

Deal Spotlight: Higher Education

Jacksonville University

Florida Higher Educational Facilities Financing Authority

\$63,000,000

UW: Merrill Lynch & Co.

Rating: AA (Fitch)

FA: Public Financial Management, Inc.

Dated Date: 10/12/06

Jacksonville University (the “University”) issued \$63 million of auction rate securities through the Florida Higher Educational Facilities Financing Authority.

The University was founded in 1934 and is located on a 198-acre campus, which is ten miles from downtown Jacksonville (the “City”) and twenty minutes from the Atlantic Ocean beaches. The City is one of the fastest growing metropolitan areas in the United States.

The University offers degrees in 40 fields of study, with notable strengths in a variety of disciplines such as marine biology, nursing, and business; and is the only private university in Florida offering bachelor’s degrees in fine arts, dance, music, and theatre. The University is ranked in a tie for 56th among the 130 schools classified by US News & World Report as Southern Master’s Universities.

The University recorded an increase in full-time equivalent (“FTE”) enrollments to 2,648 in 2005-2006 academic year from 2,584 in 2004-2005 and over 2,720 FTE’s are anticipated for 2006-2007. Most strikingly, undergraduate applications rose to 5,227 for admission in the Fall of 2006 from 3,555 in 2005 and 2,790 in 2004. The selectivity rate for the current 2006-2007 academic year is 48.8%, which is the strongest in the University’s history. In November 2005, the University closed on the sale of a 62-acre parcel of land located adjacent to its campus. This sale has enabled the University to materially strengthen the liquidity of its balance sheet.

The proceeds of the bonds refinanced all of the University’s outstanding debt and will construct a 500-bed student housing facility. This new addition will raise total capacity to around 1,575 beds. The University plans for the new facility to be operating for the 2007 Academic Year and is integral to its plans for growth. The bonds are a general obligation of the University backed by a security interest in tuition and fees. A mortgage on a portion of the campus housing facilities will also be included, subject to a fade-away clause, after the University achieves certain financial hurdles. The remainder of the core campus is subject to a negative pledge.

The University accessed the market at lower interest rates based on Radian’s “AA” ratings. The rate of the initial weekly auction was 3.45%, 6 bps less than the weekly BMA Swap Index.

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