Historically Black College and University Capital Financing Program

ProgramUpdate

RICE
Capital Access Program, LLC
A Subsidiary of Rice Financial Products Company

UVI Weathers the Storm with Extended Loan Repayment Window and New Funds for Construction and Facility Acquisition

When hurricanes Irma and Maria, both Category 5 storms, struck the Caribbean in quick succession in September 2017, there were catastrophic losses across the U.S. Virgin Islands. At the time, the University of the Virgin Islands was in the process of constructing a medical school classroom building on St. Thomas and a state-of-the-art simulation center on St. Croix. The classroom building sustained massive damage, a situation further hindered by the sharp rise in construction costs and construction delays due to the limited availability of labor and materials in the aftermath of the storms.

In August 2019, the University submitted an application to the HBCU Capital Financing Loan Program seeking assistance to cover the remaining construction and restoration costs of these two facilities in an amount of approximately $3 million. The residual cost for completing the two facilities was slated to be paid from the proceeds of a U.S. Economic Development Administration grant in the amount of $28.6 million that had already been awarded to the University.

The University also sought to restructure two loans previously completed through the Program in 2011 and 2015 and to borrow additional funds for a new Research and Business Innovation Center on St. Thomas. The final transaction included restructuring loans totaling $32 million and a new money component of $15 million. Both the new money and restructuring loans were designed to create a window of time and liquidity relief that has aided in operating and fiscal recovery by pushing back principal to 2035 and extending debt to 2049.

Top photo: UVI Medical School Classroom Building, St. Thomas Campus
Bottom photo: UVI Medical School Simulation Center, St. Croix Campus

Restructuring Component. The restructuring of the existing debt extended the University's repayment period and reallocated existing territorial funding to target the restoration of University programs, facilities, and enrollment and financial resources. The original 2011 loan had an outstanding amount of approximately $12.8 million and was used to finance the construction of a 100-bed student residence facility on the St. Thomas campus and build-out of state-of-the-art laboratories, classrooms, faculty officers and conference rooms on the St. Croix campus. The 2015 loan, outstanding in the amount of approximately $13.8 million, was originally used to finance the construction and equipping of a medical education building, including seminar rooms, laboratories, and lecture halls, all part of the 21,000-square-foot, high fidelity St. Croix campus simulation center.

New Money Component. In addition to the $3 million allocated to the final construction of the medical school classroom building and simulation center, $10 million of the proceeds from the 2019 new money loan are being used to acquire and convert a 33,000-square-foot retail shopping facility (formerly West Bay Supermarket) into a fully equipped Research and Business Innovation Center on the St. Thomas campus.

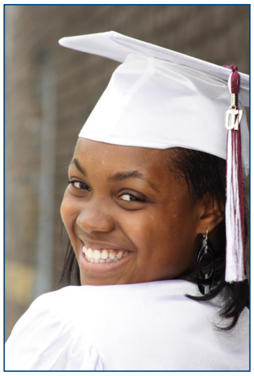
Covid-19 Effect Prompts Sobering Outlook For HIgher Education Sector by Rating Agencies

An April 30 research report from S&P Global Ratings found the rating agency slashing its outlook for 127 colleges and universities in the wake of school shutdowns brought on by the Covid-19 pandemic, primarily on institutions with lower ratings. Moody's took a similar tack in March. After elevating its outlook for the U.S. higher education sector from negative to stable in late 2019 citing steady revenue gains, Moody's again downgraded the sector to negative.

38% of the 436 public and private colleges and universities tracked by S&P now bear a negative outlook, meaning S&P sees at least a one-in-three chance that operating and economic conditions will significantly affect the institutions' credit characteristics.

"Many colleges and universities have disclosed estimates of 2020 budget shortfalls, despite the inclusion of CARES stimulus funds, " the S&P report said. "We expect that the colleges and universities we rate will face an unprecedented level of operating stress and tightened liquidity, which will worsen the longer and deeper the pandemic lasts."

Source: Outlooks Revised On Certain U.S. Not-For-Profit Higher Education Institutions Due to COVID-19 Impact, S&P Global Ratings, April 30, 2020



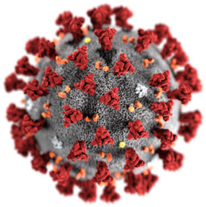
Why Should My Institution Choose the HBCU Capital Financing Program?

