

ZIEGLER INVESTMENT BANKING
CASE STUDYAMERICAN HERITAGE
EDUCATION FOUNDATION

CLIENT PROFILE

American Heritage Education Foundation is a 501(c)(3) corporation that supports three charter schools, the American Heritage Charter Schools, which are all located in Escondido, California. Founded in 1996, Escondido Charter High School provides 9-12 education through its traditional classroom based program, independent study program and hybrid “Flex” program. Along with the High School, the Foundation also supports Heritage K-8 and Heritage Digital Academy, which provide similar learning options for elementary and middle-school students. Combined, the schools serve over 1,700 students in grades K-8 and provide flexible learning options while maintaining a reputation for academic excellence.

THE ZIEGLER DIFFERENCE

In 2006, Ziegler underwrote \$25,500,000 of bonds that advance refunded a prior bond issue and refinanced bank debt related to the facilities for Escondido Charter High School and Heritage K-8. Series 2006 bond proceeds also funded the construction of a state-of-the-art performing arts center and gymnasium at the High School. Thanks to its strong academic performance and high levels of demand, along with a strong, fiscally responsible management team, the 2006 bonds obtained a “BBB-” rating from S&P—the first investment-grade charter school bonds issued in California.

Even as state budget issues forced funding deferrals that drove some charters to the brink of insolvency in 2011 and 2012, the American Heritage Charter Schools continued to perform. In 2011, however, several mid-year funding cuts led to a one-time covenant violation. While the Schools quickly recovered and never missed a payment on the bonds, the one-time violation did result in a rating downgrade. Nonetheless, the schools continued to grow and perform both academically and financially. Ziegler worked with management to communicate with investors and the rating agency, eventually getting the investment grade rating restored and laying the groundwork for the new project.

**\$33,430,000**California Municipal Finance Authority, Education Revenue Bonds
(American Heritage Education Foundation Project), Series 2016A&B

As the Schools continued to grow, they explored options for expanding the facilities. In 2015, the opportunity arose to purchase a building adjacent to the current High School campus—an ideal home for the new “Flex” program that combined elements of independent study with classroom and lab-based instruction. At the same time, the Foundation sought to refinance some outstanding bank debt and complete several smaller projects to provide additional facilities for the K-8 program. The strong bond market in late 2015 and early 2016 also provided the opportunity for the Foundation to refinance its 2006 bonds at much lower yields.

Ziegler’s Investment Banking team worked with the Foundation and the Schools to create a new structure for the Series 2016 bonds that provided the Schools with increased flexibility compared to the prior bonds. With the new structure in hand, Ziegler’s Capital Markets team, working closely with the Investment Banking team and the School’s management team, was able to fully leverage the strong bond market to successfully price the new issue at historically low yields. At the time the 2016 bonds priced, the Foundation had locked in the lowest 30-year yield of not only any “BBB-” charter school, but also of

any charter school that was not part of a network of schools or that did not have a state guarantee on their bonds.

“In spite of a very condensed timeline and a very busy time for the bond market, from start to finish, we found Ziegler to be a professional, dependable organization. They proved that they were committed to finding the best possible financing solution from the various alternatives available to us. They listened to us to understand our needs and deliver a financing structure that was beyond our expectations. For these reasons I would recommend Ziegler highly to any charter school that is looking for a permanent debt solution.”

Mr. Dennis Snyder
President and Founder
American Heritage Education Foundation

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

For further information on the outstanding bonds for this issuer, please visit the Electronic Municipal Market Access system at <http://emma.msrb.org>.

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