MONTANA FACILITY FINANCE AUTHORITY

Board Meeting

December 5&6, 2016

MFFA Large Conference Room
2401 Colonial Drive, 3rd Floor

MEETING AGENDA

DECEMBER 5, 2016

3:00 I. CALL TO ORDER
A. Roll Call

II. PUBLIC COMMENT on Board Related Items (5 minutes)

III. INTERVIEW

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DECEMBER 6, 2016

8:30 I. CALL TO ORDER
A. Roll Call

II. INTERVIEW

10:00 BREAKFAST-off-site

12:00 III. PUBLIC COMMENT on Board Related Items (5 minutes)

(Tab 1) 12:05 IV. GENERAL ADMINISTRATIVE
A. Approval of Meeting Minutes (09/12)
B. Financials
1. FY 2016 financials
2. Audit Update (verbal)
3. Budget -v- Actual
4. Revenue Graph
5. Staff Approved Loans

V. FINANCINGS
(Tab 2) 12:30 A. Pondera Medical Center
1. Loan Summary
2. Resolution No. 16-14
Joining by in person:
Randy Nightengale, CFO through management agreement with KRHS
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(Tab 3) 1:00 **B. Marcus Daly Memorial Hospital**

1. Loan Summary
2. Resolution No. 16-15

   Joining by in person:

   John Bartos, CEO-Marcus Daly

   Erin McCrady, Bond Counsel-Dorsey

   Kreg Jones, Placement Agent-DA Davidson

(Tab 1) VI. MISCELLANEOUS

A. Internal Controls Policy (NEW)

B. Grant Policy Revisions

C. Appointments Process

D. Pricing Update

E. Recap of Chicago NAHEFFA (Larry Putnam)

(Tab 1) VI. CALENDAR

Establish February & April meeting dates

BOARD MEETINGS	CONVENTIONS
December 5 – Interview/Dinner	
December 6 – Interview/Breakfast Meeting/Dinner	
	April 3-5 NAHEFFA Alexandria, VA
	September 6-8 NAHEFFA Boise, ID

PERSONNEL

5:00 DISMISS

CALL-IN INSTRUCTIONS

Call: 1-877-273-4202

Conference Room: 994 0970 #

MONTANA FACILITY FINANCE AUTHORITY
Board Meeting
September 12, 2016

Montana Facility Finance Authority Office
2401 Colonial Dr., Helena, Montana
September 12, 2016
10:00 A.M.

MINUTES

BOARD MEMBERS PRESENT:	Jon Marchi Bill Kearns Dick King Kim Rickard Larry Putnam
BOARD MEMBERS ABSENT:	Matt Theil
STAFF PRESENT:	Michelle Barstad, Executive Director Adam Gill, Associate Director Linda Wendling, Financial Specialist
GUESTS:	Amy Tenney, CEO-Boyd Andrew Community Services Bob Murdo, Bond Counsel-Jackson, Murdo & Grant Kreg Jones, Placement Agent-DA Davidson (via phone) Parker Powell, CEO-Glendive Medical Center Bill Robinson, CFO-Glendive Medical Center Erin McCrady, Bond Counsel-Dorsey & Whitney Sue Painter, Vice President/Treasurer-Providence St. Joseph Kirk Bodlovic, CFO-Providence, MT Region Dan Gottlieb, Bond Counsel-Hillis Clark Martin & Peterson (via phone) Forrest Ehlinger, CFO-Benefis Health System Bruce Houlihan, Controller-Benefis Health System Todd Gibson, Bond Counsel-Squire, Patton, Boggs (via phone) Robert Turner, Financial Advisor-Kaufman Hall (via phone)

CALL TO ORDER

Chairman Marchi called the September 12, 2016 board meeting of the Montana Facility Finance Authority (the "Authority") to order at 10:03 A.M. The meeting convened with five members of the Board present.

PUBLIC COMMENT

The meeting was opened for public comment. *No comments were received.*

FINANCINGS

Executive Director, Michelle Barstad, provided information on the following financings for board deliberation:

Boyd Andrew Community Services
Ms. Barstad introduced Amy Tenney, CEO-Boyd Andrew Community Services, and Kreg Jones, Placement Agent-DA Davidson. Ms. Barstad described the financing which is a refunding of the Boyd Andrew Series 2006B Bonds used to finance the Elkhorn Treatment Center in Boulder, MT. Ms. Tenney provided details regarding the treatment center including the program's ten year success in the community and annual recidivism rates as well as other benchmarks.

Placement Agent, Kreg Jones, indicated that the reduced interest rate was expected to result in net present value of approximately $200,000 and cash flow savings of $32,000 annually.

Bond Counsel, Bob Murdo, summarized Resolution 16-10 and indicated that this is a moral obligation bond.

Member Kearns moved for adoption of Resolution 16-10. Member King seconded the motion which passed unanimously.

Glendive Medical Center
Ms. Barstad introduced Parker Powell, CEO-Glendive Medical Center and Bill Robinson, CFO-Glendive Medical Center. Mr. Powell provided background information regarding Glendive's operation and its partnership with Billings Clinic. The requested $23,500,000 bond issue will refund the existing 2008 Master Loan Program Health Care Facilities Revenue Bond that was issued in the amount of $30,000,000.

Placement Agent, Kreg Jones, described the financing to refund the Master Loan Program Series 2008A Bonds. He indicated it will result in estimated net present value saving of $2,600,000 and cash flow savings of $210,000 per year in the current market.

Bond Counsel, Erin McCrady with Dorsey & Whitney, indicated the Bonds will be secured by a BOI enhancement and that the new debt has the same purpose as the Series 2008A Bonds. She stated that a TEFRA hearing will be scheduled.

Member King was interested in seeing the FY 2016 and FY 2017 audited Financial Statements which, when received, will be shared with the members.

Member Putnam moved for adoption of Resolution 16-11. Member Rickard seconded the motion which passed unanimously.

Providence St. Joseph Health
Ms. Barstad introduced Sue Painter, Vice President/Treasurer-Providence St. Joseph Health Services and Kurt Bodlovic, MT Region CFO-Providence St. Joseph. Ms. Barstad discussed Providence's July 1, 2016 merger which resulted in Providence St. Joseph Health becoming the sole member of Providence Health and Services and St. Joseph Health System. Ms. Painter further expanded on the merger rationale and described the financing, a $53,040,000 bond issue to refinance the outstanding Series

2006B Bonds. The refinancing will result in net present value savings of approximately $4.7 million and, as a result of the merger, will move Providence St. Joseph Health into the Obligated Group within a year of the closing date.

Bond Counsel, Dan Gottlieb with Hillis Clark Martin & Peterson, indicated a TEFRA hearing was held. Mr. Gottlieb summarized Resolution 16-12 and indicated closing would occur before October 1, 2016.

Member Kearns moved for adoption of Resolution 16-12. Member Putnam seconded the motion which passed unanimously.

Benefis Health System

Ms. Barstad introduced Forest Ehlinger, CFO-Benefis Health System, Bruce Houlihan, Controller-Benefis Health System and Robert Turner, Financial Advisor-Kaufman Hall (via phone). Ms. Barstad summarized the financing to refund the Series 2007 Bonds and a potential advance refunding of Series 2011 Bonds. Mr. Ehlinger described that the financing is expected to result in net present value savings of $12 million to $14 million as well as up to $1.5 million in cash flow savings per year.

Bond Counsel, Todd Gibson with Squire, Patton, Boggs, described Resolution 16-13. It was indicated that a TEFRA hearing is scheduled for Sept 27.

Member King moved for adoption of Resolution 16-13. Member Kearns seconded the motion which passed unanimously.

GENERAL ADMINISTRATIVE

Minutes

An updated version of the May 24, 2016 meeting minutes was provided to the members. Member King moved for approval of the updated meeting minutes for May 24, 2016. Member Rickard seconded the motion which passed unanimously.

Accounting

Ms. Barstad presented the FY 2016 Draft, the Budget-vs-Actual results and the Annual Service Fees chart. Mr. Gill, Associate Director, presented the Staff Approved Loans and Grants noting that there were two loans in process.

Potential Financings

Ms. Barstad discussed potential financings for the upcoming calendar year and the anticipated dates of those financings.

CALENDAR

BOARD MEETINGS	CONVENTIONS
	September 27 (travel) NAHEFFA Chicago, convention 28 - 29 (Larry and Michelle)
	September 28-29 MHA Billings (Adam)
	October 6-7 Montana Manufacturing Fairmont (Adam)
	MEDA October 12-14 Polson (Adam)
	HFMA October 19-21 Billings (Michelle & Adam)
December 5 & 6 – Meeting, Executive Director Interviews and Dinner in Helena	

ADJOURN

Chairman Marchi adjourned the meeting at 4:00 P.M.

APPROVE: ___________________________
Jon Marchi, Chairman

ATTEST: _____________________________
Michelle Barstad, Executive Director

APPROVAL DATE: _________________

MONTANA FACILITY FINANCE AUTHORITY
DEPARTMENT OF COMMERCE
A COMPONENT UNIT OF THE STATE OF MONTANA
STATEMENT OF NET POSITION - ENTERPRISE FUND
JUNE 30, 2016 AND 2015

ASSETS:		***2016***		***2015***
Current Assets:				
Cash & Cash Equivalents (Note 2)	$	3,421,804	$	3,812,104
Interest Receivable		1,509		607
Accounts Receivable (Note 3)		234,663		235,021
Short Term Notes Receivable (Note 5)		420,628		247,909
Securities Lending Collateral (Note 2)		14,287		8,884
Payroll Advance		0		458
Prepaid Expenses		2,495		855
Total Current Assets		4,095,386		4,305,838
Noncurrent Assets:				
Long Term Notes Receivable (Note 5)		1,172,811		586,024
Investments		0		32,993
Capital Assets (Note 1)		0		27,841
Total NonCurrent Assets		1,172,811		646,858
Pension Deferred Outflows (Note 6)		19,730		12,095
Total Assets and Deferred Outflows of Resources	$	5,287,927		4,964,791
LIABILITIES:				
Liabilities:				
Current Liabilities:				
Accounts Payable	$	21,634	$	15,215
Due to Primary Government		32,000		5,000
Secuities Lending Liability (Note 2)		14,287		8,884
Current Portion of LT Payables		0		0
Compensated Absences		16,810		14,026
Total Current Liabilities	$	84,731	$	43,125
Noncurrent Liabilities:				
Compensated Absences		31,728		33,966
Net Pension Liability (Note 6)		156,463		129,848
Loan Loss Contingency (Note 9)		0		0
OPEB Implicit Rate Subsidy (Note 7)		41,160		39,275
Total Noncurrent Liabilities		229,351		203,089
Total Liabilities		314,082		246,214
Pension Deferred Inflows (Note 6)		11,526		33,551
Net Position				
Net Investment in Capital Assets	$	0	$	27,841
Total Unrestricted Net Position		4,962,319		4,657,185
Total Net Position (Note 8)	$	4,962,319	$	4,685,026
Total Net Position and Liabilitites	$	5,287,927	$	4,964,791

The accompanying notes to the financial statements are an integral part of this statement.

