

FAU FINANCE CORPORATION

Item: 3

BOARD OF DIRECTORS

Thursday, October 25, 2012

**SUBJECT: UPDATE ON THE REFINANCING THE INNOVATION VILLAGE HOUSING
2010 SERIES B BONDS.**

PROPOSED BOARD ACTION

Not applicable.

BACKGROUND INFORMATION

Florida Atlantic University (FAU), on behalf of the FAUFC, solicited proposals for the purpose of refinancing the 2010 Series B bonds (“Bonds”). The Bonds were issued in March 2010 in the amount of \$3,365,000 as part of the Innovation Village project and were purchased as a private placement by the Developer at the maximum interest rate allowable under Chapter 218, Florida Statutes, 7.39 percent. Given the current favorable climate regarding interest rates, FAU desires to refinance the Bonds to reduce the long term financing cost of this portion of Innovation Village debt.

FAU engaged a financial advisor, Dunlap & Associates, Inc., to prepare and distribute proposals for the refinancing. The University also engaged bond counsel, Bryant, Miller & Olive, to review the legal structure. Proposals were received on October 5, 2012, and were reviewed by an evaluation committee which included the Executive Director of the FAUFC, the Financial Advisor and member of the Financial Affairs staff.

The University received proposals from two banks to refinance the Bonds. Two proposals submitted included a “put option” which will allow for the resetting of the interest rate in seven years. While there is interest rate risk associated with the put option it is believed that the even in a worst case scenario significant savings will occur. Also a proposal submitted by one bank includes the option to reduce the final maturity date from 2036 to 2025. While the payment remains nearly the same, principal is reduced by an additional \$735,000 as a result of the accelerated payoff schedule. There is sufficient debt service coverage at which ever option is chosen.

The University is working with bond counsel to finalize the required documents to complete the transaction. It is anticipated that the bank and the University and bond counsel will

complete the documents within the next two week. Upon completion a meeting of the FAUFC will be scheduled to approve the resolution and appropriate documents.

This refinancing is in compliance with the FAU Debt Management Guidelines.

IMPLEMENTATION PLAN/DATE

The FAU Audit and Finance and the FAU Board of Trustees provided approval on October 18, 2012 so upon FAUFC's approval a closing will be scheduled.

FISCAL IMPLICATIONS

Based upon the proposals received, the present value savings will be \$2,471,725 over the remainder of the term.

Supporting Documentation: None

Presented by: Mr. Dennis Crudele, Executive Director

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