



WYERIVER
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2021 Year-End Update

Charter School Financing Landscape



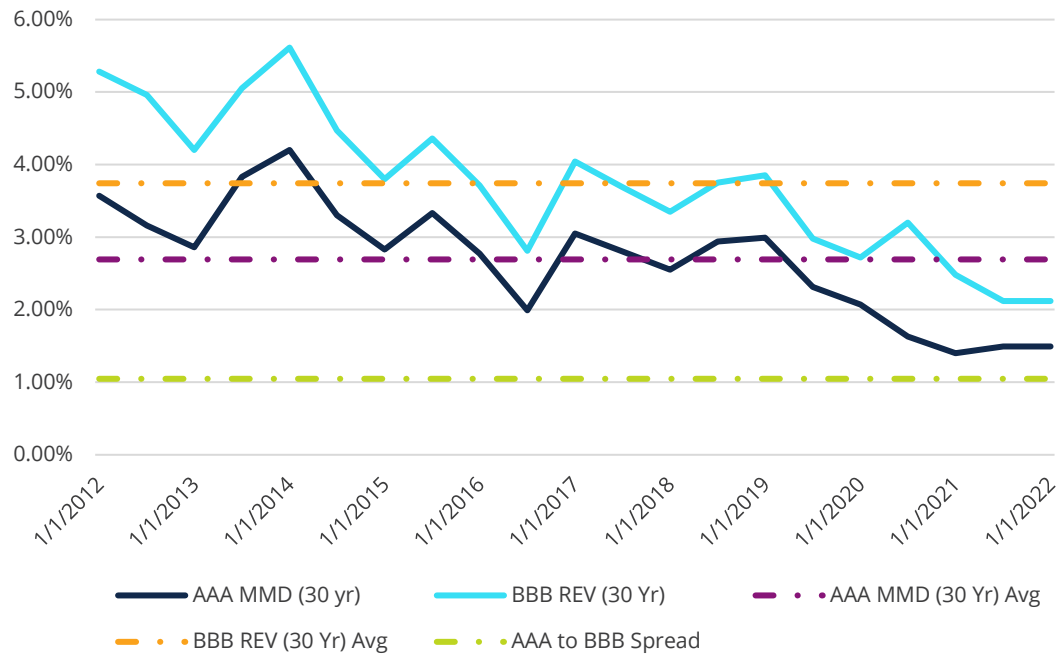
Introduction

- 2021 was a record year for charter school financings. The industry saw over \$5 billion of publicly reported volume across 200+ closed transactions. This is double the annual volume and number of completed deals since 2015
- This Year-End Update provides a detailed look at charter school financings completed in the public markets in 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 in 2021
- Statistics for charter school financings completed in the private markets (e.g., “direct purchases” of tax-exempt bonds, taxable bank loans, CDFI loans, etc.) are difficult to come by as borrowers and lenders are not required to disclose such information. We suspect that growth in private markets financings has been generally consistent with that of the public market
- The following are a few of the trends that we see for charter schools pursuing financing in the private markets:
 - credit spreads tightening on average with many schools borrowing at tax-exempt rates well under 3%
 - initial fixed rate terms increasing with more lenders routinely offering 15+ year credit commitments (especially for stronger borrowers)
 - outlier rates and terms can be achieved in highly-competitive financings (we note that the lowest rate that we saw in 2021 was ~1.60% fixed for 20 years)
 - financial covenants continuing to align with what is achievable in the capital markets (which, in general, tend to be more flexible)
 - shorter term (3 to 7 year) taxable financing options remain plentiful for those institutions less well positioned for long term tax-exempt financing; interest rates for many of these taxable loans generally fall between 4% and 6%
- One of our goals for 2022 is to make certain private market data more readily accessible. Please contact us if you are interested in partnering on the collection of such data. We believe that greater market transparency will benefit charter schools around the country and those that serve their financing and advisory needs

