CAPITAL COMMENTARY

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from MN Higher Education Facilities Authority

Brief reviews of financings recently completed by the Minnesota Higher Education Facilities Authority

Borrower/Issue: Minneapolis College of Art and Design **Series Eight-D**

Financing Vehicle: Revenue Bonds

Project: Current refunding of Series Six-K fixed interest rate revenue bonds and Series Six-Z bank purchase notes for redemption on May 1, 2015. Series Six-K bonds advance refunded the Authority's Series Five-D bonds. Series Six-Z financed improvements to the College campus.

Issue Amount: $7,845,000

Placement Method: Public sale, on a negotiated basis, with Dougherty & Company LLC as underwriter.

Term of Financing: 11 years

Structure: Serial maturities in 2016 through 2026. The bonds are subject to optional redemption starting on May 1, 2023 and are secured by a negative pledge of part of the campus and a debt service reserve fund.

Interest Rate: Coupon rates of 0.75% to 4.00% and sold in a combination of par and premium prices. 3.02% TIC. (True Interest Cost is a dollar-weighted average rate for the bond issue, taking into account the time value of money and including interest, original issue discount or premium and underwriting fees).

Rating: Moody's Baa2 with a stable outlook.

Date of Settlement: March 26, 2015

Highlights: The College achieved debt service savings by refunding the Series Six-K bonds and eliminated the risk of a mandatory tender by the holder of the Series Six-Z note. The College chose to match the final maturity of the refunded debt rather than extend the amortization. The seven year par call was possible under the current high demand and low supply environment and the relatively short term of the bonds. Market conditions favored a reserve fund requirement of half the maximum annual debt service thereby reducing the principal amount to be borrowed.

Borrower/Issue:	Augsburg College **Series Eight-E**
Financing Vehicle:	Revenue Note
Project:	Current refunding of fixed rate Series Six-J1 Revenue Bonds on May 20, 2015.
Issue Amount:	$12, 400,000
Placement Method:	Direct purchase by BMO Harris Bank N.A. for its own account
Term of Financing:	21 years, maturing on May 1, 2036
Structure:	Monthly interest payments and annual principal repayments. The Note is secured by a negative pledge on assets.
Interest Rate:	Fixed interest rate, based upon a specified spread to the Purchaser's swap rate multiplied by a tax exempt factor. The interest rate is also increased if the credit rating on the College's other long term debt is downgraded. The spread and tax exempt factor are subject to change at the initial Tender Date of May 1, 2020. Unless the College and the Purchaser can agree to a new spread and tax exempt factor and the next Tender Date, the College must purchase the Note on the initial Tender Date.
Rating:	Not rated. The College has other long term debt rated at "Baa3" by Moody's.
Date of Settlement:	April 15, 2015
Highlights:	The College achieved interest rate savings and retained flexibility to incorporate the Note into long term financing for a future capital project. The Note can be prepaid prior to 2020 subject to possible prepayment penalty. The College has the option to repay the Notes over 18 months following the Tender Date should it choose not to prepay in whole prior to the Tender Date.