MONTANA FACILITY FINANCE AUTHORITY
DEPARTMENT OF COMMERCE
A COMPONENT UNIT OF THE STATE OF MONTANA
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION
ENTERPRISE FUND
FOR FISCAL YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
OPERATING REVENUES:		
Service Fees	$ 609,295	$ 890,057
Gain on Sale of Asset	5,257	0
Pension Income	4,137	3,509
Total Operating Revenues	$ 618,689	$ 893,566
OPERATING EXPENSES:		
Personal Services	$ 204,769	$ 193,512
Contracted Services	27,507	28,126
Supplies and Materials	5,106	6,735
Communications	4,651	5,158
Benefits	2,508	13,229
Depreciation	1,098	1,198
Travel	18,989	23,611
Rent	25,508	23,153
Repairs and Maintenance	8,274	8,999
Other Expenses	45,787	43,211
Pension Expense	13,816	0
Grants	0	0
Claims	0	0
Componenet Unit Expense to Primary Government	33,981	29,607
Total Operating Expenses	$ 391,995	$ 376,539
Operating Income	$ 226,694	$ 517,027
NON OPERATING REVENUES (EXPENSES)		
Securities Lending Income	65	17
Securities Lending Expense	(26)	(2)
Investment Earnings	50,595	38,275
Change in Net Position	$ 277,329	$ 555,317
Net Position Beginning of Period	$ 4,685,026	$ 4,286,553
Prior Period Adjustment (Note 1)	(36)	(156,844)
Total Net Position End of Period	$ 4,962,319	$ 4,685,026

The accompanying notes to the financial statements are an integral part of this statement.

MONTANA FACILITY FINANCE AUTHORITY
DEPARTMENT OF COMMERCE
A COMPONENT UNIT OF THE STATE OF MONTANA
STATEMENT OF CASH FLOWS
ENTERPRISE FUND
FOR FISCAL YEARS ENDED JUNE 30, 2016 AND 2015

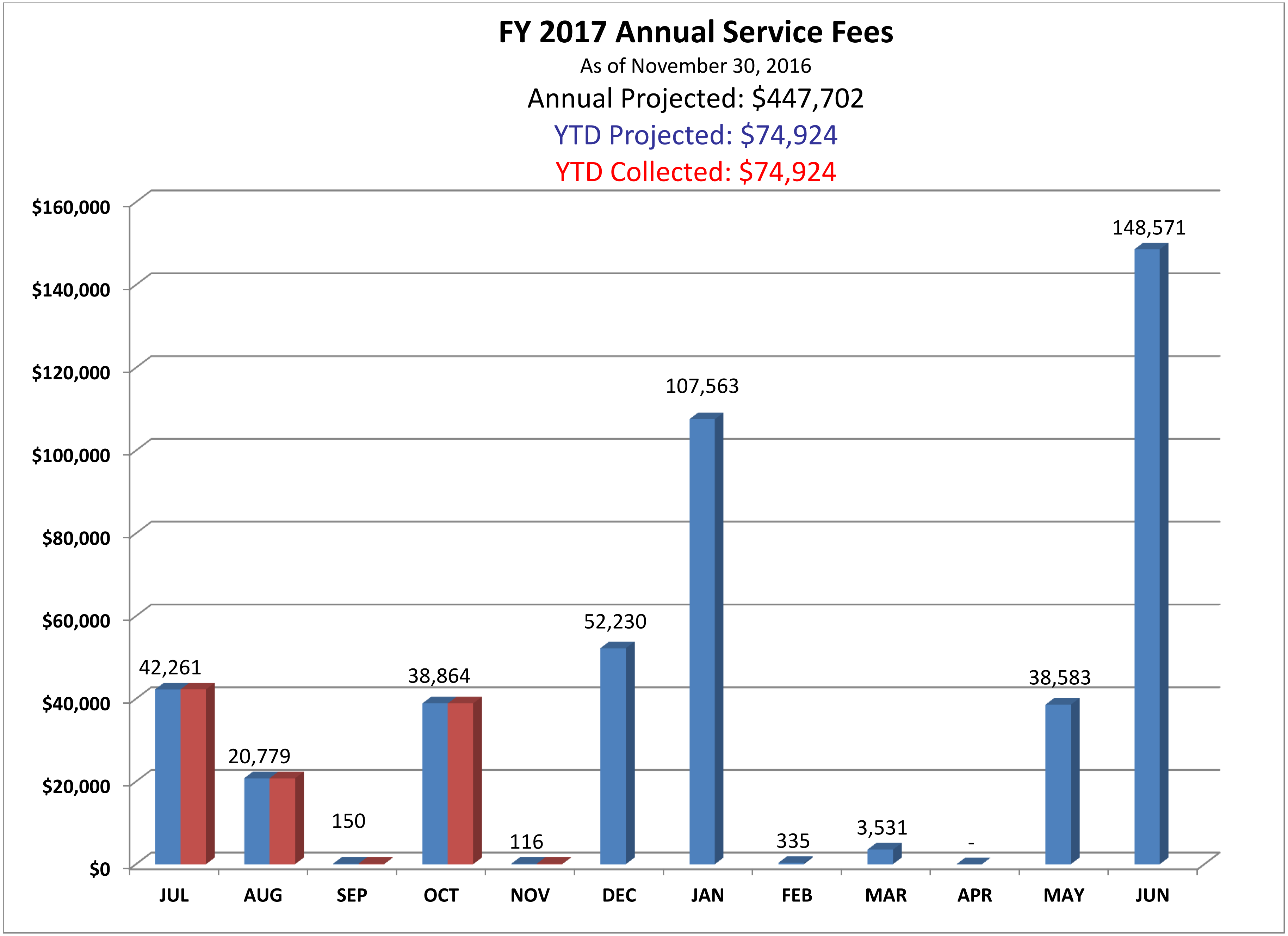
		2016		2015
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts for Sales and Services	$	609,653	$	640,258
Receipt from Operating Loan		27,000		5,000
Payments to Suppliers for Goods and Services		(135,769)		(611,507)
Payments to Employees		(246,406)		(208,975)
Net Cash Provided by (Used for) Operating Activities	$	254,478	$	(175,224)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Cash Payments for Loans	$	(1,041,094)	$	(179,797)
Cash Payments for Investment		0		0
Collection for Principal on Loans		313,589		299,042
Proceeds from Securities Lending Income		65		17
Payments of Securities Lending Costs		(26)		(2)
Cash Adjustment for STIP SIV's		32,993		8,902
Interest on Investments		49,693		38,024
Net Cash Provided by (Used for) Investing Activities:	$	(644,780)	$	166,186
Net Increase (Decrease) in Cash and Cash Equivalents	**$**	(390,301)	$	(9,038)
Cash & Cash Equivalents, July 1	$	3,812,104	$	3,819,758
Prior Period Adjustment				1,384
Cash & Cash Equivalents, June 30	$	3,421,804	$	3,812,104
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Operating Income (Loss)	$	226,694	$	517,027
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:				
Depreciation		0		1,198
Long Term Liability OPEB Implicit Rate Subsidy		0		(156,844)
Incr (Decr) in Net Pension Liability		26,615		129,848
Incr (Decr) in Pension Deferred Inflows		(26,161)		33,551
Decr (Incr) in Pension Deferred Outflows		(7,635)		(12,096)
Change in Assets & Liabilities:				
Increase (Decrease) in Accounts Payable		6,356		6,598
Increase (Decrease) in Due to Primary Government		0		3,624
Increase (Decrease) in Due to Other Fund		27,000		0
Increase (Decrease) in Compensated Absences Payable		(2,238)		9,151
Increase (Decrease) in OPEB		1,885		981
Increase (Decrease) in Compensated Absences Payable-Current		2,784		3,618
Decr (Incr) in Travel Advance		458		(458)
Increase (Decrease) in LT Accounts Payable-Current		0		(461,860)
Increase (Decrease) in LT Accounts Payable		0		(15,144)
Decrease (Increase) in Accounts Receivable		358		(234,655)
Decrease (Increase) in Prepaid Expense		(1,640)		237
Total Adjustments	$	27,783	$	(692,251)
Net Cash Provided by (Used for) Operating Activities	**$**	254,478	$	(175,224)

The accompanying notes to the financial statements are an integral part of this statement.