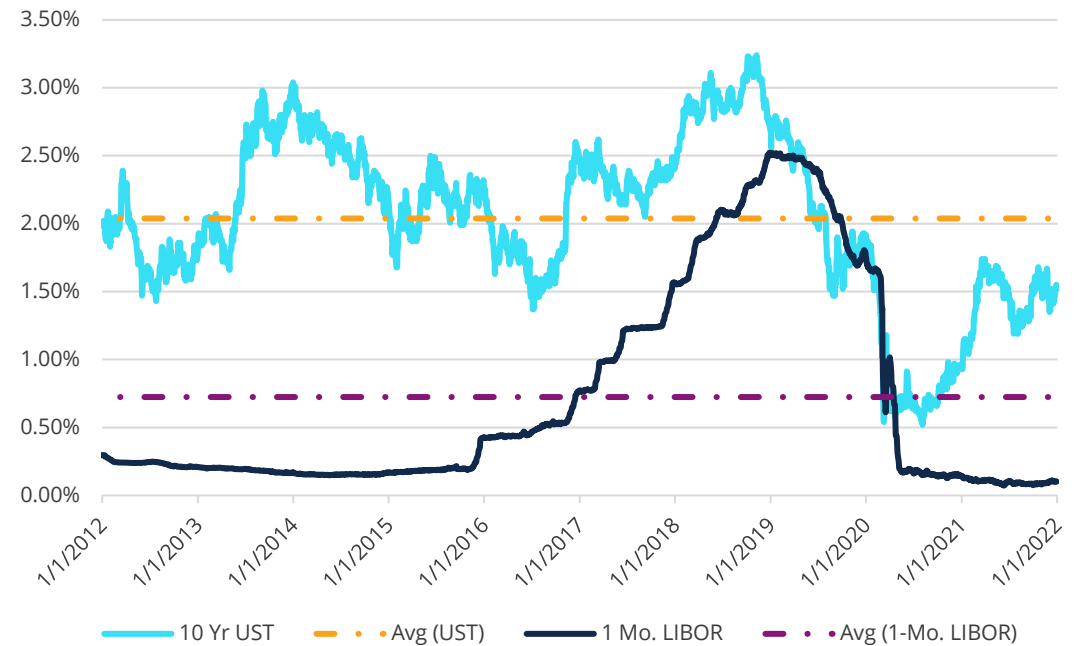
Benchmark Rates

Benchmark MMD and LIBOR rates remained at near all-time lows for 2021 while benchmark U.S. Treasury rates climbed for much of the year

Benchmark AAA vs. BBB-Rated Revenue Bonds

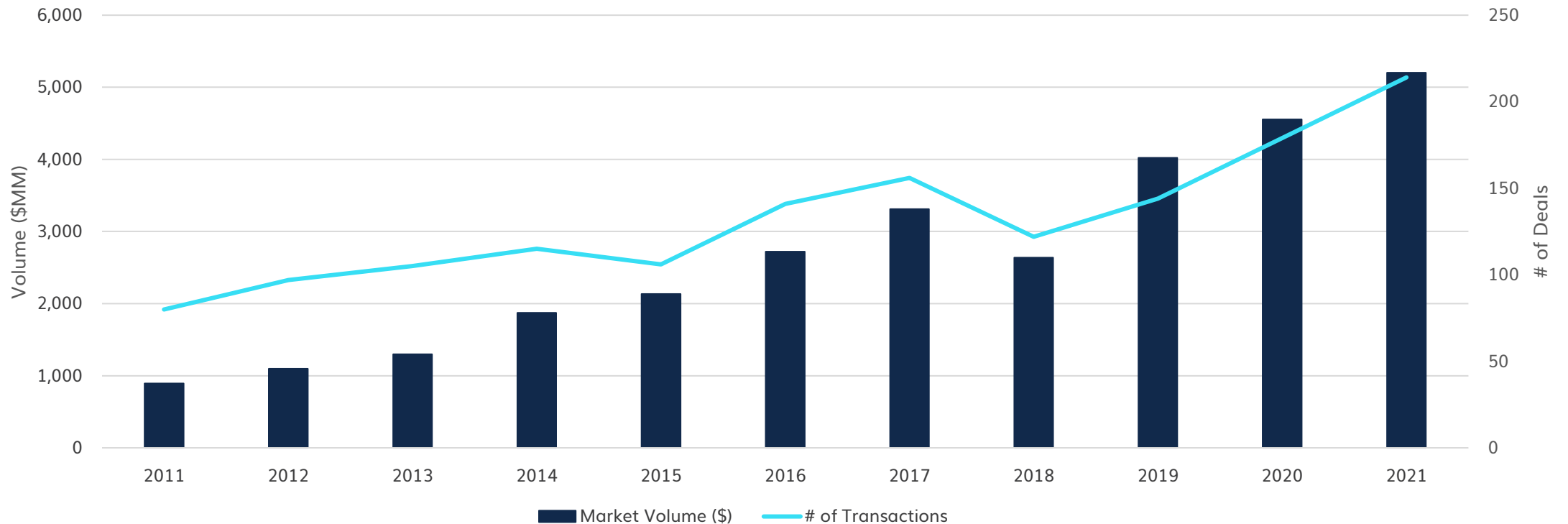


Benchmark LIBOR & 10 Year U.S. Treasury Rates



Deal Volume

Over \$5B of charter school financings were completed in the public capital markets in 2021. Transaction volume in the second half of 2021 outpaced the first six months of the year



Top 10 Largest Transactions

State	Date	Project	Par Amount
FL	4/27	Educational Growth Fund	248,147,530
AZ	8/26	KIPP New York Charter	238,500,000
---	10/20	Equitable School Revolving Fund	217,185,000
AZ	11/18	American Leadership Academy	207,210,000
TX	3/25	IDEA Public Schools	196,750,000
TX	8/1	Harmony Public Schools	151,375,000
TX	4/1	Responsive Education	149,635,000
TX	12/21	Jubilee Academic Center	124,555,000
---	6/16	WFCS Holdings II	118,683,924
FL	7/20	Renaissance Charter School	113,645,000
Total			1,765,686,454

