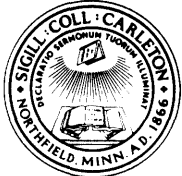


TWO NEW ISSUES

Ratings:
Moody's: Aa/VMIG 1

In the opinion of Bond Counsel, according to present State of Minnesota and federal laws, regulations and rulings, and assuming compliance with certain covenants, the interest on the Bonds is not includable in gross income for federal income tax purposes or in taxable income of individuals, estates and trusts for State of Minnesota income tax purposes, and is not an item of tax preference in determining federal or Minnesota alternative minimum tax applicable to individuals. Interest on the Bonds is subject to the State of Minnesota franchise tax applicable to corporations, including financial institutions, and is includable in the calculation of certain federal taxes imposed on corporations. The Bonds will not be designated as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Internal Revenue Code. (See "Tax Exemption.")

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY



Variable Rate Demand Revenue Bonds

\$10,000,000 Series Three-L1 and \$10,300,000 Series Three-L2

(CARLETON COLLEGE)

(DTC Book Entry Only)

Dated Date: Date of Issue

Due: November 1, 2012

This Official Statement contains information relating to each series of Bonds prior to its Conversion Date. Holders or purchasers of a series of Bonds are not to rely on the information herein with respect to the terms or conditions of such series of Bonds after the Conversion Date.

Both series of Bonds will be issued as fully registered Bonds without coupons and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"). DTC will act as securities depository of the Bonds. Individual purchases may be made in book-entry form only and Purchasers will not receive certificates representing their interest in the Bonds purchased. (See "Book Entry Only System" herein.)

The Bonds are subject to redemption prior to maturity as described herein.

The Bonds are special obligations of the Authority payable solely from Loan Repayments made by or on behalf of Carleton College, Northfield, Minnesota.

THE BONDS SHALL NOT BE LEGAL OR MORAL OBLIGATIONS OF THE STATE OF MINNESOTA NOR CONSTITUTE A DEBT FOR WHICH THE FAITH AND CREDIT OF THE AUTHORITY OR THE STATE OF MINNESOTA, OR THE TAXING POWERS OF THE STATE, ARE PLEDGED. THE AUTHORITY HAS NO TAXING POWERS.

The Bonds will initially be issued in the Weekly Reset/Overnight Put Mode. The Bonds will bear interest at an initial rate to be determined by the Remarketing Agent from their date of issue to and including October 7, 1992. At the option of the Authority, each series of Bonds may be designated to bear interest in a Weekly Reset/Overnight Put Mode, Multi-Monthly Mode or Flexible Mode as described herein. Interest on the Bonds shall be payable on each Interest Payment Date for the immediately preceding Interest Accrual Period. Interest shall be computed, prior to the Conversion Date, during a Weekly Reset/Overnight Put Mode or Flexible Mode, on the basis of a 365- or 366-day year, as the case may be, and actual days elapsed, and during a Multi-Monthly Mode computed on the basis of a 360-day year composed of 12 30-day months. At the option of the Authority and upon the conditions set forth in the Indenture, the interest rate on the Bonds may be converted to the Fixed Rate. Prior to the Conversion Date and the establishment of a Fixed Rate, owners of the Bonds have the right to tender their Bonds for purchase by presentation to the Tender Agent upon prior written notice as described herein at a purchase price equal to 100% of the principal amount thereof plus (unless the purchase date is an Interest Payment Date) accrued interest thereon, as more fully described herein. See "Original Liquidity Facility" herein for a discussion of the Liquidity Facility Provider. The initial Remarketing Agent is Norwest Investment Services, Inc.

BONDHOLDERS SHALL BE REQUIRED TO TENDER AND SELL THEIR BONDS ON A MANDATORY TENDER DATE AT A PRICE EQUAL TO THE PRINCIPAL AMOUNT THEREOF PLUS (UNLESS THE MANDATORY TENDER DATE IS AN INTEREST PAYMENT DATE) ACCRUED INTEREST THEREON, UNLESS A NON-TENDER NOTICE IS TIMELY DELIVERED TO THE TENDER AGENT, ALL AS MORE FULLY DESCRIBED HEREIN. A Mandatory Tender Date includes a Conversion Date, each Mode Change Date, the day immediately following the last day of each Flexible Rate Period, as described herein, or the Expiration Date or Termination Date of the Liquidity Facility for either series of Bonds unless the Liquidity Facility has been replaced with a substitute Liquidity Facility at least forty days prior to such Expiration Date or Termination Date. The College may, without creating a default, terminate the Liquidity Facility at its sole discretion prior to the Termination Date, subject to mandatory tender. Any Bond to be purchased which is not timely delivered to the Tender Agent on a Mandatory Tender Date or Optional Tender Date and as to which there has been irrevocably deposited with the Tender Agent or the Trustee an amount sufficient to pay the purchase price thereof shall be "deemed tendered" for purposes of the Indenture and shall cease to accrue interest on such Mandatory Tender Date.

The Bonds are being offered when, as and if issued and received by the Underwriter, subject to prior sale, to withdrawal or modification of the offer without any notice, and to the opinion as to validity and tax exemption of the Bonds by Faegre & Benson, Minneapolis, Minnesota, Bond Counsel. Certain matters will be passed upon for the College by its counsel, Briggs and Morgan, P. A., St. Paul, Minnesota; for the Liquidity Facility Provider by Winthrop & Weinstine, St. Paul, Minnesota; and for the Underwriter by its counsel, Lindquist & Vennum, Minneapolis, Minnesota. It is expected that the Bonds will be available for delivery at DTC on or about October 1, 1992.



IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

No dealer, broker, sales representative or other person has been authorized by the Authority, the College, the Underwriter, the Liquidity Facility Provider, or the Participating Bank to give any information or to make any representations other than those contained in this Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by the Authority, the College or the Underwriter. The information contained herein, except as it relates to the Authority, the Liquidity Facility Provider and the Participating Bank has been obtained from the College or other sources which the College deems reliable and is not guaranteed as to accuracy or completeness. Except for information concerning the Authority, such information is not to be construed as a representation by the Authority. Information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the Authority, the College, the Liquidity Facility Provider, or the Participating Bank since the date hereof.

