CAPITAL COMMENTARY

Vol.11 No. 1

from MN Higher Education Facilities Authority

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

Borrower/Issue:	Bethel University **Series Six-R**
Financing Vehicle:	Revenue Bonds
Project:	A new student center to be known as University Commons and the current refunding of Series Five-V Bonds ($8,320,000) and the current and advance refunding of Series Four-S Bonds ($19,245,000). The Series Four-S Bonds were issued to finance a residence hall and other improvements and will be fully paid or redeemed on April 1, 2008. The Series Five-V Bonds were issued to finance a residence hall and fully redeemed at closing.
Issue Amount:	$44,000,000
Placement Method:	Public sale, negotiated underwriting by Lehman Brothers
Term of Financing:	30 years
Structure:	Serial maturities in 2013 through 2027 and term bonds maturing in 2037. Approximately level annual debt service, including sinking fund payments beginning in 2028 for the term bonds. The bonds are not secured by a mortgage or a debt service reserve fund. The bonds are subject to optional redemption beginning May 1, 2017.
Interest Rate:	Yields ranging from 5.10% to 5.56% for the serial maturities and 5.66% for the 2037 term bond. The yields reflect a uniform coupon rate of 5.50% as adjusted for the original issue discount or original issue premium applicable to each maturity. 5.63% 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:	Unrated
Date of Settlement:	August 2, 2007
Highlights:	The issue was structured as a long-term fixed rate issue. The University decided to refund the Series Four-S and Five-V Bonds even though there are no present value savings in order to be released from the covenants related to those bonds.

Borrower/Issue:	Concordia University, St. Paul **Series Six-Q**
Financing Vehicle:	Variable Rate Demand Revenue Bonds
Project:	Student housing facility for approximately 300 beds in 86 units.
Issue Amount:	$18,155,000
Placement Method:	Public sale, negotiated underwriting by Stern Brothers & Co.
Term of Financing:	30 years
Structure:	Term bonds maturing in 2037. Interest only payments to bondholders until maturity.
Interest Rate:	Variable interest rate, reset daily with interest payable to bond holders monthly. The University has the option to change the interest reset dates, from time to time, choosing among daily, weekly or an interval of up to 270 days (Daily, Weekly or Commercial Paper Rates) or an interval of at least 12 months (Long Term Rates). In addition, the University may fix the interest rate to maturity.
Rating:	Bonds rated VMIG1 (short term) and Aa1 (long term) solely on the strength of the letter of credit. There is no underlying rating.
Date of Settlement:	October 18, 2007
Highlights:	The issue is secured by a letter of credit of U.S. Bank National Association. Bondholders may tender their bonds for purchase by the University on any business day. If any tendered bonds cannot be remarketed, then the bank as the third party liquidity provider will purchase the bonds. To ensure a successful offering and remarketing of the bonds, the University needed a letter of credit issued by a bank with a strong credit rating. Although Bremer Bank, National Association was willing to issue a letter of credit, it has a lower rating than U.S. Bank National Association. The financing was structured so that U. S. Bank issued the letter of credit and will look for reimbursement by Bremer Bank (and not the University) for all letter of credit draws. Meanwhile, the University agreed to reimburse Bremer Bank for payments made to U.S. Bank for letter of credit draws and to pay related fees to Bremer Bank. Under the terms of its agreement with Bremer Bank, the University will make annual prepayments of principal on the bonds. Bremer Bank required a guaranty by the Lutheran Church Extension Fund as additional security.