Montana Facility Finance Authority
Budget v. Actual Expenses
10/31/16
33% Expended

Legislative Budget	Category	Year to Date Budget	Year to Date Actual	Year to Date $ Variance	Year to Date % Variance
$555,000	**A) INCOME**	**$133,704**	**264,897**	131,193	98%
50,000	Application Fees	16,667	117,041	100,374	602%
460,000	Annual Fees	102,037	129,185	27,148	27%
45,000	Investment Income	15,000	18,671	3,671	24%
$275,977	**B) PERSONAL SERVICES EXPENSE**	**$91,992**	**78,218**	(13,774)	-15%
269,677	Salaries & benefits	89,892	76,568	(13,324)	
6,300	Board Per Diem	2,100	1,650	(450)	
$169,490	**C) OPERATING EXPENSES**	**$56,497**	**58,925**	2,428	4%
30,634	Contracted & Other Services	10,211	7,110	(3,101)	-30%
	Misc. Other Services		5,170		
	Legal Services		143		
	Legislative Audit		364		
	ITSD		1,433		
3,489	Supplies/Materials/Equipment	1,163	569	(594)	-51%
7,792	Communications	2,597	2,760	162	6%
19,283	Travel	6,428	7,964	1,537	24%
25,997	Rent	8,666	10,718	2,052	24%
	Building Rent		10,718		
	Other Rent		0		
8,988	Repairs & Maintenance (& condo fees)	2,996	48	(2,948)	-98%
53,532	Miscellaneous	17,844	22,160	4,316	24%
	Commerce Department Services		11,029		
	Administration (statewide) Indirect Costs		1,564		
	Education		1,302		
	Other Miscellaneous		8,266		
0	Equipment	0	0		
19,775	BOI Administrative Support	6,592	7,595	1,003	15%
$109,533	**REVENUES IN EXCESS OF EXPENSES (A-B-C)**	**-14,785**	**127,754**	142,540	-964%
60,000	Grants-Obligated/Paid	0	0		
	Current Year Increase in Net Assets		127,754		
$49,533	Prior Period Adjustments				
	INCREASE (DECREASE) IN NET ASSETS		127,754		

* Income presented on CASH basis. GAAP accrual accounting would reflect approximately $7,813 less income annually, or <2%


FY 2017 Annual Service Fees
As of November 30, 2016
Annual Projected: $447,702
YTD Projected: $74,924
YTD Collected: $74,924
$160,000
$140,000
$120,000
$100,000
$80,000
$60,000
$40,000
$20,000
$0
42,261
20,779
150
38,864
116
52,230
107,563
335
3,531
-
38,583
148,571
JUL
AUG
SEP
OCT
NOV
DEC
JAN
FEB
MAR
APR
MAY
JUN

MONTANA FACILITY FINANCE AUTHORITY

Staff Approved Loans & Grants

8/30/16 - 11/30/2016

Commitments Pending

Borrower	Location	Date Approved	Term	Interest		Amount	Project	Program
Total Pending Direct Loans:					**$**	**-**		

Loans Made by Staff:

Borrower	Location	Date Funded	Term	Interest		Amount	Project	Program
Broadwater Health Center	Townsend, MT	10/27/16	7 years	2.00%	$	245,000	Purchase equipment and property	Direct Loan
McCone County Health Center	Circle, MT	10/14/16	7 years	2.00%	$	100,000	Purchase housing for locum physicians	Direct Loan
Total Loans Made by Staff:					**$**	**345,000**		

Funds Available Under

Direct Loan Program:

Loan Fund: (10/30/2016) (approx.)		2,208,557
Total Outstanding Loans: (10/30/2016)		(1,567,646)
Pending Approvals from above:		-
Loans Funded since 10/30/2016		-
Payments Received through 11/15/2016		39,498
Total Available to Loan at 11/30/2016	**$**	**680,410**

Grants Paid/Approved since 6/30/2016

Grantee	Location	Date	Approved / Paid		Amount	Project	Program
N/A							
Total Grants:				**$**	**-**		

Montana Facility Finance Authority

Internal Controls Policy
Approved 12/06/16

Contents

MONTANA FACILITY FINANCE AUTHORITY
Internal Controls Policy
(Updated 12/06/16)

PURPOSE

The Montana Facility Finance Authority (MFFA) ensures processes are in place to safeguard assets, ensure validity of records and reports, and provide consistency for operations.

The Montana Facility Finance Authority shares physical location with and pays for services of the Montana Board of Investments (MBOI). The MFFA is attached to the Department of Commerce. Both entities are instrumental in completion of many tasks on behalf of the MFFA and each has its own internal controls policy.

BUILDING

MFFA rents space at 2401 Colonial. Building keys are provided in accordance with MBOI Internal Control Policy.

Information Technology
MFFA shares and pays for its respective MBOI IT staff and equipment.

MFFA PROCEDURES MANUAL

MFFA has a Procedures Manual, with detailed checklists identifying and describing daily, weekly, monthly, yearly and infrequent processes and procedures. Both the Associate Director and Financial Specialist have copies in their offices and make changes as processes are modified.

RECEIPT OF FUNDS

All mail, including receipt of checks, is processed through MBOI front office. See MBOI Internal Control Policy for process.

MFFA assesses borrowers for originating and monitoring bonds and loans. Checks received for this service are processed pursuant to MBOI Internal Controls Policy. Funds received through wire transfers (most bond issues) are received by the Treasurer's Office. Commerce Director's Office receives notifications, codes and sends reference to MFFA.

MFFA makes loans to borrowers and collects loan repayments through the MBOI.

- loan repayments are collected by MBOI via ACH for loans made from the MFFA funds (Direct Loans).
- service fees are assessed and included in the interest rate in lieu of assessing an annual monitoring fee (Trust Fund Loans).

Assessments for the various programs are indicated below:

- Initial (origination) fees (see Procedures Manual for process)
  - Direct Loans
  - Trust Fund Loan Program
  - Bond/Note Issuance
- Annual fees (monitoring) (see Procedures Manual for process)
  - Bonds/Notes
- Loan repayment/service fees
  - Direct Loans (see Procedures Manual for process)
  - Trust Fund Loan Program (see Procedures Manual for process)

RECONCILIATIONS

Income

Reconciliation of income is done monthly. MFFA receives funds from several sources:

- the MBOI for ACH receipts of direct loan payments and TFLP service fees
- individual borrowers pursuant to invoices from MFFA
- trustees pursuant to requests with receipt requested, primarily, via wire transfer

Checks and wires are processed by Commerce with MFFA providing coding. ACH is processed by MBOI directly from amortization schedules completed at the time of the loan closing. Financial Specialist is responsible for income processing and tracking. Associate Director reconciles MFFA income spreadsheet to SBHRS monthly with the Executive Director verifying periodically, but at a minimum in June prior to FYE. During staff vacancies, Executive Director (ED) reconciles.

Trustee statements

While trustee statements are not a part of the MFFA financial statements, it is seen as a responsibility to review for accuracy. Trustee statements are received from various trustees monthly, or quarterly. The Financial Specialist is responsible for verifying accuracy.

Verification of Outstanding Bond Loan/ Financial Balances

The MFFA tracks all bonds, notes, and loans completed since inception (see Procedures Manual). This report (OSFEESUM) shows FYE balances and redemptions during the year and subsequent years until maturity. Independent verification of outstanding balances is achieved by:

- Bonds and notes – individual verification letters sent to trustees
- TFLP – from MBOI
- DL – from SBHRS open items

PROGRAMS

Bonds and Notes
Bonds and notes are issued to borrowers for projects. Board authorization is required. Money for projects comes from either a public issuance where an underwriter receives money from investors or from a private placement, i.e., a bank or large investor such as GE. Typically funds are placed into an escrow account and the borrower requests funds from the escrow agent or trustee. The MFFA staff does not have access to those funds. Repayment of those bonds/notes comes from the borrower to: 1) the trustee who pays the investors; or 2) directly to the private holder of the bond/note.

MFFA application fee is assessed as described in the MFFA Reference Manual and received as indicated above in Receipt of Funds.

Direct Loan Program (DL)
Loans are made to eligible borrowers from MFFA's Fund Balance (Direct Loans). By policy, the maximum amount outstanding to any one borrower is $300,000. Loans are approved by staff pursuant to board policy and reported to the board at subsequent board meetings. Board policy identifies authorized staff. Two staff are required for the approval, one for the request/analysis, and one for the approval. If there are not two staff members available, a Board member will be asked to review a request.

Funds are disbursed by MBOI via ACH and loan repayments are collected by MBOI via ACH (see MBOI Internal Controls Policy). Process details can be found in MFFA Procedures Manual.

MFFA application fee is assessed as described in the Procedures Manual and received as indicated above in Receipt of Funds.

Trust Fund Loan Program (TFLP)
MFFA has authorization to loan up to a total of $15 million for all borrowers from the Permanent Coal Trust Fund (17-6-308(4), MCA). Loans are made to eligible borrowers from the Permanent Coal Trust Fund. Policy dictates whether staff may approve or if board approval is necessary.

Funds are disbursed by MBOI via ACH and loan repayments are collected by MBOI via ACH (see MBOI Internal Controls Policy). Process details can be found in MFFA Procedures Manual.

MFFA application fees are assessed as described in the Procedures Manual and received as indicated above in Receipt of Funds.

Montana Capital Assistance Program (MCAP)
This is a grant program for small hospitals and other eligible facilites. The Montana Health Research and Education Foundation (MHREF) administers this program through a contract with the MFFA. Upon receipt of an application by an eligible facility, MHREF verifies applicability with to MCAP Guidelines and notifies MFFA of approval, project and amount. Once the project is completed, the facility will request reimbursement from MHREF. MHREF will verify 20% co-pay by the facility and will notify MFFA by sending an invoice along with a copy of the

invoice from the borrower. MFFA pays MHREF; MHREF pays grantee. Total grants awarded per fiscal year is $60,000 with a maximum of $15,000 per grantee.

AUTHORIZATION OF EXPENSES/PAYMENTS TO VENDORS

Invoices are given to the Executive Director for coding and payment. Upon authorization by ED, BOI front office copies or scans, sends to Commerce for processing. MBOI saves a copy of scanned document in MFFA's computer directory (Monthly Payments) and links scan in an Excel file showing monthly expenses. Upon absence of ED, Associate Director may approve and provide verbal and/or copy of authorization to ED. Bills that are common and shared between BOI and MFFA are coded and pro-rated by BOI for MFFA authorization. MBOI's office manager may have authority to authorize expenses on behalf of MFFA and that authority is reflected in the authorized signature list. Commerce has internal controls for processing and verifying allowable signatories.

