



WYERIVER
INDEPENDENT FINANCIAL ADVISORS

2021 Mid-Year Update

Charter School Financing Landscape



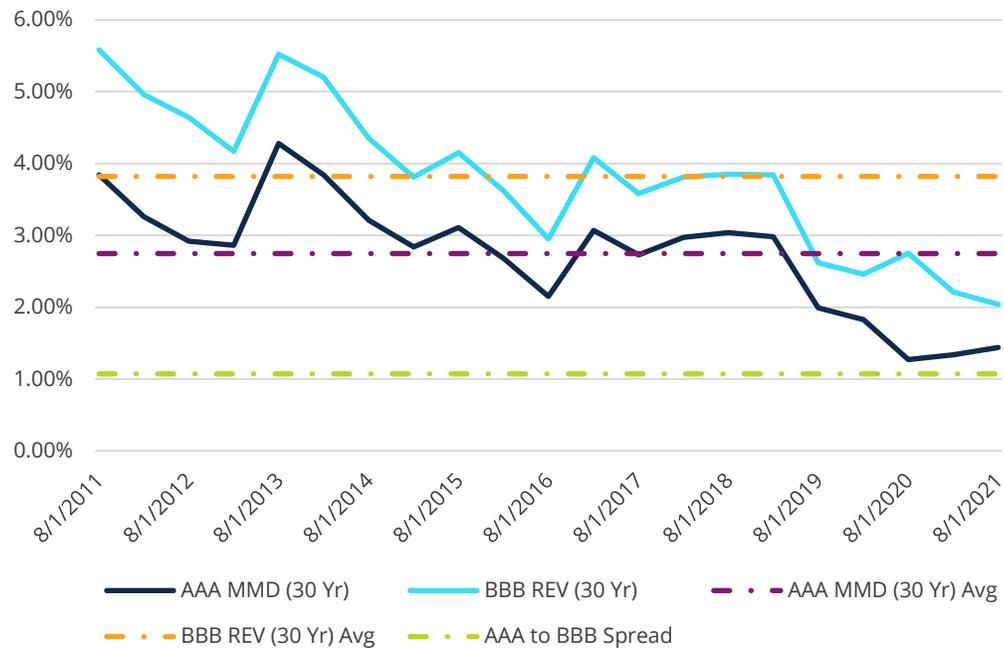
Introduction

- Over 7,500 charter schools operate throughout the United States today. Collectively, these schools serve over 3.3 million students and account for approximately 6.4% of all enrolled public school students
- The growth of the charter school sector has not gone unnoticed to those that lend to, invest in, or otherwise serve this burgeoning market. Charter school transaction volume in the public capital markets has increased nearly 5x compared to 10 years ago. The average size of charter school transactions has also increased on a year-over-year basis over the same period
- Transaction data from publicly offered bond issues is readily available for those who know where to look. However, relevant data from transactions completed in the private markets (e.g., direct purchases of tax-exempt bonds, CDFI loans, and other direct tax-exempt or taxable loan products) is more difficult to come by
- This 2021 Mid-Year Update provides a detailed look at the charter school financings completed in the public markets in the first half of 2021. Relevant data by transaction size, location, and credit rating is provided. We have also summarized select data from those underwriting firms serving the charter school market
- Anecdotally, our firm has served a variety of charter schools and other educational institutions seeking access to capital in the private markets in 2021. The following are a few trends that we have seen in the private markets:
 - credit spreads continue to tighten with many schools borrowing at tax-exempt rates in the 2.25-2.75% range or better
 - initial fixed rate terms are increasing with lenders routinely offering 10-15 year (or longer) credit commitments
 - financial covenants are aligning with what is readily achievable in the capital markets (which, in general, tend to be more flexible)
 - lenders are increasingly willing to transact on a “parity” basis alongside other debtholders under a Master Trust Indenture structure
- Additionally, we note that direct loan products such as the one available from Equitable Facilities Fund (EFF) are on the rise. Many of these products are designed to mimic or enhance structures available in the public markets. For the first half of 2021, EFF completed eight transactions totaling over \$130 million for schools with credit ratings ranging from BB+ to BBB (with one school that was non-rated). Most of these transactions had committed fixed rate terms of 30-35 years and all transactions were completed without a debt service reserve fund and with capital-markets like financial covenants and additional debt provisions
- With interest rates at near historic lows, access to low cost financing from an ever expanding pool of lenders and investors has never been better