We note that the transactions for the Educational Growth Fund, Equitable School Revolving Fund, and WFCS Holdings (Wonderful Foundation) were consolidated issues for multiple individually run charter schools. More details regarding each of these issues and the rising use of "pooled loan" transactions is provided on page 5

- 212 public bond issues (with 399 separate tranches) were completed in 2021. The total par amount of all transactions was \$5.2 billion, with an average par amount of \$24.5 million. Over one-third of total volume in 2021 came from the top 10 largest transactions – contributing \$1.7 billion of total par for the year
- The four largest deals all exceeded \$200 million, combining for over \$900 million in par:
 - Educational Growth Fund LLC (FL) – unrated issue sold by Citigroup
 - KIPP New York Charter Projects (NY) – ‘BBB’ rated issue sold by Morgan Stanley
 - Equitable School Revolving Fund (Various) – ‘A’ rated issue sold by RBC
 - American Leadership Academy (AZ) – Unrated issue sold by Ziegler
- The second half of 2021 saw heavy volume with 6 of the top 10 largest transactions for the year (and \$985 million in aggregate par)
- Texas, Arizona, and Florida continued to claim the bulk of the largest transactions in 2021

Select “Pooled Loan” Transactions

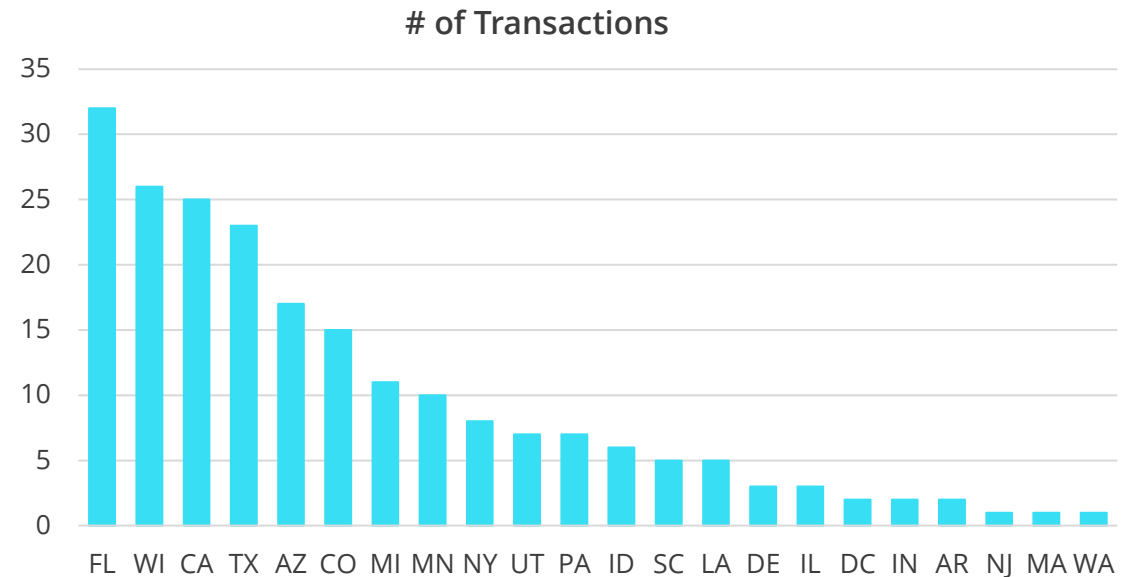
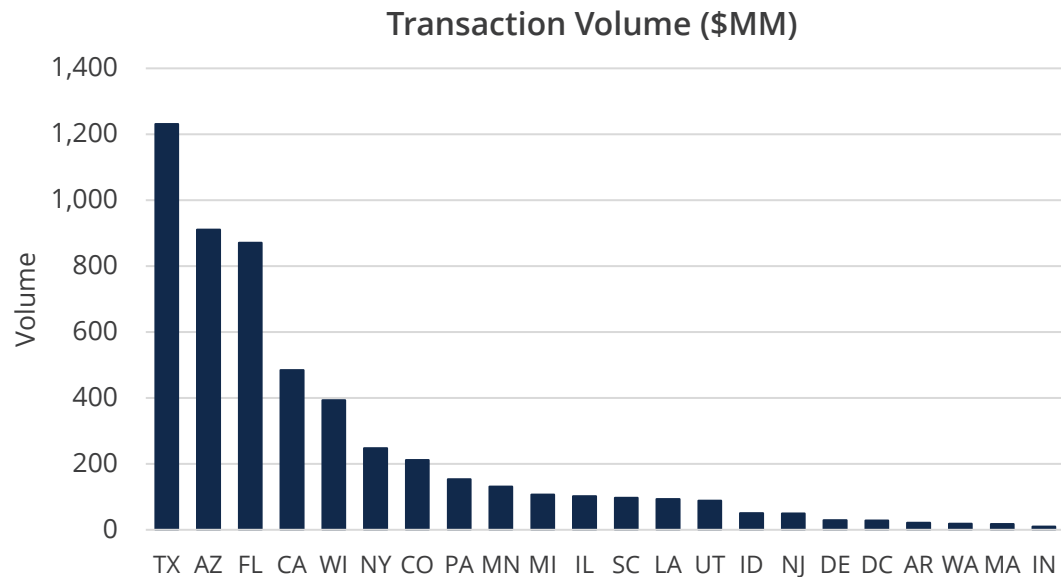
	Educational Growth Fund	Equitable School Revolving Fund	WFCS Holdings*
Dated	4/27/2021	10/20/2021	6/16/2021
State(s) of Issuance	FL	AZ, CA, MA, NY	CA, FL, WI
Credit Rating	Unrated	'A' Rated	Unrated
Par Amount	\$248,147,530	\$217,185,000	\$118,686,924
Underwriter	Citi	RBC	Citi
# of Schools	7	31	9
Underwriter's Discount	\$5,436,075 (\$21.90/Bond)	\$2,293,185 (\$10.55/Bond)	\$2,965,715 (\$25.00/Bond)
Pricing (Tenor – Coupon/Yield)	<u>Series 2021A-1</u> 35 – 5% / 4.00% <u>Series 2021A-2</u> 3 – 4% / 4.00% <u>Series 2021B</u> 40 – 0% / 7.00%	<u>Series 2021A</u> 30 – 4% / 2.42% <u>Series Sub-2021</u> 30 – 4% / 2.77% <u>Series 2021B</u> 35 – 4% / 2.39% <u>Series 2021C</u> 30 – 4% / 2.34% <u>Series 2021D</u> 30 – 4% / 2.37%	<u>Series 2021A-1</u> 35 – 5% / 3.75% <u>Series 2021B</u> 40 – 0% / 6.75% <u>Series 2021A-1</u> 35 – 5% / 3.625% <u>Series 2021B</u> 40 – 0% / 6.625%

