CAPITAL COMMENTARY

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from MN Higher Education Facilities Authority

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

Borrower/Issue: Macalester College **Series Seven-I**

Financing Vehicle: Revenue Bonds

Project: The bonds, together with gifts, will finance the renovation and expansion of the Janet Wallace Fine Arts Center, including new classrooms, gallery, commons area, faculty offices, rehearsal rooms, renovated concert hall and space for the facilities services department.

Issue Amount: $16,000,000

Placement Method: Public sale, on a negotiated basis, with George K. Baum & Company as underwriter.

Term of Financing: 25 years

Structure: Serial maturities in 2012 through 2026 and a term bond maturing in 2035. Annual debt service ramps up during the initial four years and then remains flat, including sinking fund payments for the term bond. The bonds are subject to optional redemption beginning on June 1, 2020.

Interest Rate: Coupon rates range from 2.00% to 4.25% on the serial maturities and 5.00% (priced at par) on the term bond. Yields range from 1.00% to 4.58% for the serial maturities. The yields reflect a mix of discount, premium and par bonds targeting different investor classes. 4.60% TIC. (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 Aa3 with a stable outlook.

Date of Settlement: December 17, 2010

Highlights: This series was structured as a long-term fixed rate issue and takes into account debt service on existing long term debt. The yearend market was inundated with taxable Build America Bonds and heavy tax exempt supply due to expiring ARRA bond provisions. Interest rates experienced a lift during the week the bonds were priced.

Borrower/Issue: College of St. Scholastica **Series Seven-J**

Financing Vehicle: Revenue Bonds

Project: Additional funding for the expansion and renovation of a science building on the Duluth campus.

Issue Amount: $10,170,000

Placement Method: Public sale, on a negotiated basis, by George K. Baum & Company as underwriter.

Term of Financing: 30 years

Structure: Three term bonds in 2019, 2028 and 2040 with sinking fund payments starting in 2016. The bonds are secured by a debt service reserve fund and are subject to optional redemption beginning December 1, 2019.

Interest Rate: Coupon rate of 5.00% for the 2019 term bond, 6.00% (priced to yield 5.95%) for the 2028 term bond, and 6.30% for the 2040 term bond. 6.33% TIC. (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 Baa2 with a stable outlook

Date of Settlement: February 17, 2011

Highlights: This series was structured as a long-term fixed rate issue to complete the financing for the project. Although the College had sufficient funds to start its building project, it elected to preserve its cash and take advantage of the interest rate environment by borrowing for a portion of the project costs through Series Seven-H issued on October 26, 2010 (TIC 5.053%). That issue had serial maturities in 2011 and in 2015 through 2020 and term bonds maturing in 2025, 2030, 2035 and 2040. Both issues took into account the College's other long term debt to create an overall level debt service with a combination of serial and term maturities most attractive to current investors.

Borrower/Issue:	Hamline University **Series Seven-K1 and K2**
Financing Vehicle:	Revenue Bonds
Project:	The bonds, together with gifts and proceeds of the Series Seven-L Revenue Note, will finance a new University Center consisting of three stories above ground and two levels of underground parking at the St. Paul campus.
Issue Amount:	\$8,810,000 for Seven-K1 and \$18,330,000 for Seven-K2
Placement Method:	Public sale, on a negotiated basis, with RBC Capital Markets as underwriter.
Term of Financing:	Eight years for Seven-K1 and 30 years for Seven-K2
Structure:	Series Seven-K1 bonds mature serially in the years 2012 through 2018 and are not subject to optional redemption. Series Seven-K2 consists of term bonds maturing in 2032 and 2040 with sinking fund payments beginning in 2026 and are subject to optional redemption on October 1, 2021 and thereafter. Both issues are secured by the same debt service reserve fund.
Interest Rate:	Coupon rates ranged from 3.00% to 4.25% for the Seven-K1 bonds with yields from 2.10% to 4.40%, reflecting a combination of discount and premium bonds. 3.83% TIC. Both Seven-K2 term bonds bear a 6.00% coupon but the 2040 term bond was priced to yield 6.20%. 6.20% TIC. (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 Baa2 with a stable outlook, a downgrade from Baa1.
Date of Settlement:	March 9, 2011
Highlights:	The University approached the financing of the project in three parts to take advantage of the shorter end of the steep yield curve and the expected timing of gifts to meet debt service. The Seven-L Revenue Note was split from the sale of Series Seven-K bonds so that the floating interest rate yield on the note is not combined with fixed interest rate yield on these bonds for arbitrage rebate calculations.

Borrower/Issue: Hamline University **Series Seven-L**

Financing Vehicle: Revenue Note

Project: The note, together with gifts and proceeds of the Series Seven-K1 and K2 Bonds, will finance a new University Center consisting of three stories above ground and two levels of underground parking at the St. Paul campus.

Issue Amount: $8,000,000

Placement Method: Private placement by RBC Capital Markets as placement agent

Term of Financing: 10 years

Structure: Monthly payments of interest with periodic minimum mandatory redemption of principal until maturity on March 1, 2021. The notes are not secured by a mortgage or debt service reserve fund and are subject to optional redemption on any date at par, in minimum increments of $100,000.

Interest Rate: Variable rate indexed to One-Month LIBOR plus a specified margin and multiplied by a tax-exempt factor. The margin and tax exempt factor will be subject to reset on March 1, 2018, at which time the College may either accept the new terms or choose to refund the remaining outstanding principal. The note holder has no optional tender rights but the note is subject to mandatory tender on the reset date.

Rating: Not Rated. Moody's has rated the College's existing rated long-term debt (also issued by the Authority) in connection with Series Seven-K1 and K2 Bonds at Baa2 with a stable outlook.

Date of Settlement: February 8, 2011

Highlights: The Note was offered to selected banks without a private placement memorandum. U.S. Bank National Association purchased the Note for its own account rather than for the private accounts of its customers. By pairing the Note's indexed variable rate and prepayment schedule with the conventional fixed interest rates and principal maturity schedule of the Series Seven-K1 and K2 Bonds, the University was able lower overall interest cost and match capital gifts inflow to principal repayments.