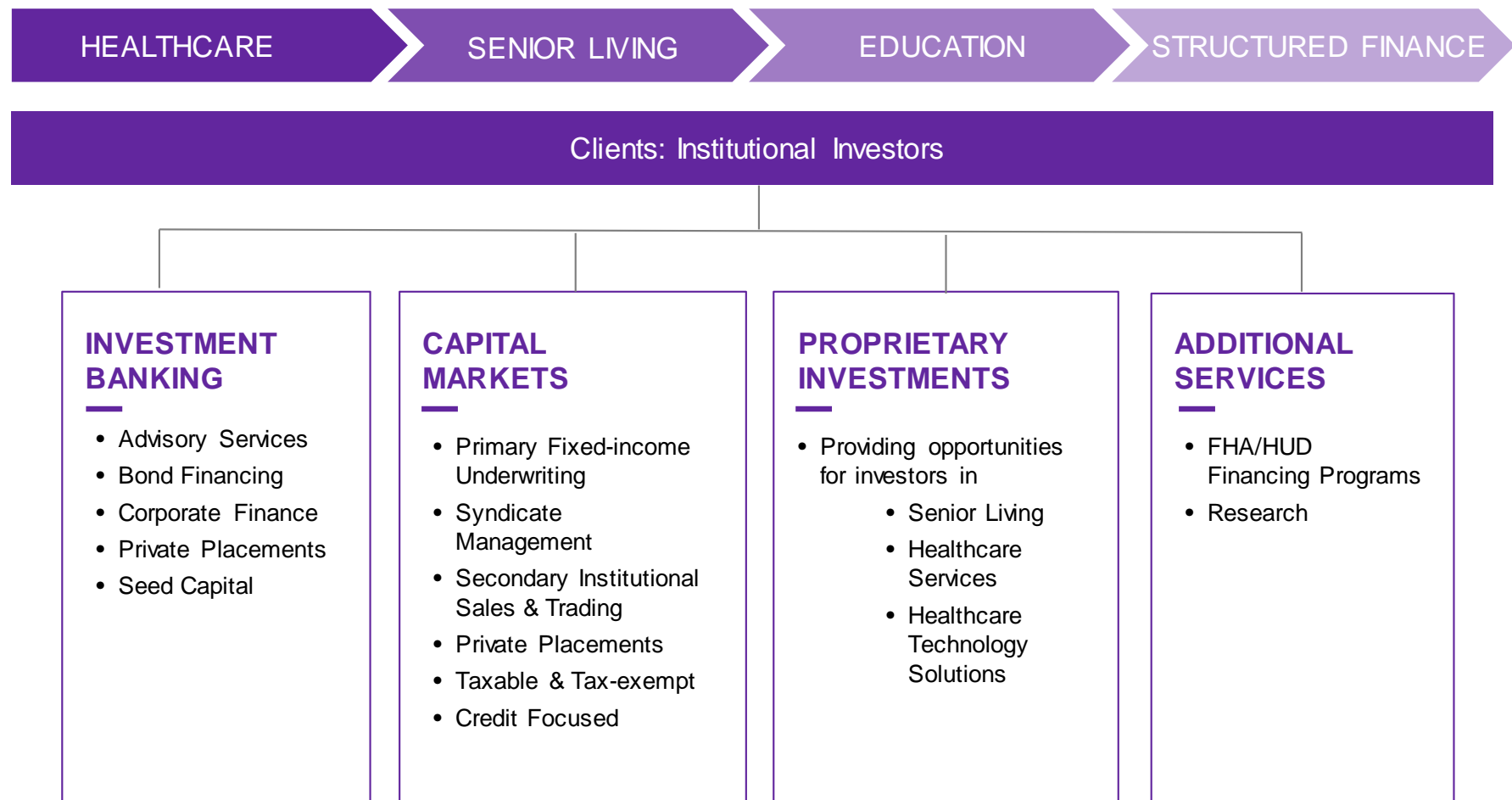
23

Registered offices nationally



STRUCTURE & SERVICES


PROVIDING CLIENTS with capital raising, strategic advisory services, equity and fixed-income sales & trading, and research, while specializing in healthcare, senior living and education sectors.