Benchmark Rates

Interest rates are at near historical lows. For charter schools seeking long term fixed rate financing, it remains an opportune time to borrow

Benchmark AAA vs. BBB-Rated Revenue Bonds

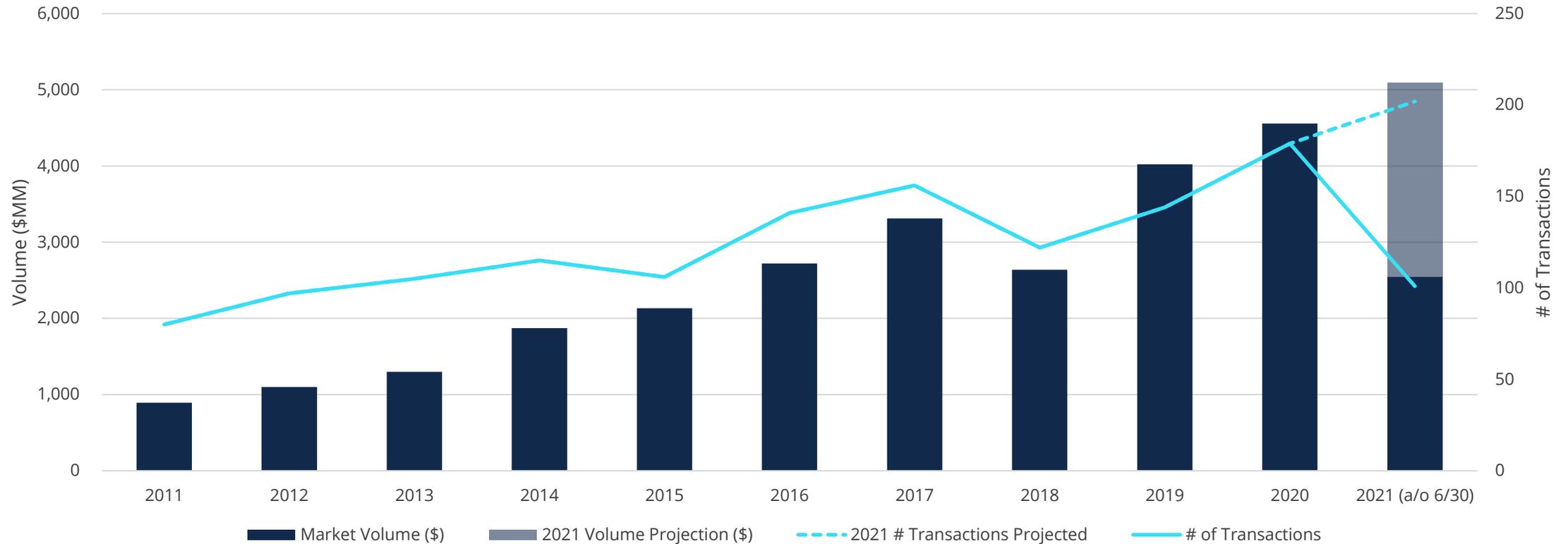


Benchmark LIBOR & 10 Yr US Treasury Rates



Deal Volume

Over \$2.5B of charter school financings has been completed in the public capital markets in the first half of 2021, setting the pace to break 2020's record volume of \$4.5B



