



**WYERIVER**  
A FIRST TRYON ADVISORS COMPANY

# 2022 Mid-Year Update

## Charter School Financing Landscape

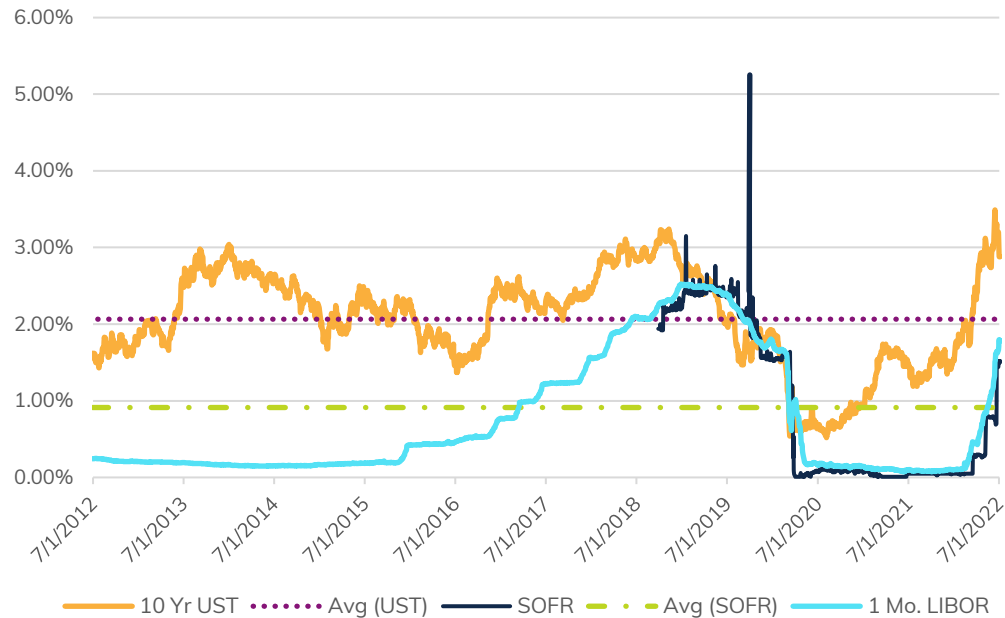
# Introduction

- This report provides a detailed look at charter school financings completed in the public capital markets in the first half of 2022
- Inflation-related concerns has resulted in significant market disruption, with benchmark interest rates now sitting above their 10-year averages for the first time in several years. Despite recent market volatility and higher borrowing costs, charter school transaction volume is on pace for another record year in 2022
- The municipal bond market saw significant capital outflows during the first six months of the year, causing a measurable widening of credit spreads for those schools seeking financing. 5% coupons have returned to the market, replacing 4% coupons which were commonplace for much of 2021
- There were noticeable changes in transaction volume by underwriter in 2022 to date. In addition, certain key personnel of the underwriters serving the charter sector have moved firms in the first half of this year. As such, we expect the full year league tables for 2022 to look meaningfully different than 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.) remain difficult to come by as borrowers and lenders are not required to disclose such information. We believe that growth in private markets financings has been generally consistent with that of the public market
- Philanthropically supported loan funds such as Equitable Facilities Fund ([EFF](#)) and Facilities Investment Fund ([FIF](#)) remain active and a ready source of capital for certain types of charter schools
- We remain committed to making certain private market data more readily accessible in 2022. Please contact us if you are interested in partnering on the collection and dissemination of such data. Greater market transparency will benefit all charter schools and those that serve their financing and advisory needs

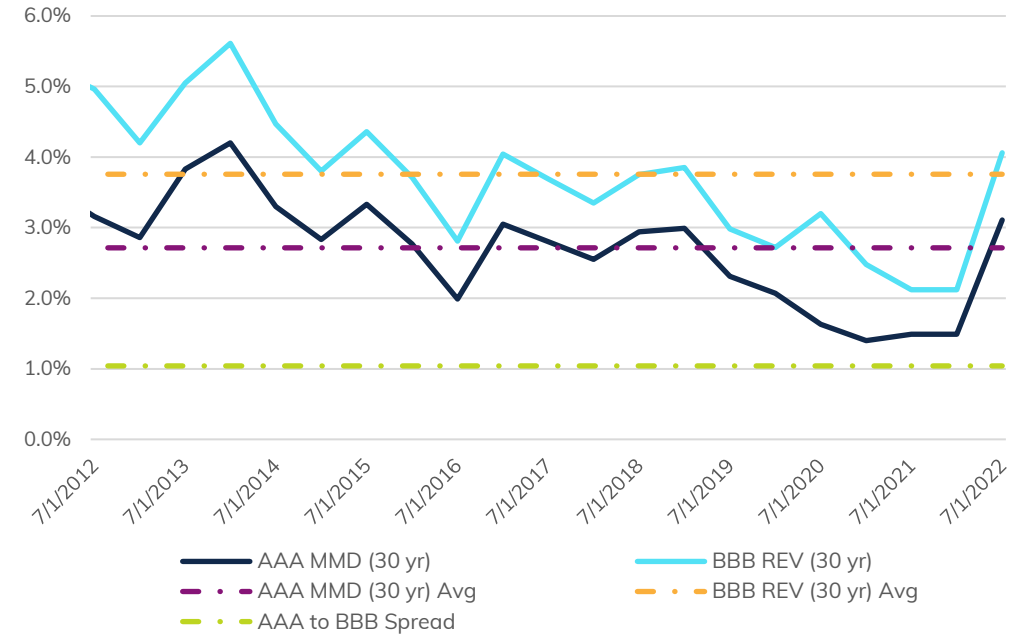
# Benchmark Rates

Inflation-related concerns resulted in significant market disruption in the first half of 2022 with benchmark U.S. Treasury, SOFR and MMD rates increasing considerably. All major indices ended 1H22 above their 10-year averages for the first time in several years