References in this Official Statement to laws, rules, regulations, agreements, and any other documents do not purport to be comprehensive or definitive. All references to such documents are qualified in their entirety by reference to the particular document, the full text of which may contain qualifications of and exceptions to statements made herein. Where full texts have not been included as appendices hereto, they will be furnished on request.

IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE ISSUE AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED.

The Bonds have not been registered with the Securities and Exchange Commission by reason of the provisions of Section 3(a)(2) of the Securities Act of 1933, as amended. This Official Statement does not constitute an offer to sell or the solicitation of any offer to buy, and there shall not be any sale of the Bonds by any person in any state in which it is unlawful for such person to make such offer, solicitation or sale. The registration or qualification of these securities in accordance with applicable provisions of securities laws of the jurisdictions in which the Bonds may be registered or qualified and the exemption from registration or qualification in other jurisdictions shall not be regarded as a recommendation thereof. Neither these jurisdictions nor any of their agencies have passed upon the merits of the Bonds or the accuracy or completeness of this Official Statement. Any representation to the contrary may be a criminal offense.

Certain of the parties involved in this financing have agreed to indemnify certain other parties for any untrue statement of a material fact contained in this Official Statement or any omission to state a material fact necessary to be stated in this Official Statement in order to make the statements contained herein not misleading.

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

MEMBERS

Carol A. Blomberg, Chair	Vice President, Merchants & Miners State Bank, Hibbing, Minnesota
Kathryn D. Jarvinen, Vice Chair	Hospital Administrator, Winona, Minnesota
Jack Amundson, Secretary	Partner, McMahon, Hartmann, Amundson & Co., Saint Cloud, Minnesota
Kathryn Balstad Brewer	Student, New Brighton, Minnesota
Earl R. Herring	Retired, formerly Vice President for Administrative Affairs, Moorhead State University, Moorhead, Minnesota
Fred Hsiao	President, Shaw/Lundquist Associates, Saint Paul, Minnesota
David B. Laird, Jr. (Ex Officio)	President, Minnesota Private College Council, Saint Paul, Minnesota
James R. Miller	Owner and CEO, Rollin & Associates, Inc., St. Paul, Minnesota
David Powers (Ex Officio)	Executive Director, Minnesota Higher Education Coordinating Board, Saint Paul, Minnesota
Mollie N. Thibodeau	Fund Raising Consultant, Duluth, Minnesota

Dr. Joseph E. LaBelle, Executive Director

Bond Counsel
Faegre & Benson

Financial Advisor
Springsted Incorporated

TABLE OF CONTENTS

	<u>Page(s)</u>
Introductory Statement	1-2
Risk Factors	2-3
The Bonds	3-11
The Original Liquidity Facility	11-15
Sources And Uses Of Funds	15
The Project	16
Summary of Security For The Bonds	17
Financial Covenants	17-18
Accounts	18-20
The Authority	21
Financial Advisor	22
Underwriting	22
Ratings	22
Litigation	23
Legality	23
Tax Exemption	23-24
 Carleton College	 Appendix I
Proposed Form of Bond Counsel Opinion	Appendix II
Definition of Certain Terms	Appendix III
Summary of Documents	Appendix IV
Financial Statements	Appendix V

OFFICIAL STATEMENT

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY VARIABLE RATE DEMAND REVENUE BONDS \$10,000,000 SERIES THREE-L1 AND \$10,300,000 SERIES THREE-L2 (CARLETON COLLEGE)

(Book Entry Only)

INTRODUCTORY STATEMENT

This Official Statement provides information concerning the Minnesota Higher Education Facilities Authority (the "Authority") and Carleton College, Northfield, Minnesota, (the "College") in connection with the issuance of the Authority's Variable Rate Demand Revenue Bonds, \$10,000,000 Series Three-L1 and \$10,300,000 Series Three-L2 (Carleton College) (collectively, the "Bonds" or the "Issue").

The Authority is issuing its \$4,000,000 Revenue Bonds, Series Three-L3 (Carleton College) (the "Series Three-L3 Bonds") on a parity and concurrently with the Series Three-L1 and Series Three-L2 Bonds by means of a separate Official Statement dated September 16, 1992.

The Bonds are being issued pursuant to the provisions of Sections 136A.25 to 136A.42, Minnesota Statutes, by the provisions of which the Authority was created and authorized to issue its obligations to assist institutions of higher education within the State of Minnesota to finance certain projects.

The Bonds and the Series Three-L3 Bonds are being issued pursuant to the Trust Indenture (the "Indenture") between the Authority and Norwest Bank Minnesota, National Association, Minneapolis, Minnesota as trustee (the "Trustee"). The Trustee will initially also act as Tender Agent for the Issue.

Pursuant to a Loan Agreement between the College and the Authority, the College will covenant as a general obligation of the College to make payments and deposits in amounts sufficient to pay the Purchase Price and the principal of and interest on the Bonds as the same shall become due. The proceeds of the Bonds and the Series Three-L3 Bonds will be loaned to the College by the Authority to finance the acquisition, construction, furnishing and equipping of various capital projects including appurtenant site improvements, to be owned and operated by the College and located on the campus of the College in Northfield, Minnesota (the "Project"), as more fully described under "THE PROJECT."

The Bonds are secured by a pledge of the Loan Repayments, which is a general obligation of the College. The College expects that the primary source of payment of the principal of the Loan Repayments will be contributions and payments on pledges received in connection with a fund-raising campaign of the College.

At the time of issuance of the Bonds, the College will enter into a Standby Bond Purchase Agreement (the "Liquidity Facility") with Swiss Bank Corporation, New York Branch, (the "Liquidity Facility Provider"), and Norwest Bank Minnesota, National Association (in such capacity, the "Participating Bank") providing for the purchase prior to the Conversion Date (as defined herein) of Bonds which have been tendered for purchase and not remarketed. The Expiration Date of the Original Liquidity Facility is September 30, 1993, with renewal at the request of the College and the option of the Liquidity Facility Provider and the Participating

Bank for additional 360-day terms, not to exceed a maximum of five years. The Participating Bank has agreed to reimburse the Liquidity Facility Provider for a proportional amount of the Purchase Price so paid by the Liquidity Facility Provider. For information concerning the Liquidity Facility Provider and the Participating Bank, see "The Original Liquidity Facility," herein.