GENERAL MUNICIPAL & STRUCTURED FINANCE

- Ziegler added its General Municipal and Structured Finance (“GMSF”) practice in May of 2014. Prior to joining Ziegler, the GMSF team worked together at another private investment bank. The team joined Ziegler because of the depth and breadth of Ziegler’s non-investment grade investor base.
- Each Managing Director of the GMSF team has in excess of 30 years of experience in public finance investment banking and each has extensive project finance experience in addition to decades of experience working with large municipal issuers such as the State of Illinois, the City of Chicago, the City of New York, the State of California and other large issuers as Co-Manager in the past and currently.
- Project finance transactions include waste to energy, recycling, alternative energy, and P3 projects.
- Ziegler has successfully structured, sold and closed ten municipal solid waste to re-engineered fuel transactions and has five additional transactions scheduled to close by year end 2019.
- Ziegler’s GMSF team and our underwriting and sales team have significant experience in structuring and selling “to be created” property and sales tax backed transactions.
- Ziegler underwrote over \$2.6 billion and directly placed an additional \$2.5 billion of securities in 2018.

GENERAL MUNICIPAL & STRUCTURED FINANCE TRANSACTION HIGHLIGHTS

 <p>Gladieux Metals Recycling, LLC Oklahoma</p> <p>Solid Waste Disposal Revenue Bonds</p> <p>AUGUST 2019</p> <p>\$25,000,000</p>	 <p>AAC East, LLC South Carolina</p> <p>Industrial Development Bonds</p> <p>MAY 2019</p> <p>\$13,500,000</p>	 <p>Texas Resource Partners, LLC Texas</p> <p>Solid Waste Disposal Revenue Bonds</p> <p>APRIL 2019</p> <p>\$10,000,000</p>	 <p>Gladieux Metals Recycling, LLC Texas</p> <p>Solid Waste Disposal Revenue Bonds</p> <p>MARCH 2019</p> <p>\$25,000,000</p>	 <p>Allegiant Industrial Island, LLC Texas</p> <p>Dock and Wharf Facility Revenue Bonds</p> <p>MARCH 2019</p> <p>\$25,000,000</p>
 <p>Axis Industrial Landfill Project Alabama</p> <p>Taxable Solid Waste Disposal Revenue Bonds</p> <p>NOVEMBER 2018</p> <p>\$8,475,000</p>	 <p>Jasper Pellet Company, LLC South Carolina</p> <p>Solid Waste Disposal Revenue Bonds</p> <p>NOVEMBER 2018</p> <p>\$12,120,000</p>	 <p>Entsorga West Virginia, LLC West Virginia</p> <p>Solid Waste Disposal Revenue Bonds</p> <p>NOVEMBER 2018</p> <p>\$8,000,000</p>	 <p>RePower South Berkeley, LLC South Carolina</p> <p>Solid Waste Disposal Revenue Bonds</p> <p>DECEMBER 2017</p> <p>\$43,850,000</p>	 <p>Entsorga West Virginia, LLC West Virginia</p> <p>Solid Waste Disposal Revenue Bonds</p> <p>MARCH 2016</p> <p>\$25,000,000</p>



WALTER GOLDSMITH, Managing Director

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Introduction to First Tryon Advisors

Overview of the Firm

Overview of First Tryon Securities, LLC

- Founded twenty years ago and headquartered in Charlotte, North Carolina, First Tryon Securities, LLC is a regionally focused independent, privately owned securities firm.
- The firm is registered with both the Municipal Securities and Rulemaking Board and the Securities and Exchange Commission. First Tryon employs 23 registered representatives.

First Tryon Advisors

- First Tryon Advisors is a business of First Tryon Securities, LLC and operates as the Financial Advisory arm of the firm.
- First Tryon Advisors has a full service financial advisory practice serving the needs of cities, towns, school districts, counties, utilities, colleges/universities, hospitals and not-for-profits in the Southeast region.
- First Tryon does not serve as an underwriter and only provides financial advisory services to our clients.

Municipal Sales & Trading Desk

- The financial advisory team at First Tryon has access to real-time market information for tax exempt and taxable securities through our trading platform.
- Our desk assists our clients when pricing bonds in the public markets – ensuring the proposed spreads provide the best deal for the client.
- First Tryon's annual trade volume exceeds \$2 billion in par amount.

