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:*** College of Saint Catherine **Series Six-N**

***Financing Vehicle:*** Revenue Notes

***Project:*** Construction of a student residence hall for approximately 140 beds.

***Issue Amount:*** $6,500,000

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

***Term of Financing:*** 20 years

***Structure:*** Interest only payment for the first year and then equal semiannual payments covering both principal and interest through April 26, 2027. The notes are not secured by a mortgage or debt service reserve fund and are subject to optional redemption at a declining premium on any semiannual payment date, in increments of $500,000, beginning April 26, 2012.

***Interest Rate:*** 4.75%

***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:*** April 26, 2007

***Highlights:*** In August, 2006, the Authority issued $8 million Series Six-L private placement notes for a 150-bed residence hall. Although the College had plans for a second adjoining residence hall, it was not feasible until the receipt of a key gift. If both projects had been undertaken at the same time, a public sale would have been considered. The notes were offered only to sophisticated investors, such as institutional buyers and high net worth individuals, in minimum denominations of $100,000 through a private placement memorandum. Costs of issuance, including legal and financial advisory fees are lower than for a public offering. No bond trustee was engaged and no credit rating was necessary.

***Borrower/Issue:*** St. Olaf College **Series Six-O**

***Financing Vehicle:*** Revenue Bonds

***Project:*** A new science complex and advance refunding of the outstanding amount of Series Four-R Bonds ($13,070,000) issued in 1998. The Series Four-R Bonds were issued to finance various improvements, including Buntrock Commons, and will be paid or redeemed on October 1, 2007.

***Issue Amount:*** $45,405,000

***Placement Method:*** Public sale, on a negotiated basis, underwritten by RBC Capital Markets

***Term of Financing:*** 25 years

***Structure:*** Serial maturities in 2008 through 2020 and term bonds maturing in 2022, 2027 and 2032. Approximately level annual debt service, including sinking fund payments beginning in 2021 for the term bonds. The bonds are secured by a debt service reserve fund, representing the maximum annual debt service on the bonds. The bonds are subject to optional redemption beginning October 1, 2017.

***Interest Rate:*** Yields ranging from 3.70% to 4.25% for the serial maturities and 4.19% for the 2022 term bond, 4.51% for the 2027 term bond and 4.57% for the 2032 term bond. The yields reflect uneven investor demand for certain maturities. 4.44% 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 both interest, original issue discount or premium and underwriting fees).

***Rating:*** Moody's A2 with a stable outlook.

***Date of Settlement:*** March 29, 2007

***Highlights:*** The issue was structured as a long-term fixed rate issue to lock in the current low rates. The opportunity to combine new money with a refunding allowed the costs of issuance to be spread over a single larger issue generating more present value savings from the refunding. Only the portion of Bonds allocable to the new science complex can be advance refunded due to the one-time rule.

***Borrower/Issue:*** Macalester College **Series Six-P**

***Financing Vehicle:*** Revenue Bonds

***Project:*** A new athletic and recreation center and current refunding of the outstanding amount of Series Four-U1 and Series Four-U2 Bonds ($16,980,000) issued in 1998. The Series Four-U Bonds were issued to advance refund certain Authority bonds and to finance the Campus Center and will be redeemed on April 1, 2007. The College will use funds set aside for the March 1, 2007 payment of debt service on both series to reduce the principal size of the borrowing.

***Issue Amount:*** $39,490,000

***Placement Method:*** Public sale, on a negotiated basis, underwritten by RBC Capital Markets

***Term of Financing:*** 25 years

***Structure:*** Serial maturities in 2008 through 2022 and term bonds maturing in 2027 and 2032. Approximately level annual debt service, including sinking fund payments beginning in 2023 for the term bonds. The bonds are not secured by any debt service reserve fund and are subject to optional redemption beginning March 1, 2017.

***Interest Rate:*** Yields ranging from 3.55% to 4.11% for the serial maturities and 4.43% for the 2027 term bond and 4.48% for the 2032 term bond. 4.34% 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 both interest, original issue discount or premium and underwriting fees).

***Rating:*** Moody's Aa3 with a stable outlook.

***Date of Settlement:*** March 7, 2007

***Highlights:*** The issue was structured as a long-term fixed rate issue to lock in the current low rates. The opportunity to combine the refunding of two bond issues with a new money project allowed the costs of issuance to be spread over a single larger issue generating more present value savings from the refunding. The redemption is treated as a current refunding because it will be within 90 days of the settlement. The portion of Bonds allocable to the Series Four-U2 and originally used to advance refund certain Authority bonds cannot be further advance refunded due to the one-time rule.

## *MHEFA BOARD APPOINTMENTS*

The Minnesota Higher Education Facilities Authority is pleased to announce that Governor Pawlenty has reappointed Gary Benson and Kathryn Brewer for another term expiring January 2011.

The Governor has also appointed Janet Withoff to a term expiring January 2010, filling a vacancy from 2006. Ms. Withoff has two decades of experience in corporate trust services and housing bond programs and is currently self-employed as a consultant in planning and grant writing.