Top 15 Largest Transactions

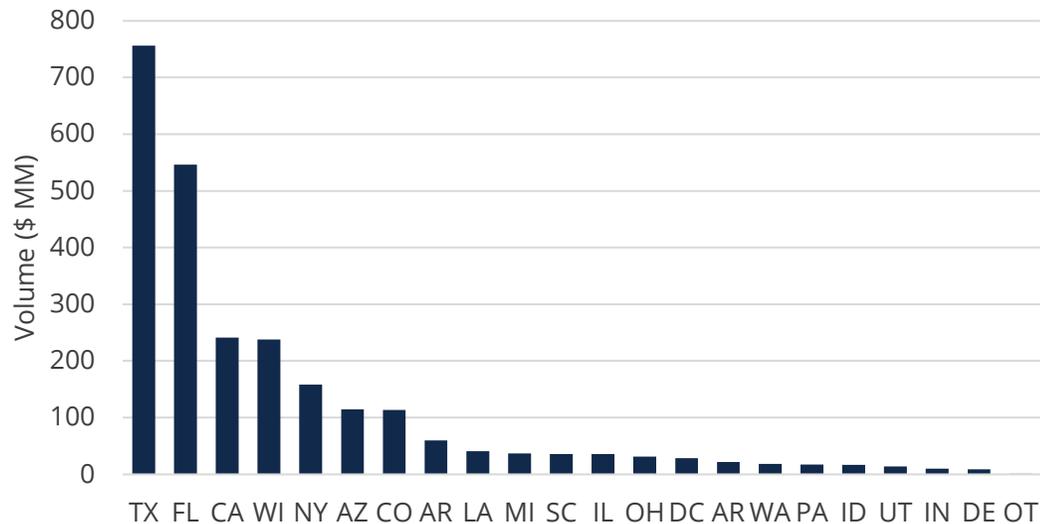
State	Project	Par Amount
FL	Educational Growth Fund	248,147,530
TX	IDEA Public Schools	196,750,000
TX	Responsive Education Solutions	149,635,000
CA	California School Finance Authority	98,470,000
FL	Renaissance Charter School	95,565,000
TX	Lifeschool of Dallas	91,890,000
TX	Great Hearts America - Texas	84,535,000
AZ	Great Hearts Arizona Obligated Group	59,020,000
CA	WFCS Holdings II	58,993,900
NY	NEW World Preparatory Charter School	52,125,000
TX	International American Education Federation	49,630,000
WI	School Improvement Partnership	48,640,000
NY	Academy Charter School	46,615,000
TX	Brooks Collegiate / Lone Star Academies	42,960,000
NY	Hellenic Classical Charter Schools	41,805,000
Total		1,364,781,430

- 101 public bond issues (with 196 separate tranches) were completed in the first half of 2021. The total par amount of all transactions was \$2.5 billion, with an average of \$25 million per transaction. There was significant concentration among the largest transactions, as the top 15 made up 55% of all volume with the top 3 alone accounting for 23% of the total
- The three largest deals (all exceeding \$100 million in size) combined for a total par of \$595 million:
 - Educational Growth Fund LLC (FL) – unrated issue sold by Citigroup
 - Idea Public Schools (TX) – AAA rated issue sold by Baird
 - Responsive Education Solutions’ (TX) – AAA rated issue sold by RBC and Baird
- This follows the trends established in the second half of 2020 where the largest 3 transactions (in TX, NV and AZ) combined for \$640 million and 20% of total issue volume. In general, Texas charter schools continue to show dominance in terms of the sheer size (contributing to 6 of the top 15 largest transactions in 2021 to date)
- We note that the transactions for the California School Financing Authority, Educational Growth Fund and WFCS Holdings II were consolidated issuances for multiple individually run charter schools with an average per school transaction size of \$2.5 million (CSFA – 40 schools), \$31 million (Educational Growth Fund – 8 schools) and \$6.5 million (WFCS – 9 schools)

