

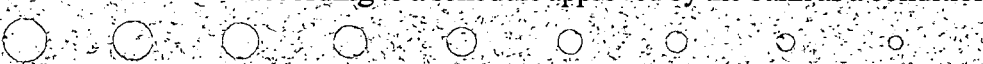


CAPITAL COMMENTARY

from MN Higher Education Facilities Authority

Vol. 10 No. 2

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

- Borrower/Issue:** Hamline University Series Six-E3
- Financing Vehicle:** Variable Rate Demand Revenue Bonds
- Project:** The bonds will current refund the remaining outstanding principal of Series Four-I Bonds (\$2,670,000) at par for redemption on October 1, 2006.
- Issue Amount:** \$2,195,000
- Placement Method:** Public sale, on a negotiated basis, underwritten by RBC Capital Markets.
- Term of Financing:** Ten years
- Structure:** Term bonds maturing in 2016. Interest only payments to bondholders until maturity.
- Interest Rate:** Variable interest rate, reset weekly, with interest payable to bond holders monthly. The University has a one-time option to convert to fixed interest rates and a monthly redemption option.
- Rating:** Bonds rated VMIG1 (short term) and Aa3 (long term) solely on the strength of the letter of credit. Moody's has issued a rating of Baa1 with a negative outlook for the University's other rated debt.
- Date of Settlement:** August 24, 2006
- Highlights:** In 2005, the University borrowed for new money and refunding purposes through two variable rate issues secured by a letter of credit of Harris N.A. Not all of Series Four-I could be refunded at that time because some of the bonds had already been used for advance refunding. To comply with the one-time advance refunding rule, a third variable rate issue was planned for closing within 90 days of the October 1, 2006 redemption date. All three issues allow bondholders to tender their bonds for purchase by the University on any business day. The bank as the third party liquidity provider will purchase tendered bonds that are not successfully remarketed. The University has agreed to prepay the principal in annual installments according to a schedule approved by the bank as a condition to providing the letter of credit.
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Borrower/Issue: College of Saint Catherine Series Six-L

Financing Vehicle: Revenue Notes

Project: The notes financed the construction of a student residence hall for approximately 150 beds.

Issue Amount: \$8,000,000

Placement Method: Private placement by Wells Fargo Brokerage Services, LLC

Term of Financing: 25 years

Structure: Interest only payment for the first year and then equal semiannual payments covering both principal and interest through August 28, 2031. The notes are not secured by a debt service reserve fund and are subject to optional redemption at a declining premium on any semiannual payment date, in increments of \$500,000.

Interest Rate: 5.426%

Rating: Not Rated. Moody's has rated the College's existing rated long-term debt (also issued by the Authority) at Baa1 with a stable outlook.

Date of Settlement: August 28, 2006

Highlights: A private placement memorandum instead of an official statement was prepared to solicit investor interest. No bond trustee was engaged and no credit rating was necessary. Bond counsel and financial advisory fees are lower under this program compared to a public offering of revenue bonds. The notes were offered only to sophisticated investors, such as institutional buyers and high net worth individuals, in minimum denominations of \$100,000.

The Minnesota Higher Education Facilities Authority is pleased to announce that Governor Pawlenty has reappointed Michael D. Ranum for a second term expiring January 2010. No appointment has been made to replace a member whose term has expired.

The following were elected to serve as officers of the Authority for the fiscal year beginning July 1, 2006:

David D. Rowland, Chair
Senior Vice President
St. Paul Travelers Companies, Inc.
Resident of Eden Prairie, Minnesota

Michael D. Ranum, Vice Chair
Chief Financial and Administrative Officer
Hazelden Foundation
Resident of Circle Pines, Minnesota

Mary F. Ives, Secretary
Real Estate Business Owner
Resident of Grand Rapids, Minnesota