The Bonds shall not be legal or moral obligations of the State of Minnesota nor constitute a debt for which the faith and credit of the Authority or the State of Minnesota or the taxing powers of the State are pledged. The Authority has no taxing powers.

The descriptions and summaries of various documents hereinafter set forth do not purport to be comprehensive or definitive, and reference is made to each document for the complete details of all terms and conditions. All statements herein are qualified in their entirety by reference to such documents. See Appendices III and IV for definitions of certain words and terms used herein and for a description of certain provisions of the documents hereinafter referred to.

RISK FACTORS

No person should purchase Bonds without carefully reviewing the following information which sets forth some, but not all, of the factors which may affect the Owners' receipt of payments of the Purchase Price, principal of, premium, if any, or interest on the Bonds.

Risk of Insufficient Collateral

The Bonds are secured by a pledge by the Authority to the Trustee of amounts payable by the College under the Loan Agreement. No real or personal property is pledged to repayment of the Bonds.

Adequacy of Revenues

Payment of principal of and interest on the Bonds is intended to be made primarily from Loan Repayments of the College. The College's ability to make Loan Repayments will be dependent on its ability to receive sufficient unrestricted revenues in excess of expenditures, to invest and maintain sufficient monies in its unrestricted endowment fund and to obtain sufficient investment earnings therefrom. Such revenues and expenditures and unrestricted endowment funds are subject to many conditions and factors which may be beyond the control of the College and may change in the future to an extent that cannot be presently determined.

Reliance on Tuition and Fees

The adequacy of College revenues will be dependent on the amount of future tuition revenue received by the College. Tuition revenue in turn will depend primarily on the ability of the College to charge sufficient rates for tuition and to maintain enrollment levels. Future enrollment levels will depend on the number of students applying to the College and accepting offers of admission. A number of various factors, including, without limitation, such factors as levels of tuition rates or other fees, competition from other colleges, a decline in the number of college age students, and adverse general economic conditions will influence the number of applicants to the College.

Financial Aid

Approximately 50% of the College's students currently receive some federal or State financial aid covering tuition and fees or living expenses, based on need. No assurance can be given

that federal and State financial aid will continue to be funded at current levels. Curtailment of such aid may cause a decline in enrollment, which may in turn have an adverse effect on the College's revenues.

Damage or Destruction

Although the College will be required to obtain certain insurance as set forth in the Loan Agreement, there can be no assurance that the College will not suffer uninsured losses.

Bankruptcy

The ability of the Trustee to exercise rights under the Loan Agreement and the Indenture may be limited by bankruptcy, insolvency, reorganization or other similar laws or equitable principles related to or affecting the enforcement of creditors' rights.

Other Possible Risk Factors

The occurrence of any of the following events, or other unanticipated events, could adversely affect the operations of the College:

- (1) Reinstatement of or establishment of mandatory governmental wage and price controls.
- (2) Inability to control increases in operating costs, including salaries, wages and fringe benefits, supplies and other expenses, without being able to obtain corresponding increases in revenues.
- (3) Employee strikes and other adverse labor actions which could result in a substantial increase in expenditures without corresponding increase in revenues.
- (4) Adoption of federal, State or local legislation or regulations having an adverse effect on the future operating or financial performance of the College.

THE BONDS

General

The Bonds will be dated the date of initial delivery thereof and will mature November 1, 2012.

The Bonds of each series are issuable only as fully-registered Bonds without coupons, in the denominations of \$100,000 and any larger amount which is an integral multiple of \$5,000.

The Bonds of each series bear interest as described below. During any Weekly Reset/Overnight Put Mode or Flexible Mode, interest accrued on any Bond shall be computed on the basis of a 365- or 366-day year, as applicable, for the number of days actually elapsed. During a Multi-Monthly Mode, interest accrued on any Bond shall be computed upon the basis of a 360-day year, consisting of twelve 30-day months.

Interest will be payable on the first Business Day of each month. In addition, for any Bond in a Flexible Mode, interest will be payable on the Business Day immediately following the last day of any Flexible Rate Period.

Book Entry System

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered Bond certificate will be issued for each issue of the Bonds each in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants ("Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges in deposited securities through electronic computerized book entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants ("Direct Participants") include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interest in the Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interest in Securities, except in the event that use of the book entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of Bonds with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds. DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to Cede & Co. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the Trustee as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts on the payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on payable date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, the Tender Agent, or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, interest or Purchase Price to DTC is the responsibility of the Trustee or the Tender Agent as the case may be, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Bonds purchased or tendered, through its Participant to the Tender Agent, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in the Bonds, on DTC's records, to the Tender Agent. The requirement for physical delivery of Bonds in connection with a demand for purchase or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book entry has been obtained from sources that the Authority believes to be reliable, but the Authority takes no responsibility for the accuracy thereof.

Remarketing of Bonds and Setting of Interest Rates

The College has appointed Norwest Investment Services, Inc. to serve as Remarketing Agent (the "Remarketing Agent") for the Bonds. The College may remove the Remarketing Agent and appoint a successor Remarketing Agent upon 30 day's notice.

Each series of Bonds will initially bear interest in a Weekly Reset/Overnight Put Mode. From the Issue Date to and including October 7, 1992, the Bonds will bear interest at a rate to be determined by the Remarketing Agent. The College may from time to time designate a different Interest Mode for one or more series of Bonds prior to the Conversion Date for such series. The Mode Change Date shall be the date on which there is a change from one Interest Mode to another Interest Mode.

During a Weekly Reset/Overnight Put Mode, a Rate Period lasts seven days and begins on a Thursday of a week (or a Mode Change Date) and ends on the following Wednesday (or a Mode Change Date).

During a Multi-Monthly Mode, a Rate Period lasts one or more months and begins on the first Business Day of a month and ends on the day preceding the first Business Day of a subsequent calendar month.

During a Flexible Mode, a Rate Period lasts 30 days to 270 days and begins on a Business Day and ends on a day preceding a Business Day. Different Bonds within a Series in a Flexible Mode may have different Rate Periods.

