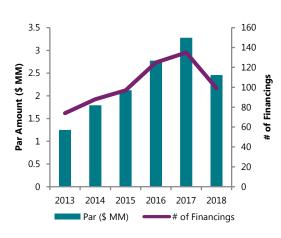


CHARTER SCHOOL FACILITY FINANCINGS - 2018 UPDATE

How many tax-exempt bond facility financings did charter schools complete in 2018? The level of tax-exempt borrowings undertaken by charter schools in 2018 was lower than in 2017, due in part to the acceleration of certain financings in advance of the implementation of Tax Cuts and Jobs Act went into effect in January of 2018, and which would have prohibited certain types of borrowings. Based on our review, there were ±100 publicly offered charter school bonds issued in 22 states, totaling over ±\$2.5 billion in 2018. This is a significant decline from an estimated ±\$3.5 billion issuance in 2017. Texas charter schools issued the highest par amount of bonds in 2018 (over \$734 million) with the next highest par amount in Arizona with \$285 million. Texas, however, had just 8 issuances versus California with 13 issues, and Arizona and Florida with 10 issues each.

Baird completed 17 financings totaling over \$760 million in 2018 including the second largest charter school financing for the year for IDEA Public Schools in September of 2018 (\$168.6 million Education Revenue Bonds, Series 2018). See below a summary of charter school bond issuances.

Charter School Bond Issuance Volume 2013 - 2018



Top States Issuing Charter School Bonds 2018

Rank	State	#	Par (\$ MM)
1	Texas	8	\$ 734.69
2	Arizona	10	285.35
3	California	13	235.71
4	Nevada	5	159.26
5	Florida	10	129.25
6	Colorado	6	117.86
7	New York	6	117.23
8	Utah	6	99.80
9	Minnesota	7	97.61
10	North Carolina	5	92.12

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- Charter School Facility Financings -2018 Update
- Baird Outlook for 2019 Municipal Bond Market
- Baird Outlook for the US Economy
- Select Baird Charter School Financings Case Studies Completed in 2018

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Baird Update: Charter School Facility Financing

February 2019



BAIRD OUTLOOK FOR 2019 MUNICIPAL BOND MARKET

This transcript of Q&A with Baird's fixed income analysts on their outlook for the municipal market is available <u>here</u>. A short synopsis of discussion is provided below. <u>The bottom line for charter school borrowers: long-term tax-exempt charter school bond rates are likely to remain low by historic standards.</u>

How has market volatility affected the municipal market?

"The sources of volatility are the regular cast of characters – trade with China, Brexit, a slowdown in the economy, the budget deficit, domestic and foreign politics. There just happens to be more of it right now. The interesting thing is that municipal bonds haven't been particularly volatile. It tends to be a very steady-Eddie asset class."

"Year-over-year comparisons can be misleading right now – you'll recall the huge spike in supply at the end of 2017, ahead of the tax reform legislation. Based on the number of ballot referendums approved in November, I'd say new money issuance is on the rise."

What has been the effect of the 2017 tax reform on the municipal market?

"The biggest change for the municipal market was the reduction in the corporate tax rate to 21 percent. With this lower corporate tax rate, banks and property and casualty insurance companies – institutions that traditionally have benefited from the muni market's tax advantages – have felt less of a need to participate, though this has been offset somewhat by increased participation by life insurers and overseas investors. Going forward, if it becomes clear that the Fed's monetary tightening is taming inflation or if economic weakness emerges, then I'd expect investors to warm up to duration and high-credit quality, which are both municipal bond characteristics."

After four rate increase in 2018, what do you see happening with the Fed in 2019?

"Right now, the probability of even one hike in 2019 is less than 20 percent. If the Fed came in and raised rates two, three or four times, that would likely surprise the market and flatten out the long end of the yield curve."

KNOW YOUR TERMS

A yield curve is a graph depicting a bond's yield as it matures. It typically slopes upward to account for additional risks investors take when purchasing longer-term bonds.

