

DISTRESSED MUNICIPAL DEBT REPORT

ACCOMACK CNTRY VA IDA HEALTHCARE FACS AMERICAN FAMILY SERVICES INC

To update the status report on this \$4.5 million nursing home issue, the trustee's attempt to sell the facility received no bids and the stalking horse bidder withdrew his bid. Subsequent efforts resulted in a bid of \$850,000 for the centre's Bed Rights which was subsequently reduced due to water damages at the facility. Notice has been given by the trustee that the facility would be closed on March 5, 2018. By notice of the court, a final sale of the facility and all other assets was made at auction for \$250,000. This was finally achieved but legal matters continued on to such an extent that when all was finally done, only \$756,000 in funds remained and of this, \$412,000 went to the trustee and lawyers for legal expenses and the remainder to the unpaid creditors each of whom received only 35% of their amount due. This left zero amount for distribution to bondholders. It does not appear that anyone is standing in the wings to buy up these bonds to re-purpose them for another project, something we thought is going on with other issues. CUSIP 004341AX1

ARIZONA IDA PROVIDENT GRP E MICH UNIV PARKING GARAGE

It seems Wisconsin is not the only state poaching on other state's development projects. This \$36 million bond issue financed a \$59 million concession agreement for an existing parking garage for the East Michigan University. The bonds drew on its interest reserve to fund the May 1, 2021 interest payment and blamed the shortfall on Covid-19 which reduced attendance at the university. A deeper look, however, shows that this project was in trouble well before the pandemic. Although the facility lost \$7.5 million on revenues of \$2.9 million in 2020, they lost \$5.2 million on revenues of \$5.3 million in 2019. Cumulative losses since inception total \$17.4 million. The bond issue is

one of two totalling \$72 million. It's hard to understand how \$72 million in bonds which generates annual revenues of \$5.3 million in a good year could even be issued. This is clearly a troubled project which faces bond maturities starting in 2022 and yet, its bonds are trading at a premium. There appears to be something wrong here, which may explain why the bonds are being issued out of Arizona. CUSIP 04052AAR7

ARIZONA IDA HARVEST GOLD SILICA PJ

This \$22 million bond was to build a facility in Congress, Arizona to remediate solid mining waste into silica based product used as an organic soil additive that substitutes for fertilizer. The project is unusual in that the operators have invested \$3 million in equity in the development company. The project had an interest and a \$1.615 million principal payment due May 1, 2021 which was not made. The trustee has previously cited numerous technical defaults by the issuer, but it appears the first maturity proved to be more than the project could fund. No details were cited as to operating problems. The 7.375% long bonds dropped into the 80s a year ago and dropped to 55 as of May 20, 2021. Two more principal payments of a similar size are due in the next two years after which the remaining principal comes due in 2030. CUSIP 064052ABB1

BAYONNE NJ REDEV AGENCY ROYAL CARIBBEAN CRUISES LTD

This \$16.5 million bond financed the docking facilities for Royal Caribbean cruise lines. Due to the Covid-19 pandemic, they stopped debt service payments since no cruises have operated since early 2019. Bondholders continued to receive payments funded by the debt service reserve which had a minimum of one-years debt service. This means that the November 2021 interest payment will have to be funded from **(Cont. on pg. 2)**

current payments. Royal Caribbean does expect to be in operation by that time. The 5.375% bonds did drop below par in March 2020 and last traded at 83 on March 30, 2021. CUSIP 073009AG7

**BRISTOL VA IDA
THE FALLS AT BRISTOL PJ**

This \$33.8 million bond was issued in 2014 for the construction of a shopping mall in Bristol Virginia located in the western part of the state. Since 2018 the project has been drawing on a \$2.75 million debt service reserve to make its interest payment. The latest for \$374,177 for the May 1, 2021 interest payment has left only \$138,6453 in the reserve. In short, they have nearly exhausted the reserve and may default on their next payment. The bonds appear closely held as they have not traded. CUSIP 110354AQ0