For any series of Bonds bearing interest at a Variable Rate (which includes a Weekly Reset/Overnight Put Mode, or Multi-Monthly Mode) the Bonds of such series will bear interest at the same Variable Rate for the same Rate Period, as determined by the Remarketing Agent on a specified date for such Rate Period (the "Rate Determination Date") prior to the first Business Day of the Rate Period for which such Variable Rate is to become effective (the "Rate Adjustment Date").

During each Rate Period within a Weekly Reset/Overnight Put Mode or a Multi-Monthly Mode for any series of Bonds, the Variable Rate for all Bonds of that series shall be that rate which, in the determination of the Remarketing Agent, if borne by the Bonds of that series on the Rate Determination Date, would result in the market value of the Bonds of that series being 100% of the principal amount thereof.

Before the commencement of a Multi-Monthly Mode for a series of Bonds and 34 days prior to each Rate Adjustment Date for Bonds in a Multi-Monthly Mode, the Remarketing Agent shall determine (and on the same day so notify the College and the Trustee) a minimum Variable Rate for the next Monthly Rate Period (the "Minimum Variable Rate"), a projected Variable Rate for such Rate Period (the "Projected Variable Rate") and the period of one or more months that the Rate Period shall last. The Trustee shall forthwith mail to DTC a notice advising of the Minimum Variable Rate, the Projected Variable Rate and the term of the Monthly Rate Period. Thirteen days before the Rate Adjustment Date for such Rate Period the Remarketing Agent shall determine a Variable Rate for the next Rate Period which shall not be less than the Minimum Variable Rate determined for such Rate Period.

While the Bonds of a series bear interest at Flexible Rates (a "Flexible Mode"), each Bond of such series will bear interest at a Flexible Rate established by the Remarketing Agent for a Flexible Rate Period for such Bond having a term of 30 days to 270 days. During a Flexible Mode, the Flexible Rate Periods and Flexible Rates for each of the Bonds of such series may be different from each other Bond of that series and may be different for any one Bond from any prior or subsequent Flexible Rate Period for such Bond. The Remarketing Agent shall offer for sale and use its best efforts to find purchasers for the Bonds which are in a Flexible Rate Mode, on the first day of the Flexible Rate Period for each of such Bonds, at a purchase price equal to the principal amount thereof. The Remarketing Agent shall offer and accept purchase commitments for such Flexible Rate Periods and Flexible Rates as it deems advisable in order to minimize the net interest cost on the Bonds of such series under prevailing market conditions.

In determining Flexible Rates or the Variable Rate and the Minimum Variable Rate and Projected Variable Rate for any Rate Period, the Remarketing Agent shall take into account general financial conditions and such other or special conditions as in the judgment of the Remarketing Agent may have a bearing on such rates.

The determination by the Remarketing Agent of any Variable Rate or Flexible Rate to be borne by the Bonds shall be conclusive and binding on the Holders of the Bonds, the College, the Liquidity Facility Provider, the Tender Agent and the Trustee. Failure by the Trustee to give any notice described herein, or any defect therein, shall not affect the interest rate borne by the Bonds or the rights of the Holders thereof.

In the event that the Remarketing Agent is unable, or fails, to determine either the Minimum Variable Rate, the Projected Variable Rate or the Variable Rate for any Rate Period, or if either the Minimum Variable Rate, the Projected Variable Rate or the Variable Rate for any Rate Period is held invalid or unenforceable by a court of law, the Minimum Variable Rate, the Projected Variable Rate or the Variable Rate for such Rate Period shall be a rate equal to the Interest Index computed by the Indexing Agent.

In no event shall the interest rate on any Bond before the Conversion Date exceed 15% per annum.

Change of Interest Modes

In the event of a change from one Interest Mode to another, the College must give notice to the Authority, the Trustee, the Remarketing Agent, the Tender Agent and the Liquidity Facility Provider: (i) at least 35 days prior to the Mode Change Date, in the case of conversion from a Multi-Monthly Mode; and (ii) at least 26 days prior to the Mode Change Date in the case of conversion from a Weekly Reset/Overnight Put Mode and (iii) on a first Business Day of a month but not earlier than the last day of a Flexible Rate Period theretofore established in the case of conversion from a Flexible Mode. Such notice must specify the different Interest Mode, the Mode Change Date and (in the case of a change to Multi-Monthly Mode only) the Monthly Term. Following a change in Interest Mode for a series of Bonds, the new Interest Mode shall remain in effect for such series until the College elects to change such Interest Mode and again complies with the requirements of the Indenture for changing to a different Interest Mode.

At least 30 days prior to the Mode Change Date in the case of conversion from a Multi-Monthly Mode, and at least 21 days prior to the Mode Change Date in the case of conversion from a Weekly Reset/Overnight Put Mode or Flexible Mode, the Trustee must give notice thereof by mail to the Holders of the affected Bonds. No designation of an Interest Mode shall take effect unless the College has furnished the Trustee, on or before the date such notice is given, an opinion of nationally recognized bond counsel to the effect that the designation of the different Interest Mode will not adversely affect the exemption of interest on the Bonds from federal income taxation.

Notwithstanding the foregoing, the College may direct the Authority to cancel any notice of a Mode Change Date at any time prior to the 15th day preceding the Mode Change Date. In such event, the Bonds to which the cancellation notice applied will be in a Weekly Reset/Overnight Put Mode commencing on the proposed Mode Change Date. Such proposed Mode Change Date shall remain a Mandatory Tender Date, except in the case where the Bonds are in a Weekly Reset/Overnight Put Mode immediately prior to the proposed Mode Change Date.

Conversion to a Fixed Rate

The Indenture provides that the College has the right at any time to direct the Authority to convert the interest rate on the Bonds of either series to a Fixed Rate, effective on an Interest Payment Date. Conversion to a Fixed Rate of the interest on one series of Bonds will not require the conversion of interest on the Bonds of the other series to a Fixed Rate. To exercise its option, the College must deliver to the Authority, the Trustee, the Liquidity Facility Provider, the Tender Agent and the Remarketing Agent written notice thereof at least 35 days prior to the Interest Payment Date on which the Fixed Rate is to become effective (the "Conversion Date") and an opinion of nationally recognized bond counsel to the effect that the conversion to a Fixed Rate is in accordance with the provisions of the Indenture and will not adversely affect the exemption of interest on any Bonds from federal income taxation. See "Tax Exemption."

