

EXHIBIT B



Tulare Local Health Care District

Proposal to Serve as Financial Advisor

G.L. Hicks Financial, LLC

Gary Hicks, President



Proposal Submitted Sept. 2, 2019

- Experience as an Independent Financial Advisor
- Experience in Tulare County & TLHCD
- Experience with District Bankruptcies & Refundings
- Recent Financial Advisory Issues & Client References
- G.L. Hicks Financial Additional Client References
- Financing Process
- Fees & District Savings
- Refunding of General Obligation Bonds
- Refunding of Revenue Bonds



Financial Advisory Experience

- Financial Advisory experience over last 25 yrs. (1994-2019)
 - ✓ ***161 separate financings for California Healthcare Districts***
 - ***48 of these were GO Bonds, Sales Tax and Parcel Tax Bonds***
 - ***113 were revenue bonds, certificates, installment sale or lease obligations secured by and repaid from revenues of the district***
 - ***110 were private placements /direct purchases (not underwritten)***
 - ✓ 95 more financings primarily for nonprofit healthcare providers
 - ✓ 256 total financings over the past 25 yrs. as G.L. Hicks Financial
- Investment Banking experience over 13 years (1981-1994)
 - ✓ 150 more financings with A.G. Edwards, Xerox Credit and others
- Total Financial Advisory & Investment Banking experience
 - ✓ 400+ financings (\$7.5 Billion) over the past 38+ years
 - ✓ Five of these were for Healthcare District's exiting bankruptcy



Experience with Tulare County Healthcare Districts Since 1994

- North Kern-South Tulare Hospital District
 - ✓ 3 separate financings since 1994, client since 1990
- Tulare Local Health Care District
 - ✓ 7 separate financings since 1994, client since 1989
- Sierra View Local Health Care District
 - ✓ 7 separate financings since 1994, client since 1998
- Kaweah Delta Health Care District
 - ✓ 16 separate financings since 1994, client since 1982



Recent Financings for Districts Exiting Bankruptcy - 2019

- West Contra Costa Health Care District
 - ✓ 2018 Parcel Tax secured Refunding Revenue Bonds, issued as tax-exempt obligations
 - ✓ 2019 Parcel Tax secured Revenue Bonds, “cinderella” structure begins as taxable converting to tax-exempt on the first optional call date of the refunded bonds

- Palm Drive Health Care District
 - ✓ 2019 Refunding GO Bonds, issued as taxable debt
 - ✓ 2019 Refunding Parcel Tax secured Revenue Bonds, issued as taxable debt



Recent District Financings and References

- Sierra View Local Health Care District (9/19)
 - ✓ \$30.4 million public sale of revenue bonds with cash defeasance of revenue bonds subject to advance refunding rules using cash defeasance
 - ✓ Donna Hefner, CEO (559) 788-6100

- Tahoe Forest Hospital District (9/19)
 - ✓ \$24.7 million public sale current refunding of GO Bonds with 13.2% net present value savings (NPVS)
 - ✓ Crystal Betts, CFO (530) 582-6384



Recent Financings (Cont.)

- ❑ West Contra Costa Health Care District (6/19)
 - ✓ \$40.5 million “cinderella” private placement refunding of Parcel Tax obligations with 15.4% NPVS
 - ✓ Kathy White, Exec. Director/Cons. (505) 280-1306

- ❑ Palm Drive Health Care District (7/19)
 - ✓ \$2.9 million taxable private placement current refunding of GO Bonds with no NPVS
 - ✓ \$12.8 million taxable private placement current refunding of Parcel Tax obligations with 15.0% NPVS
 - ✓ Alanna Brogan, Exec. Director (707) 823-3596



Non-Hospital/Healthcare Client Additional References

- Brian Quint, Esq. (415) 925-4200
 - ✓ District Bond Counsel on prior financings

- Morgan Foley, Esq. (619) 440-4907
 - ✓ District Legal Counsel on prior financings

- Rick Jackson, CPA (559) 431-7708
 - ✓ District Auditor



Independent Financial Advisor with Fiduciary Responsibility

- ❑ We don't act as an underwriter (registered MA)
- ❑ No financial ties to Underwriters/Placement Agents
- ❑ We act as your advocate from beginning to end
- ❑ No financial bias to sway our recommendations
- ❑ Total independence from all other participants
- ❑ No financial incentives, bias or favoritism
- ❑ Over the past 25 yrs. 63% of my clients have been Ca. Healthcare Districts (our focus & specialty)



Financing Process

- If a Private Placement is pursued:
 - ✓ Instill a competitive process throughout every step
 - ✓ Utilize experienced & active placement agents to oversee the bid process for a private placement
 - ✓ Banks move in and out of this market constantly
 - ✓ Most competitive bank purchaser often times isn't who you initially think as this is a very fluid market
 - ✓ Dual track both a bank/institutional private placement with a public sale approach
 - ✓ Consider semi-annual principal payments



Financing Process (Cont.)