**BUTLER CNTY OH PORT AUTH
CUSIPS 12356HAC1
ALLEN CNTY IND EDA
CUSIP 01753RAD9
TOLEDO-LUCAS CNTY OH PORT AUTH
CUSIP 88926TAD2,
CHESTERTON IND EDA
CUSIP 16655MAA3
STORYPOINT RETIREMENT
FACILITIES**

These four bond issues totalling \$148.4 million and with coupons of 6.5% to 8.5% were used in 2016 and 2017 for the construction of 4 nursing and retirement facilities in Indiana and Ohio by an operator called Storypoint. In April, 2020 they began withholding their monthly rental payments to the trustee and indicated they wished to negotiate a forbearance agreement with bondholders. Note that as of April 2020, all the facilities were not yet completed or operating and were still drawing on construction funds. It turns out that the project sponsor had negotiated a refinancing of the facilities at rates lower than the 6% to 8% payable on the current issues. Despite the bonds not being callable until 2024, the developer negotiated an early exit at the price of a call in 2024, namely 104 plus accrued interest. The final distribution was made November 20, 2020. This is another example of a staged default which we predicted as returning to the municipal market due to current lower rates.

**CALIFORNIA STATEWIDE COMMTY
DEV AUTH - CHILDREN OF PROMISE
CHARTER SCHOOL**

This \$5.4 million bond financed a charter school in Englewood California. On January 15, 2020 the school district refused to renew the schools charter and it was forced to close. Bondholders voted to accelerate the bonds on April 13, 2021. The trustee went into Superior Court and requested appointment of a receiver and foreclosure on the building. This action was contested by the school and is set for a hearing on May 25, 2021. The bonds are closely held and have not traded. CUSIP 13080KAR2

**CALIF PFA UNIVERSITY HSNR REV
CLAREMONT COLLEGE**

This California college issued a \$53.2 million bond in 2017 to finance a building to house 419 students and faculty. Things have not proceeded as planned and the facility is still drawing funds for construction while funding interest payments from reserves. The current projection is that they will have an operating deficit of \$925,173. Bondholders have so far agreed to finance the shortfalls. However, it appears that the July 1, 2021 interest payment will leave only \$472,000 remaining in the debt service reserve. This would be insufficient to meet a full interest payment for any subsequent periods. Bonds last traded at 84 in July 2020 and have not reacted to this latest notice. We suspect that is going to change - shortly. CUSIP 13058BAD1

**CAPITAL TRUST AGENCY FLA
AMERICAN EAGLE PORTFOLIO PJS**

This \$219 million bond issued in 2018 funded the development of numerous nursing facilities in Florida. The project management has been disrupted by the pandemic and is asking for a standstill agreement. Below is some discussion of what is happening in the retirement facilities industry which is indicative of what the future holds for future growth.

"While the COVID-19 virus has disrupted most industries in our nation, the senior living industry is being hit especially hard. The residents that we care for are the population at the greatest risk of this virus, and we are committed to the health and safety of our residents and staff. The immediate impact we are currently experiencing to the revenue side of our business is primarily due to the reduction in

leads, presentation (or "tours") and move-ins. Despite continued sales efforts, our communities experienced a reduction of leads and presentations throughout the month of March ranging from 25 to 40 percent, and are experiencing a reduction of 75 percent of the same to date in April. Management has had to deal with multiple complexities and challenges created by the pandemic including but not limited to: physicians discouraging residents and families from moving in at this time; hospitals and nursing homes not allowing in person assessments due to essential visitor restrictions; risks with admitting residents coming from hospitals, nursing homes, or rehab centres that have cases of COVID-19; tours being limited to "virtual" and not in person; and an overall desire for residents to stay at home. Bond prices in April dropped to a low of 29. The June 1, 2021 interest payment was not made following the failure to receive any payment from the project. CUSIP 140442EB3