ED reviews SBHRS documents to verify that expenses are accurately coded. Ultimately, ED will have a tickler card for June indicating review of all expenses for the year.

PROCUREMENT CARD PRIVILAGES/PROCESS

Procurement cards are issued to state agencies to eliminate the need for employees to utilize their own funds for state agency business purchases and are to be used for state business only. Additionally, the State has implemented a request/policy to pay bills by pro cards. Cards MAY be issued once an employee has been with the agency for over one year and has shown commitment to the organization and its guiding policies and rules. The Executive Director will always have a card.

Purchases require a receipt reflecting the goods/services purchased. The Executive and Associate Directors have approval and/or acknowledgement authority for expenses. A receipt for an expenditure must be coded and approved for payment and sent to the Department of Commerce for payment along with cover sheet. The individual card holder may not authorize his/her own purchases. Department of Commerce has policies in place for these expenditures, which the MFFA follows.

AUTHORITY FUND INVESTMENTS

MFFA downloads a weekly report detailing the STIP cash balance for the Authority operations fund (06015) and Direct Loan fund (06012). The cash balances are maintained at or about $10,000 and $1,000, respectively. Instructions to sell or purchase STIP to maintain these levels are originated by the Financial Specialist and provided to the MBOI STIP manager.

TICKLER SYSTEM

The MFFA Tickler is a shared calendar located in the Outlook software. The calendar is shared between all staff members of the MFFA. The tickler calendar is where all weekly, monthly, quarterly, annual, and one-time only task items are placed including:

Maturity of loan
Release of Mortgage/security once paid off
Return of Original Promissory Note
Interest rate resets
Reconciliation of Income
Fiscal year-end (also reflected in the procedures manual and in checklists)

The Financial Specialist is responsible for checking the tickler system regularly to assure that all items are completed. IT sets up access.

MONTANA FACILITY FINANCE AUTHORITY

GRANT AWARDS
December 6, 2016

POLICY FOR GRANT AWARD originally dated as of September 21, 2001 (as hereinafter defined, the "Policy"), relating to the administration of loans by the MONTANA FACILITY FINANCE AUTHORITY (as hereinafter defined, the "Authority") pursuant to Section 17-6-308(4) MCA.

POLICY: This policy on grant awards is applicable to all grant programs managed by the Authority.

PURPOSE: 90-7-211 (2) (e) MCA states: The fees of the Authority must be used for grants to institutions to assist in determining eligibility for or compliance with government programs, including the Authority's.

PARAMETERS: 1. General:

a. Grants are available to eligible facilities identified in the Act, only.

b. Grants will be awarded on a first-come, first-served basis.

c. The term of each grant shall be one year from the approval date. Staff <u>may</u> grant extensions up to six months.

d. Allowable projects shall include the following:

1. Inventory and evaluation of existing conditions of a facility.
2. Expenses related to architectural, engineering or other similar planning activities.
3. Identification of financing options, including financial feasibility studies.
4. Development, management and evaluation of RFPs.
5. Prioritization of the improvements, renovation or new construction needs.
6. Planning and program qualification activities related to capital plans or projects.
7. Application and development expenses incurred in the course of application for other grant funds.
8. Application expenses incurred in the course of requests for a change in licensure or facility designation.
9. Legal expenses to review complex contracts, secure capital financing, land use issues related to construction projects and other assistance necessary for hospital administration.

2. Grant allocations:

a. The Board shall allocate the total amount of funds available for annual grant awards.

b. Annual allocations are subject to available funds of the Authority.

3. Grant approval:

a. Staff may approve grants up to $15,000 per recipient for all project components. Once the maximum award is reached, eligible facilities may not reapply for five years.

An eligible facility that has reached its maximum award, but has undergone either a change in executive leadership (ex. CEO or President) or other significant change since the prior grant, may apply for funding before the five year limitation expires. In this instance, decision to award the grant will be at the discretion of Authority staff.

b. Each grant recipient must contribute at least 20% toward the total cost of a project for which grant funds are awarded.

IN WITNESS WHEREOF, the parties have caused this policy to be revised and reviewed as of the 6th day of December 2016.

MONTANA FACILITY FINANCE AUTHORITY

By:______________________________	By: ______________________________
Jon Marchi, Chairman	Michelle Barstad, Executive Director

2017

JANURARY

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JULY

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AUGUST

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SEPTEMBER

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OCTOBER

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NOVEMBER

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DECEMBER

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24/31	25	26	27	28	29	30

HOLIDAYS AND OBSERVANCES

1-Jan	New Year's Day Ob.	4-Jul	Independence Day	23-Nov	Thanksgiving Day
16-Jan	MLK Day	4-Sep	Labor Day	25-Dec	Christmas Day
20-Feb	Presidents' Day	9-Oct	Columbus Day		
29-May	Memorial Day	10-Nov	Veterans Day Ob.		

CONFERENCES - 2017

Apr 3-5, 2017 NAHEFFA Alexandria, VA

Sep 6-8, 2017 NAHEFFA Boise, ID

Pondera Medical Center
Conrad, Montana
Trust Fund Loan Program
Loan Summary

ELIGIBLE HEALTH FACILITY

Pondera Medical Center ("Medical Center") is a licensed 25-bed (acute or swing bed) critical access hospital (CAH), a 59-bed nursing facility and a rural health clinic located in Conrad, Montana. Pondera Medical Center is a nonprofit corporation and recognized as a tax exempt entity under section 501(c) (3) of the Internal Revenue Code. The Medical Center is governed by an independent Board of Directors.

In July, 2014, Pondera Medical Center entered into a Management Services Agreement with Kalispell Regional Healthcare System ("KRHS") for the provision of non-clinical and operational services to Pondera Medical Center. KRHS employs and furnishes the CEO (Bill O'Leary) and CFO (Randy Nightengale) to Pondera Medical Center. The other management team members are employees of Pondera Medical Center (Chief of Staff, Chief Nursing Officer and Clinical Manager). Additionally, KRHS provides various clinical and related business operations support to Pondera Medical Center, as needed, under a Master Services Agreement.

PROJECT AND COST

The Authority received a loan request from Pondera Medical Center on November 6, 2016. The loan amount is **$356,000** for reimbursement of project costs. The project, completed in October, was for the purchase of the CT machine the Medical Center had been leasing and to remodel its main level Radiology Suite to accommodate the CT machine so it could be moved up from the basement.

Project	New Money / Refinancing	Replacement / New Equipment	Location	Amount
Purchase CT machine and remodel Radiology Suite	New	New	Conrad	$356,000
Total				**$356,000**

PROGRAM Trust Fund Loan

LOAN TERM 5 Years

INTEREST RATE 3.97% per annum

PAYMENT $6,551.56 per month; $78,618.71 per annum

CLOSING DATE est. 12/20/16

MATURITY DATE 12/15/2021 (est.) 60 months from closing

SECURITY UCC on equipment totaling $336,269 and CDs totaling $100,000.

HISTORICAL FINANCIALS

FISCAL YEARS ENDED	12/31/2013	12/31/2014	12/31/2015	10/31/2016 (unaudited)
ASSETS				
Cash & Cash Equivalents	$ 512,937	$ 1,058,310	$ 1,382,058	$1,845,638
Investments	180,525	180,881	181,237	-
Patient Recvbls & Due from 3rd-Party Payors	1,920,541	1,453,237	1,675,222	1,527,780
Inventory	124,054	137,881	154,717	144,678
Current Assets Whose Use is Limited	81,472	113,580	130,854	-
All Other Current Assets	49,305	45,339	88,770	-
Total Current Assets	**$ 2,868,834**	**$ 2,989,228**	**$ 3,612,858**	**$ 3,518,096**
Fixed Assets	12,421,269	12,688,311	13,122,959	13,193,990
Accumulated Depreciation	9,815,858	10,316,668	10,702,261	11,107,183
Fixed Assets (net)	2,605,411	2,371,643	2,420,698	2,086,806
Board Designated Funds	-	-	-	333,198
Assets Held in Trust (1)	466,830	462,540	441,081	441,081
Other Assets	184,990	192,312	195,786	-
Total Assets	**$ 6,126,065**	**$ 6,015,723**	**$ 6,670,423**	**$ 6,379,181**
LIABILITIES & FUND BALANCE				
Accounts Payable & Other Accrued Expenses	$ 1,738,352	$ 1,482,708	$ 1,271,731	$1,232,587
Current Portion of Long-Term Debt	377,391	324,612	281,767	$202,268
Other Current Liabilities	-	-	-	51,392
Total Current Liabilities	**$ 2,115,743**	**$ 1,807,320**	**$ 1,553,498**	**$ 1,486,247**
Long-Term Debt (Less Current Portion)	313,994	322,423	426,060	$275,008
Other Long-Term Liabilities	123,920	116,542	109,331	-
Unrestricted Fund Balance	1,135,080	1,468,710	2,301,423	-
Restricted Fund Balance	2,437,328	2,300,728	2,280,111	-
Fund Balance	**3,572,408**	**3,769,438**	**4,581,534**	**4,617,926**
Total Liabilities & Fund Balance	**$ 6,126,065**	**$ 6,015,723**	**$ 6,670,423**	**$6,379,181**
REVENUES & EXPENSES				
Gross Patient Service Revenue	$ 13,239,737	$ 13,615,658	$ 15,631,876	13,318,103
Deductions from Patient Service Revenue	1,976,738	2,222,548	3,168,255	2,887,445
Net Patient Service Revenue	11,262,999	11,393,110	12,463,621	10,430,658
Other Operating Revenue	176,086	409,105	606,330	740,527
Total Operating Revenue	**$ 11,439,085**	**$ 11,802,215**	**$ 13,069,951**	**$11,171,185**
Interest	53,654	41,291	15,371	12,266
Depreciation & Amortization	645,689	573,570	571,189	496,299
Other Operating Expenses	11,657,165	11,635,829	12,464,444	10,908,260
Total Operating Expenses	12,356,508	12,250,690	13,051,004	11,416,825
Income from Operations	**$ (917,423)**	**$ (448,475)**	**$ 18,947**	**$ (245,640)**
Nonoperating Revenue	697,398	645,505	793,149	282,021
Excess of Rev Over Expenses	**$ (220,025)**	**$ 197,030**	**$ 812,096**	**$ 36,381**
Interest Expense	53,654	41,291	15,371	12,266
Amortization & Depreciation Expense	645,689	573,570	571,189	496,299
Funds Available for Debt Service	**$ 479,318**	**$ 811,891**	**$ 1,398,656**	**$ 544,946**