Not less than 31 days before the Conversion Date the Remarketing Agent shall determine an interest rate (the "Minimum Fixed Rate") equal to what the Fixed Rate would be if established on that date. The Trustee shall give notice by mail to the Holders of all affected Bonds of the conversion to a Fixed Rate, not less than 30 days prior to the Conversion Date, specifying the Conversion Date and the Minimum Fixed Rate and stating that each affected Bond shall be subject to mandatory tender for purchase on the Conversion Date unless the Holder elects to retain a Bond.

Notwithstanding the foregoing, the College may direct the Authority to cancel any notice of a conversion to a Fixed Rate at any time prior to the 15th day preceding the Conversion Date. In such event, the Bonds to which the cancellation notice applied will be in a Weekly Reset/Overnight Put Mode commencing on the proposed Conversion Date. Such proposed Conversion Date shall remain a Mandatory Tender Date, except in the case where the Bonds are in a Weekly Reset/Overnight Put Mode immediately prior to the proposed Conversion Date.

On or before the day before the Conversion Date the Remarketing Agent shall determine the Fixed Rate, which shall be the annual interest rate, not less than the Minimum Fixed Rate, which, in the determination of the Remarketing Agent, if borne by all Bonds of that series until their maturity, would result in the market value of such Bonds on that date being 100% of the principal amount thereof. In determining the Fixed Rate, the Remarketing Agent shall have due regard for general financial conditions and such other or special conditions as in the judgment of the Remarketing Agent may have a bearing on the Fixed Rate. After the Conversion Date, the Holders of any affected Bonds shall have no right to tender such Bonds for purchase.

Optional Tender

Prior to the Conversion Date in respect of Bonds of a series, the Holders of such Bonds may tender such Bonds for purchase at the principal amount thereof plus accrued interest to the Tender Agent on any Rate Adjustment Date for any Bonds in a Multi-Monthly Mode, or in the case of Bonds in a Weekly Reset/Overnight Put Mode, on any Business Day.

Interest on any Bond which the Holder thereof has elected to tender for purchase and which is not tendered on the Optional Tender Date, but for which there has been irrevocably deposited with the Trustee an amount sufficient to pay the purchase price thereof, shall cease to accrue on the Optional Tender Date, and shall no longer be outstanding and entitled to the benefits of the Indenture, except for the payment of the purchase price of such Bond from moneys held by the Tender Agent or Trustee for such payment. On the Optional Tender Date the Authority shall issue new Bonds in lieu of and in substitution for such untendered Bonds.

Mandatory Tender

The Bonds are required to be tendered for purchase at the principal amount thereof to the Tender Agent in the events described below. The Bonds of each series are subject to mandatory tender on the Conversion Date and on each Mode Change Date in respect of such series. The Bonds of each series are subject to mandatory tender on the Expiration Date of a Liquidity Facility for that series of Bonds, unless it has been replaced with a Substitute Liquidity Facility at least 40 days prior to such Expiration Date, and on the Termination Date of a Liquidity Facility for such series of Bonds, unless the Liquidity Facility is replaced with a Substitute Liquidity Facility at least 40 days prior to such Termination Date.

Each Bond in a Flexible Mode is subject to mandatory tender on the Business Day following the last day of each Flexible Rate Period for such Bond.

For any mandatory tender other than one following the end of a Flexible Rate Period, the Trustee shall give notice by mail to the Holders of the Bonds subject to such mandatory tender not less than 30 days prior to the Mandatory Tender Date. In the event of a conversion to a Fixed Rate, such notice must state that after the Mandatory Tender Date the ratings assigned to the Bonds may be modified or withdrawn. A Holder may elect to retain any Bond (unless after the Mode Change Date such Bonds would not be in an authorized denomination) by delivering written notice of such election to retain to the Tender Agent at least 10 days prior to such Mandatory Tender Date.

A Holder who elects to retain any Bond on a Conversion Date must deliver such Bond to the Tender Agent in exchange for a new Bond on the Conversion Date.

Interest on any Bond which the Bondholder has not elected to continue to own after a Mandatory Tender Date, but for which there has been irrevocably deposited with the Trustee an amount sufficient to pay the purchase price thereof, shall cease to accrue on the Mandatory Tender Date, whether or not actually tendered on the Mandatory Tender Date and the Holder of such Bond shall not be entitled to any payment other than the purchase price for such Bond, and such Bond shall no longer be outstanding and entitled to the benefits of the Indenture, except for the payment of the purchase price of such Bond from funds held by the Tender Agent or Trustee for such payment. On the Mandatory Tender Date the Authority shall issue a new Bond in lieu of and in substitution for such untendered Bond.

Remarketing and Purchase

In the event that notice is received of any optional tender, or if the Bonds become subject to mandatory tender, the Remarketing Agent shall use its best efforts to sell such Bonds at a price of par plus accrued interest on the Optional Tender Date or Mandatory Tender Date, as the case may be. Any Bonds so sold shall remain outstanding and entitled to the benefits of the Indenture.

Bonds tendered for purchase shall be paid by the Tender Agent: first, from moneys derived from the remarketing of such Bonds by the Remarketing Agent; and second, from moneys made available by the College and third, from moneys made available by the Liquidity Facility Provider under the Standby Bond Purchase Agreement. The College is obligated to purchase any Bonds tendered for purchase on an Optional Tender Date or Mandatory Tender Date, to the extent such Bonds have not been remarketed. To provide for the purchase of tendered Bonds which are not remarketed, the College has entered into a Standby Bond Purchase Agreement with the Liquidity Facility Provider and the Participating Bank.

Redemption

Optional Redemption

The Bonds of either series are subject to optional redemption by the Authority at the direction of the College, in whole or in part on any Interest Payment Date, at a redemption price equal to the principal amount of Bonds to be so redeemed (without premium), plus accrued interest on the redemption date.