DISTRICT OF COLUMBIA NATIONAL CNTR FOR LAW ENFORCEMENT

It looks like law enforcement can't find as friend anywhere these days. This \$103 million 2016 bond issue was for building the titled centre in Washington DC. The revenues for its operation were principally to come from donations. It opened in October 2018 and projected a first year attendance revenues of \$7.6 million. However, this proved very optimistic especially after Covid-19 shut down most such facilities in early 2020. Revenues for 2019 came in at \$1.6 million and a shutdown in 2020 reduced revenues to \$76,000. However, this fell short by some \$4.4 million and now requires a draw on the debt reserve to make the interest payments with the series C bonds not being paid at all. Operations are being scaled back dramatically given the low revenues in 2019 when the facility was fully operational. This looks like another feel good project that has come up short. Apparently, \$103 million is proving to be too much of a stretch. The bond issue depends on donations to the museum in addition to attendance revenues. A new director has been appointed with the goal of finding public support in a current hostile environment. With bonds trading in the 20s, we suggest that bondholders would do well to donate their bonds to the museum as their most promising

recovery opportunity. CUSIPS 25483VQQo, 25483VQR8, 25483VQT4

ILLINOIS FIN AUTH MULTI FAM HSNB BETTER HSNB FOUNDATION PJ BLUE STATION PJ 45202LCC6 WINDY CITY PJ 45202LBU7 ERNST PJ 45202LBX1 SHORELINE PJ 45202LBH6 ICARUS PJ 45202LBN3

This Illinois authority has issued \$197.1 million in bonds to finance five different housing projects named Shoreline, Icarus, Windy City, Blue Station and Ernst in the Chicago area. In a notice filed with the MSRB on December 12, 2018 the board of the authority decided to file a voluntary notice that the December 1, 2018 interest payment would be made out of reserve funds instead of current revenues. In the same notice they advised that this 'voluntary' notice was also to advise that they had failed to advise bondholders that their bonds had been downgraded to CCC by S&P, also a notice of their failure to provide an Event Notice regarding the draw in a timely manner. And while they were at it, the board advised that the Debt Service Reserve Fund for all the bonds had not been replenished. As a result, the June 1, and December 1, 2019 interest payments could not be made resulting in the bonds being downgraded to 'D'. A new trustee, UMB Bank was appointed and accelerated all the bonds. Separate bankruptcies were filed for each project with the following results:

- . The Blue Station bankruptcy sale has taken place but the results would only be adjudicated on May 17, 2021. No report was forthcoming by month end, but a stalking horse bid of \$15 million on \$22 million in bonds outstanding would indicate a recovery of 68 cents on the dollar and bonds were trading near that level.
- . The Windy City project was sold at auction with the net proceeds going to bondholders in two distributions on March , 2021 and April 26,2021. The net proceeds translated into a recovery of 75 cents on the dollar for senior bondholders and 13 cents on the dollar for junior bondholders. The irony here is that the senior bonds had a coupon of 4.375% while the juniors had a coupon of 3.5% but a 2021 maturity versus 2042 for the seniors. It would seem that these bonds anticipated the likelihood of default from inception but even four years

was longer than occurred. But then, this is Chicago, the windy city.

. The Ernst project was sold at auction and the net proceeds were distributed to bondholders on March 25, 2021. The net proceeds were \$5,309,396 which on a remaining principal amount of \$19,040,000 represents a recovery of 28 cents on the dollar.

. The Icarus project was put into bankruptcy and sold at auction. The net proceeds to bondholders were distributed on March 24, 2021. The proceeds were \$8,158,165 which translates into a recovery of 16 cents on the dollar.

. A similar bankruptcy and sale took place on the Shoreline project. The net sales proceeds for bondholders was \$880,738 which was distributed to them on March 19, 2021. Since the principal outstanding was \$13,560,000 the distribution represented a recovery of 6 cents on the dollar.

KNOX CNTY HLTH EDU HSNB FACS PROVISION CNTR FOR PROTON THERAPY

This \$129 million 2014 issue funded a cancer treatment facility titled the Provision Centre for Proton in Knox County Tennessee. The centre has failed to make its monthly instalment payments to the trustee since November 2019. This has continued through May, 2021, however bondholders have instructed the trustee not to make the interest payment from reserves which total \$10.9 million. On December 15, 2020 the obligors filed for Chapter 11 Bankruptcy. No details were given as to the reason for the lack of payments by the Centre. Bonds dropped to 41 on an \$8 million sale on December 21, 2020. Guess somebody got the word early. CUSIP 9952MCG9

