

Deal Spotlight: Higher Education

Gwynedd-Mercy College

Pennsylvania Higher Educational Facilities Authority

\$18,680,000 – Fixed Rate (Series GG5)

UW: NatCity Investments, Inc.

\$21,600,000 – Variable Rate (Series P1 and P2)

Dated Date: 7/26/07

Rating: AA (S&P)

Underlying Rating: BBB- (S&P)

The Pennsylvania Higher Educational Facilities Authority issued \$18.68 million of fixed rate bonds (Series GG5) and \$21.6 million of variable rate bonds, \$19.9 million of which were issued as tax-exempt (Series P1) and \$1.7 million as taxable (Series P2). The proceeds of all three series were loaned to Gwynedd-Mercy College (“GMC” or the “College”).

GMC is a four-year co-educational Roman Catholic institution, which was founded in 1948 as a junior college and achieved four-year college status in 1963. GMC’s main campus is located on 160 acres in Gwynedd Valley, Pennsylvania, about fifteen miles north of the City of Philadelphia. The College also maintains satellite operations in Fort Washington and Philadelphia. The College offers over 50 undergraduate degree programs and eight graduate degree programs.

Current full-time equivalent enrollments of 2,031 are up from 1,115 a decade ago and from 1,644 as recently as four years ago. Undergraduate applications of 2,945 are up from 1,145 a decade ago and 2,169 as recently as the 2003-2004 Academic Year. The College’s Selectivity Ratio is at 43.1% and has averaged 46.3% over the five most recent academic years. A decade ago, 75% of undergraduate applications emanated from transfer candidates. At the present time, about 67% of incoming students are traditional first year freshmen. On-campus housing capacity has increased from 100 a decade ago to 540 at the present time.

The bonds are a general obligation of the College, backed by a security interest in its unrestricted revenue. The bonds are further secured by a springing mortgage. The variable rate bonds included a standby bond purchase agreement from Commerce Bank, N.A.

In aggregate, the fixed rate and variable rate bond proceeds will finance the construction of an athletic facility, which will include a synthetic turf field and an eight lane track. The College will also refund all of their existing debt, some of which has been insured by Radian.

With a BBB- underlying rating from S&P, the College accessed the market at lower interest rates based on Radian’s AA rating. The 2032 maturity of the fixed rate bonds offered a 5.125% coupon priced to the 10-year call at a yield of 4.97%, 54 basis points over the Municipal Market Data Line AAA GO Index. Meanwhile, the yield of the initial tax-exempt variable rate remarketing, due May 1, 2008, was 3.80%.

Key Contacts:

Peter Van Oort Keers, SVP, Director of Education • 212 984.9208 • peter.keers@radian.biz

John DeLuca, SVP, Director of Marketing • 212 984.9222 • john.deluca@radian.biz

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