

Deal Spotlight: Higher Education

Linn State Technical College, Missouri

Auxiliary System Refunding and Improvement Revenue Bonds

\$8,825,000

UW: Edward D. Jones & Co., L.P.

Rating: AA (Fitch)

Dated Date: 12/1/06

Underlying Rating: BBB- (Fitch)

Linn State Technical College (“Linn State” or the “College”) issued \$8.825 million of fixed rate bonds secured by the Net Revenues of its Auxiliary System (the “System”).

Linn State is located in the central portion of the State of Missouri, approximately one mile east of Linn, MO, the county seat of Osage County. The College, originally established in 1961, is a public two-year state supported institution providing a blend of traditional technical and specialized technical degree programs.

Linn State is Missouri’s only two-year technical college and offers programs in 21 different fields of study. Linn State has a relatively diverse revenue stream including state appropriations, tuition, and auxiliary revenues.

Enrollment over the past five years has increased a healthy 8% to its current level of 882. Due to the College’s location and its specialized mission, its competition is limited. The College offers vocational programs that are capital intensive and require a low student to faculty ratio.

The bonds are secured by Net Revenues of the System, which includes all rentals, charges, fees, income and revenue derived and collected by the College. More specifically, the System includes dining facilities, bookstore, dormitories and common buildings. The College offers a residence facility that accommodates 144 students. The College’s Board recently approved a \$10 increase to their student fee and a new \$2 per credit hour parking fee to help pay debt service on the new bonds. These fees, together with the Net Revenue of the System, are expected to provide 1.25x coverage of pro forma maximum annual debt service of \$560,000.

The bond proceeds will be used to fund a multi-purpose Activity Center and refund and provide savings for the College’s outstanding Series 1999 Bonds that were issued to construct new dormitories and a common building.

Linn State, based upon the Net Revenues of their System, has a BBB- underlying rating from Fitch. However, the College accessed the market at lower interest rates based on Radian’s AA rating. Attached are sample maturities with their spread to the Municipal Market Data Line (MMDL) AAA GO Index.

Maturity	2026	2031	2031
Coupon	4.25%	4.30%	4.35%
Yield	4.25%	4.30%	4.35%
Spread to MMDL High Grade (bps)	+40	+40	+42

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