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: College of Saint Catherine **Series Five-N1 and N2**

Financing Vehicle: Fixed Rate Revenue Bonds and Variable Rate Revenue Bonds

Project: The bonds, together with College funds, will finance a new Student Center and Learning Commons as well as renovations to several existing buildings and conversion of the steam plant at the Saint Paul campus. The Five-N1 bonds will also be used to refund the entire outstanding principal of the Series Three-M1 Bonds ($3,735,000) originally issued in 1993 to finance improvements at the Minneapolis campus.

Issue Amount: $52,890,000 (Five-N1 for $28,265,000 and Five-N2 for $24,625,000)

Placement Method: Public sale, on a negotiated basis, underwritten by RBC Dain Rauscher Inc. and Wells Fargo Brokerage Services, LLC as co-managing underwriters.

Term of Financing: 30 years for both Five-N1 bonds and Five-N2 bonds.

Structure: Series Five-N1 bonds mature serially in the years 2003 through 2012 with term bonds in 2018, 2022 and 2032. Series Five-N2 bonds mature as a term bond in 2032 with interest only payments until maturity.

Interest Rate: Yields on Series Five-N1 bonds range from 2.00% to 5.50% with 5.36% 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). Series Five-N1 bears variable interest rate, reset weekly, with interest paid monthly to bondholders. The College has a one-time option to convert to fixed interest rates.

Rating: Series Five-N1 rated by Moody's Baa1 with a stable outlook. Rating was upgraded from Baa2. Series Five-N2 rated VMIG1 (short term) and Aaa (long term) on the combined strength of the letter of credit and the College.

Continued

Date of Settlement: August 22, 2002

Highlights: The issue was divided into two series 1) to implement the College's strategy for a mix of fixed and variable rate debt, 2) to keep total annual debt service as low as possible and 3) to minimize credit enhancement costs. Series Five-N1 was structured as a long term fixed rate bond issue without credit enhancement. Series Five-N2 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 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.

Authority Matters: Governor Ventura has appointed Michael D. Ranum to the Facilities Authority board to replace Jack Amundson who resigned the board position in June, 2002. Mr. Ranum is the former chief financial officer for Augsburg College and currently the chief financial and administrative officer for Hazelden Foundation. Mr. Ranum's term on the board will conclude in January, 2006.