Office Locations

- The firm has offices in Atlanta (GA), Boone (NC), Charlotte (NC), Gulf Breeze (FL), Jacksonville (FL), and Sterling (VA).



- The team at First Tryon Advisors has a tremendous amount of experience serving clients in the Southeast.



Agenda

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II. Panel Discussion

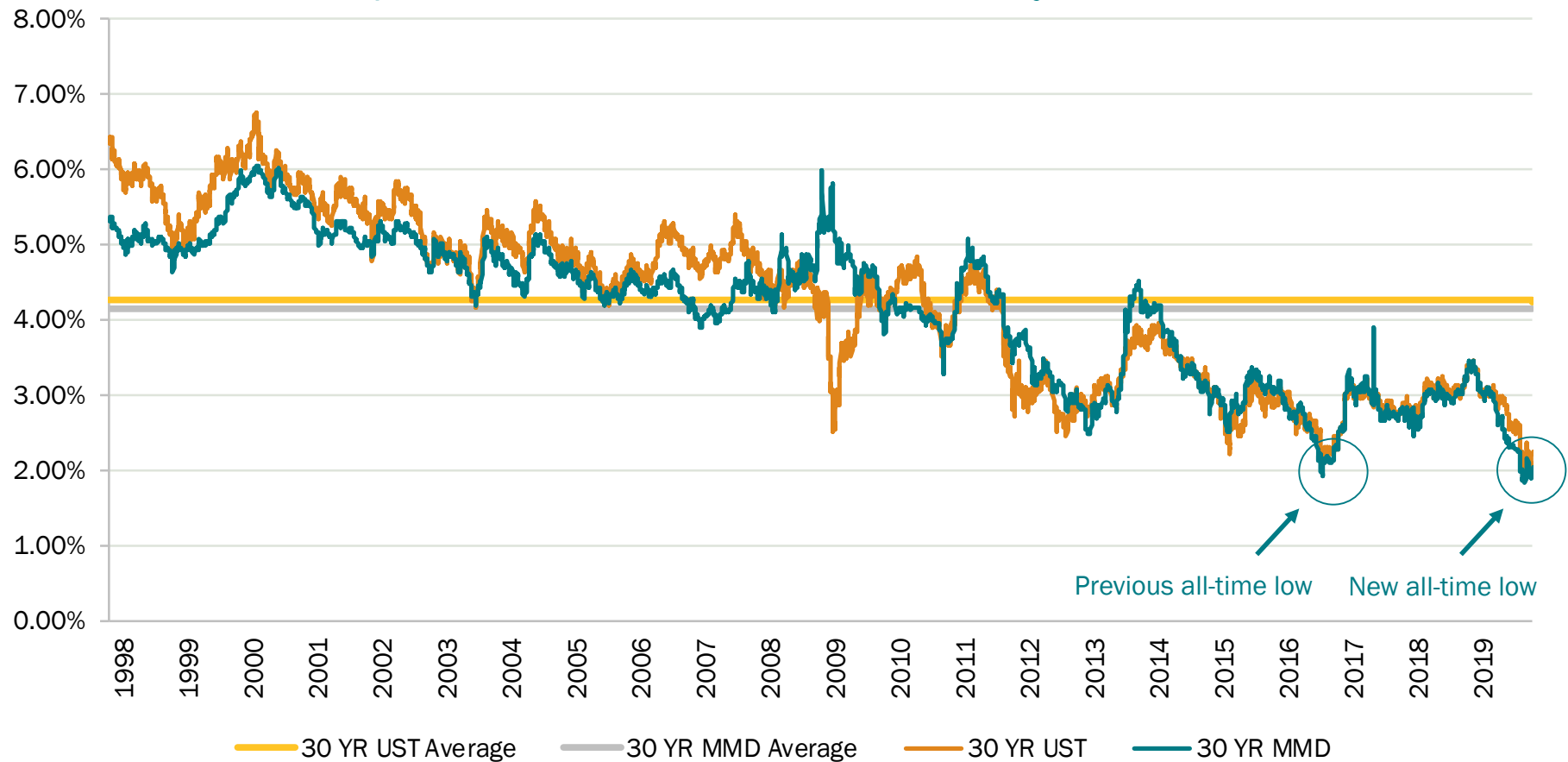
Roadmap for Panel Discussion

Topics

- Current Interest Rate Environment
- Investor Appetite
- Taxable Markets
- Sector Specifics
 - Industrial Development Bonds
 - Changes in Senior Living
- Multi-State Conduit Issuers

