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: St. Olaf College **Series Seven-F**

Financing Vehicle: Revenue Bonds

Project: Current refunding of three variable rate demand issues - Series Five-H (outstanding principal of $14,475,000), Series Five-M1 (outstanding principal of $12,205,000) and Series Five-M2 ($4,670,000 of the outstanding $13,420,000 principal) on October 1, 2010. The Bonds were used to finance or refinance new construction, renovation, equipment, furnishings and infrastructure improvements throughout the campus.

Issue Amount: $32,440,000

Placement Method: Public sale, on a negotiated basis, by Piper Jaffray & Co. as underwriter.

Term of Financing: 20 years

Structure: Serial maturities in 2011 through 2025 and term bond maturing in 2030. The bonds are secured by a debt service reserve fund and are subject to optional redemption beginning October 1, 2019.

Interest Rate: Coupon rates range from 1.30% to 5.00% with a combination of discount and premium bonds to appeal to different investors. Yields range from .80% to 3.74% for the serial maturities and 4.14% for the 2030 term bond. 3.71% TIC. (True Interest Cost is a dollar-weighted average rate for the bond issue, taking into account the time value of money and including interest, original issue discount or premium and underwriting fees).

Rating: Moody's A1 with a stable outlook, an upgrade from A2.

Date of Settlement: August 31, 2010

Highlights: The College elected to refund all of its variable rate debt except for the portion of the Series Five-M2 Bonds that is subject to an interest rate swap. The swap has a current termination value that would result in a payment by the College. The College locked in historic low fixed interest rates while eliminating the risks associated with variable rate tender bonds including letter of credit renewal and pricing risk, potential remarketing difficulties and interest rate volatility.

Borrower/Issue:	Augsburg College **Series Seven-G**
Financing Vehicle:	Revenue Bonds
Project:	Current refunding of Series Four-Y (outstanding principal of $9,035,000) for redemption on November 15, 2010. The Series Four-Y Bonds were used to finance or refinance Foss, Lobeck, Miles Center and student housing facilities (Luther Hall and Oscar Anderson Hall).
Issue Amount:	$8,860,000
Placement Method:	Public sale, on a negotiated basis, with Dougherty & Company LLC as underwriter.
Term of Financing:	17 years
Structure:	Serial maturities in 2011 through 2017 and term bonds maturing in 2021, 2023 and 2027. The College elected to mirror the original principal payment schedule of the refunded issue. As a result, annual debt service drops sharply after 2016. The bonds are secured by a debt service reserve fund and are subject to optional redemption beginning on October 1, 2018.
Interest Rate:	Coupon rates range from 1.75% to 5.00%. Yields range from 1.75% to 4.75% reflecting par bonds in 2011, discount bonds in 2016, 2021 and 2023 and premium bonds in the remaining maturities. 3.98% TIC. (True Interest Cost is a dollar-weighted average rate for the bond issue, taking into account the time value of money and including interest, original issue discount or premium and underwriting fees).
Rating:	Moody's Baa3 with a stable outlook, a downgrade from Baa2.
Date of Settlement:	October 13, 2010
Highlights:	This series was structured as a long-term fixed rate issue to lock in debt service savings from the refunding. Over 60% of the principal will mature in the first six years and the remaining principal is spread over ten years. This allowed the sharp yield curve to work in the favor of the College. The debt service reserve requirement will reduced in 2016 to take into account the drop in annual debt service payments. Net present value savings as a percentage of the refunded Series Four-Y Bonds was 7.10%.