



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: St. Olaf College, *Series Five-M1 and M2*

Financing Vehicle: Variable Rate Demand Revenue Bonds

Project: The Five-M1 bonds will finance the new Tostrud Recreation Center and the renovation of Skoglund Athletic Center. The Five-M2 bonds will refund in full certain bonds originally issued in 1992 to refinance Ytterboe Hall and to finance renovation of two student housing facilities and to expand the water system and parking.

Issue Amount: \$25,625,000 (Five-M1 for \$12,205,000 and Five-M2 for \$13,420,000)

Placement Method: Public sale, negotiated underwriting by U.S. Bancorp Piper Jaffray Inc.

Term of Financing: Five-M1 bonds at 30 years and Five-M2 bonds at 18 years.


Structure: Five-M1 bonds mature in 2032 and Five-M2 bonds mature in 2020. Interest only payments until maturity.

Interest Rate: Variable interest rate, reset daily with interest payable to bondholders monthly. The College 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 Flexible Rate periods) and to fix the rates to maturity.

Rating: Moody's A2 with a stable outlook for the College's existing rated debt. Bonds rated VMIG1 (short term) and Aaa (long term) on the combined strength of the letter of credit and the College.

Date of Settlement: Five-M1 bonds on April 16, 2002 and Five-M2 bonds on July 10, 2002.

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**Highlights
of Five-M1 & M2:**

The issue was structured as two variable rate issues secured by letters of credit of Harris Trust and Savings Bank. Bondholders may tender their bonds for purchase by the College on any business day. If any tendered bonds cannot be remarketed, then the bank as the third party liquidity provider will purchase the bonds. The College has arranged for an interest rate swap to fixed rates with respect to the Five-M2 bonds. It also expects to prepay principal on the Five-M2 bonds in annual installments and thereby achieve substantially level debt service on the Five-M2 bonds. This issue was split into two series to fit the College's construction draw-down needs and to refinance the 1992 bonds within tax law restrictions. The 1992 bonds were partly advance refunding bonds and therefore Five-M2 could not be issued before July 1.

Borrower/Issue: Hamline University, *Series Five-O*

Financing Vehicle: Revenue Notes

Project: The notes financed the expansion of and improvements to a surface parking lot and the upgrading of the mechanical infrastructure for electric, heating and air conditioning systems throughout the campus.

Issue Amount: \$1,000,000

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

Term of Financing: 7 years

Structure: Equal semiannual payments covering both principal and interest through June 1, 2009.

Interest Rate: 5.01%

Rating: Not Rated. Moody's has rated the University's existing rated long-term debt (also issued by the Authority) at Baa1 with a stable outlook.

Date of Settlement: July 17, 2002

Highlights: The University needed to borrow for this project and had no other capital financing planned in the near future. The small size and short-term nature of this debt made it an ideal candidate for the Authority's Small Project Financing Program. As a result, this transaction was completed with minimal issuance costs. No official statement was required to be prepared, no bond trustee was engaged and no credit rating was necessary. Bond counsel and financial advisory fees are also substantially lower under this program compared to a public offering of revenue bonds. The notes were offered only to sophisticated investors, such as institutional buyers and high net worth individuals, in minimum denominations of \$100,000.