



CAPITAL COMMENTARY

from MN Higher Education Facilities Authority

Vol. 9 No. 1

News and brief reviews of financings recently completed by the Minnesota Higher Education Facilities Authority

The Minnesota Higher Education Facilities Authority is pleased to announce that Governor Pawlenty has made the following appointments to the Authority:

Carla Nelson of Rochester, Minnesota was appointed to serve her first term with the Authority. Ms. Nelson is a former Minnesota state representative (2003-2004) and is employed as a marketing executive for a property and casualty insurance agency within the Olmstead Financial Group. Her term expires January 2009.

The Governor also reappointed David D. Rowland to the Authority for a second term expiring January 2009.

The following were elected to serve as officers of the Authority for the fiscal year beginning July 1, 2005:

David D. Rowland, Chair
Senior Vice President
St. Paul Travelers Companies, Inc.
Resident of Eden Prairie, Minnesota

Michael D. Ranum, Vice Chair
Chief Financial and Administrative Officer
Häzelden Foundation
Resident of Circle Pines, Minnesota

Mary F. Ives, Secretary
Real Estate Business Owner
Resident of Grand Rapids, Minnesota

Borrower/Issue: Hamline University Series Six-E1 and Six-E2

Financing Vehicle: Variable Rate Demand Revenue Bonds

Project: Six-E1 bonds will advance refund approximately 78% of the Authority's outstanding Series Four-I bonds for redemption on October 1, 2006. Six-E2 bonds will finance improvements to the main St. Paul campus and the acquisition and renovation of a new President's house and special events center and refinance a commercial bank loan. Six-E3 bonds are expected to be issued in 2006 to current refund the remaining Series Four-I bonds.

Issue Amount: \$18,160,000 (\$9,580,000 of Six-E1 and \$8,580,000 of Six E2)

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

Term of Financing: Six-E1 is 11 years and Six-E2 is 20 years

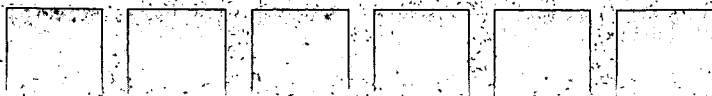
Structure: Term bonds maturing in 2016 for Six-E1 and 2025 for Six-E2. Interest only payments to bondholders until maturity.

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

Rating: Bonds rated VMIG1 (short term) and Aa3 (long term) solely on the strength of the letter of credit. Moody's has issued a rating of Baa1 with a negative outlook for the University's other rated debt.

Date of Settlement: June 30, 2005

Highlights: The issue was structured to provide new money and refinancing of both tax-exempt and taxable debt. Tax law restrictions on the refunding of the tax-exempt debt threatened to delay funds needed for capital improvements and the bank loan refinancing. The bonds were split into three variable rate issues that are all secured by a letter of credit of Harris N.A. but with different issue dates for tax purposes. Bondholders may tender their bonds for purchase by the University on any business day. The bank as the third party liquidity provider will purchase tendered bonds that are not successfully remarketed. The University 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 and has entered into an interest swap agreement relating to Six-E1.



Borrower/Issue: Macalester College Series Six-F

Financing Vehicle: Revenue Notes

Project: The notes financed the acquisition and installation of a replacement administrative computing system, including hardware, software licenses, and costs of converting data, training, and testing.

Issue Amount: \$3,000,000

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

Term of Financing: Nine years

Structure: Equal semiannual payments covering both principal and interest through July 22, 2014.

Interest Rate: 4.08%

Rating: Not Rated. Moody's has rated the College's existing rated long-term debt (also issued by the Authority) at Aa3 with a stable outlook.

Date of Settlement: July 22, 2005

Highlights: The College finalized the terms of the computer system acquisition just after concluding the sale of the \$14,995,000 Series Six-B bonds and therefore missed an opportunity to combine the refunding and the new money project. 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 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.

Borrower/Issue: St. John's University Series Six-G

Financing Vehicle: Revenue Bonds

Project: The bonds will advance refund the Series Four-L Bonds (\$24,740,000) at par for redemption on October 1, 2007 and to advance refund the Series Five-I Bonds (\$13,305,000) at par for redemption on October 1, 2011.

Issue Amount: \$39,300,000

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

Term of Financing: 21 years

Structure: Serial maturities in 2005 through 2022 and term bonds maturing in 2022 and 2026. The bonds are secured by a debt service reserve fund. The bonds are subject to optional redemption beginning October 1, 2015.

Interest Rate: Yields ranging from 2.79% to 4.52% for the serial maturities and 4.593% for the 2026 term bond. 4.40% 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 accrued interest, original issue discount or premium and underwriting fees).

Rating: Moody's A2 with a stable outlook

Date of Settlement: August 18, 2005

Highlights: The issue was structured as a long-term fixed rate issue to lock in net present value savings. 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. Through special allocation rules, the University was able to advance refund all of Series Four-L even though some of the bonds had been used for advance refunding purposes and could have violated the one-time advance refunding rule. The University received an upgrade in its credit rating from Moody's from A3 to A2 with a stable outlook.