Key Ratios	12/31/13	12/31/14	12/31/15	Unaudited 10/31/16	BOI Trust Fund Guidelines	Moody's Baa FY 2014 Median Ratios
Current Ratio	1.36	1.65	2.33	2.37	>1.50	2.20
Cushion Ratio	1.33	2.96	4.60	7.41	>2.30	12.00
Days Cash on Hand	21.61	38.73	45.72	72.82	>42	151.00
Days in Accounts Receivable	49.72	35.27	42.78	45.96	<62	47.30
Operating Margin	-8.0%	-3.8%	0.1%	-2.20%	>1.0%	1.3%
Excess Margin	-1.81%	1.58%	5.86%	0.32%	>0.5%	3.9%
Debt to Capitalization	21.7%	18.0%	15.6%	N/A	<67%	42.7%
Debt Service Coverage (x)	0.92	1.94	4.11	1.85	>1.35x	3.60

With the exception of Operating Margin, Pondera Medical Center achieves all Trust Fund Loan Guidelines for FY 2015. As of 10/31/16, Pondera does not meet guidelines for Excess Margin.

FINANCIAL OBSERVATIONS

- Interim Financials
  - Interim financials as of October 31, 2016 (10 months) show an operating loss of $245,640 which compares well to the budgeted loss of $260,175 for the same period. The Medical Center's net income of $36,381 exceeds the budgeted income of $9,521. The main driver of the better-than-expected income is that salaries and benefits are below budget for the period.
- Current Assets/Current Liabilities:
  - The Medical Center's days cash on hand averaged 42 days over the last two fiscal years which compares well to 21 days in FY 2013. For the interim financials as of 10/31/16, the Medical Center holds 72 days cash on hand.
  - The Medical Center's cash position more than doubled between FY 2013 and FY 2015. In 2016, it received $72,900 in meaningful use payments for its EHR project. It also averaged $28,000 a month in revenue from its 340b drug program.
  - Between FY 2014 and FY 2015, the Medical Center's current ratio has improved from 1.65 to 2.33 which exceeds Moody's medians (Baa). As of 10/31/16, the current ratio is 2.37.
  - The Medical Center's cash to debt ratio has consistently exceeded Moody's medians.
- Operating Income:
  - Operating revenue has increased by 14% from FY 2013 to FY 2015. Expenses grew by 5% over the same period.
  - The Medical Center's operating margin was positive at end of FY 2015 (0.14%) for the first time in the last five years and compares to the Moody's 2014 Baa medians.
  - At 10/31/16, operating revenue was $11,171,185 compared to budgeted revenue of $11,355,420 and revenues, for the same ten month period in 2015, of $11,132,227.
- Funds Available for Debt Service:
  - The Medical Center's debt service coverage has climbed from 0.92x at the end of FY 2013 to 4.11x at the end of FY 2015. This is attributed to a decreasing current portion of long term debt and achieving am operating and net profit in FY 2015.
  - The Medical Center's annual debt service continues to decline and it currently has four existing notes payable; one matures in 2017 while the remaining three mature in 2020.
  - The interim 2016 financials show debt service coverage of 1.85x.

UTILIZATION STATISTICS

Hospital	2013	2014	2015	2016 (YTD 9/30/16)
Licensed Beds	25	25	25	25
Admissions	100	79	94	64
Swing Bed Admissions	36	45	44	39
Patient Days	264	235	257	173
Number of Outpatients	7,294	6,768	6,885	4,817
Outpatient Surgeries	91	62	59	29
PT and OT Treatments	12,977	11,857	17,302	13,859
Emergency Visits	1,868	1,690	1,581	1,182

Nursing Facility	2013	2014	2015	2016 (YTD 9/30/16)
Licensed Beds	59	59	59	59
Percentage of Occupancy	88.0%	84.9%	89.4%	92.7%
Resident Days	18,759	18,275	19,251	14,981
PT and OT Treatments	493	593	1,137	861

Surgeries have declined since 2013 due to a decrease in referrals. The decline in the number of outpatients has been attributed to provider turnover. The increase in Physical and Occupational Therapy Treatments is due to the Medical Center hiring additional Physical Therapy staff.

PAYOR MIX

Medical Center	2013	2014	2015	2016 (YTD 9/30/16)
Medicare	41%	47%	44%	44%
Medicaid	18%	20%	16%	21%
Blue Cross/Blue Shield	7%	6%	7%	7%
Private Pay	18%	11%	17%	16%
All Other	16%	16%	16%	12%

PAYMENT CAPABILITIES / PRO FORMA

	12/31/2013	12/31/2014	12/31/2015	10/31/2016 (unaudited)	Pro Forma
Revenues Minus Expenditures	(220,025)	197,030	812,096	36,381	43,657
Add Depreciation/Amortization	645,689	573,570	571,189	496,299	595,559
Interest Expense	53,654	41,291	15,371	12,266	14,719
Available for Debt Service	479,318	811,891	1,398,656	544,946	653,935
Existing Debt Service	519,893	418,682	339,983	294,033	296,486
Debt Service on New Money	N/A	N/A	N/A	N/A	78,619
Total Debt Service	519,893	418,682	339,983	294,033	375,105
Debt Service Ratio Calculation	0.92	1.94	4.11	1.85	1.74

The Pro Forma is based on interim 10/31/16 unaudited financials that have been annualized and includes the additional debt service of $78,619 for this Trust Fund loan request. There is no expectation for additional revenues from purchase of the CT machine and remodeling of the Radiology Suite. The debt service coverage ratio shows Pondera Medical Center can cover its existing debt as well as the new debt request.

SUMMARY OF FINANCIAL SUPPORT FOR PONDERA MEDICAL CENTER

Pondera Medical Center has the following support that is a factor in its overall ability to cover operations and debt service.

- **Pondera County Support:**
  Pondera County owns the Medical Center and other buildings and leases them to Pondera Medical Center for $10 per year plus any interest or principal payments on loans or leases taken by the County on the Medical Center's behalf. The County provides funding through two mill levies:
  - 4.4 mill operating levy which has been approved annually for the last 30 years and generates roughly $100,000 per year,
  - 11.2 mill Hospital Capital Improvement Fund levy which will expire in 2025 and generates approximately $175,000 per year with an adjustment for inflation.
- **Montana State/Pondera County Intergovernmental Agreement:**
  Pondera County has an agreement with Montana Department of Public Health and Human Services to provide funds to the State in support of Pondera Medical Center. Between 7/1/15 and 6/30/16, Pondera County transferred $457,532 to the State which resulted in the State transferring $624,930 to Pondera Medical Center.
- **Other sources of funds:**
  - A Beneficial Interest in Perpetual Trust generates $18,000-$20,000 per year. The value of the trust at FY 2015 is $441,081.
  - Pondera Healthcare Foundation was established in late 2014 to support all health care in Pondera County. It is raising funds at this time.

Anticipated Financial Changes due to Project

The new CT Machine and Radiology Suite remodel will improve patient care. Prior to the remodel, the CT Machine was located in the basement which was an elevator ride for Emergency Department patients. The remodel will move the CT Machine closer to the Emergency Department. The basement space that once held the CT Machine will likely be used as office or storage space.

Current Obligations to BOI & MFFA

Series	Original Issue	Issue Date	Outstanding 10/30/16	Maturity	Project
Board of Investments INTERCAP Loan	$ 628,578	5/30/2014	$ 233,031	8/15/2017	Refinance loans for various hospital equipment
MFFA Direct Loan	$ 140,297	5/15/2015	$ 102,612	5/15/2020	Replace Ultrasound System
Totals	**$ 768,875**		**$ 335,643**		

Pondera Medical Center also had two prior Direct Loans that were paid-in-full.

Strengths

- Pondera Medical Center was able to show a small operating and net profit in FY 2015 and expects to break-even at end of FY 2016.
- The Medical Center had enough liquid assets to complete the project before seeking financing to reimburse costs.
- Debt service coverage for the proposed financing is strong at 1.76x.
- The relationship with KRHS provides experienced management services for both clinical and business operations.

Weaknesses

- FY 2015 operating margin does not meet the Trust Fund Loan Program Guidelines.
- Until FY 2015, Pondera Medical Center experienced annual operating losses.
- As of 2014, the Medical Center is no longer a component unit of Pondera County and thus the County is not obligated to pay the loan if the Medical Center fails to make payment.

Recommendation

Approval is recommended based on:

- Sufficient funds available to meet annual new debt service payment of $78,619.
- Pondera Medical Center was able to self-fund the CT Machine and remodel expenses as the project was completed in October, 2016.
- Pondera Medical Center is supported by Pondera County and has a working relationship with KRHS.

For these reasons, the MFFA has a reasonable expectation of loan repayment by Pondera Medical Center.

RESOLUTION NO. 16-14

RESOLUTION ON A PROPOSAL TO MAKE A LOAN TO PONDERA MEDICAL CENTER. UNDER TITLE 90, CHAPTER 7, AND SECTION 17-6-308(4), MONTANA CODE ANNOTATED, AS AMENDED; APPROVING THE RELATED LOAN APPLICATION; APPROVING THE PROJECT AND THE TERMS AND CONDITIONS OF THE LOAN AND THE EXECUTION OF DOCUMENTS RELATED THERETO.

