



CAPITAL COMMENTARY

from MN Higher Education Facilities Authority

Vol. 7 No. 1

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

The Board Members and Staff of the Minnesota Higher Education Facilities Authority want to wish you the best at this holiday season and to let you know that the Authority is holding the Annual Debt Conference on Wednesday, April 21, 2004. This conference will be held at the same location as last year, but the hotel is now known as the Mall of America Grand Hotel, 7901 - 24th Avenue South, Bloomington, MN 55425. Please circle this date on your calendar and look for more information to be sent to you in early March.

The Authority has completed two financings in the first half of Fiscal Year 2004. The details and highlights of those financings follow.

Borrower/Issue: William Mitchell College of Law. *Series Five-S*

Financing Vehicle: Variable Rate Demand Revenue Bonds

Project: The bonds, together with capital gifts, will be used to renovate and expand a Student Center as well as to renovate and expand classroom space and upgrade classroom technology and facility infrastructure at its existing complex of buildings in Saint Paul.

Issue Amount: \$15,800,000

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

Structure: Term bonds maturing on October 1, 2033 with interest only payments until maturity.

Interest Rate: 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: Moody's Aa2 (long-term) and VMIG 1 (short-term) based on the letter of credit provider's rating. The College has not requested an underlying rating.

Date of Settlement: October 2, 2003

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Highlights:
Series Five-S
continued

The issue was structured as a variable rate issue secured by a letter of credit of U.S. Bank National Association. 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 agreed to prepay the principal in annual installments according to a schedule approved by the bank as a condition to providing the letter of credit.

Borrower/Issue: University of St. Thomas *Series Five-T*

Financing Vehicle: Revenue Bonds

Project: The bonds were used to refund the full outstanding amount of Series Three-R1 (\$10,905,000) and Series Three-R2 (\$13,165,000) issued in 1993 to refinance six series of Authority bonds issued between 1978 and 1991 to finance various projects on the Saint Paul campus and Terrence Murphy Hall in Minneapolis. Series Three-R Bonds bear interest rates ranging from 5.30% in 2004 to 5.60% in 2014 although, except for the 2004 maturity, the bonds were sold at original issue discounts of up to 1.23%.

Issue Amount: \$23,575,000

Placement Method: Public sale, on a competitive basis. Three bids were received and the winning syndicate of four firms was lead by U.S. Bancorp Piper Jaffray Inc.

Term of Financing: 10 years and 10 months

Structure: Serial maturities in 2004 through 2012 and term bonds maturing in 2014. Annual debt service will be approximately \$3 million during the first five years and then decreasing to approximately \$2 million during the final years, including sinking fund payments for the term bonds. The bonds are secured by a debt service reserve fund, initially 10% of the principal amount of the bonds. The Series Three-R Bonds will be redeemed on January 1, 2004 as a current refunding with a redemption premium of 1%.

Interest Rate: Yields ranging from 1.25% to 4.00%. 3.348% 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, original issue discount or premium and underwriting fees).

Rating: Moody's A2 with a stable outlook.

Date of Settlement: December 4, 2003

Highlights: The issue was structured as a long-term fixed-rate issue to lock in the current low rates and maximize the debt service savings. Net present value savings from the refunding was approximately \$1.5 million reflecting a reduction in debt service payments of over 5.6%.