Benchmark U.S. Treasury and SOFR Rates

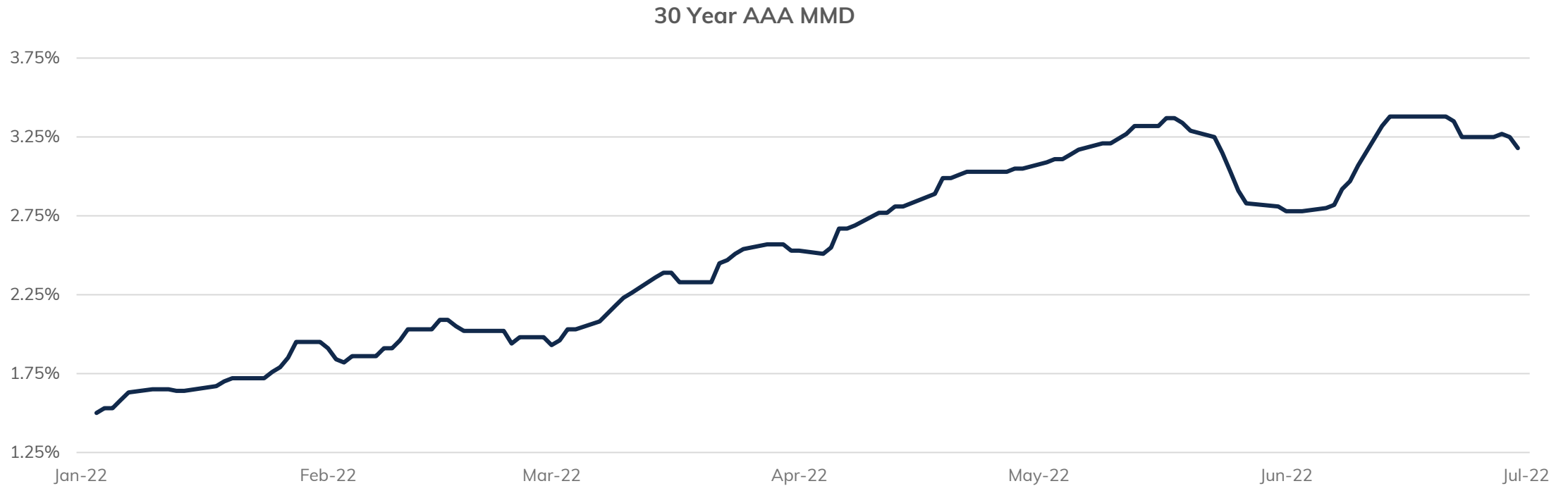


Benchmark AAA vs. BBB-Rated Revenue Bonds



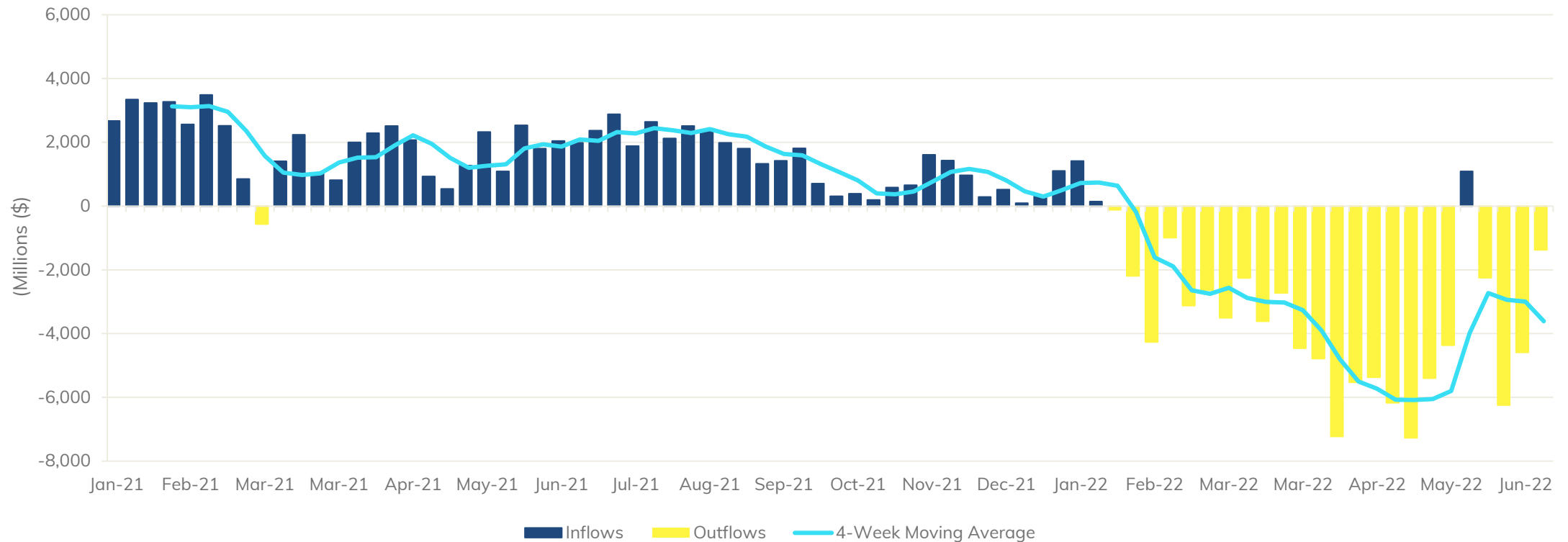
# MMD Curve

Despite the nearly 170 BP increase in MMD since the start of the year, rates have begun to stabilize and trend down. As of the release of this report in early-August, MMD is down approximately 50 BPs from its highs