Nearly 40% of all HBCUs have used the HBCU Capital Financing Program to meet their capital needs because they know that the Program provides them the lowest cost financing option in the market. Program loan rates are based off the corresponding U.S. Treasury yield. The U.S. Treasury provides financing to help federal agencies manage their borrowing and lending programs, and to ensure that all federal government borrowing from the public is conducted through the Treasury.

HBCUs have received rates on their loans, which are taxable, ranging from 2.75-4.00% (including ongoing fees of 22.5 basis points). In the current market environment, rates are trending even lower. Uniquely, unlike traditional municipal bond financings, HBCU loan proceeds can be used to facilitate advance refundings, allowing for potential future opportunities to further reduce borrowing costs.

Research in 2016 from Duke University's Fuqua School of Business found that HBCUs "pay more to float bonds in the market than other schools" and that "race was a factor in the higher costs." Addressing the disparity, U.S. Rep. Alma Adams came out in favor of the HBCU Capital Financing Program: "Access to federal funding is a challenge that most HBCUs are faced with, but under the HBCU Capital Financing Program the playing field is leveled." The article, *Bond Market Research Spurs Congressional Action*, can be accessed here: www.fuqua.duke.edu/duke-fuqua-insights/mayew-first-bill#.WC4Tk_krLGL

HBCUs Face an Uphill Battle as the U.S. Combats Covid-19



The effects of the Covid-19 pandemic sweeping the world will have a more dramatic impact on HBCUs than other schools in the U.S. As schools close off their campuses and move courses online, HBCUs will be disproportionately affected for a number of reasons, including:

- Smaller endowments
- Reduced donations
- Costs associated with transitioning to and maintaining online classes
- Limited technical capacity, inhibiting the ability to function remotely
- Limited student access to computer equipment and reliable WiFi

With the capital markets in flux and access to funding becoming more difficult to come by, the stability of the HBCU Capital Financing Program makes this financing mechanism more attractive than ever. We are confident that America's HBCU institutions will get through this crisis, and we stand by, ready to provide both strategic and financial help as schools evolve to accommodate the new normal for learning.

Program Application: The First Step Toward Achieving Your Infrastructure Goals

Log in to www.ricecapitalaccess.net to fill out a brief application that reviews your institution's enrollment figures, operating revenue and expenses, and a brief project description. This initial review is conducted to determine whether you qualify for a loan through the Capital Financing Program before you spend more time and resources completing the full-scale application process.

Click on the What to Expect button on the home page to review a timeline that takes you through the process and the steps that will be taken by your institution, Rice Capital Access Program (lender), the U.S. Department of Education (guarantor) and the U.S. Treasury (bondholder). We are sensitive to your desire to keep your project on track and will work diligently to help accomplish this goal.

Introducing the Newest Rice Capital Access Team Member

Rice Capital Access Program is excited to welcome Murielle Foyou, a graduate of the University of Vermont, to the team. Previously employed at Rice Financial for two years, Murielle transitioned to the RCAP team last September as an Assistant Vice President. Murielle provides administrative duties in the firm's role as Designated Bonding Authority for the U.S. Department of Education HBCU Capital Financing Program.

Murielle, a native French speaker, is originally from Cameroon in central Africa, although she spent most of her childhood in New York. She enjoys traveling and experiencing new cultures around the world and is an avid fan of jazz, fashion and fitness. The charity causes to which she commits time and money revolve around the empowerment of women, improving education opportunities, combatting poverty and supporting orphaned children worldwide. She speaks English, French and German fluently.

HBCU Capital Financing Program: 2019 Transactions

Date	Amount	Institution	Type	State	Purpose
03/05/19	$125,000,000	Florida A&M University	Public	FL	Restructuring & New Money
09/19/19	70,000,000	Alabama A&M University	Public	AL	Restructuring
10/23/19	44,000,000	Florida Memorial University	Private	FL	Restructuring
11/13/19	47,000,000	University of the Virgin Islands	Public	USVI	Restructuring & New Money
12/11/19	18,000,000	Johnson C. Smith University	Private	NC	Restructuring
Total	**$304,000,000**				

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