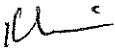


SAINT PAUL PORT AUTHORITY

MEMORANDUM

TO: CREDIT COMMITTEE
(Regular Meeting of March 18, 2014) **DATE:** March 13, 2014

FROM: Peter M. Klein 

SUBJECT: **Montessori Center of Minnesota
Authorization of the Issuance of Conduit, Bank-Qualified, Tax-Exempt
Notes in the Approximate Amount of \$1,700,000**

Action Requested:

Provide approval for the Port Authority to issue approximately \$1,700,000 of bank-qualified conduit tax-exempt notes to be used to refinance a current mortgage on the Montessori Center's facility at 1611 Ames Avenue in Saint Paul.

Public Purpose:

The financing will allow the Montessori Center of Minnesota to more efficiently provide education programs and services benefitting its students in Saint Paul.

Business Subsidy:

The proposed issuance of notes is for a not-for-profit organization and is exempt from treatment as a business subsidy.

Background:

The Montessori Training Center of Minnesota (dba Montessori Center of Minnesota) is located on Saint Paul's East Side at 1611 Ames Avenue. Established as a nonprofit organization with 501(c)(3) status, and licensed by the State of Minnesota Department of Higher Education, the Montessori Center of Minnesota has been providing teacher training and sharing Montessori principles with the community for over 40 years. The Center is accredited by the Association Montessori Internationale (AMI) and Montessori Accreditation Council for Teacher Education (MACTE).

In addition to teacher training programs, the Montessori Center of Minnesota sponsors a community outreach program designed to increase access to high quality education for children and families residing in poverty. The 1611 Ames campus houses both Cornerstone Montessori School, the Center's early childhood program serving children ages 16 months to 5 years, and Cornerstone Montessori Elementary School, a private school serving children in grades K-6. Cornerstone Montessori School is an AMI-recognized school and has a four-star Parent Aware Rating. The Montessori Center educates approximately 450 adults and 200 children annually.

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Proposal:

Type of Notes: The tax-exempt notes will be "bank qualified" under Section 265 of the Code. This will allow the bank to hold these notes without a reduction in their effective yield which would otherwise impact a "non-bank qualified" tax-exempt holding.

Rate: Approximately 3.35% fixed for five years

Security: First secured interest and mortgage on the Project in favor of the lender, including the land, building and personal property associated with the Project.

Term: Five years – Twenty-year amortization

Issuer: Saint Paul Port Authority

Lender: Bremer Bank

Lender's Counsel: Tracy F. Kochendorfer, TK Law, PLC

Bond Counsel: Stinson, Leonard, Street

Borrower: Montessori Center of Minnesota

Borrower's Counsel: Stinson, Leonard, Street

Conduit Financing:

The notes will be a conduit financing of the Authority and will not constitute or give rise to a liability of the Authority, the City of Saint Paul or the State of Minnesota or a charge against their general credit or taxing powers. The lender will not have the right to demand payment on the notes out of any funds to be raised from taxation or from any revenue sources other than those expressly pledged to payment of the notes pursuant to the funding agreement. The Port Authority's role in this loan is that of Issuer only. The lender will complete its own credit analysis and loan approval.

The Port Authority will receive fees in the amount of 1/8th of a point (\$2,125.00) at closing and 1/8th of a point on the outstanding balance, annually, for the life of the notes.

The Port Authority was asked to issue these notes because the City of Saint Paul did not have any "Bank Qualification" authority remaining for 2014. The Port Authority has not used its \$10,000,000 of authority (which may be used only for governmental and nonprofit financings).

Workforce Implications:

N/A

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Policy Exceptions:

None.

Disclosure:

The Port Authority Commissioners by SEC rules are obligated to disclose any risks or facts you may be aware of that would affect the probability of repayment on these notes.

Recommendation:

We recommend authorization to issue approximately \$1,700,000 of conduit, bank-qualified tax-exempt notes for the Montessori Center of Minnesota.

PMK:ca

Attach.