

CASE STUDY

HOTCHKISS SCHOOL

Connecticut Health and Education Facilities Authority
\$35,000,000
August 2000

Connecticut school, first time borrower, obtained AAA-rating

Underwriter
George K. Baum & Company, Denver, Colorado

Hotchkiss School, located in Lakeville, CT, is one of the nation's leading boarding schools. Hotchkiss enrolls 540 students from grades 9-12. Its student body is comprised of 8% day students and 92% boarding students. With an acceptance rate of less than 25%, it is one of the most selective independent boarding schools nationwide. At the time of closing, the School had endowment assets of approximately \$279 million.

Following an extensive interview process, Mr. Procknow was selected to be lead banker for the School's first tax exempt bond issuance. The tax-exempt bond was to be carefully coordinated with a major capital campaign, and would be used to fund a new athletic complex.

Mr. Procknow was charged with the responsibility of leading the School through the process to obtain its initial credit rating. After designing a rating agency strategy and compiling an extensive "ratings book", Mr. Procknow met with senior administration and select Board members several times to rehearse and plan for the rating agency meetings. In the Spring of 2000, the Hotchkiss ratings team met separately with representatives of Moody's Investors Service and Standard & Poor's at the Hotchkiss campus. The meetings consisted of a tour of the campus facilities and a comprehensive meeting emphasizing the School's commanding competitive niche, strong administration and governance, and careful endowment management. Each rating agency's credit committee came back with AAA ratings for this school. At the time, Hotchkiss was one of only five independent schools to obtain the highest rating.

Mr. Procknow's team conducted a request for proposal process to obtain a standby liquidity facility (i.e. a standby bond purchase agreement) to support the variable rate bond issuance. After receiving six competitive proposals, Hotchkiss selected Northern Trust Company at a rate of .08% per annum for three years. The variable rate demand bonds were issued in August, 2000, and traded several basis points below other AAA rated bonds in the Connecticut marketplace.

During 2001 Mr. Procknow was again engaged by Hotchkiss to act of swap advisor and bidding agent. Again using a competitive process, Mr. Procknow bid the 30-year interest rate swap. Hotchkiss was one of the first independent schools nationally to utilize an interest rate swap to hedge variable rate debt.

Role of George K. Baum & Company

After Mr. Procknow moved to George K. Baum & Company in April, 2002, Hotchkiss engaged George K. Baum & Company to conduct an RFP process to obtain a replacement liquidity facility. An Associate assisted Mr. Procknow by drafting an Appendix A that was used in the RFP process. After receiving three strong bids, Northern Trust Company was again retained to provide the standby bond purchase agreement for another three years.

Reference

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