What would a flat or inverse yield curve signify, and how would it affect the municipal market?

"Municipal yield curve inversions are uncommon. Municipal yields follow Treasury yields directionally but not as dramatically, and I'd expect just a continued flattening of the curve for 2019."

BAIRD OUTLOOK FOR THE US ECONOMY

- Stock market conditions likely to improve over the course of the year with new cyclical bull market emerging in the second half.
- Federal Reserve shifting toward data dependency as interest rates approach neutral level.
- Economic growth expected to slow, though domestic recession risk remains minimal; Upswing in productivity growth providing an unexpected tailwind for the economy.
- Earnings growth may have peaked, but that may not preclude expectations drifting higher, especially on signs of global economic recovery.
- Absent evidence of renewed inflation and improving global conditions, bond yields not likely to move meaningfully higher. We can expect low levels of interest rates to remain in 2019 for charter school borrowers.

Baird Update: Charter School Facility Financing

February 2019



SELECT BAIRD CHARTER SCHOOL FINANCINGS COMPLETED IN 2018



IDEA Public Schools

Rio Grande Valley, San Antonio, Austin, El Paso, and Tarrant County, Texas

\$165,680,000 Education Revenue Bonds, Series 2018

September 2018

Baird served as Sole Managing Underwriter

This financing qualified for the Texas Permanent School Fund Guarantee Program resulting in a "AAA" rating by S&P ("BBB+" Underlying)

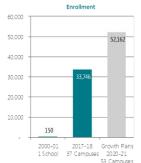
IDEA Public Schools

Mission: IDEA's approach to education is focused on college preparation for all children. IDEA strives to prepare Students in underserved communities for success in college and citizenship, thereby helping to break the cycle of poverty by empowering students and families to help themselves.

Financing Need:

- Financing/refinancing the development of eight campuses located in the Rio Grande Valley, San Antonio, Austin, Tarrant County, and El Paso
- Improvements to five existing campuses
- Acquisition of land for future schools and other campus expansion

- S&P Bond Rating of "AAA" Rated (PSF Guarantee) / "BBB+"
 Stable Outlook (Underlying)
 30-year fixed rate financing
 Secured a True Interest Cost ("TIC") of 4.17%







Benjamin Franklin Charter School

Phoenix Metropolitan Area, Arizona

\$72,330,000 \$71.715.000 \$615,000

Education Revenue Bonds Series 2018A

Taxable Series 2018B

November 2018

Baird served as Sole Managing Underwriter

Benjamin Franklin Charter School

History & Philosophy: The philosophy, curriculum, and strong parental involvement that define Benjamin Franklin Charter School are based on many years of experience with similar programs that resulted from the "Back-to-Basics" movement during the 1970's. In the same spirit of parental involvement that gave birth to those earlier programs, Benjamin Franklin Charter School is the result of parents getting involved in their dildren's education by taking advantage of the new charter school law to form parent operated and governed schools.

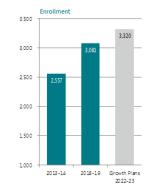
Financing Need:

- To finance the acquisition of an established four-
- To mance the acquisition of an exactionise to our-campus charter school network by a non-profit organization from the founding for-profit company. To construct, improve and equip a new fine arts facility, including additional classrooms at the High School Campus..

Financing Results:

- Moody's Bond Rating of "Ba2" (Stable Outlook)
 34-year fixed rate financing
 Secured a True Interest Cost ("TIC") of 5.78%







BAIRD'S NATIONAL CHARTER SCHOOL FINANCE GROUP

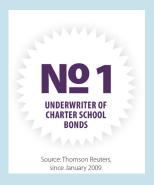
Baird's National Charter School Finance Group has assisted charter schools and charter management organizations (CMOs) on over 185 charter school financings nationwide, obtaining over **\$4.2 billion** in funding for projects that include:

- Land and facility acquisition
- Construction and renovation
- Leasehold improvements
- Refinancing of prior debt
- Furniture, fixtures, and equipment
- Technology
- Project development costs

CUSTOMIZED FINANCING SOLUTIONS

Charter school financing is a specialized financing sector and the Baird National Charter School Finance Group has been at the forefront of structuring financings for charter schools since 2003. As a national leader in charter school financing, we have considerable experience assessing a school's financing needs and accessing a variety of financing sources to provide appropriate solutions. Financing solutions for charter schools include:

- Tax-exempt and taxable bonds
- New Markets Tax Credits
- · Interim and gap financing



Baird Update: Charter School Facility Financing

February 2019





Pinecrest Academy of Nevada – Sloan Campus Henderson, Nevada

\$35,000,000 \$34,250,000 \$750.000

Education Revenue Bonds

Series 2018A Series 2018B (Federally Taxable)

November 2018

Baird served as Sole Managing Underwriter

Pinecrest Academy of Nevada

Mission and Vision: The Charter School's mission is to unite the community to prepare students for college and career. The Charter School's vision is a school where scholars perform at the highest level on all academic measures.

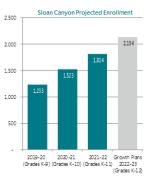
Academic Excellence: The only charter school system in Nevada to receive 5-star ratings for

Financing Need:

Finance the acquisition of approx. 14.55 acres of real property and construction of charter school facilities consisting of elementary and middle school facilities on the Sloan Canyon Campus

Financing Results:

- 35-year fixed rate financing Secured a True Interest Cost ("TIC") of 6.24%
- The Bonds were non-rated
- Security consisted of only the revenues associated with the new campus and the land and improvements being financed



Related Schools Enrollment





Green Dot Public Schools Los Angeles, California

6.000

\$56 155 000 **School Facility Revenue Bonds**

\$585,000

Series 2018A (Tax-Exempt) Series 2018B (Taxable)

September 2018

Baird served as Sole Managing Underwriter

Green Dot Public Schools

Mission: To help transform public education so ALL students graduate prepared for college, leadership, and life.

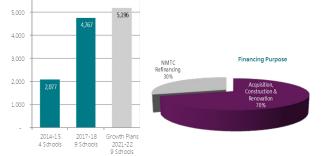
Financing Need:

- To acquire, construct, expand, remodel, renovate, improve, furnish and equip educational facilities Refinance two New Markets Tax Credit ("NMTC") loans Added four (4) schools to the group of schools that are obligated to repay the 2018 Bonds and the existing 2015 Bonds.

Financing Results

- S&P Bond Rating of "BBB-" (Positive Outlook)
- 30-year fixed rate financing
- Secured a True Interest Cost ("TIC") of 4.45%





IMPORTANT DISCLOSURES

Baird may from time to time have a proprietary position in the debt obligations of the issuers mentioned in the report. This report is for information purposes only and in no event should it be construed as a solicitation or offer to purchase or sell a security. The information presented herein is taken from sources believed to be reliable, but we do not guarantee the accuracy or completeness. Any issue named or rates mentioned are used for illustrative purposes only and may not represent specific features or securities available at a given time. The value of and income from investments may vary because of changes in interest rates, foreign exchange rates, securities prices, market indexes, operational or financial conditions of the issuers, or other factors. Past performance is not a guarantee on future performance. Preliminary Official Statements, Final Official Statements, or Prospectuses for new issues if mentioned herein are available upon request. For more information regarding municipal securities, visit emma.msrb.org. This report does not provide recipients with information or advice that is sufficient on which to base an investment decision. This report does not take into account the specific investment objectives, financial situation, or need of any particular client and may not be suitable for all types of investors. Recipients should consider the contents of this report as a single factor in making an investment decision. Additional fundamental and other analyses would be required to make an investment decision about any individual security identified in this report. For investment advice specific to your situation, or for additional information, please contact your Robert W. Baird Financial Advisor and/or your tax or legal

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