Long Term Rates – All-Time Low

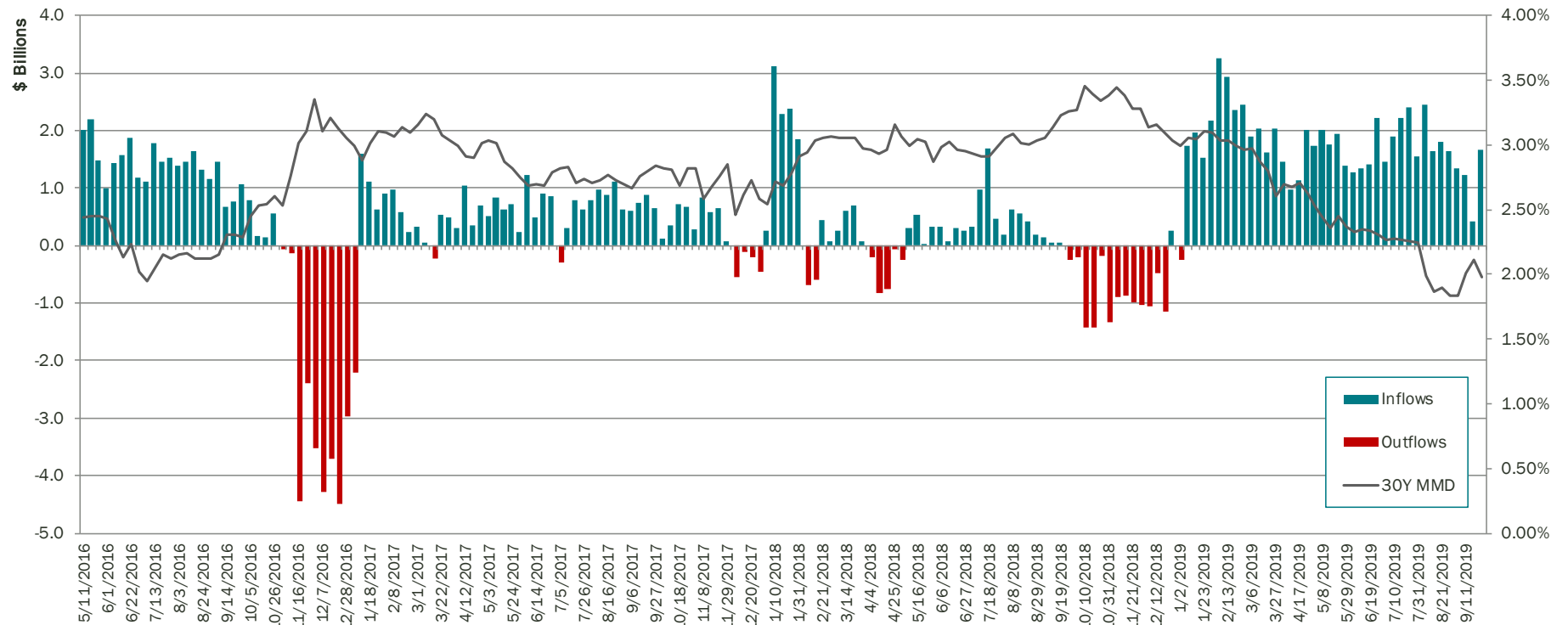
30-Year Municipal Market Data & 30-Year US Treasury Rates – Past 20 Years



