

ZIEGLER INVESTMENT BANKING
CASE STUDYGLASGOW CHURCH
AND FAMILY OF
SCHOOLS

CLIENT PROFILE

Glasgow Church is located in Bear, Delaware, a suburb of Wilmington and part of the greater Philadelphia metropolitan area. Founded in 1986, the church is a member of the Presbyterian Church in America. Glasgow Church serves community residents through its services and programs, and also sponsors a group of private schools known as the Glasgow Family of Schools.

The Glasgow Family of Schools gives parents the opportunity to choose one of three Christian educational options for their children:

- 1) traditional education for grades PreK – 12 at Red Lion Christian Academy (RLCA),
- 2) classical education for grades K – 12 at Tall Oaks Classical School (TOCS), or
- 3) structured home-school education for grades PreK – 12 through Glasgow Christian Academy (GCA).

The current combined enrollment of these three schools is approximately 1,000 students.

Over a period of years the church had incurred debt financing via a regional bank for a variety of corporate purposes to assist with the acquisition of the RLCA campus and certain capital improvements at the church site. These loans were scheduled to mature before the debt was paid off, which would require them to be refinanced at unknown rates at some point in the future. In 2016 church leaders began to seek a long-term, permanent financing option, that would also take advantage of the record low interest rates available in the marketplace.

THE ZIEGLER DIFFERENCE

One of the challenges the church encountered with its prior bank financing was that it was using interest rate “swaps” to hedge the underlying floating-rate bank debt. The swaps were difficult to monitor, only existed for limited terms and required additional reporting and covenant obligations on the part of Glasgow Church.



Glasgow Church and Family of Schools – Red Lion and Tall Oaks School Campus Site

\$8,700,000 | Refinancing and New Money

Glasgow Church and Family of Schools | Bear, Delaware

Church borrowers are often presented with swaps as a solution to hedge against rising interest rates— without being adequately educated about the potential terms, covenants and risks of such derivative obligations. Swaps are often presented as “free” to the borrower when in reality a profit margin is embedded within the interest rate that must be paid over time or paid at termination. They can be a useful tool, but in some/many instances, they are not the best alternative for a church or school borrower, because of their complexity and potential impact on a balance sheet.

In the case of Glasgow Church and its schools, Ziegler was able to present an alternative structure that allowed the ministry to refinance its entire debt structure on a true 30-year, fixed-rate basis, without the use of derivative instruments such as interest-rate swaps.

BENEFITS TO THE BORROWER

The Ziegler financing provided funds for Glasgow Church to acquire a satellite campus, as well as money for other campus improvements. The key element of Ziegler’s financing structure that attracted the church

was the true long-term, fixed-rate available with no prepayment penalties. Glasgow Church is free to prepay the loan at any time or simply make regular loan payments and retire the loan at the end of its 30-year term. That type of flexibility was important to this large ministry that not only operates a multi-site ministry but also has a growing K – 12 school program that will need to potentially access the capital markets again for funds for expansion.

“Ziegler provided Glasgow with a comprehensive, yet simple financing solution. The refinancing got us out of always playing the interest rate market and locked us in for the long term, all in one loan structure that we won’t have to worry about for a long time.”

Lee Geissler
Executive Director
Glasgow Church and Family of Schools

This client’s experience may not be representative of the experience of other clients, nor is it indicative of future performance or success.

ZIEGLER INVESTMENT BANKING

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