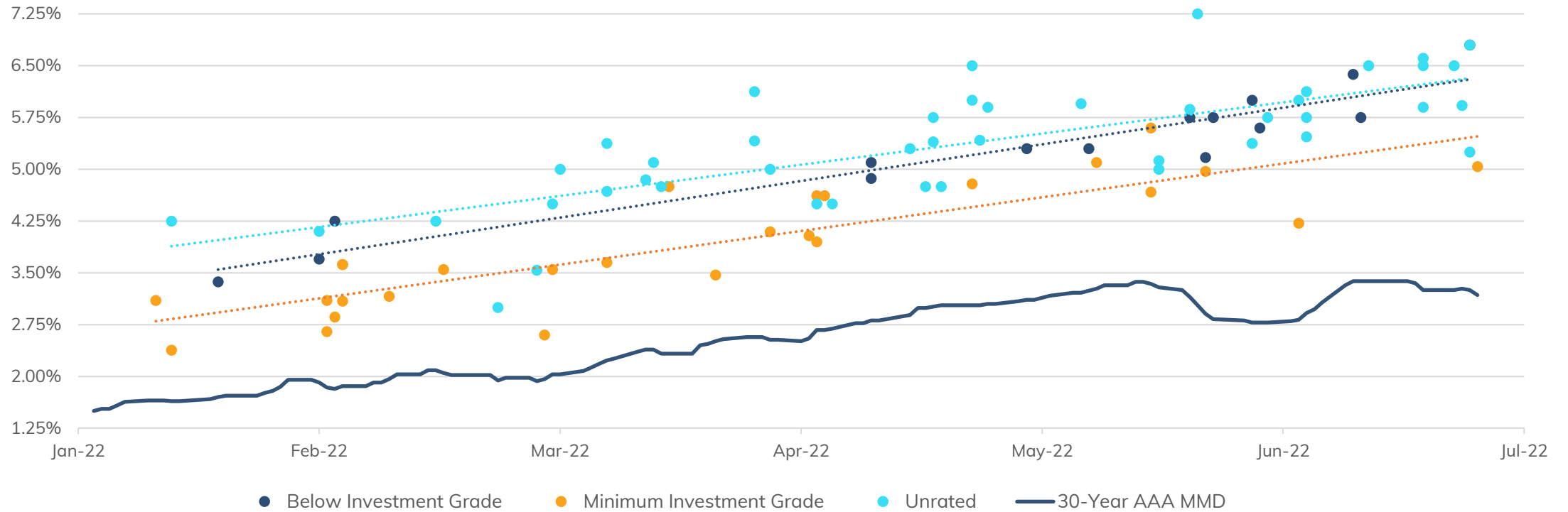
# Municipal Bond Flows

In contrast to the 'hot streak' of inflows in 2021, the municipal market experienced significant outflows for the first half of this year. A more limited amount of available capital resulted in a measurable widening of credit spreads and borrowing costs for those charter schools seeking financing in 1H22



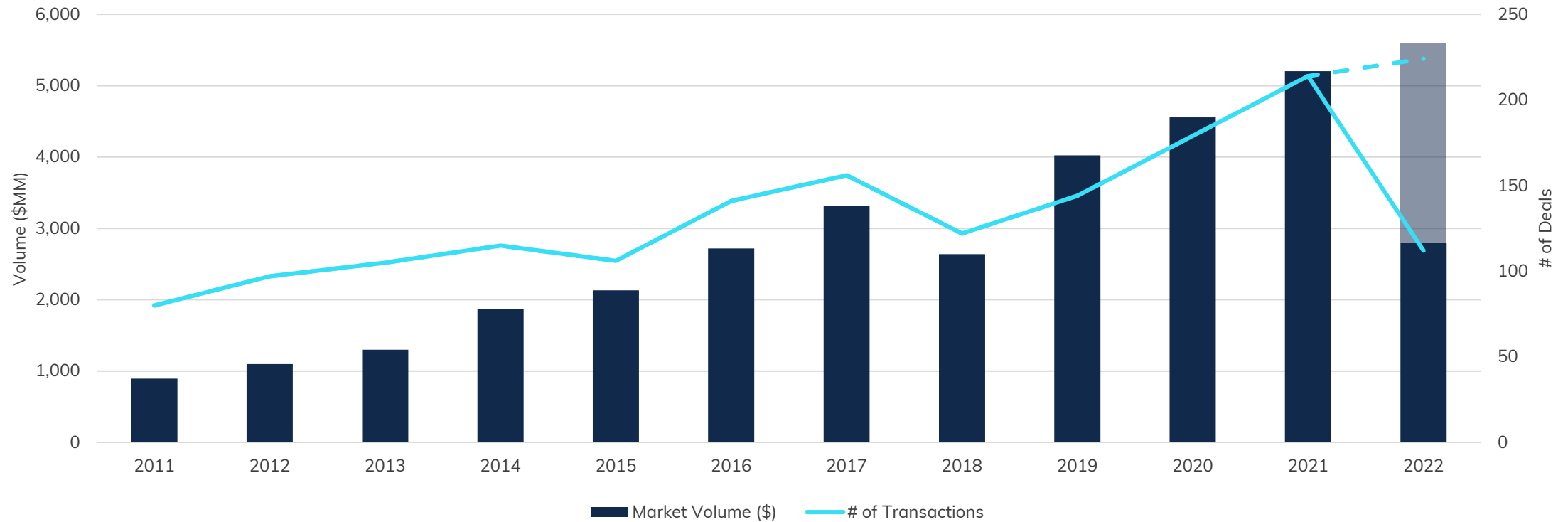
# Widening Credit Spreads

Higher benchmark MMD rates plus a widening of credit spreads increased borrowing costs by approximately 260 to 310 BPs on average depending on credit quality of the school



