



Anaconda, Deer Lodge County • Community Hospital of Anaconda
\$781,527 loan was made to purchase a 40-slice CT scanner, CR reader and sterilization equipment. *Benefit: Upgrade of equipment for improved diagnostic capability.*



Miles City, Custer County • Eastern Montana Mental Health Center
\$37,943 loan was made for purchase of a van for the Center. *Benefit: Sustaining a quality fleet that helps ensure safe transport of clients.*



Missoula, Missoula, Silver-Bow and Flathead Counties • Western Montana Mental Health Center
\$67,600 loan to replace the telephone system and purchase software for the Butte facility and refinance a van in Kalispell. *Benefit: Upgrade facility infrastructure and insure safety of transport of clients.*



Billings, Yellowstone County • Rimrock Foundation
\$610,000 in bonds to refinance three existing loans, install a chiller system and build a basement for a new modular facility. *Benefit: Reduce interest expense and expand services to better serve the underserved population in Montana.*



Billings, Yellowstone County • Billings Clinic
\$12,720,000 in bonds in reimbursement for construction expenditures and purchase of HVAC equipment. *Benefit: Upgrade and expand services as well as expand fire safety and security systems to better serve clients.*



Missoula, Missoula County • Opportunity Resources, Inc.
\$134,670 loan was made for the purchase of telephone and time and attendance systems and the purchase of two vans. *Benefit: Upgrade facility infrastructure and maintain quality of fleet for safe transport of clients.*



Superior, Mineral County • Mineral Community Hospital
\$32,250 loan to purchase of state-of-the-art microbiology equipment. *Benefit: Upgrade equipment for improved diagnostic capability.*

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MONTANA FACILITY FINANCE AUTHORITY, by putting into practice cutting-edge financing solutions, continues to help Montana's vital nonprofits provide valuable services that

- Help **people**
- Improve **places** and
- Upgrade **things.**



December 2009

The **AUTHORITY REVIEW** 2009

Providing flexible financing options for nonprofit health care and community service providers

Over
\$1.6 billion
in financing
throughout Montana
since October 1, 1983



BOARD

A seven-member board, appointed by the Governor of Montana, directs the Montana Facility Finance Authority. The board is broadly representative of the state and seeks to balance professional expertise and public accountability. Members review and approve complex borrowings and help ensure that the Authority continues to offer a mixture of programs that are relevant to Montana's changing needs.



MFFA BOARD: (back row, L-R) Matt Thiel, attorney; Kim Rickard, business manager, laborer's union; Larry Putnam, hospital administrator; (front row, L-R) Joe Quilici, retired business owner and state representative 1971-1999; James (Bill) Kearns, bank chairman; and Jon Marchi, chairman, venture capital/ranching. Not pictured: Richard King, president/CEO of an area economic development corporation.

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In 2009, Continuity Amidst Uncertainty

Dear fellow Montanans:

Despite a year of unprecedented financial market concerns in 2009, we are pleased to report that the Authority continued serving Montanans with an unbroken track record of structuring financings, assisting borrowers, and maintaining our record of no defaults.

This is a proud achievement in a year characterized by historic turmoil in the financial markets. We wish to thank our dedicated Board members and staff for their ongoing commitment that helped us provide welcome continuity in such uncertain times.

Borrowers looking for monies for small projects were not impacted by market conditions due to the Board's foresight in establishing programs for these needs. Funds were readily available from the Authority through the Trust Fund Loan Program and the Direct Loan Program.

Despite the global financial challenges, the Authority issued \$13.3 million of tax-exempt bonds and made \$1.05 million in other loans for Montana facilities improvements and modernization or replacement of equipment. As a result, the state's services and infrastructure have benefited.

During this challenging year:

- We saw our bonding authority expanded to include Industrial Development Bonds for manufacturing in the private sector.
- We offered a new opportunity for clients to borrow at a lower interest rate through Bank Qualified Tax-Exempt bonds.
- We successfully restructured investment instruments for existing bond proceeds necessitated by market turbulence resulting in the preservation of principal.

The year saw the ripple effect of downgrades in healthcare ratings resulting in higher interest rates as well as our borrowers' inability to access the tax-exempt bond market. The situation was further complicated by ongoing uncertainty associated with the debate over health care reform. We are guardedly optimistic that this situation will abate somewhat in 2010.

Looking ahead, we will continue to develop and implement cutting-edge financing solutions that benefit all Montanans and safeguard the investment of our borrowers and bondholders. Thank you sincerely for your ongoing support.

Jon Marchi
Chairman of the Board

Michelle Barstad
Executive Director

2009 Financings

DIRECT LOAN PROGRAM

Loans up to \$200,000 for up to five years from Authority funds for qualifying projects.