BE IT RESOLVED by the Montana Facility Finance Authority (the "Authority"), as follows:

Section 1. Recitals.

1.01. The Authority is authorized pursuant to Title 90, Chapter 7, and Section 17-6-308(4) Montana Code Annotated, as amended (hereinafter referred to as the "Act"), to make a loan from the Permanent Coal Tax Trust Fund for a capital project as defined in the Act. Pondera Medical Center, a Montana non-profit corporation with its operations located in Conrad, Montana (the "Obligor") has presented a proposal to the Authority requesting the Authority assist the Obligor with financing the purchase of the CT Machine currently being leased by the Obligor and renovation of the radiology department (the "Project") by making a loan to the Obligor in the amount not to exceed $356,000 (the "Loan").

1.02. The Authority determines that the Loan is for a capital project as described in the Act and does not exceed 10% of the $15,000,000 amount of the Permanent Coal Tax Trust Fund to be administered under the Act by the Authority.

1.03 The Authority has received the Obligor's Loan application and deems the application complete and determines that the Project is eligible for financing under the Act.

1.04 The Authority and the Board of Investments of the State of Montana have calculated the interest rate for the Loan in accordance with a commitment letter specifying the date through which the commitment is valid, the interest rate and term of the Loan.

1.05 The following documents relating to the Project and the Loan will be prepared and shall be placed on file in the office of the Authority:

(a) A Loan Agreement (with exhibits and attachments), the "Loan Agreement," with the Authority as Lender and Obligor as borrower,

(b) A Note in the principal amount of the Loan from the Obligor to the Authority (the "Note").

Section 2. Findings.

2.01. Based on the application, the Authority hereby finds, determines and declares as follows:

(a) the Obligor is an "institution" and the Project consists of the financing or refinancing of "eligible facilities” within the meaning of the Act;

(b) the amount of the Loan to the Obligor pursuant to the Loan Agreement based solely on information provided and representations made by the Obligor will not exceed the total eligible costs of the Project;

(c) pursuant to the Loan Agreement, the Loan repayments will be sufficient to pay the principal of, and interest on the Note as due, to meet all other obligations in connection with the Loan Agreement and to provide for costs of servicing and securing the Note;

(d) the Project is to be operated by the Obligor for the purpose of providing services for persons with disabilities;

(e) based solely upon information and representations provided by the Obligor, the Obligor will have sufficient revenues to provide for the payment of the principal of and interest on the Loan as due;

(f) pursuant to Section 17-6-308(4). MCA, the Loan Agreement will provide that principal and interest payments on the Loan will be deposited in the Coal Severance Tax Permanent Fund until all principal and interest has been paid;

(g) the Project is not subject to certificate of need approval under Montana Code Annotated, Title 50, Chapter 5, Part 3, as amended; and

(h) the Loan complies with the terms of the Authority’s Trust Fund Loan Pool Policy.

Section 3. Approval and Authorizations.

3.01. The Project and the Loan are hereby approved by the Authority.

3.02. The forms of (a) the Loan Agreement and the attachments thereto and (b) the Note, filed with the Authority are approved. The Chairman, Executive Director, Associate Director or any one or more of such officers of the Authority are hereby authorized and directed: (i) to execute the Loan Agreement and its Exhibits and Attachments in the name and on behalf of the Authority, upon execution thereof by the other parties thereto; and (ii) to file or record any security instruments in the name of, and on behalf of, the Authority. The above-referenced documents shall be executed in substantially the form previously approved, subject to such additions thereto or deletions therefrom as are approved by the officers executing the same, which approval shall be conclusively presumed by the execution thereof, and such other documents as required by the Authority's counsel shall also be executed at the closing.

Section 4. Application and Planning Fees.

4.01 As authorized by Section 90-7-211 of the Act, the Authority may assess certain initial planning service fees and annual planning service fees to be paid by participating institutions (as defined in the Act) in connection with any application to the Authority for financial assistance. The initial planning service fee will be one percent (1%) of the final loan amount. The annual planning service fee for the Obligor will be 50 basis points (.50%) of the outstanding amount of the Loan, assessed each month and included in the amortization schedule provided to the Obligor, unless and until changed by the Authority.

Passed and approved by the Authority this 6th day of December, 2016.

MONTANA FACILITY FINANCE AUTHORITY

ATTEST:

____
By: Jon Marchi
Its: Chairman

____
By: Michelle Barstad
Its: Executive Director

Marcus Daly Memorial Hospital
Hamilton, MT
Stand Alone
Loan Summary

ELIGIBLE HEALTH FACILITY

Marcus Daly Memorial Hospital ("Marcus Daly" or "Hospital") is a non-profit community hospital located in Hamilton, MT. Marcus Daly was founded in 1929 and designated a Critical Access Hospital "CAH") December 1, 2004.

Marcus Daly is a sole community provider for the Ravalli County market. Hospital services include acute care, inpatient and outpatient surgery, emergency care, ambulance, home health, clinic, inpatient and outpatient hospice care, and the related ancillary procedures (lab, imaging, rehabilitation, etc.) associated with those services.

PROJECT

The bond issue will refinance one or more of the existing taxable loans described below, which were issued by multiple lenders to finance the Hospital's expansion through acquisition, renovation and new construction.

Lender	Original Issue	Interest Rate	Refunding Balance	Original Maturity	Project
David Schlecten	$ 331,000	4.00%	$ 123,417	5/26/2035	Purchase building for administrative and Foundation offices
First Security Bank	$ 503,189	6.00%	$ 455,984	4/30/2020 Ballon Payment	Purchase building for administrative and Foundation offices
TrailWest Bank	$ 500,000	6.39%	$ 341,330	10/1/2033	Purchase building for administrative and Foundation offices
First Security Bank	$ 4,544,867	4.25%	$ 2,942,512	11/12/2044	New construction of ICU and birthing center
Doctors Moreland, Ashcraft & Ellis	$ 839,079	7.00%	$ 629,784	9/23/2018 Ballon Payment	Purchase building fror physician offices
TrailWest Bank	$ 938,000	4.79%	$ 610,361	10/17/2022	Remodel and new construction for Bitterroot Physician's Clinic
Farmer's State Bank	$ 3,150,000	4.99%	$ 2,515,233	10/30/2036	New construction of Rehabilitation Center
USDA Farmer's State Bank	$ 5,300,000	6.00%	$ 4,800,000 (approx)	8/1/2033	New construction including boilers, loading dock and receiving area
Totals	**$ 15,775,135**		**$ 12,418,620**		

PROGRAM Stand Alone Private Placement(s)

STRUCTURE

The financing will be negotiated between two or more bank(s) as identified by the Hospital. D.A. Davidson will serve as the Municipal Advisor and will oversee the consolidation of the disparate financings in a simplified structure of one or two financings. Final structure of the financing will be determined by multiple factors including: term, useful life of collateral, current and prospective bonded indebtedness, and expectation of savings through the refinancing.

LOAN TERM TBD - Up to 30 years

INTEREST RATE TBD

CLOSING DATE est. February 2017

MATURITY DATE TBD

SECURITY To be determined, but may include a mortgage on the property and a pledge of revenues. Security may be on parity with outstanding Master Loan Program bonds.

RATING N/A

INVESTOR LETTER

Each bank will provide a letter stipulating that: 1) it is considered a "sophisticated investor"; 2) has conducted its own due diligence on the Program and Marcus Daly Memorial Hospital; 3) has made its own internal analysis in advance of purchasing the bonds; and, 4) it is satisfied that all of its questions have been appropriately answered.

UTILIZATION

	FY 2013	FY 2014	FY 2015	FY 2016
Available Beds	25	25	25	25
Patient Days	5,298	4,963	4,970	5,371
Occupancy Rate	58%	54%	54%	59%
Average Length of Stay	3.20	2.53	2.74	3.03
Emergency Room Visits	10,489	9,996	10,428	10,546
Home Health Visits	3,919	5,189	5,085	5,021
Outpatient Visits	29,106	25,564	25,855	22,398
Clinic Visits	37,256	45,450	47,254	46,665
Surgical Procedures	1,182	1,247	1,307	1,230

PAYOR MIX

Payor	FY 2013	FY 2014	FY 2015	FY 2016
Medicare	54.7%	44.9%	51.4%	52.6%
Medicaid	9.4%	10.9%	11.7%	13.9%
Commercial	23.9%	31.3%	26.0%	25.6%
Self Pay	11.7%	11.0%	8.9%	6.4%
Other	0.4%	1.9%	2.0%	1.4%
Total	**100%**	**100%**	**100%**	**100%**

MARKET/COMPETITION

The Hospital is a sole community provider, meaning that there are no competitors for in-patient services in the primary area. Secondary providers consist of St. Patrick Hospital and Community Medical Center, both in Missoula (approximately 50 miles/1 hour away). Marcus Daly has agreements for certain services with St. Patrick Hospital. Procedures not currently covered by Marcus Daly would traditionally result in procedures performed in Missoula at either St. Patrick Hospital or Community Medical Center. Community Medical Center is considered a neo-natal regional referral hospital, thus difficult and/or complicated births would automatically be referred to that hospital.

GOVERNANCE

Marcus Daly Memorial Hospital is governed by an eleven member Board that includes community members, at least two active members of the medical staff and the Chief Medical Officer and Chief of Staff attend as ex-officio members.

MANAGEMENT

John Bartos, CEO, has been in hospital management since 1975 and with Marcus Daly since 1987. He started his hospital management in White Sulphur Springs where he was CEO for four years, then went to Columbus, Montana for 8 years prior to his current position. He has a BS from Carroll College and a Masters of Science Administration from Notre Dame.

Donja Erdman, CFO, has been with the Hospital since 1995 when she started as an accountant. She received a BA in accounting from Carroll College and earned her CPA in 1997. Prior accounting work experience consists of a law firm and the Montana Department of Revenue.