- Ensure that all critical factors are included in Request for Terms bid process with banks
 - ✓ Is MAC (material adverse change) an event of default?
 - ✓ Will increased costs of bank be passed on to borrower?
 - ✓ Will decrease in corp. tax rate increase the bond rate?
 - ✓ Will Event of Taxability cause an increase in bond rate?
 - ✓ What are causes of an Event of Default and remedies?
 - ✓ Provide prepayment/optional redemption provisions?
 - ✓ Who is bank counsel & what opinions are required?
- Negotiate all conditions in advance of selection



Financing Process (Cont.)

- If a Public Underwriting is pursued:
 - ✓ Instill a competitive process throughout every step
 - ✓ Include McDonnell Investment Mgt. in the process, if they are buyers, they will be 10 to 25 bps through a public sale (required by CA Insurance Commission to purchase bonds at below market rates)
 - ✓ For a public underwriting, include at least 3 firms in the underwriting syndicate with a senior manager and 2 co-managers (don't use a selling syndicate)
 - ✓ Make sure you involve retail, professional retail, specialty buyers along with institutional buyers



Financing Process (Cont.)

- If a Public Underwriting is pursued:
 - ✓ Establish coupons to minimize yield to maturity instead of yield to call to reduce the cost of capital and maximize debt service savings
 - ✓ Consider utilizing Net Designated instead of Group Net orders to instill financial incentives to syndicate
 - ✓ Consider utilizing a separate day for retail only orders if retail market is expected to participate in your issue
 - ✓ Expand underwriting resources & broaden bond sales distribution to improve competition & order flow
 - ✓ If retail is involved structure bonds for retail buyers



Placement Agent Fees & District Savings

- If a private placement is pursued:
 - ✓ Utilizing an experienced Placement Agent that can produce far greater value than the cost of their service
 - ✓ Assume a \$50,000 placement agent fee
 - One placement agent may reduce fee in half if Western Alliance Bank (WAB) ultimately is the purchaser
- TLHCD's net present value savings increases by approximately \$104,000 for every .01% (1 bpt) decrease in the GO Bond's interest rate



Refunding of General Obligation Bonds

- Primary objective is to reduce cost of capital
 - Reducing costs of issuance (placement agent & bank counsel)
 - Reducing borrowing interest rate/yield (competitive process)
 - Maximize benefits of an efficient structure
- Pursuant to Ca. Govt. Code section 53552, the TLHCD Board can approve the refunding of its outstanding GO Bonds (no community vote)
- Pursuant to Ca. Govt. Code section 53515, the refunding GO Bonds are secured by a “Statutory Lien” on the special ad valorem taxes



Refunding of General Obligation Bonds (Cont.)

- ❑ Order confirming Bankruptcy Plan indicates ad valorem taxes are “Special Revenues”
- ❑ Both provisions enhance bondholder security
- ❑ TLHCD Board may want to consider a resolution indicating its intentions regarding the future operation of Tulare Hospital
- ❑ Don’t issue bonds until after the Effective Date of the District’s Chapter 9 Bankruptcy
- ❑ Don’t limit your options until choice is clear



Refunding of General Obligation Bonds (Cont.)

- If bonds are privately placed use semi-annual not annual principal payments to increase savings
- Consider replacing Wilmington as Fiscal Agent
- Discuss with Tulare County to include TLHCD in its Teeter Plan for payment of taxes on GO Bonds and continue with payments to Paying Agent
- Discussions with several prospective purchasers:
 - ✓ WAB – 3.74% (Preliminary Lending Parameters)
 - ✓ PWB - has indicated a strong interest in your GOBs
 - ✓ Two additional banks have indicated interest



Refunding of General Obligation Bonds (Cont.)

- Moody's indicated in their 2/17/18 report that Bankruptcy is unlikely to impair the District's GO Bond payments and it would be unprecedented
- Savings are estimated to be approximately \$41.7 million assuming 3.74% interest rate (see WAB)
 - ✓ Total savings increases by approximately \$112,000 for every .01% (1 bpt) decrease in the bond interest rate
- Fluid market and rates have moved from 4.25% to 3.74% in the last five weeks alone
- Semi-annual principal payments add \$690,000



Refunding of Revenue Bonds

- Primary source of repayment will be all pledged revenues of TLHCD, including:
 - ✓ Irrevocable pledge of the ad valorem operating taxes
 - ✓ Secured by lock-box structure from Tulare County
 - Same structure used in 2016 John C. Fremont HcD refunding
 - ✓ Available net lease revenues (net of AH setoff rights)
 - ✓ All other revenues available (double barreled pledge)
- DOT on real property as additional security
 - ✓ H&SC section 32121, 32130.1 et.al.
 - ✓ Housing Authority of LA Co. v. Dockweiler (1939)



Refunding of Revenue Bonds (Cont.)

- ❑ 2007 Bonds have only a 13-yr. final maturity
- ❑ Attempt to eliminate DSRF or reduce to 6 mos.
- ❑ Current operating tax revenues of \$1.9 million
- ❑ Refunding debt service is approx. \$1.2 million
- ❑ DSCR is approximately 1.58x coverage
- ❑ Current estimated savings approx. \$1.1 million based on an assumed 3.75% bond interest rate



Questions & Comments

