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New York, May 17, 2018 -- Moody's Investors Service has assigned a P-1 rating to the University of Minnesota's (MN) planned $400 million Commercial Paper Note Program. We affirmed the Aa1 rating on $849 million of General Obligation bonds and P-1 ratings on $289 million of outstanding commercial paper. The rating outlook is stable.

RATINGS RATIONALE

The Aa1 rating reflects University of Minnesota's (UM) excellent strategic positioning reflected in strong student and research market positions and ample balance sheet reserves. UM receives good support from the State of Minnesota (Aa1 stable), including payment of debt service on $252 million of Special Purpose Revenue Bonds (Aa2 stable). Offsetting challenges include relatively thin operations compared to peers and substantial capital plans.

The P-1 rating for the commercial paper programs reflects UM's able treasury management and sufficient self-liquidity to support maturing commercial paper. The P-1 rating is for the $400 million program authorized by the Board of Regents.

RATING OUTLOOK

The stable outlook reflects continued favorable student demand and sponsored research trends, growing tuition revenue, stable to improving operating cash flow and debt service coverage despite additional debt plans.

FACTORS THAT COULD LEAD TO AN UPGRADE

- Substantial growth in balance sheet reserves
- Sustained, notable improvement in operating performance

FACTORS THAT COULD LEAD TO A DOWNGRADE

- Sustained weakening of operations and cash flow generation
- Additional net new debt without improved operating performance

LEGAL SECURITY

All General Obligation bonds and commercial paper are unconditional, direct and general obligations of the university. There are no debt service reserve funds for the bonds.

USE OF PROCEEDS

Commercial paper proceeds will be used to provide short or long-term financing of approved capital projects.

PROFILE

University of Minnesota, founded in 1851, has a national market position as the state's flagship and land grant university and member of the Big Ten Academic Alliance. One of the nation's largest research universities, total revenues were nearly $3.4 billion with $744 million of research awards for fiscal 2017. A multi-campus university, enrollment was nearly 68,000 headcount students for fall 2017 at its Twin Cities, Duluth, Morris, Crookston, and Rochester campuses

METHODOLOGY
The principal methodology used in the long-term ratings was Higher Education published in December 2017. The principal methodology used in the short-term ratings was Municipal Bonds and Commercial Paper Supported by a Borrower’s Self-Liquidity published in March 2018. The additional methodology used in the short-term ratings was Higher Education published in December 2017. Please see the Rating Methodologies page on www.moodys.com for a copy of these methodologies.

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