Source: TM3, Treasury.gov as of October 18, 2019

Municipal Bond Inflows & Outflows

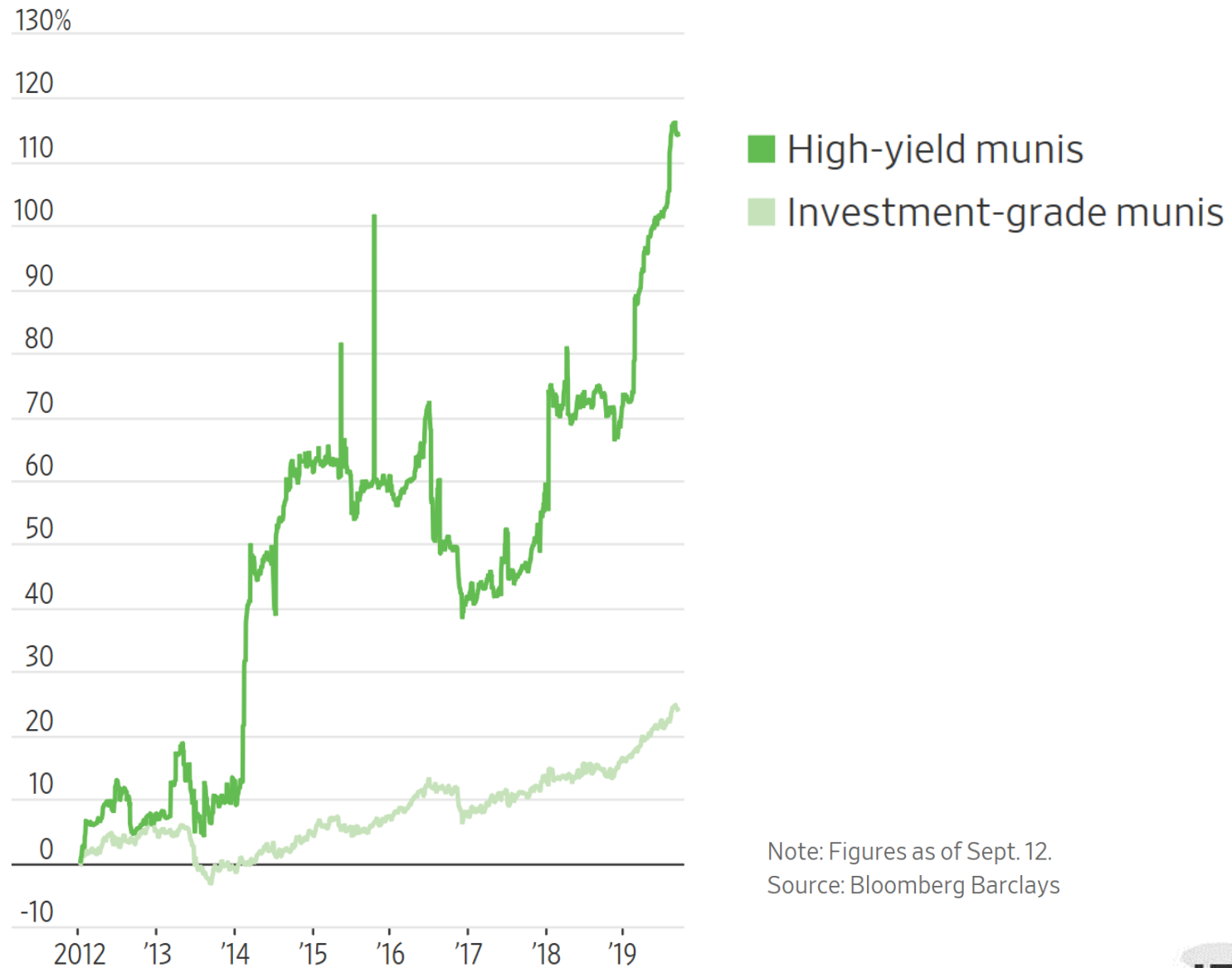
3 Year Historical Inflows & Outflows



- Fund Flow is the net of all cash inflows and outflows going in and out of various financial assets.
- Municipal bond inflows and outflows are essentially a representation of demand for fixed-income municipal securities.
- MMD, a product of supply and demand, correlates closely with inflows and outflows.
- So far, 2019 has been historically one-sided, with all but one week showing significantly positive inflows. Extraordinary demand for bonds and correspondingly low MMD yields makes the current market extremely appealing municipal bond issuances.