ST LOUIS CNTY MO IDA CROSSING AT RICHMOND HEIGHTS

This \$5.5 million bond financed a strip shopping centre in St. Louis County Missouri. The debt is serviced by sales taxes. The trustee had to draw on the debt service reserve for \$13,575 in order to make the \$151,500 interest payments due May 1, 2021. No reason was given for the shortfall, albeit Covid-19 comes quickly to mind. CUSIP 79152SAB4

TARRANT CNTY CULTUR EDUC FACS YOUNG MEMORIAL HOME PJ

A variety of bonds totalling \$174.3 million have been issued by two authorities for this nursing home facility in Texas. Bondholders are notified that the August 15, 2020 interest payments required invading of the debt reserves to make the \$5.6 million interest payment due. We assume this is Covid-19 related but no such assertion was made. A similar \$5.5 million draw on the debt reserves was made to fund the February 15, 2021 interest payment leaving only \$3 million in the various debt reserves. Unless matters correct soon, one or more of these bond issues will go into payment default next August. Senior bonds have not traded, however, a junior issue traded in May 2021 at 52. CUSIP 87638RHM2 & 658546UP9

WESTERN HILLS WTR DIST CALIF SPL TAX DIABLO GRANDE CMNTY FACS #1

This Mello-Roos Community Facilities District has been in and out of default on previous as well as on its current 2014 and 2015 issues. The latest round of defaults began in 2019 when it failed to make all interest and debt service payments. Its latest notice was a failure to make its March 1, 2021 interest payment of \$948,110. Looking at the balance sheet for the district, we see that over the years they have accumulated a deficit of \$20.5 million on assets of \$41.9 million. The deficit is growing at about \$2 million per year so further refinancing is not an option. Only inflation or Chapter 13 bankruptcy remain. Bonds were trading near par in 2018 but declined to a low of 38 in May 2020 before rising again to a current 67. At that price, they look like a good sell. CUSIP 958324AN5

WINROCK NM TOWN CENTRE DEV DISTRICT 1

This \$43.3 million 2015 bonds was to upgrade a 1961 shopping centre in Albuquerque New Mexico. The project had to draw on its debt reserve in order to make the November 1, 2020 and May 1, 2021 interest payments. No reasons were given for the shortfall, albeit Covid-19 is a likely suspect. Bonds have not traded so we assume they are closely held and are getting their information directly. CUSIP 97535RAC4

WISCONSIN PUBLIC FINANCE AUTHORITY MARYLAND PROTON TREATMENT CENTER

This \$267.4 million 2018 bond issue financed a cancer radiation treatment centre in Baltimore, Maryland. It is another Wisconsin out of state issue. The project seems to be having problems despite its short life but public disclosure of events has been restricted. We suspect the debt service reserve is being invaded to make the interest payments but even this is only shared with bondholders. Things are bad enough that an outside consultant was retained to issue a report on the marketing, operations and finances of the obligor. Again, this is made available only to bondholders. Bonds have not traded since August 2020. CUSIP 74442PJ

WISCONSIN PUB FIN AUTH MINN COLG OF OSTEOPATHIC MEDICINE

This 73.3 million 2019 bond issue is for the construction of a college of osteopathic medicine in the town of Gaylord, Minnesota. This is another one of those bonds issued by this questionable authority for out-of-state projects. The project calls for the renovation of an existing building. The project is now held up by the filing of a \$4.6 million mechanics lien by the contractor doing the renovation. This is curious since, while the building is being leased from the university, the funding for construction should have been covered by the bond issue. The original obligor seems to have abandoned the project. Hence, the trustee has determined to refund to bondholders the residual of unspent funds to senior bondholders. This appears to be \$63.9 million or 97% of their face value. Holders of \$9.5 million in subordinated bonds would receive nothing. An institutional fund bondholder has written down the value of their \$5 million holding by 90%. There is no explanation as to why the project was abandoned. CUSIP 764442PLQ6

