

SOUTHEASTERN UNIVERSITY

JULY 2023

CLIENT PROFILE

Southeastern is a co-educational university with the main campus located in Lakeland, Florida. The University is a comprehensive, Christian university founded in 1935, offering the opportunity to study in various academic disciplines, both on campus and online. Southeastern is accredited by the Southern Association of Colleges and Schools Commission on Colleges (SACSCOC) to award associate, baccalaureate, master's, and doctorate degrees. As of fall 2022, 2,239 traditional undergraduate students, 940 graduate students, 264 doctorate students, 660 online students, 3,401 extension site & partnership students and 2,540 high school dual-enrolled students were enrolled at the University, representing an approximate 370% increase in total enrollments over the past ten years. Southeastern offers more than 100 programs at the undergraduate, graduate and doctoral levels. Since President Kent J. Ingle came to Southeastern in 2011, the University has launched more than 200 extension sites across the nation. The sites are in 46 states, including Florida, which has 39 sites.

TRANSACTION HIGHLIGHTS

Proceeds of the Series 2023 Bonds (rated BB / Stable / S&P) were used to (i) refinance five different bank bonds and notes held by a regional institution, (ii) fund a debt service reserve fund and (iii) pay certain costs related to the issuance of the Series 2023 Bonds.

The University maintains a long-term relationship with its primary bank, but had concerns that its debt profile did not match the future trajectory of a growing institution. Further, three of the five variable rate bank notes were set to expire over the course of the next several months. With this refinancing, University leadership hoped to match the proposed annual debt service obligations of the refinancing with its previous bank debt service



\$79,180,000

Capital Trust Authority
Educational Facilities Revenue Refunding Bonds, Series 2023 A&B
Southeastern University

obligations, mitigate interest rate risk with the variable rate bank debt by securing long-term fixed rates, and create a covenant and security package that would support the University's future growth initiatives. Southeastern sought a comprehensive debt placement solution that would assure that these objectives were met. Ziegler worked diligently to secure a solution that could successfully meet these parameters. Monitoring both the private and public capital markets, Ziegler worked with the University to educate prospective lenders, investors and a credit rating agency about the specific credit strengths and weaknesses of the University credit profile. Additionally, our Higher Education Finance team worked with the University and its municipal advisor to structure a covenant and security package, and the corresponding governing transaction documents, that were best able to meet the University's needs.

THE ZIEGLER DIFFERENCE

Prior to this issuance, Southeastern held all its debt in variable-rate bank bonds/notes and was required to keep a significant portion of its liquidity locked up in a CD with its bank as collateral. Due to the restrictive covenants and securities required of the University by the bank, approaching credit commitment expiration dates on portions of its debt profile, and the unpredictability of future debt

payments, the University looked for a new debt financing solution. Ziegler proposed a comprehensive approach to debt placement by comparing all the possible financing solutions available to the University. This would, in turn, allow for the University to become well-informed as to the options that would best match the needs of an institution on a strong growth trajectory.

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Through various stages of investor interaction over the course of the marketing period, the dedicated Ziegler bankers and the sales/underwriting team worked alongside Southeastern to successfully articulate the profile of the University and the underlying refinancing. The philosophy and approach of telling our clients' story directly to investors is part of Ziegler's purpose-built platform, one that is specifically designed to actively engage investors and generate significant interest for our borrowing partners.

ZIEGLER

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In this approach, Ziegler completed a thorough private placement / bank search, which, based upon then-current market dynamics, yielded results and terms that were not appealing to the University. Ziegler worked alongside the University to carefully analyze and consider the results of that solicitation with the public capital markets and other financing options. As a component to the analysis of public capital markets solution, Ziegler recommended that the University secure a credit rating for the transaction, yielding a “BB” rating with a stable outlook from S&P. Ultimately, the University felt the benefits of a public fixed rate transaction outweighed the timing and execution risk of a bank financing. This option provided Southeastern the ability to convert to a completely fixed-rate debt portfolio, eliminate variable interest-rate risk, incorporate new and significantly less restrictive covenants, release liquid assets which were previously restricted and consolidate its debt under a single legal framework, the governing Master Trust Indenture.

The transaction was composed of a significantly larger taxable series with longer maturities than investors are used to in this credit spectrum of higher education; and in a market with virtually no comparable transactions. Ziegler got creative in their marketing approach. Unlike many of our competitors, Ziegler engages not only with ‘Top Tier’ investors, but also those in Tiers II and III. Because of this strategy, Ziegler received orders from 11 different investors for the Southeastern University financing, and successfully met the needs of the University through this important financing.

REFERENCE

For a reference on Ziegler’s role in this financing, please contact:

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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/>.

