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 Seven-N**

Financing Vehicle: Revenue Bonds

Project: Current refunding of Series Five-K (outstanding principal of $3,160,000) for redemption on May 1, 2012. The Series Five-K Bonds were used to finance acquisition of two student housing apartment buildings, renovation of Memorial Building and the Library and completion of site improvements.

Issue Amount: $3,215,000

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

Term of Financing: 11 years

Structure: Serial maturities in 2014 through 2021 and a term bond maturing in 2023. The bonds are secured by a debt service reserve fund and are subject to optional redemption beginning on May 1, 2020

Interest Rate: Coupon rates range from 1.50% to 3.75%. Yields range from 1.50% to 3.80% reflecting par bonds in 2014 and a mix of discount and premium bonds in the remaining maturities. 3.345% 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 change in outlook from stable to negative.

Date of Settlement: April 26, 2012

Highlights: This series was structured as a long-term fixed rate issue to lock in debt service savings from the refunding. Instead of mirroring the maturity of the refunded bonds, the College chose to push the final maturity of the Bonds from 2021 to 2023. By doing so, the College lowered its annual debt service payments but also reduced the savings from the refunding.

Borrower/Issue: University of St. Thomas **Series Seven-O and Seven-P**

Financing Vehicle: Revenue Bonds

Project: Current refunding of three variable rate demand issues - Series Four-O (outstanding principal of $7,960,000), Series Five-C (outstanding principal of $7,365,000) and Series Six-H ($12,300,000) on July 1, 2012. The Bonds were used to finance or refinance new construction, renovation, equipment, furnishings and infrastructure improvements throughout the St. Paul campus.

Issue Amount: $15,325,000 for Seven-O and $12,300,000 for Seven-P

Placement Method: Direct purchase by The Northern Trust Company for its own account following a Request for Proposals

Term of Financing: 13 years for Seven-O and 20 years for Seven-P

Structure: Subject to an agreement with the Purchaser to make annual principal repayments that mirror the maturity schedules of the refunded bond issues, Seven-O matures in 2025 and Seven-P matures in 2032. Quarterly interest payments through March 30, 2012 (the initial Indexed Put Rate Period). At the University's option, the Bonds may be converted to a weekly demand variable interest rate mode or a fixed rate mode.

Interest Rate: Variable interest rate, reset quarterly, based upon a specified spread to the three-month LIBOR multiplied by a tax exempt factor. The spread and tax exempt factor are subject to change at the start of each Indexed Put Rate Period unless the Bonds have been converted to another interest mode. At the end of each Indexed Put Rate Period, the Purchaser has the option to retain the Bonds and to propose a new interest rate and the length of the next Indexed Put Rate Period. Unless the University accepts the proposed terms, the Bonds are subject to mandatory tender at the end of the Indexed Put Rate Period then in effect.

Rating: Not rated. Moody's has rated the University's existing rated long-term debt (also issued by the Authority) at A2 with stable outlook.

Date of Settlement: May 30, 2012

Highlights: By refunding three of its five variable rate debt issues, the University reduced liquidity and remarketing fees, diversified banking relationships and reduced the letter of credit renewal and pricing risk. The University elected to keep interest rate swap agreements for each of the three refunded bond issues in place to avoid the termination penalty and to continue to hedge against interest rate volatility. Each swap has a current termination value that would result in a payment by the University.