Tortoise QuickTake
Social Infrastructure Podcast

March 5, 2019

Welcome to the Tortoise QuickTake podcast. Thank you for joining us. Today, Tortoise provides a timely update on trending topics in the market.

Emily Blue: Hello and welcome to our Tortoise social infrastructure platform podcast. Thanks for joining us. I am Emily Blue, senior research analyst and am joined by Jeremy Goff, managing director of the social infrastructure platform. One of the main goals of the platform is to provide much needed capital to facilities in healthcare, education, housing, energy efficiency and project finance. We serve as a nice bridge for these entities until they can reach a stage to obtain more traditional, lower cost financing through an exit-refinance process. In today's podcast we will discuss the exit refinanacing process, summarize the refinancings in 2018 and highlight the impact that those had on our borrowers and our investors. With that, Jeremy, can you explain how these facilities refinance and summarize the exit refinancings that the platform facilitated in 2018?

Jeremy Goff: Sure, thanks Emily. So, first let's start with talking about why we have a refinancing process. That's really what we use to exit these investments off of the platform. And so we think about this from Day One as we start underwriting these facilities and investments. What is that refinancing going to look like and when do we project it to be. Some of the places that these entities will go for alternative financing will be the traditional public markets, agency markets such as Fannie, FHA, things of that nature. They also will go to traditional bank loans or even in some cases other private lenders in the market. Over the course of the last year, we've had four exit refinancings off of the platform. They totaled about $14.2 million. And they were three charters in Florida, Arizona and California as well as a human service provider out of Utah.

Emily Blue: So Jeremy, could you give an example of one of our exit refinancing deals?

Jeremy Goff: Sure, so one of the exit refinancings occurred with a charter school out of Sonoma County, California. And that particular charter school was performing extremely well. And I would say, this is probably one example, one where we often times talk about public markets refinancing, but this one was underwritten so well that another private buyer actually issued new debt under the same exact terms that we had previously, minus a smaller coupon, that we had previously underwritten too. So it was a great example of one, the underwriting quality and the expertise we have here, and our ability to find great assets here, but also that there are more than just traditional capital markets out there to refinance these assets.

Emily Blue: Along those same lines, how would you describe the impact that those exit refinancings had on the borrowers?

Jeremy Goff: I think it's really a validation of the thesis we have that we're helping them get from one part of their lifecycle to the next. So, the next part of their natural lifecycle is to go into cheaper markets where they can financing for their needs at a cheaper cost of capital. So in cases where we would say as an example, charge 8% for the debt that they used to expand, now they're ready to expand again and they can enter those more traditional markets and get closer to say, as an example, 5% or some form lower than that. And the impact is that it really enhances their cash flow, so their debt services is going to be lower and it allows them to have a better balanced balance sheet and really as they continue to grow, to achieve better financing options as they go forward.

Emily Blue: The platform's goal for every facility that we lend to is for them to work toward refinancing into other markets and do so in a healthy way. We are there to ensure that they get there and mature them into a phase of the lifecycle in order to obtain that financing. We can make very positive impact on these facilities in a time where they need it the most. How would you describe the impact that these exit refinancings had on our investors?

Jeremy Goff: I think first and foremost it serves as a validation to our own investment thesis to the extent that we are growing them into a point where they can reach more traditional financing. In some cases, we've restructured the bonds so that there are certain premium redemptions. So if they were to choose to get out earlier than we had projected there

may be a premium tied to that refinancing that will benefit our investors on the total return side more than just the coupon or some sort of interest, make whole provision, that allows the investors to benefit from the early exit of that portfolio entity. I think for them, it's important that we keep these assets in the portfolio as long as possible but we also structure in certain call windows that allow them to exit at the right time at par. And so, obviously we want to see them come out in that window, but should they come out early or later than projected the investors benefit from that unexpected refinancing.

Emily: Thanks, Jeremy. These exit refinancings represent a very impressive milestone for our borrowing entities. Thank you all for joining us today. Stay tuned in for the next podcast!

Thank you for joining us. And stay tuned for our next cast. Have topics you want covered or other feedback to share? Write us at info@tortoiseadvisors.com.

Disclaimer: *Nothing contained in this communication constitutes tax, legal, or investment advice. Investors must consult their tax advisor or legal counsel for advice and information concerning their particular situation. This podcast contains certain statements that may include "forward-looking statements." All statements, other than statements of historical fact, included herein are "forward-looking statements." Although Tortoise believes that the expectations reflected in these forward-looking statements are reasonable, they do involve assumptions, risks and uncertainties, and these expectations may prove to be incorrect. Actual events could differ materially from those anticipated in these forward-looking statements as a result of a variety of factors. You should not place undue reliance on these forward-looking statements. This podcast reflects our views and opinions as of the date herein, which are subject to change at any time based on market and other conditions. We disclaim any responsibility to update these views. These views should not be relied on as investment advice or an indication of trading intention. Discussion or analysis of any specific company-related news or investment sectors are meant primarily as a result of recent newsworthy events surrounding those companies or by way of providing updates on certain sectors of the market. Tortoise, through its family of registered investment advisers, does provide investment advice to Tortoise related funds and others that includes investment into those sectors or companies discussed in these podcasts. As a result, Tortoise does stand to beneficially profit from any rise in value from many of the companies mentioned herein including companies within the investment sectors broadly discussed.*