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: Macalester College ***Series Five-Q***

Financing Vehicle: Variable Rate Demand Revenue Bonds

Project: The bonds will finance the acquisition and installation of fire sprinkler systems in seven residence halls. In order to upgrade the College's residential facilities, the project also includes the renovation and expansion of Turck Hall and Wallace Hall as well as the renovation of Doty Hall.

Issue Amount: $15,300,000

Placement Method: Public sale, on a negotiated basis, underwritten by RBC Dain Rauscher Inc.

Term of Financing: 30 years

Structure: Term bonds maturing in 2033. Interest only payments to bondholders until maturity.

Interest Rate: Variable interest rate, reset weekly, with interest payable to bond holders monthly. The College has the one-time option to convert to fixed interest rates.

Rating: Moody's has assigned to the bonds a long-term rating of Aa3 and a short-term rating of VMIG1 based on the liquidity strength of the College.

Date of Settlement: February 20, 2003

Highlights: The issue was structured as a variable rate issue without a third party liquidity provider. Bondholders may tender their bonds for purchase by the College on any business day. If any tendered bonds cannot be remarketed, then the College will use its own cash to purchase the bonds. The College avoided the cost of a liquidity facility such as a letter of credit or standby bond purchase agreement from a commercial bank. However, in order to attain the VMIG1 short-term credit rating necessary to attract institutional investors, the College is committed to monitoring the marketability of its short-term investments and maintaining a mechanism for

Highlights Continued: timely liquidation of investments to purchase unremarketed bonds. While the investment portfolio reflects the College's overall investment objectives, liquidity is a critical factor as long as the College has variable rate tender debt which is not covered by a third party liquidity provider. The College has been providing self-liquidity since 1994 when the Authority issued the Series Three-Z variable rate tender bonds for the College.

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