The Bonds will also be subject to optional redemption at par and accrued interest, as a whole but not in part, on the next practicable Interest Payment Date and any Interest Payment Date thereafter upon a Determination of Taxability as provided in the Loan Agreement.

Partial Redemption

If less than all of the Bonds of a series at the time outstanding are to be called for prior redemption, the College shall designate to the Trustee the series and amounts of the Bonds to be redeemed, and the particular Bonds or portions thereof to be redeemed shall be selected by lot or such other manner as the Trustee deems fair, unless otherwise provided in the Indenture, by the Trustee. The College may direct the Trustee to select by lot from among all the Holders and thereafter select by lot the particular Bonds or portions thereof held by the Holders so selected in order to call for redemption as many Bonds or portions thereof from among the fewest number of Holders.

In the case of Bonds prior to the Conversion Date of denominations greater than \$100,000, if less than all of such Bonds then outstanding are to be called for redemption, then for all purposes in connection with redemption, each \$100,000 of principal amount shall be treated as though it was a separate Bond of the denomination of \$100,000. If it is determined that one or more, but not all, of the \$100,000 units of principal amount represented by any such Bond is to be called for redemption, then upon notice of intention to redeem such \$100,000 unit or units, the Holder of such Bond shall forthwith surrender such Bond to the Trustee for (1) payment of the redemption price of the \$100,000 unit or units of principal amount called for redemption and (2) exchange for a new Bond or Bonds of the aggregate principal amount of the unredeemed balance of the principal amount of such Bond which shall be issued to the Holder thereof, without charge therefor. If the Holder of any such Bond of a denomination greater than \$100,000 shall fail to present such Bond to the Trustee for payment and exchange as aforesaid, such Bond shall nevertheless become due and payable on the date fixed for redemption to the extent of the \$100,000 unit or units of principal amount called for redemption (and to that extent only). Interest shall cease to accrue on the portion of the principal amount of such Bond represented by such \$100,000 unit or units of principal amount on and after the date fixed for redemption provided that funds sufficient for payment of the redemption price shall have been deposited with the Trustee and shall be available for the redemption of said \$100,000 unit or units on the date fixed for redemption, and in such event, such Bond shall not be entitled to the benefit or security of the Indenture or the Loan Agreement to the extent of the portion of its principal amount (and accrued interest to the date fixed for redemption and applicable premium, if any) represented by such \$100,000 unit or units of principal amount, nor shall new Bonds be thereafter issued corresponding to said unit or units.

Notice of Redemption

Notice of any redemption shall be mailed to the registered Owners at their addresses shown on the registration books of the Authority and maintained by the Trustee not less than thirty days, and if more than 60 days, then again not less than 30 nor more than 60 days, before the date fixed for such payment. If moneys are available at the office of the Trustee to pay the redemption price on the date of redemption, any Bonds thus called shall not bear interest after the call date and, except for the purpose of payment by application of the funds so deposited, shall no longer be protected by the Indenture.

Determination of Taxability

If a Determination of Taxability is made that the interest payable on the Bonds is subject to federal income taxes by reason of the application of the provisions of the Internal Revenue Code and regulations thereunder in effect on the date of issuance, the Bonds shall bear interest equal to 1.4 times the interest rate for the Rate Period during which the Determination of Taxability occurred. See "Tax Exemption" on pages 23 and 24 and Appendix III, "DEFINITION OF CERTAIN TERMS."

The College will have the option to prepay the Loan as a whole, but not in part, from the first practicable Interest Payment Date, following a Determination of Taxability at a price of par and accrued interest (including additional interest from the Date of Taxability).

THE ORIGINAL LIQUIDITY FACILITY

The following is a brief description of certain provisions contained in the Original Liquidity Facility. Other provisions of the Original Liquidity Facility are described in other sections of this Official Statement, and definitions of terms used herein are as set forth in this Official Statement or otherwise as defined in the Indenture and the Loan Agreement. Neither the following description nor those descriptions contained elsewhere in this Official Statement are intended to be comprehensive or definitive. Reference is made to the Original Liquidity Facility for a complete recital of its terms.

The Original Liquidity Facility will be executed and delivered by and between the College, Swiss Bank Corporation, acting through its New York Branch ("Swiss Bank"), and Norwest Bank Minnesota, National Association, a national banking association ("Norwest") (Swiss Bank and Norwest are sometimes hereinafter individually referred to as the "Bank" and collectively referred to as the "Banks." Swiss Bank is also referred to in this Official Statement as the initial Liquidity Facility Provider. Norwest is also referred to in this Official Statement as the Participating Bank.)

Pursuant to the Original Liquidity Facility, Swiss Bank will agree to purchase Tendered Bonds on each Optional Tender Date and each Mandatory Tender Date, subject to the terms and conditions of the Original Liquidity Facility. Such agreement of Swiss Bank is referred to and defined as the "Standby Purchase Commitment" of Swiss Bank. The Standby Purchase Commitment of Swiss Bank shall initially be in the aggregate amount of \$20,583,644, which consists of \$20,300,000 for the principal and \$283,644 for up to 34 days of interest (at an assumed rate of 15% per annum) of the purchase price of Tendered Bonds.

In addition, pursuant to the Original Liquidity Facility, Norwest has agreed to purchase one-half of the Tendered Bonds on each Optional Tender Date and each Mandatory Tender Date, subject to the terms and conditions of the Original Liquidity Facility. Such agreement of Norwest is referred to and defined as the "Standby Purchase Commitment" of Norwest. The Standby Purchase Commitment of Norwest will initially be in the aggregate amount of \$10,291,822, which consists of \$10,150,000 for the principal and \$141,822 for up to 34 days of interest (at an assumed rate of 15% per annum) of the purchase price of Tendered Bonds.

The obligation of Swiss Bank to purchase Tendered Bonds pursuant to the terms and subject to the conditions of the Original Liquidity Facility is a joint and several obligation of Swiss Bank. Accordingly, Swiss Bank shall be required to purchase Tendered Bonds up to the amount of the Original Liquidity Facility of Swiss Bank even if Norwest does not honor its Standby Purchase Commitment. The obligation of Norwest to purchase one-half of the Tendered Bonds on any Optional Tender Date or Mandatory Tender Date pursuant to the terms and subject to the conditions set forth in the Original Liquidity Facility is a joint and several obligation of Norwest. Accordingly, Norwest shall be required to purchase one-half of the Tendered Bonds on any Optional Tender Date or Mandatory Tender Date up to the amount of the Standby Purchase Commitment of Norwest whether or not Swiss Bank honors its Standby Purchase Commitment.