- This year there were several “pooled loan” issues for charter schools in various states around the country. These transactions are generally designed to provide loans to schools on a more efficient basis and at a lower cost than would possibly be achievable if the same school were to go to market on its own
 - The Educational Growth Fund seeks to fund underserved communities with limited access to high quality schools. 92% of the students in their loan portfolio are students of color and 73% come from low-income families
 - The Equitable School Revolving Fund completed its third issuance in 2021 and has now issued over \$500 million since August 2019. ESRF is a nonprofit social impact fund that seeks out high performing charter schools. This latest transaction provided over \$200 million of funding to qualifying schools under ESRF’s “leaders of color” initiative
 - WFCS Holdings, a Minnesota limited liability company, is the sole member of Wonderful Foundations, an Oregon nonprofit corporation which operates exclusively to issue debt for the acquisition of previously leased facilities by public charter schools
- Funds such as these provide a safe and viable alternative for charters in underdeveloped areas to give their students the best education they can receive

* Multiple series of the same name and tranche are attributed to different projects. The Series 2021A-2 (PFA Project), Series 2021A-2 (CIB Project), and CTA Project Bonds are not reflected above

Most Active States

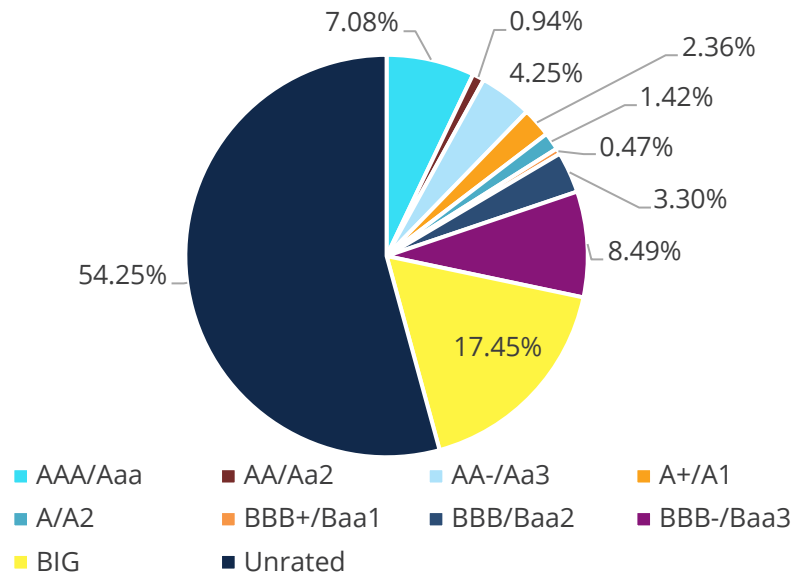
- 22 states and territories participated in the charter school bond market in 2021. The bulk of these issues were heavily concentrated in Texas, Arizona, and Florida. The Public Finance Authority in Wisconsin served as a conduit issuer for charter schools located in 7 different states including North Carolina, New Jersey, New Mexico, Nevada, Ohio, South Carolina, and Wisconsin
- 23 transactions were completed in Texas with a total par of \$1.23 billion. Arizona had 17 transactions with a total par of \$911 million. Florida had 32 transactions with a total par of \$871 million. These three states comprise 58% of total transaction volume in 2021