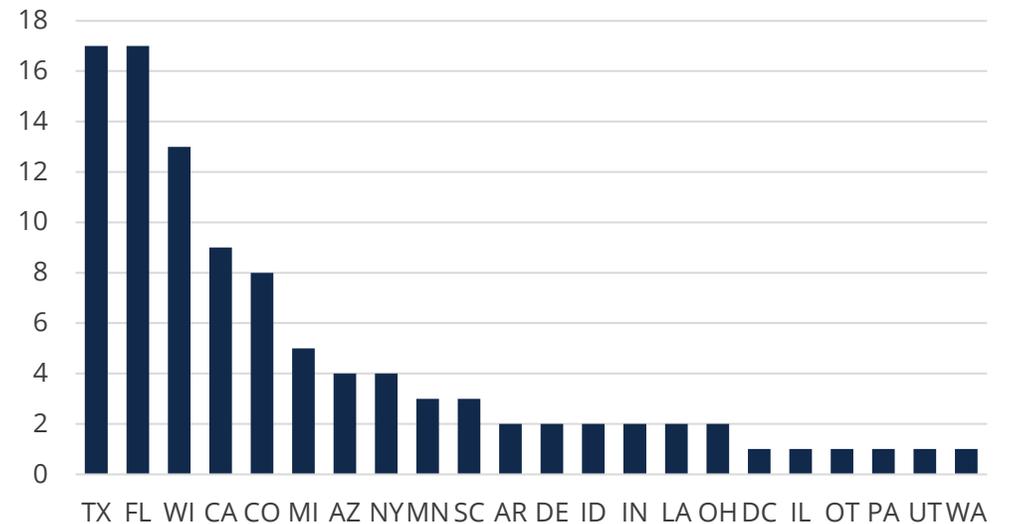
Most Active States

- A total of 20 states participated in the market in the first half of 2021. The bulk of these issuances were heavily concentrated in Texas and Florida
- 17 transactions were completed in Texas with a total par of \$756 million. Florida also had 17 transactions with a total par of \$546 million. Together the two states accounted for 50% of total par and 34% of total transactions completed through June
- The remaining states with significant volume were California with \$241 million, Wisconsin with \$238 million, New York with \$158 million, Arizona with \$115 million, Colorado with \$114 million. Every state after Colorado had less than \$100 million in total par issued

Transaction Volume



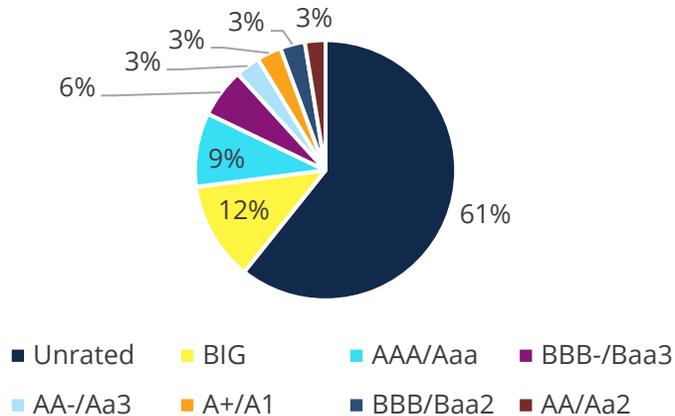
of Transactions



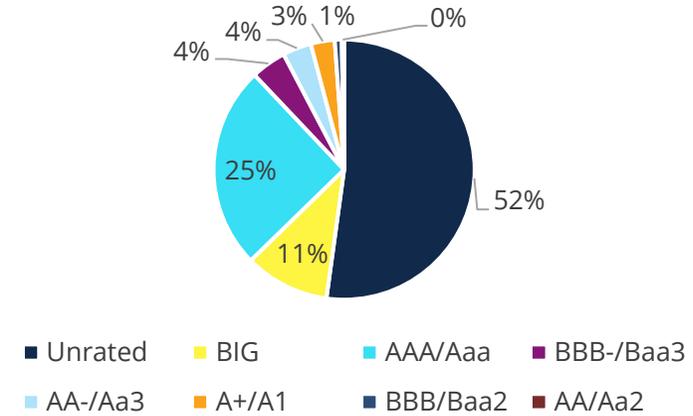
Credit Rating Statistics

- As was the case in the second half of 2020, the bulk of the transactions completed in the first half of 2021 were unrated (61%) and below investment grade (12%). Investment grade rated charter school transactions across all IG rating levels totaled 27%
- In terms of transaction volume, distribution by credit rating followed a similar pattern. Unrated and below investment grade rated transactions claimed the largest portion once again with a total of 63%. However, there is some deviation, as AAA/Aaa totaled 25% of transaction volume compared to only 9% of the number of transactions. This demonstrates concentration of higher par amount transactions among those institutions with higher credit ratings