# Deal Volume

Over \$5B of charter school financings were completed in the public capital markets in 2021. Despite higher borrowing costs, 2022 is on pace to exceed that volume with approximately \$2.8B of financings completed in the first half of the year



# Top 10 Largest Transactions

State	Date	Project	Par Amount
TX	2/2	IDEA Public Schools	\$266,485,000
TX	3/2	KIPP Texas	156,355,000
TX	3/24	Riverwalk Education Foundation	141,085,000
FL	4/5	Mater Academy	114,405,000
CO	5/20	Colorado Early Colleges / Aurora Charter	88,130,000
AZ	4/7	Leman Academy of Excellence	79,765,000
PA	2/10	Lehigh Valley Academy Regional Charter	68,325,000
FL	4/21	Renaissance Charter School	57,715,000
CA	5/25	Classical Academy (Oceanside)	57,270,000
TX	6/7	Austin Achieve	56,590,000
<b>Total</b>			<b>\$1,086,125,000</b>

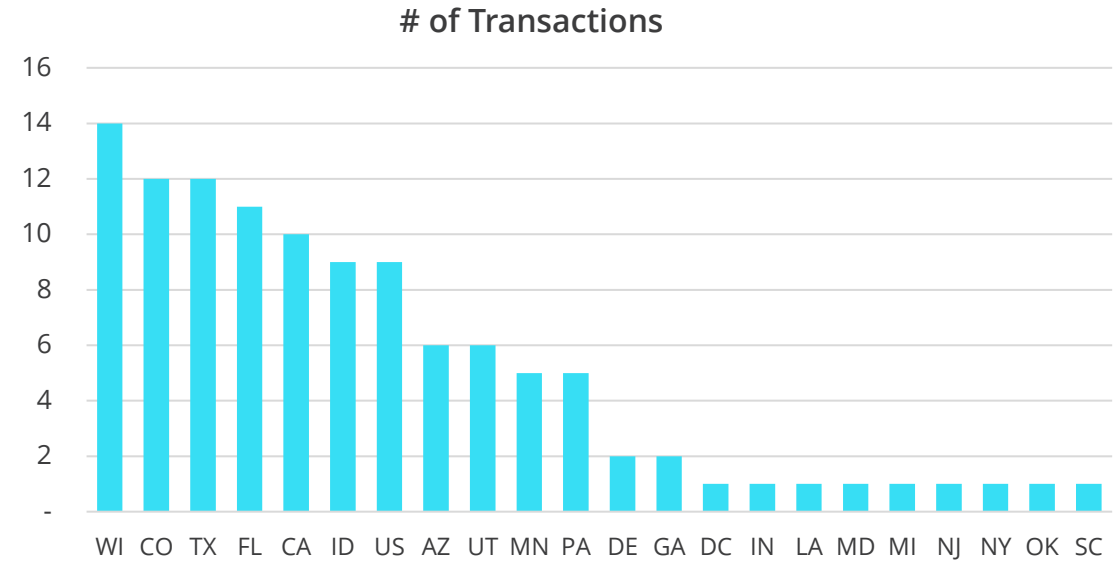
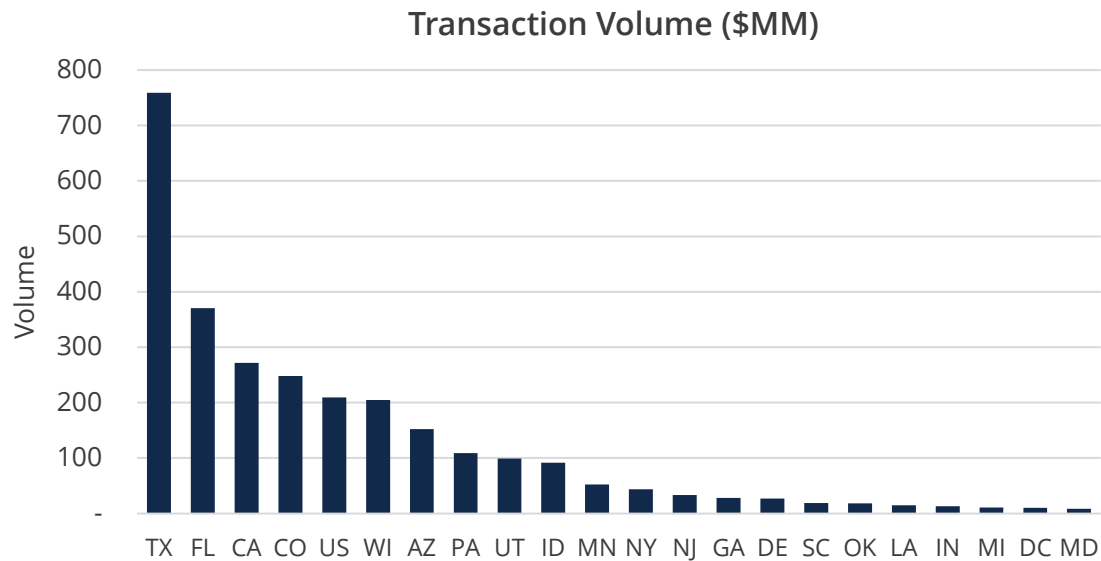
\* Excludes Tender Option Bond Trust Receipts / Certificates issuances

