



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 St. Scholastica Series Six-A

Financing Vehicle: Variable Rate Demand Revenue Bonds

Project: The bonds will finance the construction of a two-building, 290-bed apartment style residence facility on the Duluth campus.

Issue Amount: \$12,000,000

Placement Method: Public sale, on a negotiated basis, underwritten by Piper Jaffray & Co.

Term of Financing: 30 years

Structure: Term bond maturing in 2034. Interest only payments to bondholders until maturity.

Interest Rate: Variable interest rate, reset daily, with interest payable to bond holders monthly. The College has the option to change the interest rate reset period from time to time, choosing among daily, weekly or an interval of up to 270 days (Daily Rate, Weekly Rate or Flexible Rate) and to fix the rates to maturity. The College also has a monthly option to redeem all or part of the bonds.

Rating: Moody's Baa2 with a stable outlook for the College's 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: December 9, 2004

Highlights: The issue was structured as a variable rate issue secured by a letter of credit of M & I Marshall & Ilsley 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 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. This is the first variable rate issue for the College.

Borrower/Issue: Macalester College Series Six-B

Financing Vehicle: Revenue Bonds

Project: The bonds were used to refund the outstanding amount of two series of Authority bonds. Series Four-C Bonds will be redeemed on March 1, 2005 and the Series Four-J Bonds will be redeemed on March 1, 2007. The College will use funds set aside for the March 1, 2005 payment of debt service on both series to reduce the principal size of the borrowing.

Issue Amount: \$14,995,000

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

Term of Financing: 12 years

Structure: Serial maturities in 2006 through 2014 and term bonds maturing in 2017. Approximately level annual debt service, including sinking fund payments beginning in 2015 for the term bond. The bonds are not secured by any debt service reserve fund. The bonds are subject to optional redemption beginning March 1, 2013.

Interest Rate: Yields ranging from 2.12% to 3.75% for the serial maturities and 3.97% for the 2017 term bond. 3.76% 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 Aa3 with a stable outlook.

Date of Settlement: December 8, 2004

Highlights: The issue was structured as a long-term fixed rate issue to lock in the current low rates. The opportunity to refund two bond issues allowed the costs of issuance to be spread over a single larger issue generating more overall present value savings from the refunding. The redemption of Series Four-C is treated as a current refunding because it will be within 90 days of the settlement while the redemption of Series Four-J is treated as an advance refunding. Series Six-B bonds can be allocated between the two purposes so that the portion allocable to Series Four-C will still be eligible for an advance refunding. The remaining portion allocable to Series Four-J can be refunded but only on a current basis.