



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: Minneapolis College of Art and Design **Series Six-Z**

Financing Vehicle: Revenue Notes

Project: Surface parking lot (approximately 40,000 square feet) and sculpture garden (approximately 12,000 square feet) serving as a gateway to the main Minneapolis campus.

Issue Amount: \$2,660,000

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

Term of Financing: 15 years

Structure: Semiannual payments of interest only through maturity and principal and interest on May 1, 2024. The notes are not secured by a mortgage or debt service reserve fund and are subject to optional redemption on any semiannual interest payment date without penalty, in minimum increments of \$200,000.

Interest Rate: 1.32% to be reset on May 1, 2010 and each May 1 and November 1 interest payment dates thereafter. Each new interest rate will be equal to the Municipal Market Data's 6-month MIG1 yield plus 99 basis points, subject to market conditions. Starting May 1, 2011, the College may fix the interest rate through maturity. Holders have the option to tender on any interest payment date.

Rating: Not Rated. Moody's has rated the College's existing rated long-term debt (also issued by the Authority) at Baa2 with a stable outlook.

Date of Settlement: November 24, 2009

Highlights: The notes were offered only to a few sophisticated investors, such as institutional buyers and high net worth individuals, in minimum denominations of \$100,000 without a private placement memorandum. No bond trustee or credit rating was obtained.

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- Borrower/Issue:** University of Saint Thomas **Series Seven-A**
- Financing Vehicle:** Revenue Bonds
- Project:** Construction of a three-level 218,000 square foot student center to be known as the Anderson Student Center, replacement of tennis courts and renovation of McCarthy Gym on the Saint Paul campus.
- Issue Amount:** \$79,440,000
- Placement Method:** Public sale, on a negotiated basis, with Dougherty & Company LLC as managing underwriter and RBC Capital Markets Corporation as co-manager.
- Term of Financing:** 30 years
- Structure:** Serial maturities in 2011 through 2023 and term bonds maturing in 2029 and 2039. Level annual debt service (approximately \$5.3 million) except interest only payments in 2022 and 2025 in order to wrap around balloon payments associated with existing variable rate debt. By deferring principal, the University is able to smooth out its total annual debt service. The bonds are secured by a debt service reserve fund and are subject to optional redemption beginning on October 1, 2019.
- Interest Rate:** Yields ranging from 1.25% to 4.30% for the bonds maturing through 2023 and 4.70% and 5.15% for the 2029 and 2039 term bonds. The yields reflect premium bonds in all maturities except for the 2039 maturity. 4.918% 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 interest, original issue discount or premium and underwriting fees).
- Rating:** Moody's A2 with a stable outlook.
- Date of Settlement:** December 16, 2009
- Highlights:** The issue was structured as a long-term fixed rate issue. To balance the effect of skipping principal payments in 2022 and 2025 on annual debt service, the University chose to push out the maturity on these bonds. Due to the size of the bond issue, the University was advised to hold an investor call during the offering period. This series is the largest bond issue in the Authority's 38 year history. It eclipsed the \$58,405,000 issued for the University as Series Six-X in June 2009.