The Standby Purchase Commitment of each Bank shall be permanently and automatically reduced by an amount equal to the sum of the principal amount of, plus 34 days' interest (at an assumed rate of 15% per annum) on, any Bonds which are paid, redeemed or discharged in

full. Such reduction in the Standby Purchase Commitment of each Bank will be evidenced by a Reduction Certificate to be delivered by the Trustee to the Banks in such event. The amount of such reduction in the Standby Purchase Commitment of Swiss Bank shall be equal to the full amount of the reduction set forth in any such Reduction Certificate. The amount of such reduction in the Standby Purchase Commitment of Norwest shall be equal to 1/2 of the reduction set forth in any such Reduction Certificate. The Standby Purchase Commitment of each Bank shall also be reduced by the aggregate principal amount of Bank Bonds held by or for the benefit of or registered in the name of that Bank plus an amount equal to 34 days interest thereon at an assumed rate of interest of 15% per annum. The Standby Purchase Commitment of each Bank shall be automatically reinstated by (i) an amount equal to the sum of (a) the aggregate principal amount of any Bank Bonds for which that Bank has been paid the purchase price thereof pursuant to the Original Liquidity Facility, plus (b) an amount equal to 34 days interest thereon at an assumed rate of interest of 15% per annum, and (ii) an amount equal to the sum of (a) the aggregate principal amount of Bank Bonds which are sold by or on behalf of that Bank in the secondary market and not pursuant to the terms of the Remarketing Agreement, plus (b) an amount equal to 34 days interest thereon at an assumed rate of interest of 15% per annum.

The Banks' obligations to purchase Tendered Bonds on any Optional Tender Date or Mandatory Tender Date pursuant to the Original Liquidity Facility is subject to the satisfaction of the following conditions precedent:

- (i) not later than 3:00 P.M., Minneapolis, Minnesota time, on the Business Day immediately preceding the Optional Tender Date or the Mandatory Tender Date, as the case may be, both of the Banks shall have received from the Trustee Electronic Notice and confirmed in writing in the form of a duly completed and signed Purchase Notice specifying (a) the Optional Tender Date or the Mandatory Tender Date, as the case may be, and (b) the principal amount of, plus accrued interest on, the Tendered Bonds to be purchased by the Banks on such Optional Tender Date or Mandatory Tender Date; and
- (ii) no Special Event of Default shall have occurred and be continuing on such Optional Tender Date or Mandatory Tender Date.

The Banks are required to honor their respective Standby Purchase Commitment by having Swiss Bank transfer the purchase price specified in the Purchase Notice in Dollars in same-day funds to the Trustee on the Optional Tender Date or the Mandatory Tender Date, as the case may be, by no later than 8:30 A.M., Minneapolis, Minnesota time, on the Optional Tender Date or the Mandatory Tender Date, as the case may be. Norwest is required to honor its Standby Purchase Commitment by transferring its respective share of such purchase price in Dollars in same-day funds to Swiss bank on the Optional Tender Date or the Mandatory Tender Date, as the case may be, by 8:30 A.M., Minneapolis, Minnesota time, on the Optional Tender Date or the Mandatory Tender Date, as the case may be.

As stated above, the Banks shall have no obligation to purchase any Tendered Bonds on any Optional Tender Date or Mandatory Tender Date if a Special Event of Default shall have occurred and be continuing on such Optional Tender Date or Mandatory Tender Date. The term Special Event of Default is defined as the occurrence of either of the following events:

- (i) the College shall fail to pay, when due, any principal of or interest on the Bonds in accordance with the terms thereof and of the Indenture (other than such principal or interest which is part of the purchase price of any Tendered Bond and other than such principal and interest which is due and payable on any Bank Bonds in connection with a mandatory redemption thereof pursuant to the Indenture); or
- (ii) the College shall file a petition in bankruptcy or for reorganization or for an arrangement pursuant to any present or future state or federal bankruptcy act or under any similar

federal or state law, or shall be adjudicated a bankrupt or insolvent, or shall make a general assignment for the benefit of its creditors, or shall be unable to pay its debts generally as they become due; or if an order for relief under any present or future federal bankruptcy act or similar state or federal law shall be entered against the College; or if a petition or answer requesting or proposing the entry of such order for relief or the adjudication of the College as a debtor or a bankrupt or its reorganization under any present or future state or federal bankruptcy act or any similar federal or state law shall be filed in any court and not dismissed within thirty (30) days of the filing thereof; or if a receiver, trustee or liquidator of the College or of all or substantially all of the assets of the College shall be appointed in any proceeding brought against the College; or if the College shall consent to or acquiesce in such appointment; or if any property of the College shall be levied upon or attached or garnished in any proceeding; or the College shall be or become insolvent (whether in the equity or bankruptcy sense).

In addition, the Banks shall have the right to terminate the Standby Purchase Commitment if the long-term rating of the Bonds by Moody's shall be lower than Baa3 or shall be withdrawn by Moody's by giving written notice of such termination to the College, the Trustee, the Tender Agent and the Remarketing Agent, which termination shall be automatically effective upon the expiration of 40 days following the giving of such written notice without any requirement of any further notice to any Person.

The Original Liquidity Facility contains various representations, warranties and covenants of the College which have been made to and for the benefit of the Banks. No Bondholder is entitled or permitted to rely upon such warranties or representations or enforce any such covenants of the College.

