# CAPITAL COMMENTARY

Vol.17 No. 3

**from MN Higher Education Facilities Authority**

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

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| ***Borrower/Issue:*** | Macalester College **Series Seven-X** |
| ***Financing Vehicle:*** | Revenue Note |
| ***Project:*** | Current refunding of Series Six-B Revenue Bonds (outstanding principal of $3,995,000) on March 1, 2014 |
| ***Issue Amount:*** | $3,995,000 |
| ***Placement Method:*** | Direct purchase by JPMorgan Chase Bank National Association for its own account |
| ***Term of Financing:*** | Three years, maturing on March 1, 2017 |
| ***Structure:*** | Semiannual interest payments and principal repayment due on maturity |
| ***Interest Rate:*** | 1.60% per annum |
| ***Rating:*** | Not rated. The College has other long term debt that are rated Aa3 by Moody's. |
| ***Date of Settlement:*** | February 28, 2014 |
| ***Highlights:*** | In order to be characterized as a current refunding under the federal tax regulations, the funding for the redemption must be within 90 days of the redemption date. The first optional call date on the Series Six-B Bonds is March 1, 2014 and therefore the closing could be no earlier than December 1, 2013. The College entered into an interest rate lock agreement in mid-June 2013 to address the risk of rising rates in the ensuing months. The refunded Six-B Bonds are term bonds maturing on March 1, 2017 at an interest rate of 5% per annum and subject to annual sinking fund payments. The College chose a bullet maturity on the Note. |

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| ***Borrower/Issue:*** | University of St. Thomas **Series Seven-Z** |
| ***Financing Vehicle:*** | Revenue Note |
| ***Project:*** | Advance refunding of Series Five-Y Revenue Bonds (outstanding principal of $24,970,000) on October 1, 2014 |
| ***Issue Amount:*** | $24,210,000 |
| ***Placement Method:*** | Direct purchase by U.S. Bancorp Municipal Lending and Finance, Inc. for its own account |
| ***Term of Financing:*** | 20 years, maturing on October 1, 2034 |
| ***Structure:*** | Semiannual interest payments and annual principal repayments that combine to create a level debt service schedule to maturity |
| ***Interest Rate:*** | 2.77% per annum, subject to change on the initial mandatory tender date of March 1, 2024. At that time, the purchaser may choose to retain the Note and propose new terms for a period of years to be specified in the proposal. If the proposal is not accepted by the University, the Note will be subject to mandatory tender and the University may choose to refund or pay the Note with available funds. |
| ***Rating:*** | Not rated. The University has other long term debt that are rated A2 by Moody's. |
| ***Date of Settlement:*** | March 14, 2014 |
| ***Highlights:*** | After reviewing responses to a request for proposals for negotiated public offerings and direct bank purchases, the University selected a bank purchase proposal. Negotiations with that bank were not successful and the University selected another bank's proposal. The Series Five-Y Bonds to be refunded bear interest rates from 4.25% to 5.25% per annum with a final maturity on October 1, 2034. The debt service reserve fund for the Series Five-Y Bonds was applied to reduce the principal amount on the Note needed for redemption and to pay costs of issuance. The University entered into an interest rate lock agreement with the purchaser two months in advance of the closing. |

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| ***Borrower/Issue:*** | Saint Mary's University of Minnesota **Series Eight-A** |
| ***Financing Vehicle:*** | Revenue Note |
| ***Project:*** | Current refunding of Series Five-U Revenue Bonds (outstanding principal of $6,800,000) on May 12, 2014 |
| ***Issue Amount:*** | $6,025,000 |
| ***Placement Method:*** | Direct purchase by U.S. Bank National Association for its own account |
| ***Term of Financing:*** | Nine years, maturing on October 1, 2023 |
| ***Structure:*** | Semiannual interest payments and annual principal repayments that combine to create a level debt service schedule |
| ***Interest Rate:*** | 2.83% per annum |
| ***Rating:*** | Not rated. The University has other long term debt that are rated Baa1 by Moody's. |
| ***Date of Settlement:*** | April 10, 2014 |
| ***Highlights:*** | After reviewing responses to a request for proposals for negotiated public offerings and direct bank purchases, the University selected a bank purchase proposal. The Series Five-U Bonds to be refunded bear interest rates from 4.00% to 4.80% per annum with a final maturity on October 1, 2023. The debt service reserve fund for the Series Five-U Bonds was applied to reduce the principal amount on the Note needed for redemption and to pay costs of issuance. The University chose to retain the option to prepay the Note in any amount and at any time in exchange for a higher interest rate. |

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| ***Borrower/Issue:*** | St. Catherine University **Series Eight-B** |
| ***Financing Vehicle:*** | Revenue Note |
| ***Project:*** | Renovation of Fontbonne Hall and renovation and expansion of Butler Center. Current refunding of Series Six-L Revenue Notes (outstanding principal of \$6,726,314.12) on August 28, 2014. |
| ***Issue Amount:*** | \$15,867,000 |
| ***Placement Method:*** | Direct purchase by U.S. Bank National Association for its own account |
| ***Term of Financing:*** | 28 years, maturing on June 3, 2042 |
| ***Structure:*** | Semiannual interest payments and annual principal repayments commencing on June 3, 2018 that combine to create a level debt service through final maturity |
| ***Interest Rate:*** | 2.88% per annum, subject to change on the initial mandatory tender date of June 3, 2021. At that time, the purchaser may choose to retain the Note and propose new terms for a period of years to be specified in the proposal. If the proposal is not accepted by the University, the Note will be subject to mandatory tender and the University may choose to refund or pay the Note with available funds. |
| ***Rating:*** | Not rated. The University has other long term debt that are rated Baa1 by Moody's. |
| ***Date of Settlement:*** | June 3, 2014 |
| ***Highlights:*** | After reviewing responses to a request for proposals for negotiated public offerings and direct bank purchases, the University selected a bank purchase proposal. The Series Six-L Notes to be refunded bear an interest rate of 5.426% per annum, payable in equal semiannual payments of principal and interest to August 28, 2031. The University took the opportunity to reduce annual debt service while deferring principal repayment for three years. The final maturity date reflects the new money portion of the financing. The University entered into an interest rate lock agreement with the purchaser one month in advance of the closing. Annual optional prepayment without penalty is limited to 10% of the original principal unless the purchaser consents to a greater amount. |