CAPITAL COMMENTARY

from MN Higher Education Facilities Authority

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

Borrower/Issue: Minneapolis College of Art and Design **Series Six-K**

Financing Vehicle: Revenue Bonds

Project: The bonds advance refund the Series Five-D Bonds ($7,125,000 outstanding) at par for redemption on May 1, 2010.

Issue Amount: $7,670,000

Placement Method: Public sale, on a negotiated basis, underwritten by Dougherty & Company LLC.

Term of Financing: 20 years

Structure: Serial maturities in 2007 through 2017 and term bonds maturing in 2019 and 2026. The bonds are secured by a debt service reserve fund and are subject to optional redemption beginning May 1, 2018.

Interest Rate: Yields ranging from 4.05% to 4.78% for the serial maturities and 4.85% and 5.00% for the two term bonds. 4.99% T.I.C. (True Interest Cost is a dollar-weighted average rate for the bond issue, taking into account the time value of money and including accrued interest, any original issue discount or premium and underwriting fees).

Rating: Moody's Baa2 with a stable outlook.

Date of Settlement: July 20, 2006

Highlights: The issue was structured as a long-term fixed rate issue to lock in present value savings.

Borrower/Issue: Augsburg College **Series Six-J1 and Six-J2**

Financing Vehicle: Fixed Rate Revenue Bonds and Variable Rate Revenue Bonds

Project: The bonds, together with gifts and College funds, will finance the Gateway Project, a multi-use building for student housing, offices, classroom and retail. A portion of the Six-J2 bonds will also be used to finance the expansion of Si Melby Hall and renovation of the Augsburg House and Event Center.

Issue Amount: \$20,655,000 (Six-J1 for \$15,655,000 and Six-J2 for \$5,000,000)

Placement Method: Public sale, on a negotiated basis, underwritten by Dougherty & Company LLC.

Term of Financing: 30 years for Six-J1 bonds and 15 years Six-J2 bonds.

Structure: Series Six-J1 bonds mature serially in the years 2013 through 2017 with term bonds in 2010 and 2012 and 2020, 2028 and 2036. The Series Six-J1 Bonds are secured by a debt service reserve fund and are subject to optional redemption on May 1, 2015 and thereafter. Series Six-J2 bonds mature as a term bond in 2021 with interest only payments until maturity.

Interest Rate: Yields on Series Six-J1 bonds range from 4.35% to 5.10% with 5.09% T.I.C. (True Interest Cost is a dollar-weighted average rate for the bond issue, taking into account the time value of money and including accrued interest, any original issue discount and premium and underwriting costs). Series Six-J2 bears variable interest rate, reset weekly, with interest paid monthly to bondholders. The College has a one-time option to convert to fixed interest rates.

Rating: Series Six-J1 rated by Moody's Baa2 with a stable outlook. Series Six-J2 rated VMIG1 (short term) and Aaa (long term) on the combined strength of the letter of credit and the College.

Date of Settlement: July 27, 2006

Highlights: The issue was divided into two series 1) to keep total annual debt service as low as possible, 2) to implement the College's strategy for a mix of fixed and variable rate debt and 3) to minimize credit enhancement costs. Series Six-J1 was structured as a long term fixed rate bond issue without credit enhancement. In order to maximize investor interest, term maturities flank the serial maturities. Series Six-J2 was structured as a variable rate issue secured by a letter of credit of Harris N.A. Bondholders may tender their bonds for purchase by the College on any business day. If any tendered bonds cannot be remarketed, then the bank as the third party liquidity provider will purchase the bonds. The College has agreed to prepay the principal on the Series Six-J2 in annual installments according to a schedule approved by the bank as a condition to providing the letter of credit.