of Transactions by Credit Rating

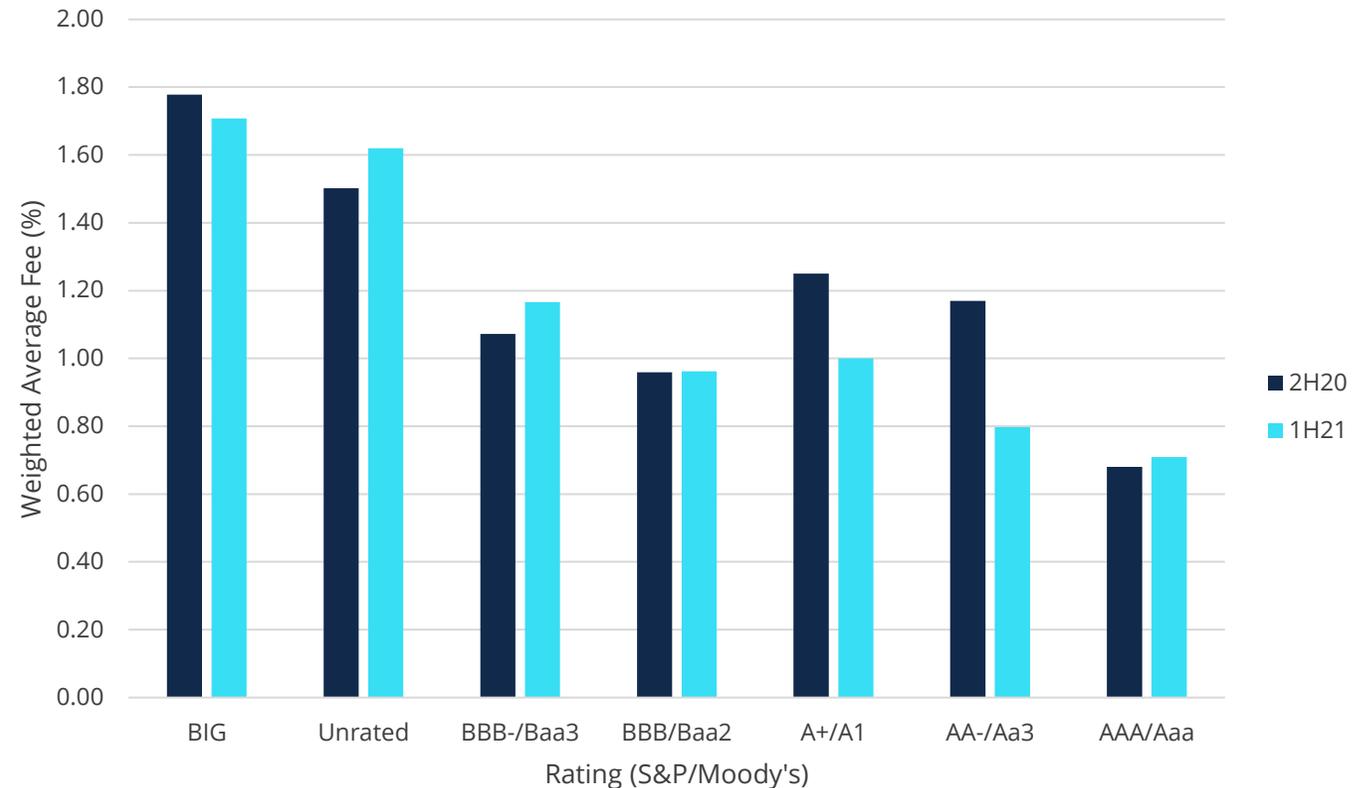


Transaction Volume by Credit Rating



Fees by Rating Category

- Weighted average underwriter fees for charter school transactions completed in the first half of 2021 were generally in line with those from the second half of 2020
- For 1H21, below investment grade and non-rated transactions had an average fee of approx. 1.70% (or \$17/Bond). This compares to an average fee of approx. 1.10% (or \$11/Bond) for minimum investment grade and other BBB-rated transactions
- Although there are always some outliers in the data (e.g., fees for A-rated and AA-rated transactions exceeding those for BBB-rated transactions), the general trend has been a compression of underwriter fees for many years
- In general, for most low investment grade rated charter school transactions, we expect to see fees in the \$8-10/Bond range under current market conditions. Additional fee detail by underwriter for 1H21 and 2H20 is provided on pg. 9

