



# 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:** Augsburg College Series Six-C
- Financing Vehicle:** Revenue Bonds
- Project:** The bonds were used to advance refund the Series Four-F1 Bonds (\$7,395,000) at a 2% premium on the May 1, 2006 redemption date and to prepay Series Four-W Notes (\$328,109) on September 25, 2005. The College used gifts on hand to reduce the principal amount of bonds needed to complete the refinancing.
- Issue Amount:** \$6,780,000
- Placement Method:** Public sale, on a negotiated basis, underwritten by Dougherty & Company LLC.
- Term of Financing:** 18 years
- Structure:** Serial maturities in 2014 through 2016 and term bonds maturing in 2018, 2020 and 2023. The bonds are secured by a debt service reserve fund. The bonds are subject to optional redemption beginning May 1, 2014.
- Interest Rate:** Yields ranging from 4.15% to 4.35% for the serial maturities and 4.70% for the 2023 term bond. 4.786% 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, original issue discount or premium and underwriting fees).
- Rating:** Moody's Baa2 with a stable outlook.
- Date of Settlement:** April 13, 2005
- Highlights:** The issue was structured as a long-term fixed rate issue to lock in net present value savings of 8.5% of the refunded par amount. The opportunity to refund two bond issues allowed the costs of issuance to be spread over a single larger issue generating more overall present value savings from the refunding. The redemption of Series Four-W is treated as a current refunding because it will be within 90 days of the settlement while the redemption of Series Four-F1 is treated as an advance refunding. Series Six-C bonds can be allocated between the two purposes so that the portion allocable to Series Four-W will still be eligible for an advance refunding. The remaining portion allocable to Series Four-F1 can be refunded but only on a current basis.

**Borrower/Issue:** Carleton College Series Six-D

**Financing Vehicle:** Revenue Bonds

**Project:** Refunding of entire Series Three-L1 (\$10,000,000) and only the 2008 through 2018 maturities of Series Four-N (\$16,670,000) and acquisition of buildings near the campus for College use and construction of a student townhouse on campus (\$3,000,000).

**Issue Amount:** \$31,460,000

**Placement Method:** Public sale, on a negotiated basis, underwritten by Morgan Stanley.

**Term of Financing:** 30 years

**Structure:** Term bond maturing in 2035, subject to mandatory redemption in each of the years 2006 through 2022, in specified amounts calculated to leave \$3,035,000 outstanding after 2022. The College also has the option to redeem all or part of the bonds, at par, on any business day.

**Interest Rate:** Variable interest rate, reset weekly, with interest payable to bond holders monthly. The College has the option to change the interest rate reset period from time to time, choosing among daily, weekly or other intervals or to fix the interest rates (each, a "Mode").

**Rating:** Bonds rated VMIG1 (short term) and Aa2 (long term) by Moody's.

**Date of Settlement:** April 13, 2005

**Highlights:** The issue was structured as a variable rate issue without credit enhancement. The long-term rating reflects the College's credit. The short-term rating reflects the ability of Wells Fargo Bank, National Association, to purchase tendered but unremarketed bonds as the third-party liquidity provider. The College entered into an interest rate swap agreement whereby the College pays a fixed rate of 3.53% and receives payments that match the variable rate bond interest payments due through November 1, 2007. Thereafter the College will receive payments based on 68% of LIBOR until the swap agreement terminates on April 1, 2022. The College will revert to paying the variable rate interest payments on the remaining Bonds unless it enters into another swap agreement.