(WISCONSIN) PUBLIC FINANCE AUTH DELRAY BEACH RADIATION THERAPY CTR

This \$51.3 million issue by the Public Finance Authority (aka Wisconsin Public Finance Authority) has had to invade its debt reserves to make its November 1, 2020 interest payment. No surprise here since their other radiation therapy issue is also in distress. The May 1,

2021 interest payment was not made due to the exhausted debt service reserve. Bondholders continue to hold fast with only one transaction on January 13, 2021 at 107. We continue to focus on this state authority because of its nationwide reach in authorizing bonds, a reach that assures a lower quality of issues and issuers (see our October and November issues where we detail the abuses and defaults). CUSIP 74442PDF9

WOODLOCH HLTH FACS SR HSNB INSPIRED LVNG AT MISSOURI CITY

This \$44.6 million 2017 bond issue financed a congregate care facility of 129 assisted living beds and 51 nursing beds in Fort Bend County Texas. The trustee had previously advised bondholders that the bonds were in default by virtue of not having made their June 1, 2019 debt service payment. A phone conference with bondholders resulted in the trustee accelerating the bond issue effective October 4, 2019. Now such an action would normally result in a legal action whereby the trustee goes into court to appoint a receiver to run the facility while looking for a buyer. Likewise, the facility may or may not seek bankruptcy protection. Instead what has happened since October 2019 is pretty much undisclosed until April 27, 2021 when an updated default and acceleration notice was issued. We are advised that the firm of Preston Hollow Capital LLC is the majority bondholder so we assume they are controlling events. What has been playing out is that since October 2019, some \$6.1 million in bonds have changed hands at prices in the 90 to 55 range. The updating notice recites a long list of defaults but specifies no specific follow up actions or instructions to the trustee, UMB Bank. Given this and the heavy volume of bonds changing hands, this latest update looks more like an attempt to scare more bondholders into selling. Given the pandemic situation which followed the above events bondholders are entitled to better disclosure before selling their bonds. CUSIP 97982CAE1

DEFAULT SUMMARY BY YEAR

| | | 2009/2013 | 2014/2018 | 2019 | 2020 | 2021 |
|----------------------|---------|--------------|--------------|-------------|-------------|-----------|
| TOTAL | # | 612 | 255 | 31 | 67 | 27 |
| DEFAULTS INSURED | \$(000) | \$27,883,847 | \$83,572,740 | \$1,870,742 | \$4,055,648 | \$951,387 |
| DEFAULTS SETTLED | \$(000) | \$3,270,603 | \$26,610,610 | | \$317,049 | \$165,625 |
| DEFAULTS | \$(000) | \$17,802,573 | \$7,217,393 | \$1,234,125 | \$515,270 | |
| DISTRESSED ISSUES | # | 145 | 56 | 15 | 57 | 11 |
| | \$(000) | \$21,154,025 | \$73,598,027 | \$1,593,279 | \$4,701,383 | \$342,685 |

Largest Unsettled Defaults

| Issuer | Project | \$Amount (Millions) |
|----------------|----------------------|------------------------|
| Puerto Rico | Various | 63,500 |
| Puerto Rico | PREPA | 8,500 |
| Washington St | Convention Center | 313,575 |
| Chicago Midway | Hertz | 294,420 |
| Oklahoma | Student Hsng | 251,680 |
| Lombard IL | Public Facs Corp | 246 |

Largest Distressed Issues

| Issuer | Project | \$Amount (Millions) |
|--------------------|---------------------------|------------------------|
| Golden State CA | Tobacco Settlement | 63,500 |
| Buckeye H | Tobacco Settlement | 8,500 |
| New Jersey | Tobacco Settlement | 313,575 |
| Virginia | Tobacco Settlement | 294,420 |
| TSASC NY City | Tobacco Settlement | 251,680 |
| Rhode Island | Tobacco Settlement | 246 |
| Wisconsin | NJ Amer Dream Mall | 1,068,000 |
| Nevada | Vegas Football Stadium | 645,145 |
| Wisconsin | MD Proton Trmt Ctr | 267,405 |

RESEARCH REPORTS & PUBLICATIONS

Richard Lehmann & Assoc Inc maintains a database of information on over 4,000 defaulted municipal bonds. We are able to provide customized research reports on these issues upon request.

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