- 112 public bond issues (with 584 separate tranches) were completed in the first half of 2022. The total par amount of all transactions was approximately \$2.8 billion, with an average par amount of \$25.1 million. The top 10 largest transactions contributed \$1.1 billion (or 27%) of total par for the year to date
- The following four transactions exceeded \$100 million in size:
  - IDEA Public Schools (TX) – AAA & A- rated issue sold by Baird
  - KIPP Texas (TX) – AAA rated issue sold by RBC
  - Riverwalk Educational Foundation (TX) – AAA rated issue sold by PNC, Baird, and RBC
  - Mater Academy (FL) – BBB issue sold by PNC and Truist
- Charter-friendly states such as Texas and Florida were particularly active in the first half of the year, both in terms of total par issued as well as number of large transactions



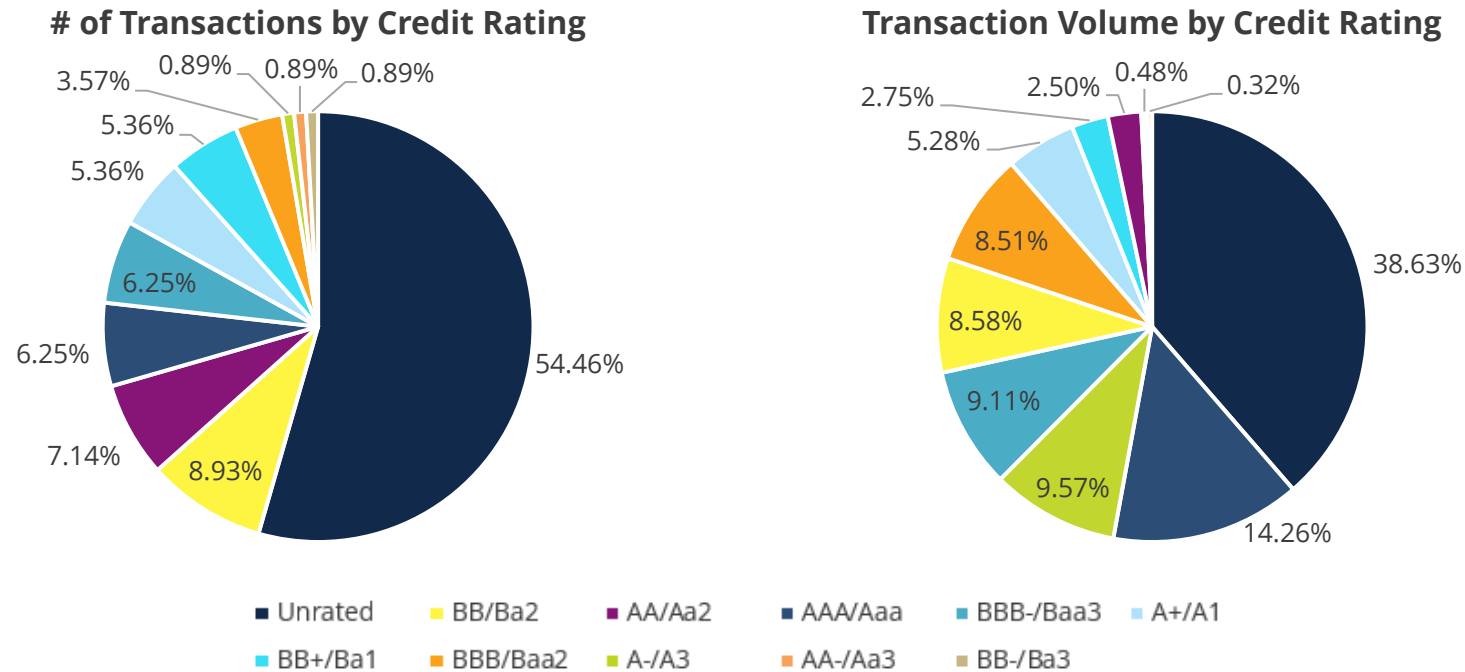
# Most Active States

- 21 states and the District of Columbia participated in the charter school bond market in 2022 to date. The bulk of these issues were concentrated in Texas, claiming over \$700 million in par, largely from sizable issuances from IDEA Public Schools, KIPP Texas, and Riverwalk Education Foundation
- Idaho, Utah, and Pennsylvania saw a meaningful increase in charter schools pursuing public bond issues in 1H22 compared to prior periods
- Wisconsin hosted 14 transactions through its Public Finance Authority. However, all were for out of state borrowers – 8 in North Carolina, 3 in New Mexico, 2 in New Jersey, and 1 in Nevada



