

Deal Spotlight: Education

The University of the Arts Pennsylvania Higher Educational Facilities Authority

\$18,000,000 – Fixed Rate (Series A)

UW: UBS Securities LLC

\$8,500,000 – Auction Rate (Series B)

Dated Date: 4/19/06

Ratings: Aa3/AA/AA

The University of the Arts (the “University”) is one of the most comprehensive arts colleges in the United States.

The University was established in 1987 as a result of a merger between the Philadelphia College of Art and Design (founded in 1876) and the Philadelphia College of Performing Arts (founded in 1870). The University is located in the heart of Philadelphia’s rich cultural center and maintains a strong franchise and distinctive market niche. It offers Bachelors and Masters degrees in numerous fields within the areas of Painting, Printmaking, Sculpture, Design, Dance, Music, Theatre, and Art Education.

The University issued \$26.5 million of bonds to refund existing Radian-insured debt and to complete a construction plan related to the Terra Building, home of many of the school’s academic departments. \$18 million of the bonds were structured as fixed rate securities while the remainder was issued as auction rate securities.

Demand trends have been strong over the past decade. Freshmen applications have increased from 1,411 a decade ago to 2,284 for the current academic year. Full-time equivalent enrollments have also risen from 1,258 to 2,207 over this period of time. The rising application and enrollment numbers have been accompanied by a strong Selectivity Ratio (48.77%) and Yield (45.78%). Student satisfaction is reflected by a healthy freshmen-to-sophomore retention rate of 81%.

The bonds are general obligations of the University backed by a security interest in its Unrestricted Revenues. The transaction includes a mortgage on various properties.

The University accessed the market at lower interest rates based on Radian’s “AA” ratings. The rate on the initial auction, set out to 14-days, was 3.35%, compared to a weekly BMA index of 3.70%. Subsequent auctions have been conducted on a weekly basis. Meanwhile, the 2033 maturity of the fixed rate bonds offered a 5.00% coupon priced to the 10-year call at a yield of 4.61%, 25 basis points over the Municipal Market Data Line AAA GO Index. Also, the 2026 maturity offered a 4.375% coupon priced to final maturity at a yield of 4.62%, 41 basis points over the same index.

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