Miles City, Custer County

Eastern Montana Mental Health Center which provides mental health services to clients in seventeen Eastern Montana counties: \$37,943 loan: purchase van for transport of clients.
Interest Rate: 3.00% Term: 5 years

Missoula, Missoula County

Opportunity Resources, Inc. which provides services to individuals with developmental disabilities in Missoula County as well as case management in communities outside of the County: \$134,670 loan: replace telephone and time and attendance systems to upgrade infrastructure and purchase two vans for transport of clients.
Interest Rate: 3.00% Term: 5 years

Western Montana Mental Health Center which provides mental health services in 15 counties: \$67,600 loan: replace telephone system and purchase software for Butte facility and refinance van in Kalispell used for transportation of patients.
Interest Rate: 1.73% Term: 5 years

Superior, Mineral County

Mineral Community Hospital : \$32,250 loan: purchase microbiology equipment.
Rate: 3.00% Term: 5 years

MONTANA CAPITAL ASSISTANCE PROGRAM

Grants up to \$15,000 to small rural hospitals. The following was approved:

Big Timber, Sweetgrass County

Pioneer Medical Center: \$15,000 grant: Facility Master Plan.

STAND-ALONE BOND FINANCING

Bond issue is structured for an individual borrower.

Billings, Yellowstone County

Billings Clinic: \$12,720,000 in bonds: \$10 million in reimbursement for construction expenditures and additional funds for purchase of HVAC equipment to upgrade central plant heating and cooling capacity and expand life safety and security systems.
Interest Rate: 5.55% (3 year reset) Term: 10 years
Pricing: June 16, 2009
Interest Rate: 5.32% (5 year reset) Term: 10 years
Pricing: June 24, 2009

Rimrock Foundation: \$610,000 in bonds: refinance three existing loans, install a chiller system and build a basement for a new modular facility.
Interest Rate: 4.75% (5 year reset) Term: 20 years
Pricing: May 26, 2009

TRUST FUND LOAN PROGRAM

Makes short-and-long-term fixed rate loans from the Permanent Coal Trust Fund.

Anaconda, Deer Lodge County

Community Hospital of Anaconda: \$781,527 loan: purchase a 40-slice CT scanner, CR reader and sterilization equipment.
Interest Rate: 5.67% Term: 5 years
Pricing: June 23, 2009

Bank Qualified Tax-Exempt Bonds
Recovery Law Aids Banks and MFFA Clients

The Authority, Montana's banks and their borrowers have all benefited from a particular section of the American Recovery and Reinvestment Tax Act of 2009, which creates what one Montana bank official describes as a "win/win situation."

The Act lets banks write off up to 80% of carrying costs when they purchase an MFFA-issued Bank Qualified Tax-Exempt Bond. Simultaneously the bank can provide its clients with favorable lower interest rates and help strengthen relationships while maintaining a respectable yield for the bank.

In the first Montana application of the new law, First Interstate Bank of Billings and Rimrock Foundation teamed up with the Authority to structure a deal. Trisha Zowada, an Assistant Vice President for commercial loans at First Interstate, says, "It's definitely a win/win situation. We were able to provide our customer with a much lower interest rate. At the same time, because the bond is tax-exempt, the bank's interest margin wasn't completely eaten up."

Rimrock Foundation CEO David W. Cunningham said that as soon as he heard about the opportunity, he saw it "could play a key role in helping us meet some financial and infrastructure goals."

"As a client of the bank, we met with them to let them know about our interest in taking advantage of this opportunity. The rest is history. We couldn't be happier with the team we worked with from the bank and the

Industrial Development Bonds
MFFA Receives Private Bond Authority

The MFFA entered a promising new arena of financing in 2009 when the 61st Montana Legislature granted it authority to issue private sector industrial development bonds for manufacturing projects. We believe this expansion from the nonprofit sector offers exciting new opportunities, since a section of the American Recovery and Reinvestment Tax Act of 2009 revises the definition of manufacturing to include software, biomedical and

Authority. While we have always been a client in good standing, now we have cemented our relationship. More nonprofits and Montana banks should take advantage of this."

The benefit of this three-way partnership can be clearly seen in Billings where the Rimrock Foundation is completing the final phase of its 2009 facility expansion.

Note: This provision of the American Recovery and Reinvestment Act sunsets on December 31, 2010, unless extended by Congress. For more details on the opportunities it offers, please contact the Authority at 406-444-0052.



Sealing the deal is a win-win situation for all parties! Shown (L-R): Trisha Zowada, Assistant Vice President, First Interstate Bank; Michelle Barstad, Executive Director, Montana Facility Finance Authority; and David W. Cunningham, CEO, Rimrock Foundation, Billings.

intellectual properties. This provision will sunset December 31, 2010, unless extended by Congress.

As we design a program that will enable the Authority to finance projects in this new arena, we will continue to offer effective tax-exempt bond solutions for Montana healthcare and other qualified nonprofit facilities.