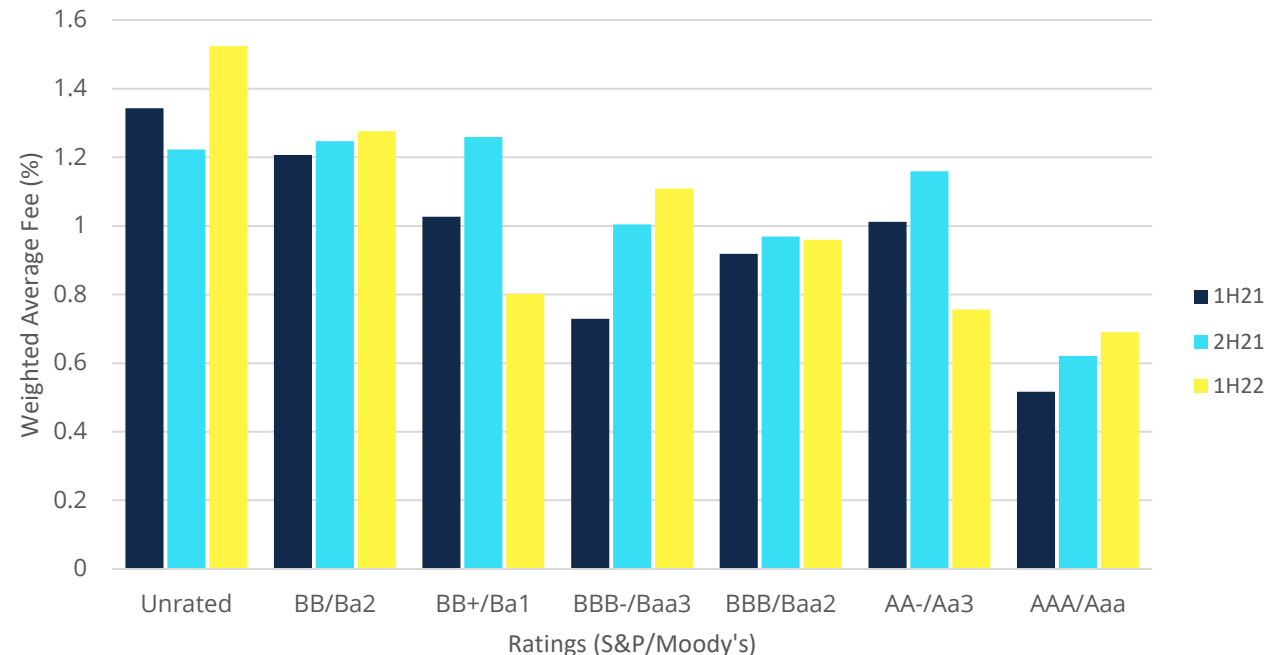
# Credit Rating Statistics

As has been the case in prior periods, the majority of transactions completed in 1H22 were for unrated and below investment grade rated schools. Distribution by credit rating followed a similar pattern



# Underwriter Fees by Rating Category

- Weighted average underwriter fees for charter school transactions in the first half of 2022 were generally lower, but with a few noticeable irregularities (possibly due to market volatility)
- For 1H22, unrated and below investment grade transactions saw average underwriter fees of approx. 1.30% (\$13.00/Bond), approximately 20 BPs less compared to the average in 2021. Weighted average fees for low investment grade (BBB/Baa2 and BBB-/Baa3) transactions saw a sharp decrease to approx. 0.80% (\$8.00/Bond)
- Although there are always some outliers in the data (e.g., fees for AA, A and BBB+ rated transactions), the general trend has been a gradual reduction in fees over the years
- We continue to expect to see fees in the \$7-10/Bond range for most charter school transactions even under challenging market conditions. Additional fee detail by underwriter is provided on pg. 13



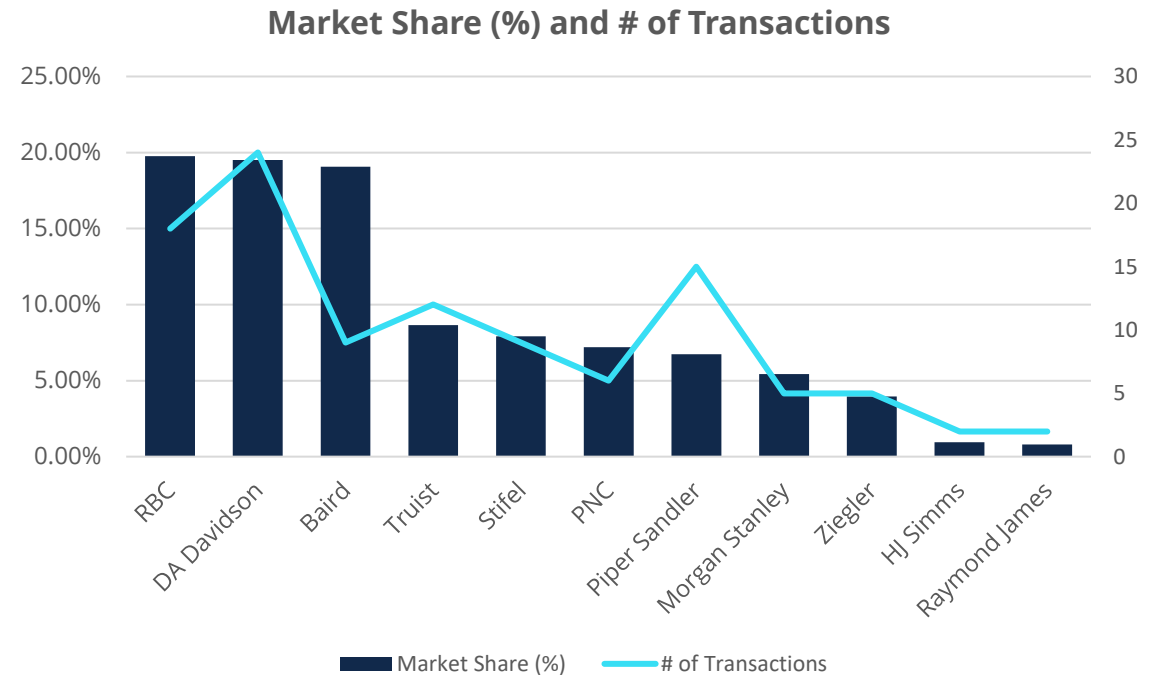
\* Some rating categories not pictured due to low transaction volume and/or extraneous outliers

