

CASE STUDY

THE MADEIRA SCHOOL

Fairfax County Economic Development Authority
\$20,000,000
July 2003

All-girls boarding/day school, first time borrower, unusual swap structure

Underwriter
George K. Baum & Company, Denver, Colorado

The Madeira School, located in McLean, Virginia is an independent, boarding and day college preparatory school for girls in grades nine through twelve. Situated on approximately 376 acres overlooking the Potomac River, the School attracts students from 13 countries, 23 states and the District of Columbia. The Series 2003 Bonds funded the building of a new student center/dining hall complex as well as dormitory renovations. At the time of borrowing, the School had an endowment of approximately \$30 million, and was in the middle of a major capital campaign effort.

Madeira was a first time borrower in the tax-exempt markets. Mr. Procknow, as lead banker, attended Finance Committee and Board of Trustees meetings over a three year period prior to the issuance.

George K. Baum & Company orchestrated an RFP process for a Letter of Credit to 30 commercial banks nationwide. This comprehensive process yielded two LOC proposals with a ten year term, significantly longer than most. The final LOC accepted was for ten years at 43 basis points, without the benefit of a mortgage pledge.

The School issued \$20 million in variable rate debt, swapping 50% of the bonds to a synthetic fixed rate for 10 years and the other 50% for 20 years. George K. Baum & Company acted as the School's swap advisor, orchestrating a competitive swap bid process that generated a blended swap rate of 3.09%. The financing resulted in an all-in cost of capital to the School of 3.74%. Bonds were also structured with a five-year interest-only period, deferring principal payments until the sixth year to provide budget relief for the School in the early years.

In October, 2005, Madeira again engaged George K. Baum & Company to act as swap advisor, bidding out a second swap that covered the variable rate portion of the original financing structure. The new forward-starting swap synthetically fixed the remaining 20-years on 50% of the debt and the remaining 10 years on the other 50%. This effectively fixed the School's debt for the full 30 year life of the bonds, protecting Madeira from future variable interest rate risk.

Role of George K. Baum & Company

Chuck Procknow served as senior banker on this transaction and organized the financing team, advised the School and its Board of Trustees through the financing process and participated in extensive document review. Mr. Procknow was assisted by an Analyst who performed quantitative analysis, drafted the Appendix A disclosure document and assisted in coordinating the credit enhancement process as well as the day-to-day details of the financing. Ed Steinauer and Elizabeth Scott assisted the School in the competitive swap bid process, sold the School's bonds at pricing and currently remarket the School's variable rate bonds weekly.

Reference

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