Kathy Padilla, RN, Director of Nursing, has been with the Hospital since 2013 and in nursing management for 20 years. Before coming to Marcus Daly, she was the Clinical Director of a large outpatient ambulatory surgery center in Bellevue, Washington. Prior nursing experience was in hospitals in the Seattle area. She received her Bachelors of Science in Nursing from the University of Washington.

Troy Hanson, assistant administrator, has been with the Hospital since 1995 and in his present position since 2003. Education consists of a BS in Microbiology and an MBA in 2005, both from the University of Montana. His Prior work experience includes laboratory positions at various health facilities, primarily in Spokane and Missoula.

HISTORICAL FINANCIALS

Audited Financials as of 6/30	2013	2014	2015	2016
Assets				
Cash & Cash Equivalents	6,627,586	6,011,795	7,570,436	9,297,193
Investments	-	-	-	-
Receivables	9,064,138	9,818,544	9,534,975	8,811,539
Inventory	1,292,887	1,468,768	2,151,464	2,009,194
Current Assets Limited to Use	1,115,923	1,432,013	1,458,340	1,747,406
Other Current Assets	422,439	451,378	430,819	391,756
Total Current Assets	**$18,522,973**	**$19,182,498**	**$21,146,034**	**$22,257,088**
Fixed Assets	57,660,043	62,696,368	67,172,140	67,208,920
Accumulated Depreciation	(25,141,952)	(28,459,623)	(30,846,569)	(34,062,520)
Fixed Assets (net of depreciation)	32,518,091	34,236,745	36,325,571	33,146,400
Board Designated Funds	1,343,514	892,081	806,285	940,877
Assets Held in Trust	1,481,505	1,478,783	1,496,725	1,506,594
Other Assets	1,453,468	1,015,219	462,117	87,794
Total Assets	**55,319,551**	**56,805,326**	**$60,236,732**	**$57,938,753**
Liabilities				
Accounts Payable & Accrued Expenses	10,130,138	8,769,972	10,196,894	8,245,056
Current Portion of Long-Term Debt	970,801	1,296,224	1,332,301	1,631,742
Curent Portion of Deferred EHR Revenue	166,521	230,048	273,698	175,435
Line of Credit	611,940	500,000	287,758	847,592
Total Current Liabilities	**$11,879,400**	**$10,796,244**	**$12,090,651**	**$10,899,825**
Long-Term Debt (less current portion)	17,558,897	18,911,920	19,501,521	18,686,277
Deferred EHR Revenue	352,505	293,755	269,181	93,744
Unrestricted Fund Balance	23,022,484	24,308,870	26,296,467	26,367,443
Restricted Fund Balance	2,506,265	2,494,537	2,078,912	1,891,464
Total Liabilities & Fund Balance	**$55,319,551**	**$56,805,326**	**$60,236,732**	**$57,938,753**
Revenue and Expense				
Net Patient Service Revenue	44,385,409	48,556,828	49,733,059	52,946,690
Other Operating Revenue	2,053,275	2,106,736	3,207,649	2,680,071
Interest	984,171	1,140,440	1,186,640	1,166,899
Depreciation & Amortization	3,845,520	4,223,589	3,887,131	4,175,104
Other Operating Expenses	43,051,141	45,224,199	47,639,633	50,946,999
Operating Income	**($1,442,148)**	**$75,336**	**$227,304**	**($662,241)**
Other Non-Operating Revenue	219,550	307,068	257,790	315,996
Excess of Revenue Over Expenses	**($1,222,598)**	**$382,404**	**$485,094**	**($346,245)**

	2013	2014	2015	2016	S&P BBB FY 2014 Median Ratios
Cushion Ratio	4.36	3.27	3.37	4.10	11.2
Days Cash on Hand	66.1	54.4	62.6	71.7	150.9
Operating Margin	-3.11%	0.15%	0.43%	-1.19%	0.4%
Excess Margin	-2.62%	0.75%	0.91%	-0.62%	2.5%
EBIDA Margin	7.77%	11.34%	10.50%	8.98%	10.8%
Debt to Capitalization	43.27%	43.76%	42.58%	41.48%	35.5%
Annual Debt Service	1.97	2.72	2.24	2.00	2.80
Average Age of Plant (years)	6.54	6.74	7.94	8.16	11.6

INTERIM FINANCIALS

The Interim Financials as of September 30, 2016 show a net gain of $187,643 compared to a budgeted net gain of $174,317 for the same period and an operating loss of $483,123 which compares to a budgeted loss of only $161,269 for the same period. The difference in operating loss is attributable to inpatient and clinic revenue falling short of the budgeted amount. The clinic shortfall was caused by short delays in opening the new Urology Clinic as well as the new Primary Care Clinic in Darby. Inpatient revenues are below budget for this period because the summer months tend to miss budget projections due to physician vacations. The Hospital was able to mitigate the shortfall by decreasing expenses.

FINANCIAL OBSERVATIONS

Overall, the Hospital is in solid financial health. It has been able to expand services and facilities aggressively without diminishing its debt position or draining its cash reserves.

- Assets
  - Cash & Equivalents increased by 50% between FY 2014 and FY 2016 even as the hospital carried out several projects to expand or improve services. This is attributed to a focused effort to improve collection of patient accounts receivable.
  - Fixed Assets increased in from $57.6 million in FY 2013 to $67.2 million in FY 2016 as the Hospital completed several projects including:
    - $2.27 million for and MRI expansion and a Physicians Clinic in FY 2014, and $5.2 million for an Intensive Care Unit and Birth Center in FY 2015
  - The decline in Other Assets is is attributable to a reduction in the assets being limited to use by financing agreements.

- Income
  - Patient Service Revenue has increased steadily. The increase is between FY 2015 and FY 2016 is more dramatic when accounting for the fact that deduction for bad debt expense for self-pay was adjusted from 68% to 74% in FY 2016.
  - While Operating Revenue has increased by $9.1 million since FY 2013, Operating Expense has only grown by $8.6 million. The Hospital has been able to grow its revenues while holding down expense growth.
  - The amount the hospital receives from the Montana State Bed Tax has declined. This is attributed to the fact that the Hospital is only allowed to keep its uncompensated care costs, and Medicaid patients are considered to be paid at cost. So any funds paid in excess of that have had to be repaid back to the state to be redistributed to other hospitals.

- Debt Service Coverage
  - Debt service coverage has been consistently above the minimum DCR of 1.35x required by bond covenants.
  - As noted in the section below, the refinancing is expected to improve cash flows and debt service coverage ratios.

ANTICIPATED FINANCIAL CHANGES DUE TO PROJECT

While the final structure of the consolidation is still to be determined, early estimates of savings show net present value savings of over $1.4 million and average annual cash flow savings of over $40,000. These estimates do not include the expected savings from the refinancing of the USDA loan with Farmer's State Bank.

OUTSTANDING/PAST MFFA LOANS

Series	Original Issue	Outstanding 6/30/2016	Maturity	Project
Master Loan Program, Series 2000	$ 3,440,000	$ 1,010,000	8/1/2020	Finance the construction of renal dialysis center, hospice, and pharmacy
Master Loan Program, Series 2007	$ 7,135,000	$ 4,605,000	8/1/2027	Finance infrastructure projects inculding new utility service lines, road access for ambulances and parking lot improvements
Totals	**$ 7,135,000**	**$ 4,605,000**		

FINANCE TEAM MEMBERS

Finance Team Member	Firm	Primary
Bond Counsel	Dorsey, Whitney	Erin McCrady
Purchaser	TBD	
Placement Agent	DA Davidson	Kreg Jones

STRENGTHS

- Marcus Daly Memorial has been able to undergo a number of expansion and renovation projects without depleting cash reserves or diminishing debt coverage.
- Anticipated cash flow savings from the refinancing of multiple loans at a more favorable rate and refinancing will decrease the cost of debt service.
- The Hospital is a respected member of the community and is served by strong, long-term leadership.

WEAKNESSES

- The Hospital did incur a net loss in FY 2016 and a net loss for FY 2017 is likely.
- Political and market uncertainty for hospitals, especially Critical Access Hospitals.

RECOMMENDATION

Approval is recommended based upon the Hospital strengthening its financial position by lowering its borrowing costs.

CERTIFICATE AS TO RESOLUTION NO. 16-15

I, the undersigned, being the duly qualified and acting recording officer of the Montana Facility Finance Authority (the "Authority"), hereby certify that the attached resolution is a true copy of Resolution No. 16-15 entitled: "RESOLUTION RELATING TO THE REFINANCING OF CERTAIN LOANS ON BEHALF OF MARCUS DALY MEMORIAL HOSPITAL CORPORATION; GRANTING APPROVAL FOR THE SALE AND ISSUANCE OF REVENUE BONDS THEREFOR AND AUTHORIZING THE EXECUTION OF DOCUMENTS WITH RESPECT THERETO" (the "Resolution"), on file in the original records of the Authority in my legal custody; that the Resolution was duly adopted by the Authority at a meeting on December 6, 2016, and that the meeting was duly held by the Authority and was attended throughout by a quorum, pursuant to call and notice of such meeting given as required by law; and that the Resolution has not as of the date hereof been amended or repealed.

WITNESS my hand officially as such recording officer this 6th day of December, 2016.

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Michelle Barstad
Executive Director

RESOLUTION NO. 16-15

RESOLUTION RELATING TO THE REFINANCING OF CERTAIN LOANS ON BEHALF OF MARCUS DALY MEMORIAL HOSPITAL CORPORATION; GRANTING APPROVAL FOR THE SALE AND ISSUANCE OF REVENUE BONDS THEREFOR AND AUTHORIZING THE EXECUTION OF DOCUMENTS WITH RESPECT THERETO

BE IT RESOLVED by the Montana Facility Finance Authority (the “Authority”), as follows:

Section 1. Recitals.

1.01. The Authority is authorized pursuant to Title 90, Chapter 7, Parts 1, 2, and 3, Montana Code Annotated, as amended (hereinafter referred to as the “Act”), to issue revenue bonds or notes for the purpose of financing and refinancing the acquisition and installation of equipment for an eligible facility as defined in the Act, and to enter into agreements regarding the equipment being financed by the revenue bonds or notes for, among other things, consideration sufficient, in the judgment of the Authority, to pay the principal of and interest on the revenue bonds or notes when they become due.