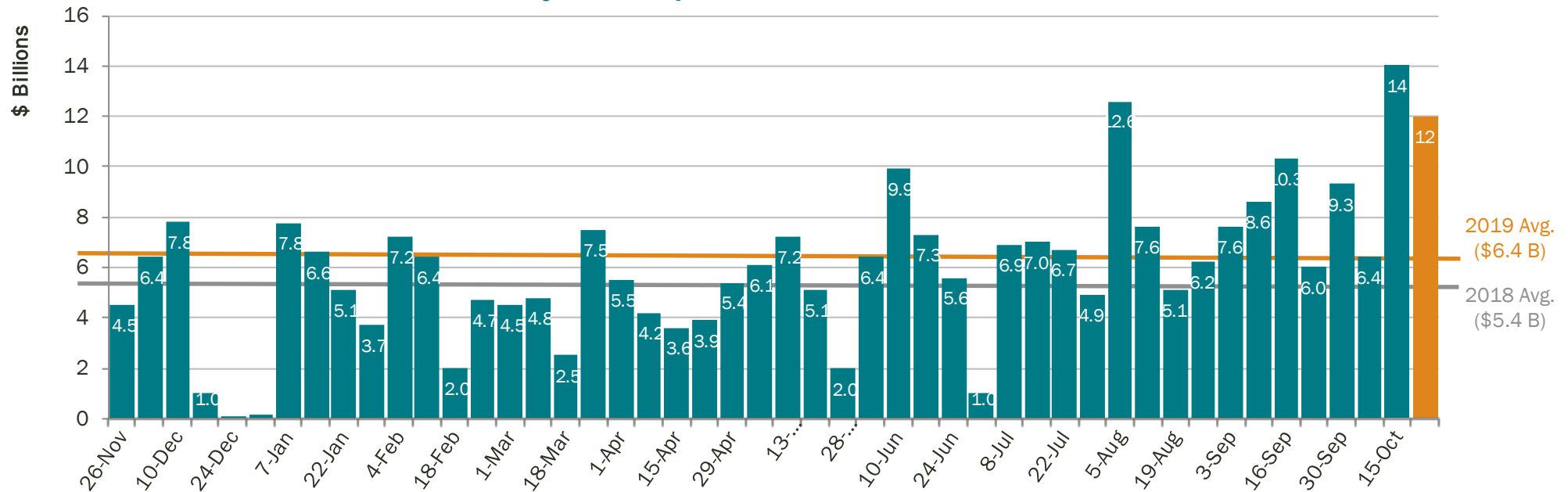
Investor Appetite for High Yield Munis

Cumulative Percentage Change in Market Value Since 2012



Municipal Bond Supply

Weekly Municipal Bond Issuance Volume



Source: The Bond Buyer, MarketWatch as of October 18, 2019

Wisconsin Public Finance Authority (PFA)

THE WALL STREET JOURNAL

PFA
PUBLIC FINANCE AUTHORITY™

10/23/2019 Popular in Wisconsin: Cheese, the Packers and...Risky Bonds - WSJ
Executives from the Wisconsin agency have said it fills a void for issuers that might not find tax-exempt approval for their projects closer to home.

Yet critics have claimed the Wisconsin organization's willingness to back deals not promoted or championed by state officials elsewhere means investors are vulnerable to risky bonds.

One deal for the
Airport. De
the project
would term
disagreement
well below

"We are di

PFA board
governmen



Denver Green
PHOTO: HE

The website
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There is ab
according
through th
Wisconsin

<http://www.wsj.com>

10/23/2019
the highest of any issuer.

"The PFA is producing some of the riskiest debt in the municipal market," said MMA partner Matt Fabian. Impairments can range from having to rely on reserves to default.

The Wisconsin
counties said t
chose Wisconsin

The PFA's issues
are typically be
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MORE

- Muni-Bond Invest
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- When Wall Street
- New Tax Laws D

<http://www.wsj.com>

10/23/2019 Popular in Wisconsin: Cheese, the Packers and...Risky Bonds - WSJ

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THE WALL STREET JOURNAL.
This copy is for your personal, non-commercial use only. To order presentation-ready copies for distribution to your colleagues, clients or customers visit <https://www.wsj.com/articles/popular-in-wisconsin-cheese-the-packers-and-risky-bonds-11569922203>

CREDIT MARKETS

Popular in Wisconsin: Cheese, the Packers and...Risky Bonds

State agency facilitated some municipal-market deals now going sour



A Denver International Airport project facilitated by the Wisconsin-based Public Finance Authority ran into trouble. The bonds will be paid off well below their price at issuance. PHOTO: HELEN H. RICHARDSON/MEDIANEWS GROUP/THE DENVER POST/GETTY IMAGES

By Heather Gillers
Oct 1, 2019 5:30 am ET

Wisconsin has long been famous for its lakes and cheese. Now it is becoming known for risky debt.