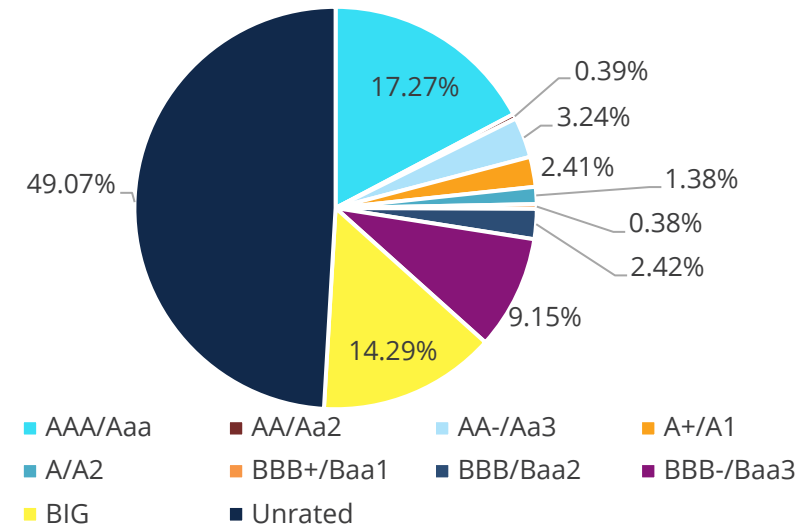
Credit Rating Statistics

As has been the case in years past, the majority of completed transactions in 2021 were unrated and below investment grade. Distribution by credit rating followed a similar pattern