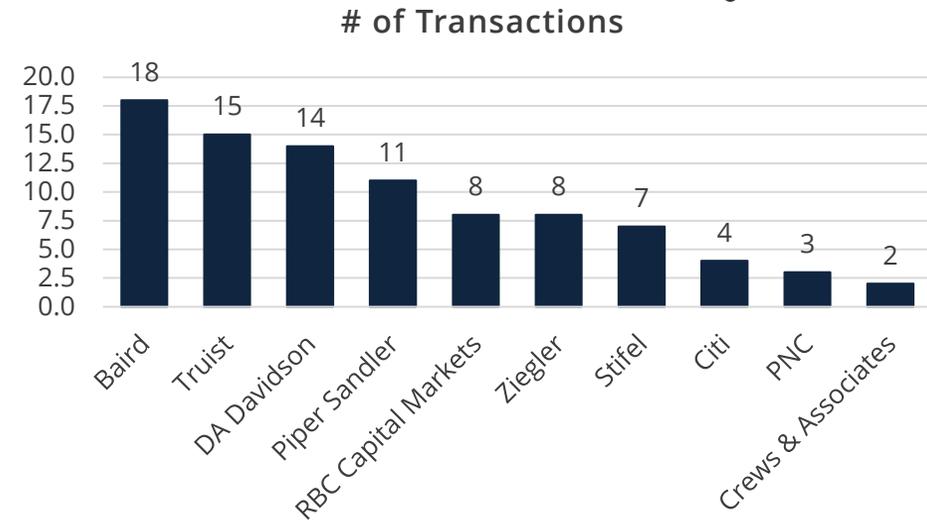
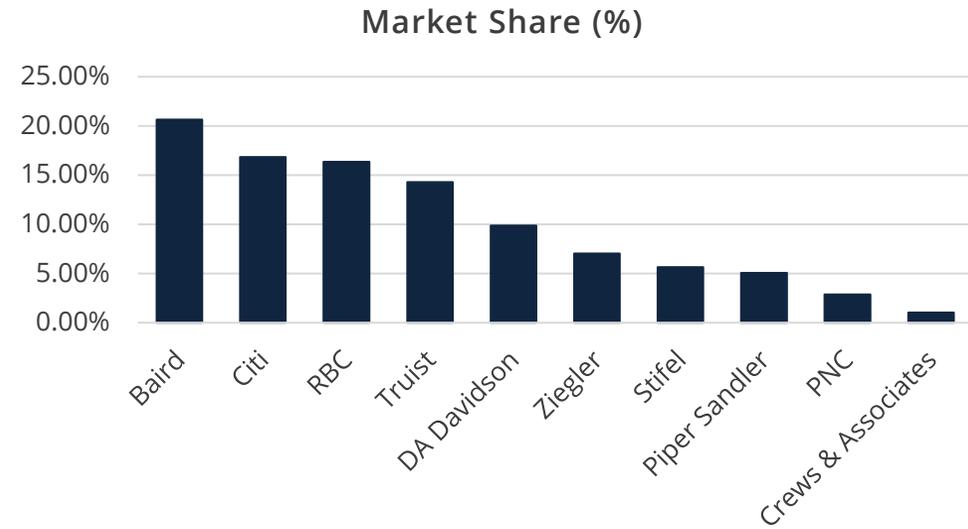


Underwriter Statistics

90 of the 101 transactions completed in the first half of 2021 can be credited to the top 10 underwriters in the charter school sector

Manager	Transaction Volume (\$MM)		Market Share Δ
	1H21	2H20	
Baird	450.4	299.1	-6.05%
Truist	311.7	512.8	-5.54%
DA Davidson	214.8	293.9	-15.55%
Piper Sandler	110.2	173.7	1.95%
RBC	356.7	432.7	8.80%
Ziegler	153.2	82.9	0.88%
Stifel	123.1	164.1	-2.21%
Citi	366.9	212.2	16.83%
PNC	62.4	67.4	1.59%
Crews & Associates	21.9	67.9	0.49%
Total	2,171.4	2,306.6	

* Does not include Colliers Securities which had \$75.25MM of total transaction volume in 2H20 but no volume in 1H21



Underwriter Statistics (cont'd)

Underwriter fees continue to compress, especially for investment graded rated charter schools. Average fees for the top five underwriters by number of transactions for the first half of 2021 was approximately \$10.50/Bond (or 1.05% of par)

