



CAPITAL COMMENTARY

from MN Higher Education Facilities Authority

Vol. 3 No. 1

News and brief reviews of financings recently completed by the Minnesota Higher Education Facilities Authority

A Midsummer Note:

I have unpacked almost all of my boxes and have memorized the commuting route that leads to Galtier Plaza in St. Paul. Since taking the position of Executive Director of the Higher Education Facilities Authority on May 1, I have identified many projects to tackle. My number one priority will always be to assure a smooth financing for our client colleges and universities.

During the previous four months, we have closed four bond issues. The following pages contain summaries of those transactions plus an issue completed in November of last year. We are continuing the *Capital Commentary* series as an educational tool for our clients. I want to acknowledge the efforts of J. Luther Anderson in initiating and developing the first seven issues. We are fortunate to have the creativity of Elaine Yungerberg as the in-house publisher since Volume 1, No. 1.

Please share your ideas on how the bond issue summaries can be more informative or more responsive to the questions you may have on the Authority's financings.

If you have comments or need further information, please contact:

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Borrower/Issue: University of St. Thomas, Series Five-C

Financing Vehicle: Revenue Bonds

Projects: The Bonds financed the renovation and furnishing of Albertus Magnus Hall located on the southeast corner of the St. Paul campus near the intersection of Cleveland and Summit Avenues. The renovated building will house approximately 35% of the undergraduate faculty and provide some classrooms. A number of academic departments will also be located in the building.

Issue Amount: \$10,000,000

Placement method: Public sale, on a negotiated basis, with Dain Rauscher Incorporated and U.S. Bancorp Piper Jaffray Incorporated as co-managing underwriters.

Term of financing: 26 years

Structure: Term bond maturing in 2025. Interest only payments until maturity.

Interest Rate: Variable interest rate, reset weekly, with interest payable to bondholders monthly. At the option of the University, may be converted to fixed rate to maturity.

Rating: Moody's A2 with a stable outlook for the University. Bonds rated VMIG1 and Aa3 on the basis of the letter of credit.

Date of settlement: October 28, 1999

Highlights: The issue was structured as a variable rate issue secured by a letter of credit of Allied Irish Bank p.l.c., New York branch. Bondholders may tender their bonds for purchase by the University on any business day. If any tendered bonds cannot be remarketed, the bonds will be purchased by the bank as the third party liquidity provider.

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Borrower/Issue: Minneapolis College of Art and Design, Series Five-D

Financing Vehicle: Revenue Bonds

Projects: The Bonds together with approximately \$500,000 of college funds, financed an addition and improvements to the College's Main building on its Minneapolis campus. The addition will increase individual studio space for students, expand food service operations and create a commons area. The Main building will receive a new roof and updated central cooling system. The bonds will also finance the refurbishing of seven existing student apartment buildings located on the College campus.

Issue Amount: \$7,920,000

Placement method: Public sale, on a negotiated basis, with Dain Rauscher Incorporated as the managing underwriter.

Term of financing: 26 years

Structure: Serial maturities in 2002-2010 and term bonds maturing in 2020 and 2026. Approximately level debt service payments, including sinking fund payments for the term bonds.

Interest Rate: Yields ranging from 5.25% to 6.84% on the final term bond. 6.8053% 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 and underwriting costs).

Rating: Moody's Baa2 with a stable outlook.

Date of settlement: June 29, 2000

Highlights: The issue was structured as a long-term fixed rate issue. The College is in the design stage for an apartment style student housing building to be financed with additional revenue bonds. The additional debt test in the Series Five-D bond documents was liberalized to allow for additional debt to finance the proposed housing project.

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Borrower/Issue: Saint Mary's University of Minnesota, **Series Five-E**

Financing Vehicle: Revenue Bonds

Projects: The bonds financed the construction and furnishing of a new residence hall facility to be built near Gilmore Creek on the Winona campus. The apartment-style building is expected to be occupied primarily by upper-class undergraduates. The facility has capacity for approximately 100 students and two resident advisors; and consists of 50 fully furnished studio apartments. The building has common areas and some classroom space.

Issue Amount: \$5,020,000

Placement method: Public sale, on a competitive basis. Two bids were received, with the winning bid submitted by a syndicate lead by Cronin & Co.

Term of financing: 26 years

Structure: Serial maturities in 2002-2015 and term bonds maturing in 2019, 2022 and 2026. Approximately level debt service payments, including sinking fund payments for the term bonds.

Interest Rate: Yields ranging from 5.25% to 6.75% on the final term bond. 6.7807% 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 and underwriting costs).

Rating: Moody's Baa2 with a stable outlook.

Date of settlement: June 6, 2000

Highlights: The issue was structured as a long-term fixed rate issue. Despite choppy interest rates during the weeks surrounding the bid opening, the actual rates came in slightly better than anticipated. This was the first Authority issue that allowed bidders to choose between electronic bids and hard copy bids.

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Borrower/Issue: Saint Mary's University of Minnesota, Series Five-F

Financing Vehicle: Tax exempt off balance sheet lease

Projects: The bonds financed the acquisition and installation of a supplemental electric power generator and related equipment on the Winona campus. The generator will be connected to the existing University electrical system and Northern States Power energy grid. The generator will enable the University to maintain communication on campus in the event of a community power failure.

Issue Amount: \$1,037,118

Placement method: Private placement, purchased by GE Capital Public Finance Inc.

Term of financing: 12 years

Structure: Term obligation maturing in 2012. Monthly payments of principal and interest.

Interest Rate: 5.8688% 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 and underwriting costs).

Rating: Unrated

Date of settlement: March 29, 2000

Highlights: This lease structure is similar to the off balance sheet structure of Concordia University St. Paul, Series Five-A and Gustavus Adolphus College Series Four-V. The University set a goal of Memorial Day weekend to install the generator and chose the fast track schedule possible under the Authority's lease program. Meanwhile, the University applied for long term financing for a housing project (see Series Five-E Bonds).

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Borrower/Issue: Carleton College, Series Five-G

Financing Vehicle: Revenue Bonds

Projects: The Bonds, together with approximately \$1,350,000 of College funds, financed the construction of an academic and dining facility and a residence facility consisting of nine buildings and providing 24 apartment style housing units for 100 students, next to the historic downtown Northfield river area. The area surrounding Lyman Lake will also be improved with bond proceeds.

Issue Amount: \$23,000,000

Placement method: Public sale, on a negotiated basis, underwritten by Wells Fargo Brokerage Services, LLC which was formerly known as Norwest Investment Services Inc.

Term of financing: 29 years

Structure: Term bond maturing in 2029. Interest only payments until maturity.

Interest Rate: Variable interest rate, reset weekly, with interest payable to bondholders monthly. The College has the option to change the interest reset dates from weekly to monthly or other intervals (Multi-Monthly or Flexible Mode) and to fix the rate to maturity.

Rating: Moody's Aa2 with a stable outlook (long-term); VMIG1 (short-term).

Date of settlement: June 9, 2000

Highlights: The issue was structured as a variable rate issue without credit enhancement. The long-term rating reflects the College's credit. The short-term rating reflects the ability of Wells Fargo Minnesota, National Association, to purchase tendered but unremarketed bonds as the third party liquidity provider.