# Underwriter Statistics

There were noticeable changes in the transaction distribution by underwriter compared to 1H21. We note that there was movement of key personnel among the underwriters serving the charter sector in 1H22. As such, we expect the full year statistics for 2022 to look meaningfully different than 2021

Manager	Transaction Volume (\$MM)			TTM Avg Market Share $\Delta$
	1H22	2H21	TTM Avg	
RBC	\$523.74	\$464.89	\$494.31	1.79%
DA Davidson	517.26	532.39	524.82	0.44%
Baird	505.41	190.09	347.75	6.43%
Truist	229.59	639.62	434.61	-7.15%
Stifel	209.84	235.27	222.56	-0.17%
PNC	190.78	107.25	149.01	1.78%
Piper Sandler	178.37	112.08	145.22	1.45%
Morgan Stanley	144.06	238.50	191.28	-1.52%
Ziegler	105.25	377.80	241.52	-4.81%
HJ Sims	25.52	---	---	---
Raymond James	21.17	---	---	---
<b>Total</b>	<b>\$2,650.95</b>	<b>\$3,022.53</b>	<b>\$2,836.74</b>	

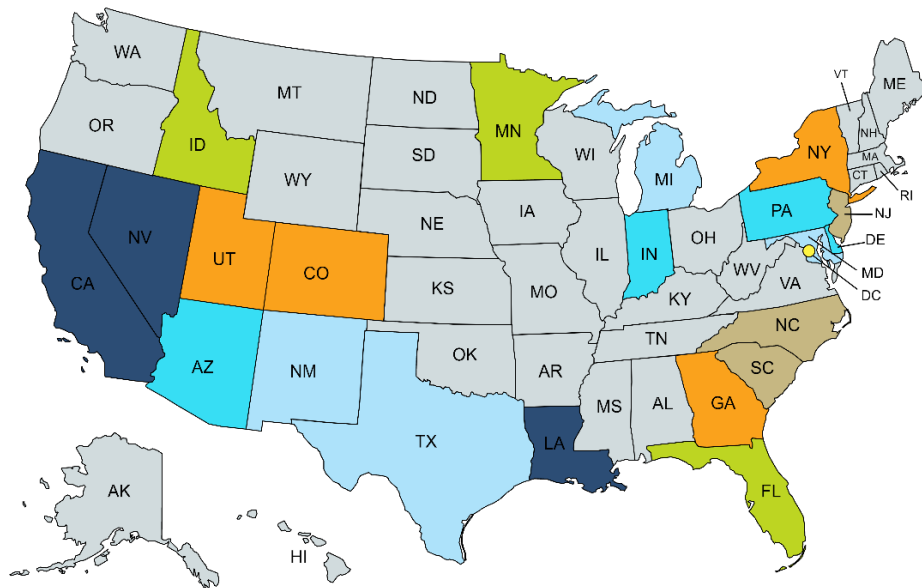
\* Only 1H22 active managers are pictured. TTM = Trailing Twelve Month.



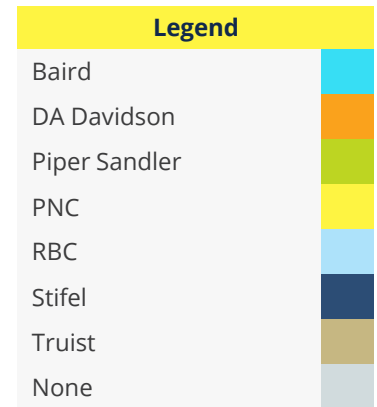
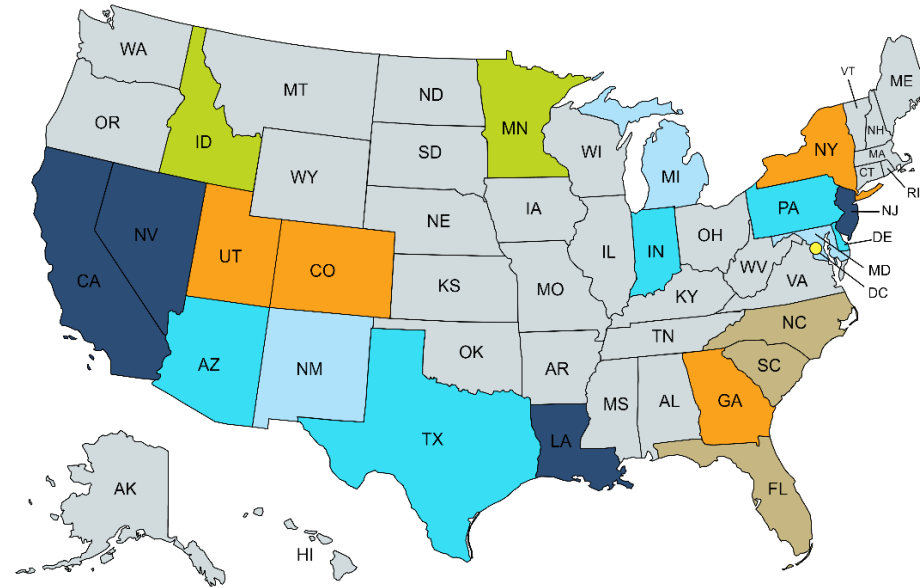
# Underwriter Statistics (cont'd)