of Transactions by Credit Rating

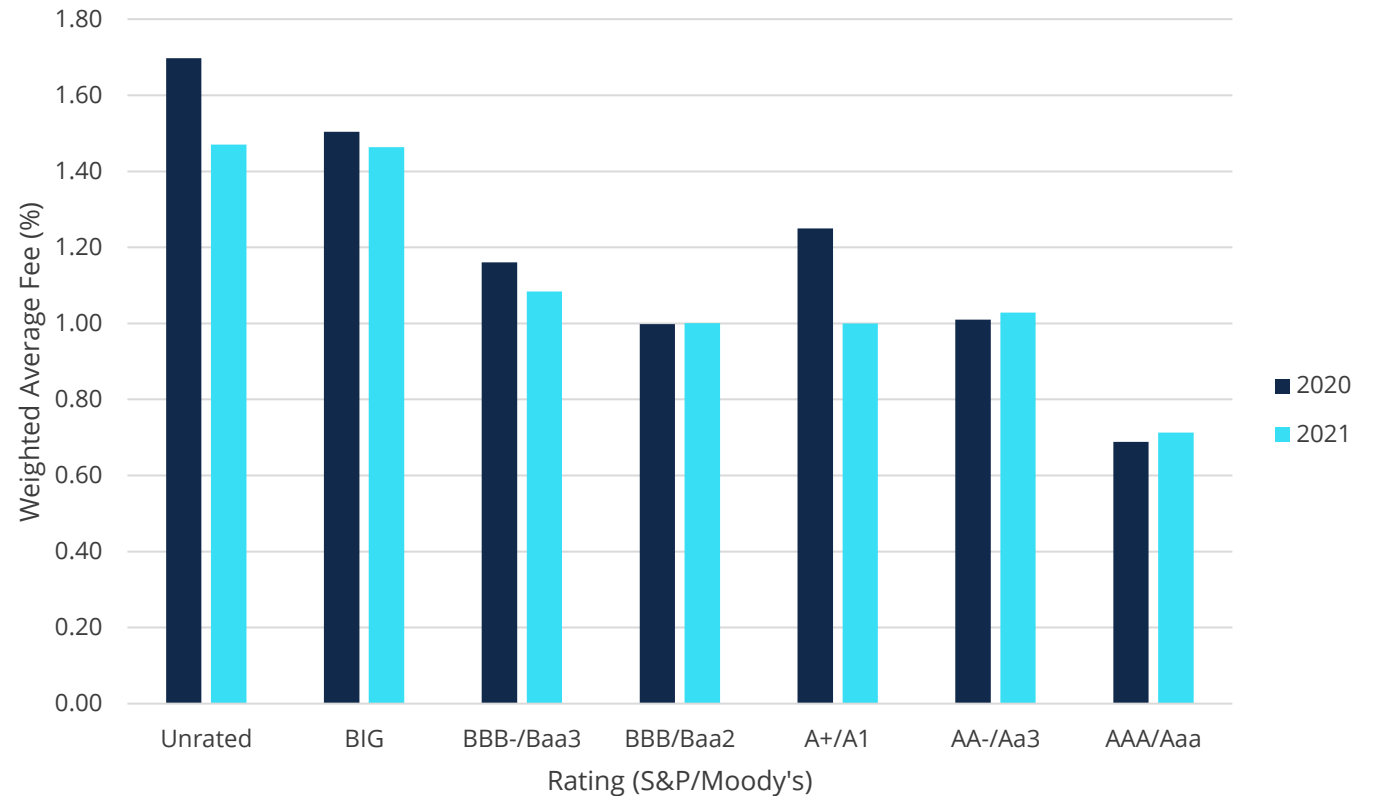


Transaction Volume by Credit Rating



Underwriter Fees by Rating Category

- Weighted average underwriter fees for charter school transactions in 2021 were generally in line with 2020, although some fee compression can be seen for minimum and below investment grade rated deals
- For 2021, unrated and below investment grade transactions had an average fee of approx. 1.47% (\$14.70/Bond). This compares to an average fee of approx. 1.08% (\$10.80/Bond) for BBB/Baa-rated transactions
- Although there are always some outliers in the data (e.g., fees for AA-rated, A-rated, and BBB+-rated transactions), the trend has been a reduction in fees in recent years
- In general, for most low investment grade rated charter school transactions, we expect to see fees in the \$7-10/Bond range under current market conditions. Additional fee detail by underwriter for the past two years is provided on pg. 11



* Some fees not pictured due to availability and low transaction frequency

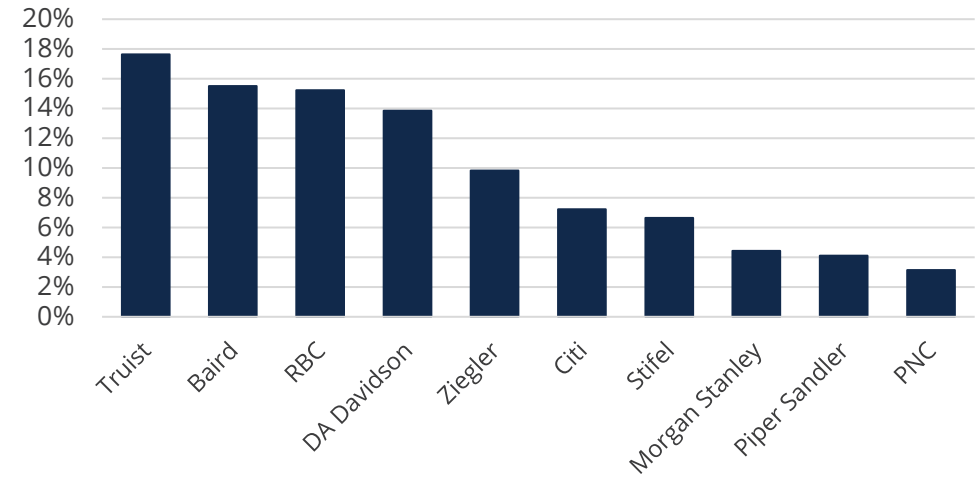
Underwriter Statistics

204 of the 212 transactions completed in 2021 can be credited to the Top 10 underwriters in the charter school sector

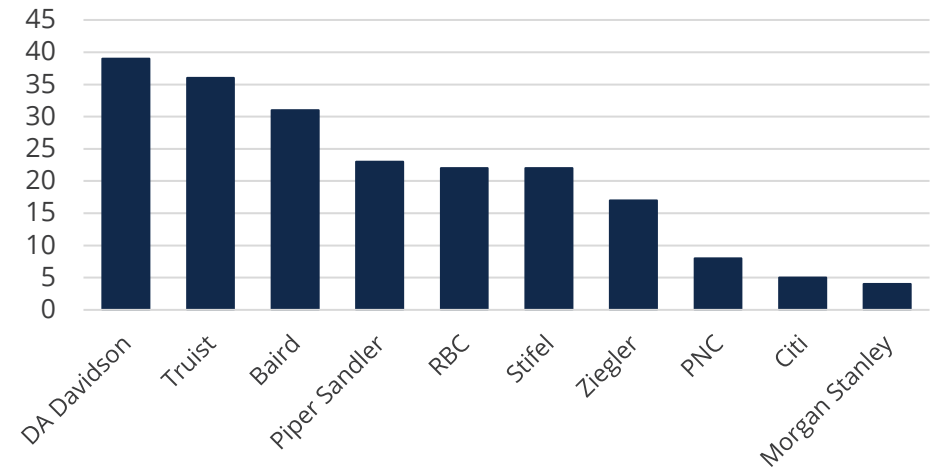
Manager	Transaction Volume (\$MM)		Market Share Δ
	2021	2020	
Truist	951.35	757.21	-2.67%
Baird	837.25	628.14	-1.87%
RBC	821.62	525.94	1.24%
DA Davidson	747.16	606.81	-2.43%
Ziegler	530.96	158.63	5.82%
Citi	389.78	212.17	1.62%
Stifel	358.40	261.00	-0.33%
Morgan Stanley	239.54	---	4.60%
Piper Sandler	222.31	211.96	-1.59%
PNC	169.63	83.16	0.96%
Total	5,201.84	3,613.70	

