

Financial Affairs  
Richard H. Hinds, Chief Financial Officer

SUBJECT: SELECTION OF ARRANGER FOR LEASE/LEASE BACK TRANSACTION PROPOSALS

On January 13, 1999 the Board authorized the request for qualifications for the Arranger for a Lease/Lease Back transaction and the selection committee to evaluate the proposals received.

Six proposals were received from the following firms:

The Fuji Bank and Trust Company  
Macquarie Corporate Finance (USA) Inc.  
Merrill Lynch & Co.  
Capstar Partners and Parker/Wainshal Capital  
D'Accord Financial Services, Inc.  
CIBC World Markets

On March 3, 1999 the Committee was convened and issued a recommendation for Merrill Lynch as that Arranger. Merrill Lynch was the only proposer willing to accept covering all fees and expenses, except those for the School Board's legal counsel and financial advisor, in the event of the transaction failing to be completed (a "broken deal"). Broken deal fees would amount to several hundred thousand dollars.

Proposed congressional action would eliminate the School Board's ability to enter into this transaction as of July 1999 and cause a broken deal. Time is therefore of the essence and under the proposal by Merrill Lynch any risk of a broken deal would not be borne by the School Board, except for the Board's legal counsel and financial advisor.

Merrill Lynch fees would be as follows in the event of a successful closing of the transaction:

Lease/Leaseback Arranger Fee Structure<sup>(1)</sup>

Transaction Size	M-DCSB Assumes Transaction Cost Risks - Fee in Basis Points	Merrill Lynch Assumes Risks of Transaction Costs - Fee in Basis Points
0 - 250,000,000	100	150
250,000,001 - and over	75	100

<sup>(1)</sup> For example, the fee for a \$350 million transaction with ML& Co. assuming Transaction Cost Risk would equal 136 basis points, or \$4,760,000.

The transaction is expected to generate an amount equal to at least 5% to 6% of the value of the leasehold created with total fees (all inclusive) of approximately \$9,000,000. The total value of the leasehold is intended to be between \$500 and \$600 million. The amount to be received by the School Board is net of payment of fees and of the deposit into an escrow account which would defease the leaseback payments in total.

For example, if the leasehold would total \$500 million at 5% the School Board would realize \$25 million, and if the leasehold would total \$500 million at 6% the School Board would realize \$30 million. If leasehold totals \$600 million at 5% the School Board would realize \$30 million, and

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if leasehold totals \$600 million at 6% the School Board would realize \$36 million. Of course, higher residuals may be expected; the ones used are very conservative scenarios. The School Board can utilize this one-time source of funds for any lawful purpose it desires. It could set aside a portion for Fund Balance, capital projects, acquisition of buses and personal computers or for any other purpose.

Greenberg Traurig, the Board's counsel, would receive a fee of \$1.50 per \$1,000, with a maximum of \$375,000 if the transaction is completed. In the event of a broken deal the maximum fee would be \$60,000.

DeLara Associates, the Board's financial advisor, would receive a fee in the amount of \$0.30 per \$1,000 for a transaction up to \$250,000,000 and \$0.15 for any additional transaction amount over \$250,000,000 not to exceed \$112,500 in total, and would receive only out-of-pocket expenses up to \$1,500 in the event of a broken deal.

A detailed resolution with specific details will be presented to the School Board at its meeting of April 14, 1999 or May 12, 1999.

RECOMMENDED: That The School Board of Miami-Dade County, Florida,

- 1) appoint Merrill Lynch & Co. for its Arranger to assist in completing a Lease/Lease Back Transaction; its fee would be 1.5% on the first \$250,000,000 and 1% on any additional amount of a successful transaction;
- 2) accept the fee proposed by Greenberg Traurig, counsel to the School Board, in an amount of \$1.50 per \$1,000 not to exceed \$375,000 in the event of a successful transaction and not to exceed \$60,000 in the event of a broken deal; and,
- 3) accept the fee proposed by DeLara Associates, financial advisor to the School Board, of \$0.30 per \$1,000 for a transaction up to \$250,000,000 and \$0.15 for any additional amount over \$250,000,000 not to exceed \$112,500 in total, and with a cost to the School Board of out-of-pocket expenses only in an amount not to exceed \$1,500 in the event of a broken deal.