1.02. Marcus Daly Memorial Hospital Corporation, a Montana nonprofit corporation (the “Borrower”), owns and operates certain hospital and health care facilities in Hamilton, Montana (the “Facilities”), including an acute care hospital located at 1200 Westwood Drive, Hamilton, Montana. A proposal has been presented to the Authority on behalf of the Borrower that the Authority, acting pursuant to and in accordance with the Act, authorize the issuance of its revenue bonds, in one or more series (the “Bonds”), the proceeds of which will be loaned to the Borrower to be used to: (A) refinance outstanding loans of the Borrower, which loans originally financed : (i) the acquisition of a medical office building (the “Schlechten Building”); (ii) the acquisition of 100% of the membership interests in a limited liability company, the sole asset of which is a medical office building (the “Hamilton Medical Center”); (iii) the design, construction and equipping of an intensive care unit and birthing center at the Borrower’s hospital facility; (iv) the construction, remodel and equipping of a medical office building (the “Bitterroot Physicians Clinic”); (v) the acquisition, construction, equipping and furnishing of a new rehabilitation center at the Borrower’s hospital facility; and (vi) the acquisition, construction and installation of new boilers, a loading dock and a receiving area at the Borrower’s hospital facility s (collectively, the “Project”); (B) fund a debt service reserve fund, if required; and (C) pay certain costs and expenses incidental to the issuance of the Bonds and the refinancing. The refinancing of each of the aforementioned loans shall be subject to market conditions, as determined by the Executive Director or the Associate Director of Authority and the Borrower, in consultation with D.A. Davidson & Co., municipal advisor to the Borrower. The Bonds would be sold to one or more financial institutions (the “Purchasers”).

Section 2. Determinations and Approvals.

2.01. The Authority hereby finds, determines and declares that it would be desirable for the Authority to issue the Bonds in one or more series, in the maximum aggregate face amount of $[TO BE PROVIDED AT MEETING] (exclusive of original issue discount), for the purposes set forth in Section 1.02.

2.02. It is hereby determined to proceed with the refinancing of the Project, and the Authority hereby declares its intent to issue the Bonds under the Act for these and related purposes described in Section 1.02, subject to compliance with the terms of the Act and this Resolution. Notwithstanding the foregoing, however, the adoption of this Resolution shall not be deemed to establish a legal obligation on the part of the Authority or the State to issue or cause the issuance of the Bonds. The Bonds, if issued, shall be special, limited obligations of the Authority payable solely from the loan repayments by the Borrower. The Bonds shall not constitute or give rise to a pecuniary liability of the State or a charge against its general credit or taxing powers. Each of the Executive Director, the Associate Director, the Chair and the other members of the Authority is hereby authorized to approve:

(i) the aggregate principal amount of the Bonds, provided that such principal amount is not in excess of $[TO BE PROVIDED AT MEETING] (exclusive of original issue discount);

(ii) the maturity schedule for the Bonds, provided that the Bonds mature at any time or times in such amount or amounts not exceeding 30 years from the date of issuance thereof;

(iii) the provisions for prepayment and redemption of the Bonds prior to their stated maturity; and

(iv) the interest rates for the Bonds, provided that the net present value of debt service savings to be achieved by the refinancing is not less than [TO BE PROVIDED AT MEETING %] of the principal amount of the refinanced loans.

Such approval shall be conclusively evidenced by the execution of the financing agreements as provided herein by the Executive Director, the Associate Director, the Chair or the other members of the Authority.

Section 3. General.

3.01. If the Bonds are issued and sold, the Authority will enter into various agreements, which may include a bond purchase agreement, a loan agreement or similar agreement satisfying the requirements of the Act with the Borrower and a pledge agreement or similar agreement in favor of the Purchasers. The loan repayments or other amounts payable by the Borrower to the Authority under the Loan Agreement and other agreements to be entered into in connection with the issuance of the Bonds shall be sufficient, if paid timely and in full, to pay the principal of, interest and redemption premium, if any, on, the Bonds as and when the same shall become due and payable.

3.02. The Borrower shall make payment either directly or through the Authority of any and all costs incurred by the Authority in connection with the Bonds, whether or not they are issued.

Section 4. Commitment Conditional. The Authority retains the right in its sole and absolute discretion to withdraw from participation and accordingly not issue the Bonds should the Authority at any time determine that it is in the best interests of the Authority not to issue the Bonds or should the parties to the transaction be unable to reach agreement as to the terms and conditions of any of the documents required for the financing prior to the execution and delivery by the Authority of the financing agreements referred to herein.

Section 5. Public Hearing. Section 147(f) of the Internal Revenue Code of 1986, as amended (the "Code"), requires that, prior to the issuance of the Bonds, the Authority shall hold a public hearing on the Project and the issuance of the Bonds in connection with the refinancing thereof, following notice thereof. Each of the Executive Director and the Associate Director is authorized and directed to publish notice of the public hearing, to conduct that hearing at the time and place specified in the published notice and to provide minutes of that public hearing to the Borrower and to Bond Counsel.

Section 6. Approval of Governor. Each of the Executive Director and the Associate Director is authorized and directed to forward to the Governor a certified copy of this Resolution and the minutes of the public hearing referred to in Section 5 and to request on behalf of the Authority that he approve the issuance of the Bonds for the purposes contemplated by this Resolution as required by Section 147(f) of the Code.

Section 7. Findings. Based on such facts and circumstances as this Authority deems relevant, the Authority hereby finds, determines and declares as follows:

(a) the Borrower is an "institution" and the improvements to the Facilities to be refinanced by the issuance of the Bonds comprise an "eligible facility" within the meaning of the Act;

(b) the loan of the proceeds of the Bonds to the Borrower will not exceed the total eligible costs of the Project, less other available funds, as determined by the Borrower;

(c) the loan repayments of the Borrower are to be sufficient to pay the principal of, premium, if any, and interest on the Bonds as due, to maintain sufficient reserves therefor, to meet all other obligations in connection with the Bonds and to provide for costs of servicing and securing the Bonds and the loan of the proceeds thereof;

(d) the Facilities are operated by the Borrower for the purpose of fulfilling its obligation to provide health care facilities;

(e) based solely upon information and representations provided by the Borrower, the Borrower has sufficient experience and expertise to operate the Facilities;

(f) based solely upon information provided and representations made by the Borrower, the Project is financially feasible and the Borrower will have sufficient revenues to provide for the payment of the principal of and interest on the loan of the proceeds of the Bonds as due;

(g) pursuant to a pledge agreement or similar agreement in favor of the Purchaser, the loan repayments and certain other amounts payable thereunder will be pledged to the repayment of the Bonds; (h) based solely on information provided and representations made by the Borrower, to the extent legally required, the construction of the Project has been reviewed and approved by the appropriate regional and state health planning boards and has received all approvals required by Montana Code Annotated, Title 50, Chapter 3, Part 3, as amended; and

(i) based solely on information provided and representations made by the Borrower, including the reports or surveys on file with the Borrower by the Department of Public Health and Human Services and the Occupational Safety and Health Agency, the construction of the Project did not significantly affect the quality of the human environment, within the meaning of Montana Code Annotated, Section 75-1-201(1)(b)(iii).

The foregoing findings and determinations are made pursuant to the Act and are not made for the benefit of, and may not be relied upon by, the owners from time to time of the Bonds.

Section 8. Execution of Documents and Bonds.

8.01. The Executive Director, the Associate Director or any one or more of the officers of the Authority are hereby authorized and directed to execute the Bonds and all such other financing and security agreements and documents to be executed by the Authority in connection with the issuance of the Bonds, in the name and on behalf of the Authority. The Bonds and all such other financing and security agreements and documents shall be executed in the forms as are approved by the officer or officers executing the same, which approval shall be conclusively presumed by the execution thereof.

8.02. The Executive Director and other officers of the Authority are authorized and directed to prepare and furnish to the Purchasers of the Bonds, D.A. Davidson, and Bond Counsel, when the Bonds are issued, certified copies of all proceedings and records of the Authority relating to the Bonds, and such other affidavits, certificates and documents as may be required to show the facts relating to the legality and marketability of the Bonds as such facts appear from the books and records in the officers' custody and control or as otherwise known to them, or as may be necessary or desirable to accomplish the issuance and sale of the Bonds, and all such certified copies, certificates, affidavits and documents, including any heretofore furnished, shall constitute representations of the Authority as to the truth of all statements of fact contained therein.

Section 9. Limited Liability of Authority and State. The Bonds and the Authority's obligations under all such other financing and security documents and agreements executed in connection therewith shall be special, limited obligations of the Authority payable solely from and secured by the payments required to be made by the Borrower or others (except to the extent payable from the proceeds of the Bonds) and will not constitute or give rise to a pecuniary liability of the Authority or a charge against the general credit or taxing powers of the State.

Section 10. Authority Fees. As authorized by Section 90-7-211 of the Act, the Authority may assess certain initial planning service fees and annual planning service fees to be paid by participating institutions (as defined in the Act) in connection with any application to the Authority for financial assistance. The Authority hereby determines that the initial planning service fee for the Bonds shall be the amount required under the Authority's present policy and currently estimates the amount to be the greater of $25,000 or 15 basis points (0.0015%) of the principal amount of the Bonds upon issuance, and the annual planning service fee for the Bonds shall be five basis points (0.0005%) times the then-outstanding principal amount of the Bonds, unless and until changed by the Authority. No holder of the Bonds or any other bonds or notes of the Authority outstanding from time to time shall have any interest in such funds or any right, by contract or otherwise, to direct the application of such funds to the payment or security of such bonds or notes.

PASSED AND APPROVED BY THE MONTANA FACILITY FINANCE AUTHORITY this 6th day of December, 2016.

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Jon Marchi
Chair