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: Hamline University **Series Seven-Y1, Y2 and Y3**

Financing Vehicle: Revenue Notes

Project: Current refunding of Series Six-E1, E2 and E3 Variable Rate Demand Revenue Bonds on November 1, 2013.

Issue Amount: $9,840,000

Placement Method: Direct purchase by U.S. Bank National Association for its own account.

Term of Financing: Three years for Series Seven-Y1 and Y2, maturing on October 1, 2016 and 12 years for Series Seven-Y2 maturing on October 1, 2025

Structure: Monthly interest payments and annual principal repayments that mirror the prepayment schedules required by the letter of credit provider for the refunded bonds. The Notes are secured by a negative pledge on a portion of the campus.

Interest Rate: Note Y1: Variable interest rate, reset monthly, based on a specified spread to the one-month LIBOR multiplied by a tax exempt factor. Note Y2: Variable interest rate, based on a spread to the Bank's cost of funds and tax exempt factor, but set at closing and applicable for three years. On October 1, 2016, the Bank may choose to retain Note Y2 and propose new terms for a period to be specified in the Bank's proposal. Unless the University accepts the new terms, Note Y2 is subject to mandatory tender. Note Y3: Fixed interest rate, also based on a spread to the Bank's cost of funds and tax exempt factor as determined at closing.

Rating: Not Rated. Moody's has rated the University's existing rated long-term debt (also issued by the Authority) as Baa2, stable outlook.

Date of Settlement: September 30, 2013

Highlights: By refunding its variable rate debt, the University eliminated liquidity and remarketing fees as well as the letter of credit renewal and pricing risk. In order to avoid the termination penalty, the University kept the interest rate swap agreement that matched the term of the refunded Series Six-E1 bonds. The swap continues as a hedge against the variable interest rate on the Seven-Y1 Note.