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: University of St. Thomas **Series Six-H**

Financing Vehicle: Variable Rate Demand Revenue Bonds

Project: The bonds, together with approximately $13,191,000 of University funds, will finance the construction of a three-story building for the undergraduate business program on the Saint Paul campus.

Issue Amount: $12,300,000

Placement Method: Public sale, on a negotiated basis, underwritten by RBC Capital Markets, Dougherty and Company LLC and Wells Fargo Brokerage Services, Inc.

Term of Financing: 26 years

Structure: Term bond maturing in 2032. 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 option to redeem all or part of the bonds.

Rating: Moody's A2 with a stable outlook for the University's rated debt. Bonds rated VMIG1 (short term) and Aaa (long term) on the combined strength of the letter of credit and the University.

Date of Settlement: February 16, 2006

Highlights: The issue was structured as a variable rate issue secured by a letter of credit of The Bank of New York. Bondholders may tender their bonds for purchase by the University 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 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. The University entered into an interest rate swap agreement the terms of which match the final maturity and full principal amount (subject to earlier termination and reduction in notional amount). This issue was paired with the Series Six-I bonds.

Borrower/Issue: University of St. Thomas **Series Six-I**

Financing Vehicle: Revenue Bonds

Project: The bonds were used to refund the outstanding amount of Series Four-A1 issued in 1996, Series Four-M issued in 1997 and Series Four-P issued in 1997 that financed several capital projects in Minneapolis and Saint Paul.

Issue Amount: $38,860,000

Placement Method: Public sale, on a negotiated basis, underwritten by RBC Capital Markets, Dougherty and Company LLC and Wells Fargo Brokerage Services, LLC.

Term of Financing: 17 years

Structure: Serial maturities in 2007 through 2017 and term bonds in 2023. Approximately level annual debt service, including sinking fund payments beginning in 2018 for the term bonds. The bonds are secured by a debt service reserve fund representing one-half of the maximum annual debt service on the bonds and are subject to optional redemption beginning April 1, 2016.

Interest Rate: Yields range from 3.30% to 4.16% on the serial maturities and 4.39% on the term bond with 4.39% 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 interest, original issue discount or premium and underwriting costs).

Rating: Moody's A2 with a stable outlook.

Date of Settlement: February 16, 2006

Highlights: The University adopted a policy on institutional debt that includes a goal to keep a balance between fixed and variable rate debt. Rather than pursue a single $51,160,000 bond issue to finance the academic building project in Saint Paul and to refund three series of bonds, the University divided the issue into two series. This allowed the University to lower the total annual debt service for the combined variable rate Series Six-H and the fixed rate Series Six-I bonds and to preserve the flexibility to refund some or all the bonds with Series Six I based on anticipated debt service savings.