* Select underwriters with credited charter school transactions in 2021 (i.e., Boenning & Scattergood, Colliers, Crews & Associates, Huntington, Odeon, and MCMG not shown above)

Market Share (%)



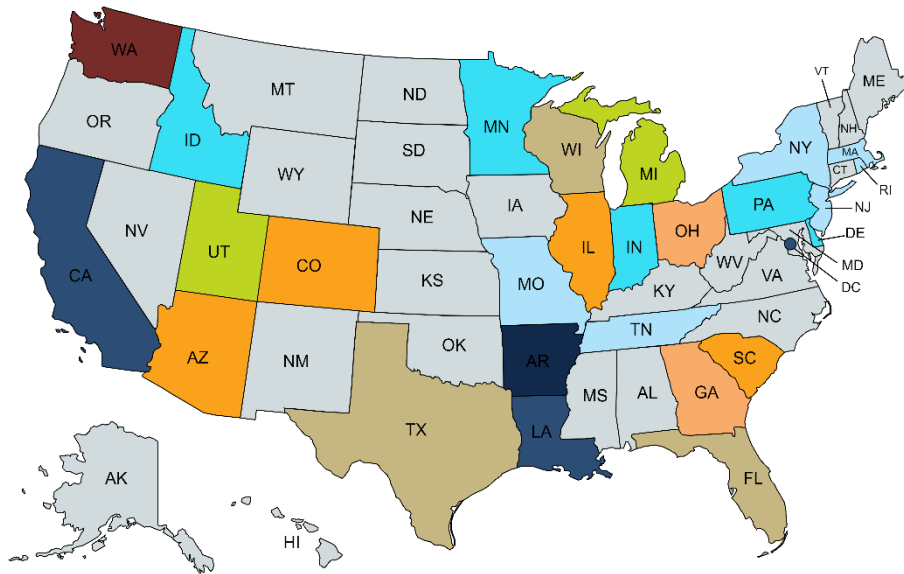
of Transactions



Underwriter Statistics (cont'd)

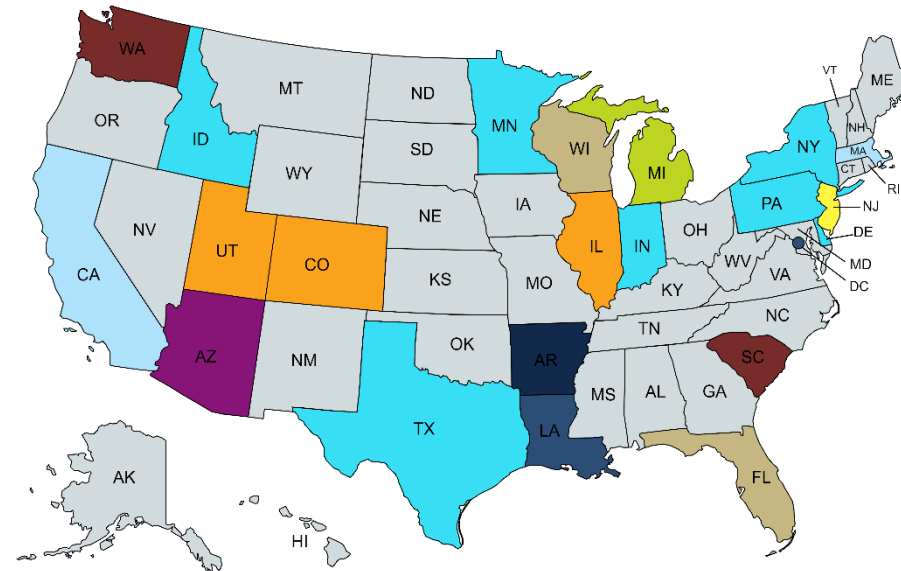
- The most active underwriters in terms of transactions completed by state include
 - Truist (9): AZ, CA, FL, LA, MI, PA, TX, UT, WI
 - Baird (12): AZ, CA, CO, DE, ID, IN, MI, MN, NY, PA, TX, WI
 - RBC (10): AZ, CA, CO, FL, IL, MA, NY, TX, UT, WI
 - DA Davidson (10): AZ, CO, FL, ID, IL, NY, SC, TX, UT, WI
 - Zeigler (10): AZ, CA, CO, FL, IL, MI, SC, TX, WA, WI
 - Stifel (5): CA, CO, DC, LA, WI

Leading Underwriter by # of Transactions

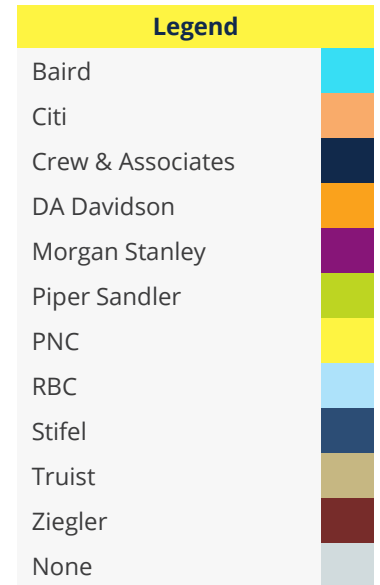


* Note: Distribution separates pooled fund transactions by school locations

Leading Underwriter by Transaction Volume



* Note: Volume is attributed to state of issuance



Underwriter Statistics (cont'd)