- The most active underwriters in terms of transactions completed by state include
  - RBC (9): AZ, CA, FL, MD, MI, NC, NM, TX, UT
  - DA Davidson (8): CO, FL, GA, NC, NY, PA, TX, UT
  - Baird (7): AZ, DE, IN, MN, PA, TX, UT
  - Truist (7): CO, FL, ID, NC, NJ, PA, SC
  - Stifel (4): CA, LA, NJ, NV
  - PNC (5): DC, DE, FL, PA, TX
  - Piper Sandler (4): FL, ID, MN, PA
  - Zeigler (4): AZ, CA, FL, NC

Leading Underwriter by # of Transactions



Leading Underwriter by Transaction Volume



\* Note: Transaction volume and frequency awarded to the state of the borrower. Transaction # tie awarded to the underwriter with more transaction volume by state

# Underwriter Statistics (cont'd)

Underwriter fees continue to compress, now at \$12.20/Bond on average across all rating categories. Low and investment grade rated deals are getting done at approximately \$8.00/Bond

Manager	Fees (Weighted Avg %)		Transactions by Rating Category								
	1H22	2H21	Unrated	BIG	BBB-/Baa3	BBB/Baa2	A-/A3	A+/A1	AA-/Aa3	AA/Aa2	AAA/Aaa
RBC	0.79	0.91	7	3	3	---	---	---	---	---	5
DA Davidson	1.15	1.16	16	3	---	---	---	1	1	2	1
Baird	1.04	1.18	4	1	1	1	1	---	---	---	1
Truist	0.98	0.90	9	2	1	1	---	---	---	---	---
Stifel	1.79	1.81	4	3	1	1	---	---	---	---	---
PNC	0.59	0.80	---	1	---	2	1	1	---	---	1
Piper Sandler	1.32	1.31	7	2	---	---	---	---	---	6	---
Morgan Stanley	---	1.02	---	---	---	---	---	5	---	---	---
Ziegler	1.23	1.13	2	2	1	---	---	---	---	---	---
HJ Simms	0.79	---	2	---	---	---	---	---	---	---	---
Raymond James	1.01	---	2	---	---	---	---	---	---	---	---
<b>Weighted Avg (%)</b>	<b>1.22</b>	<b>1.39</b>	<b>1.34</b>	<b>1.14</b>		<b>0.79</b>		<b>0.78</b>		<b>0.63</b>	

\* Multi-underwriter transactions awarded to both managers

# Underwriter Statistics (cont'd)

MMD spreads varied widely in 1H22 due to rapidly changing market conditions. Spreads for BBB-rated credits ranged from 120 to 240 BPs. The high end of this range was over twice the average spread for transactions completed in 2021

Manager	Average Spread to MMD (in BPs)								
	Unrated	BIG	BBB-/Baa3	BBB/Baa2	A-/A3	A+/A1	AA-/Aa3	AA/Aa2	AAA/Aaa
RBC	283	246	205	---	---	---	---	---	88
DA Davidson	267	230	---	---	---	104	74	152	128
Baird	268	167	195	120	127	---	---	---	96
Truist	289	179	145	149	---	---	---	---	---
Stifel	284	268	195	176	---	---	---	---	---
PNC	---	220	---	154	127	---	---	---	96
Piper Sandler	332	271	---	---	---	---	---	166	---
Morgan Stanley	---	---	---	---	---	---	---	---	---
Ziegler	235	231	242	---	---	---	---	---	---
HJ Simms	285	---	---	---	---	---	---	---	---
Raymond James	218	---	---	---	---	---	---	---	---
<b>Average</b>	<b>273</b>	<b>227</b>	<b>176</b>			<b>125</b>			<b>102</b>

\* Note due to market volatility, spread to MMD data may be skewed depending on the timing of issuance. Reflects long bonds and tax-exempt issues only.

# Underwriter Statistics (cont'd)

4% coupons were commonplace for most charter school transactions completed in 2021 (except those that were unrated). This was not the case for the first half of 2022 as interest rates rose and 5% coupons returned to the market

Median Long Bond Coupon									
Manager	Unrated	BIG	BBB-/Baa3	BBB/Baa2	A-/A3	A+/A1	AA-/Aa3	AA/Aa2	AAA/Aaa
RBC	5.875	5.25	5.00	---	---	---	---	---	4.00
DA Davidson	5.125	5.25	---	---	---	4.00	4.00	3.375	3.75
Baird	5.50	4.00	4.50	4.00	3.00	---	---	---	5.00
Truist	5.625	4.00	4.00	5.00	---	---	---	---	---
Stifel	5.875	5.75	5.00	5.00	---	---	---	---	---
PNC	---	5.00	---	5.00	3.00	---	---	---	5.00
Piper Sandler	5.875	4.75	---	---	---	---	---	4.00	---
Morgan Stanley	---	---	---	---	---	---	---	---	---
Ziegler	5.00	5.375	5.00	---	---	---	---	---	---
HJ Simms	5.75	---	---	---	---	---	---	---	---
Raymond James	4.25	---	---	---	---	---	---	---	---
<b>Median</b>	<b>5.625</b>	<b>5.125</b>	<b>5</b>	<b>5</b>	<b>3</b>	<b>4</b>	<b>4</b>	<b>3.75</b>	<b>4.50</b>

\* Rounded up to nearest eighth. Note that the trend of coupon may be skewed due to volatility. Reflects long bonds and 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 SEC and MSRB registered Municipal Advisors 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 and Chris Wienk and Walter Goldsmith are registered Municipal Advisor Principals (MSRB Series 54).

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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