

HJ SIMS ADVISES PEOPLES OF BASTROP ON THE ACQUISITION OF A PRIVATE WATER SYSTEM VIA A TAXABLE MUNICIPAL BOND ISSUANCE

PARTNERED RIGHT®

A privately held water utility operator (the “Sponsor”) specializing in the acquisition and management of private water and wastewater systems reached an agreement to acquire a private system serving over 6,000 customers in North Louisiana (the “System”). The Sponsor has demonstrated a strong track record of operating water utilities, reducing expenses through the implementation of more streamlined operations and economies of scale, but was looking for an innovative approach to acquiring an additional water system in their operational footprint.

STRUCTURED RIGHT®

Ultimately, HJ Sims underwrote a taxable municipal bond issue in the amount of \$10.635 million, which was used to purchase the System from the existing operator. Initially, the plan of finance was to take the offering to a limited potential buyer base, but positive market feedback led to HJ Sims opening the offering to the institutional bond market. To appeal to a broader investor base, and level annual debt service in aggregate, HJ Sims structured one medium-term bond maturing in 2033 and a long-term bond maturing in 2051.

Peoples of Bastrop At A Glance

Partnered Right®	Structured Right®	Executed Right®	Financed Right®
<ul style="list-style-type: none"> » A privately held water utility operator specializing in the acquisition and management of private water and wastewater systems reached an agreement to acquire a private system serving over 6,000 customers in North Louisiana. » The water utility operator has a demonstrated track record of improving the operational outcomes for water and wastewater utilities, and was looking to add the additional system to their portfolio. 	<ul style="list-style-type: none"> » HJ Sims underwrote a taxable municipal bond issue in the amount of \$10.635 million, which was used to purchase the System from the existing owner and fund various reserves. » Due to positive market feedback, the plan of finance lead to HJ Sims opening the offering to the institutional bond market. 	<ul style="list-style-type: none"> » The Taxable Bond provided higher leverage compared to a conventional bank loan, allowing the Sponsor to avoid raising unsecured subordinate debt at a higher cost of capital or diluting its ownership in the System from taking on additional equity partners. » The bond issue was structured with both working capital and system improvements funds, allowing the Sponsor to implement their planned improvements as well as make needed upgrades to the System. 	<ul style="list-style-type: none"> » The financing consisted of a \$2.375 million, 12-year taxable bond at a yield of 5.364%, and a \$8.26 million, 30-year taxable bond at a yield of 5.802% underwritten by HJ Sims.

EXECUTED RIGHT®

The Sponsor found the Taxable Bond structure attractive for the acquisition, as it provided higher leverage compared to a conventional bank loan, allowing them to avoid raising unsecured subordinate debt at a higher cost of capital or diluting its ownership in the System from taking on additional equity partners. In addition, the bond issue was structured with both working capital and system improvements funds, allowing the Sponsor to implement their planned improvements as well as make needed upgrades to the System.

FINANCED RIGHT®

The financing consisted of a \$2.375 million, 12-year taxable bond at a yield of 5.364%, and a \$8.26 million, 30-year taxable bond at a yield of 5.802% underwritten by HJ Sims. The unconventional, customized financing structure helps the long-time operator preserve strategic capital for additional growth opportunities and for the support of other systems in their portfolio. HJ Sims excels in providing customized, timely financing solutions allowing owners and operators to focus on what they do best.

“Our company recently acquired a water utility in northeast Louisiana. We were fortunate to engage HJ Sims to underwrite a taxable municipal bond in the amount of \$10.635 million used to purchase the system and fund multiple reserve accounts. Jimmy Rester and his team were extremely knowledgeable and brought the necessary experience to close a complex transaction. There is no question HJ Sims will be a valued partner on all future financing projects we endeavor to accomplish.”

— Jeff McNew, Co-Founder/Managing Member

For more detailed information on how Peoples of Bastrop was Financed Right® by HJ Sims, please call or email:

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