Underwriter fees compressed further in 2021 as weighted average fees decreased by 17 BPs from 1.39% (\$13.90/Bond) to 1.22% (\$12.20/Bond) from 2020. Average fees for the top five underwriters by number of transactions for 2021 was approximately 1.04% (\$10.40/Bond)

Manager	Fees (Weighted Avg %)		Transactions by Rating Category									
	2021	2020	Unrated	BIG	BBB-/Baa3	BBB/Baa2	BBB+/Baa1	A/A2	A+/A1	AA-/Aa3	AA/Aa2	AAA/Aaa
Truist	0.92	1.07	22	4	3	1	---	---	---	---	---	6
Baird	1.15	1.11	11	8	2	---	1	---	1	3	---	5
RBC	0.86	0.91	10	3	1	1	---	3	1	1	---	1
DA Davidson	1.13	1.33	26	3	2	---	---	---	2	4	1	1
Ziegler	1.14	1.68	9	3	3	---	---	---	---	1	---	---
Citi	2.25	2.46	5	---	---	---	---	---	---	---	---	---
Stifel	1.72	1.61	16	4	1	2	---	---	---	---	---	---
Morgan Stanley	1.02	---	---	---	3	---	---	---	---	---	---	---
Piper Sandler	1.30	1.29	9	8	3	2	---	---	---	---	1	---
PNC	0.74	1.07	1	3	---	1	---	---	1	---	---	1
Average	1.22	1.39										

Underwriter Statistics (cont'd)

MMD Spreads continued to tighten throughout 2021, especially for investment grade rated charters. Many investment rated transactions (even those at the lower end of the range) were completed at spreads to MMD of around 100 BPs

Average Long Bond Spread to MMD (in BPs)										
Manager	Unrated	BIG	BBB-/Baa3	BBB/Baa2	BBB+/Baa1	A/A2	A+/A1	AA-/Aa3	AA/Aa2	AAA/Aaa
Truist	333	168	141	130	---	---	---	---	---	76
Baird	289	145	116	---	90	---	81	86	---	88
RBC	230	136	94	86	---	69	---	78	---	23
DA Davidson	335	141	177	---	---	---	83	116	---	---
Ziegler	256	164	132	---	---	---	---	70	---	---
Citi	229	---	---	---	---	---	---	---	---	---
Stifel	197	152	90	96	---	---	---	---	---	---
Morgan Stanley	---	---	81	---	---	---	---	---	---	---
Piper Sandler	372	189	154	170	---	---	---	---	65	---
PNC	242	145	---	87	---	---	---	---	---	108
Average	276	155		117			79			74

* Underwriters with few transactions in any given rating category (seen on slide 10) may be subject to outliers. Some spread data unavailable. Reflects tax-exempt issues only.

Underwriter Statistics (cont'd)

The use of “market standard” 5.00% coupons is officially a thing of the past given the current interest rate environment. Nearly all rated transactions in 2021 used 4.00% coupons (lower in some cases). Some non-rated issues were even sold with sub-5% coupons

Median Long Bond Coupon										
Manager	Unrated	BIG	BBB-/Baa3	BBB/Baa2	BBB+/Baa1	A/A2	A+/A1	AA-/Aa3	AA/Aa2	AAA/Aaa
Truist	5	4	4	4	---	---	---	---	---	3
Baird	5	4	4	---	4	---	4	3	---	2.75
RBC	4.25	4	4	4	---	4	---	4	---	4
DA Davidson	5	4	4	---	---	---	4	3	---	---
Ziegler	5	4	4	---	---	---	---	4	---	---
Citi	5	---	---	---	---	---	---	---	---	---
Stifel	4	4	4	4	---	---	---	---	---	---
Morgan Stanley	---	---	4	---	---	---	---	---	---	---
Piper Sandler	5	4	4	4	---	---	---	---	4	---
PNC	5	4	---	4	---	---	---	---	---	2.5
Median	5	4	4	4	4	4	4	3.5	4	3

* Some coupon data unavailable. Reflects tax-exempt issues only.

About Us

First Tryon Advisors, LLC d/b/a Wye River Group is a leading independent financial advisor to non-profit K-12 schools for facility-related 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.

We are registered with the SEC and MSRB as a “Municipal Advisor” and have a fiduciary duty to our clients to ensure that their best interests are protected at all times. We are not affiliated with any commercial or investment bank. All of our advisors have passed the MSRB Series 50 Municipal Advisor Representative Qualification Examination.

During our collective careers, we have provided financial advisory and related services on thousands of transactions totaling billions of dollars. In the charter school sector, we have served as financial advisor for early-stage and below investment grade rated entities as well as for 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**

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