Michigan Municipal Market Update

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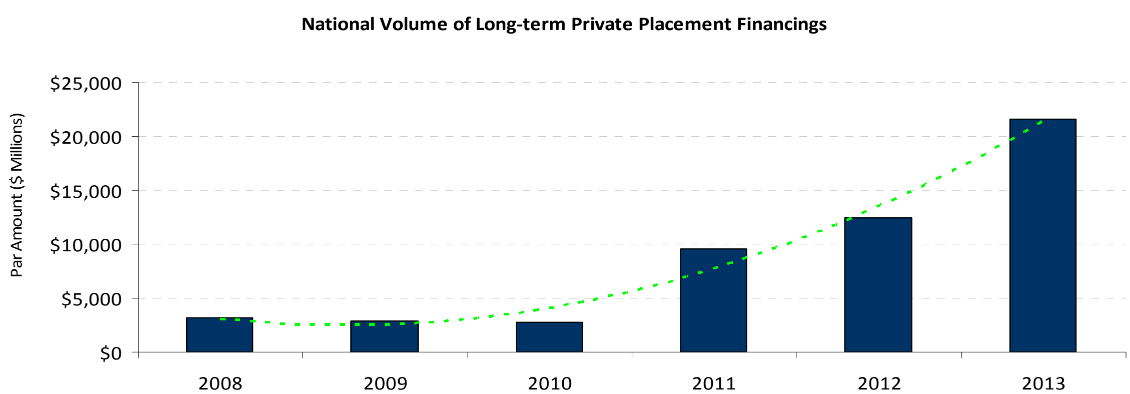
Municipal Commentary

Private Placement Financings

Over the last several years, traditional municipal bond borrowers have been using private placement financings much more frequently, as they find this process generally more flexible and a quicker solution than a traditional municipal bond offering. A private placement is a direct offering of securities to a limited number of sophisticated investors. Investors in a privately placed offering include a "qualified institutional buyer" such as a bank, insurance company, mutual fund, trust department or an "accredited investor" as defined by the SEC for income and/or net worth requirements. Private placements, like a municipal bond, can be used to finance issuer's capital equipment, real property, infrastructure, technology, and working capital needs. With a private placement, the borrower would expect to have flexible repayment options and lower issuance fees. However, private placement loans typically have low market liquidity. Overall, a private placement option can be a great vehicle for issuers as they compare their needs with traditional municipal bonds, the chart below shows the increase in national private placements over the last six years.



Private placements in Michigan totaled roughly $2.2 billion in 2013 compared to only $390.5 million in 2012. In 2013, the types private placement financings ranged from $556.2 million of Student Loan Revenue Bonds for the Michigan Finance Authority to $315,000 of Downtown Development Bonds for the City of Munising.

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