Manager	Fees (Weighted Avg %)		Transactions by Rating Category						
	1H21	2H20	Unrated	BIG	BBB-/Baa3	BBB/Baa2	A+/A1	AA-/Aa3	AAA/Aaa
Baird	1.14	1.04	9	3	1	---	1	2	2
Truist	0.96	1.03	8	3	1	1	---	---	2
DA Davidson	1.06	1.48	8	1	---	---	2	1	2
Piper Sandler	1.30	1.18	5	3	2	1	---	---	---
RBC	0.80	0.81	4	---	2	---	---	---	2
Ziegler	1.15	1.60	3	4	1	---	---	---	---
Stifel	1.54	1.30	5	2	---	---	---	---	---
Citi	2.29	2.45	4	---	---	---	---	---	---
PNC	0.61	1.04	1	1	---	---	---	---	1
Crews & Assoc.	1.75	2.09	2	---	---	---	---	---	---
Average	1.27	1.40	1.71	1.62		1.50	1.00	0.80	0.71

Underwriter Statistics (cont'd)

MMD Spreads were relatively tight in the first half of the year, especially for investment grade rated charters. At minimum investment grade levels, some of the better priced transactions were executed at spreads of around 100 basis points (BPs) or less

Manager	Average Spread to MMD (in BPs)						
	Unrated	BIG	BBB-/Baa3	BBB/Baa2	A+/A1	AA-/Aa3	AAA/Aaa
Baird	285	160	104	---	81	83	91
Truist	389	164	122	130	---	---	75
DA Davidson	357	162	---	---	83	58	34
Piper Sandler	437	222	184	170	---	---	---
RBC	225	---	94	---	---	---	23
Ziegler	258	172	161	---	---	---	---
Stifel	218	170	---	---	---	---	---
Citi	532	---	---	---	---	---	---
PNC	---	128	---	---	---	---	---
Crews & Assoc.	243	---	---	---	---	---	---
Average	327	168		138	82	70	55

Underwriter Statistics (cont'd)

Until late 2019 when KIPP DC completed its most recent public offering of bonds (a transaction underwritten by Baird with financial advisory services provided by Wye River), sub-5% coupon transactions for unenhanced charter school bonds were non-existent. Given the absolute level of interest rates today, the days of “standard” 5% coupon / 10 year call protected debt are behind us

Manager	Average Coupon						
	Unrated	BIG	BBB-/Baa3	BBB/Baa2	A+/A1	AA-/Aa3	AAA/Aaa
Baird	5.00	4.00	4.00	---	---	3.00	3.00
Truist	5.75	4.00	4.00	4.00	---	---	3.00
DA Davidson	5.00	4.00	---	---	4.00	4.00	3.00
Piper Sandler	5.25	4.00	4.00	4.00	---	---	---
RBC	4.00	---	3.50	---	---	---	3.00
Ziegler	4.00	4.00	4.00	---	---	---	---
Stifel	5.00	4.50	---	---	---	---	---
Citi	5.00	---	---	---	---	---	---
PNC	---	4.00	---	---	---	---	---
Crews & Assoc.	3.50	---	---	---	---	---	---
Average	4.75	4.00		4.00	4.00	3.50	3.00

About Us

Wye River Group is a leading independent financial advisor to non-profit K-12 schools for facility debt financing. We have extensive experience serving charter schools with all forms of debt financing ranging from publicly offered bonds to tax-exempt bank loans and everything in between. We seek to secure financing solutions for our clients that provide the lowest overall cost of capital, optimize financing flexibility and are part of a coherent and measured debt strategy.

Wye River Group is registered with the SEC and MSRB as an independent Municipal Advisor. Unlike commercial banks and broker-dealer firms, we have a fiduciary duty to our clients to ensure that their best interests are protected at all times. All of our firm's professionals have passed the MSRB's Municipal Advisor Representative Qualification Examination (Series 50) and have spotless compliance records.

During our collective careers, we have provided financial advisory and related services on over 1,000 transactions totaling over \$50 billion. In the charter school sector alone, we have advised on over \$1 billion of financings for early-stage and below investment grade rated entities as well as some of the largest and highest rated networks in the country. We are extremely proud to have continuously served certain of our charter school clients for over 15 years.

Our Services



**Project Planning
and Analysis**



**Competitive
Financing Solicitation**



**Rate & Fee
Negotiations**



**Transaction
Implementation**

How to Reach Us



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