Wisconsin is home to the Public Finance Authority, an agency that has issued billions of dollars in tax-exempt debt across the U.S. for projects ranging from senior-living communities to student housing. Many projects claim no direct economic ties to Wisconsin.

Some of that debt is now starting to sour, one sign of how investors' hunger for yield has ushered increasing levels of risk into a corner of the municipal market.

The agency's bonds have been the subject of 10 of the 105 reports of impairment in the municipal market so far this year, according to research firm Municipal Market Analytics, by far

<https://www.wsj.com/articles/popular-in-wisconsin-cheese-the-packers-and-risky-bonds-11569922203>

1/4

Wisconsin Legislature



WISCONSIN LEGISLATURE

P. O. Box 7882 Madison, WI 53707-7882

October 7, 2019

Sen. Robert Cowles, Co-Chair
Joint Legislative Audit Committee
State Capitol, Rm. 118 South

Rep. Samantha Kerkman
Joint Legislative Audit Committee
State Capitol, Rm. 315 North

Dear Senator Cowles and Representative Kerkman,

On Tuesday, October 1st, the Wall Street Journal published an article entitled "Popular in Wisconsin: Cheese, the Packers and...Risky Bonds." The article raises serious questions about the integrity and practices of an organization created by the Legislature.

Created in 2010, the Public Finance Authority (PFA) identifies itself as a governmental entity established under s. 66.0304 of Wisconsin State Statutes that is authorized to issue tax-exempt, taxable, and tax credit conduit bonds for public and private entities throughout all 50 states. The reported total amount of debt the PFA has outstanding has nearly doubled to \$10.4 billion as of December from \$5.5 billion two years earlier.

Although provisions in s. 66.0304, Wis. Stats., limit state liability for debt issued by the PFA, serious questions about the PFA and its operations exist. The nation's leading financial newspaper is reporting Wisconsin is known as the place to go to get your risky bonds issued. The Wall Street Journal further reported that almost 10% of impairment reports this year came from the PFA, and since 2010 the PFA's yearly average of these bad debt warnings is 65% higher than the average of the ten highest risk issuers. The PFA's practices appear to be out of step with the broader business community, yet the only time most of us hear about the PFA is when attempts are made to broaden their powers, most recently via the biennial budget.

As a body corporate and politic that is part of government in Wisconsin, we understand the PFA to be subject to the audit authority of the Legislative Audit Bureau. An audit conducted by the Legislative Audit Bureau is now appropriate to evaluate the financial and organizational structure of the PFA, its decision making, its management of risk, its compliance with all applicable statutory provisions, and the quantity and distribution of its proceeds. We ask that the Bureau now be assigned to audit the PFA's activities. Thank you for your consideration.

Sincerely,

Duely Stroebel
State Senator
20th Senate District

Chris Kapenga
State Senator
33rd Senate District

Scott Allen
State Representative
97th Assembly District

Andre Jacque
State Senator
1st Senate District

Dave Craig
State Senator
28th Senate District

Steve Nass
State Senator
11th Senate District

Adam Neylon
State Representative
98th Assembly District

Mary Felzkowski
State Representative
35th Assembly District

Chuck Wichgers
State Representative
83rd Assembly District

Romaine Quinn
State Representative
75th Assembly District

Janel Brandtjen
State Representative
22nd Assembly District

Dave Murphy
State Representative
56th Assembly District

Rick Gundrum
State Representative
58th Assembly District

Timothy Ramthun
State Representative
59th Assembly District

Joe Sanfelippo
State Representative
15th Assembly District

Rob Hutton
State Representative
13th Assembly District

Cody Horlacher
State Representative
33rd Assembly District

Questions?



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