In addition, the Original Liquidity Facility contains various Events of Default which permits the Banks, at their option, to exercise certain rights and remedies vis-a-vis the College, including, without limitation, the right to require the College to deposit cash and securities acceptable to the Required Banks with the Banks with, in certain circumstances, a then-current market value in an amount at least equal to 100% of the sum of (i) the Standby Purchase Commitment then in effect, plus (ii) the then-aggregate principal amount of Bank Bonds. Such deposit is required to be made within three Business Days of request therefor by the Banks to the College unless such Event(s) of Default are cured within such three Business Days. If the College fails to make any deposit of cash and securities with the Banks as and required by the Original Liquidity Facility, then any Bank Bonds then outstanding shall be subject to mandatory redemption pursuant to the Indenture and either or both of the Banks may enforce collection and payment of any Bank Bonds then outstanding directly against the College or direct the Trustee to do so on behalf of the Banks.

Pursuant to the Original Liquidity Facility the College is required to purchase Bank Bonds from the Banks under certain conditions, including, without limitation, the requirement to purchase from each of the Banks at its or their request any Bank Bonds which have been held by that Bank for more than 60 days or if an Event of Default occurs. If the College fails to purchase all Bank Bonds as and when required by the Original Liquidity Facility, then such Bank Bonds shall be subject to mandatory redemption as provided in the Indenture and either or both of the Banks may enforce collection and payment of such Bank Bonds directly against the College or direct the Trustee to do so on behalf of the Banks.

The Standby Purchase Commitment of the Banks expires on September 30, 1993, unless such date is extended by the Banks.

The College has the right to terminate the Original Liquidity Facility and the obligations of the Banks thereunder in any of the following events:

- (i) either or both of the Banks has notified the College of increased costs to be reimbursed by the College to the Banks pursuant to the Original Liquidity Facility;

- (ii) either or both of the Banks defaults in its or their obligations to buy Bonds pursuant to the Original Liquidity Facility after strict compliance with the conditions precedent thereto as set forth in the Original Liquidity Facility; or
- (iii) for any other reason.

If the College is terminating the Original Liquidity Facility pursuant to clause (i) or (iii) above, such termination shall not be effective until 40 days after written notice of such termination is given to each Bank, the Tender Agent, the Trustee and the Remarketing Agent or the effective date of any Substitute Liquidity Facility, whichever first occurs, and then only if as of such Termination Date no amounts due under the Original Liquidity Facility from the College to the Banks are outstanding and the Banks do not hold any Bank Bonds. If the College is terminating the Original Liquidity Facility pursuant to clause (ii) above, the College is required to provide the Banks with at least seven days' prior written notice.

Pursuant to the Indenture, the Bonds are subject to mandatory tender in the event that the Original Liquidity Facility is terminated by the Banks or the College as described herein.

The Original Liquidity Facility is an agreement between the College and the Banks. Thus, the College is the only party entitled to enforce the Original Liquidity Facility against the Banks. Accordingly, the College is the only party entitled to require the Banks to purchase Tendered Bonds on any Optional Tender Date or Mandatory Tender Date. The rights of the College under the Original Liquidity Facility have not been pledged or assigned to the Trustee, the Bondholders or any other party. Accordingly, neither the Trustee nor any Bondholder(s) nor any other party is entitled or permitted to enforce the Original Liquidity Facility against the Banks.

Swiss Bank

The following information has been provided by Swiss Bank Corporation:

Swiss Bank Corporation was organized in 1872 under the name of "Basler Bankverein" and became Swiss Bank Corporation in 1897. It is one of the three major commercial banks of Switzerland and is primarily an international wholesale institution with major corporate, bank, government and government-related customers. Retail business is pursued essentially only in Switzerland, where Swiss Bank has 282 branches and nine subsidiaries offering full-service commercial and private banking facilities.

The New York Branch, licensed under New York law, provides a full range of wholesale commercial banking services in the New York City metropolitan area and throughout the United States. Upon written request, Swiss Bank Corporation will provide without charge a copy of the most recent Annual Report of Swiss Bank Corporation. Written requests should be directed to Vice President, Advertising and Public Relations, Swiss Bank Corporation, New York Branch, Box 395, Church Street Station, New York, New York 10008.

The above information relating to Swiss Bank Corporation relates to and has been supplied by Swiss Bank Corporation. The delivery of the Official Statement shall not create any implication that there has been no change in the affairs of Swiss Bank Corporation since the date hereof, or that the information contained or referred to in this Official Statement is correct as of any time subsequent to its date.

Norwest

The following information has been provided by Norwest:

Norwest Bank Minnesota, National Association is a national banking association and is the principal banking subsidiary of Norwest Corporation, a registered bank holding company organized under the Bank Holding Company Act of 1956, whose principal office is located in Minneapolis, Minnesota. The Standby Purchase Commitment is solely the obligation of Norwest and no assets of the parent corporation or any affiliate of Norwest will be pledged to, or available for, payment thereunder.

Norwest is a commercial bank offering a wide range of banking services to its customers in the upper Midwest and throughout the United States. The Consolidated Reports of Condition and Income of Norwest for prior years are on file with the Comptroller of the Currency and are available for inspection at the Federal Deposit Insurance Corporation Data Request Section, 1776 F Street N.W., Suite 2, Floor 1C, Washington, D.C. 20629. In addition, Norwest will provide without charge a copy to each person to whom this Official Statement is delivered, on the written or oral request of any such person, a copy of Norwest's 1991 Financial Report (unaudited) and the Consolidated Report of Condition and Income as of March 31, 1992. Written requests should be directed to Norwest Bank Minnesota, National Association, Norwest Center, Sixth and Marquette, Minneapolis, Minnesota 55479-0016, Attention: Corporate Banking Finance. Telephone requests should be directed to (612) 667-9418.

SOURCES AND USES OF FUNDS

Sources and uses of funds for the projects to be financed are expected to be approximately as follows:

Sources of Funds

Series Three-L1 Bonds	\$10,000,000
Series Three-L2 Bonds	10,300,000
Series Three-L3 Bonds	4,000,000
College Funds on Hand	<u>15,000,000</u>
Total Sources	<u>\$39,300,000</u>

Uses of Funds

First Street Project	\$ 3,700,000
Boliou Expansion (Phase 1)	2,500,000
Math/Computing Center	7,000,000
Student Housing Project (Phase 1)	3,200,000
Science Building	19,000,000
Telecommunications Switch	600,000
Utility Project	3,000,000
Costs of Issuance	<u>300,000</u>
Total Uses	<u>\$39,300,000</u>

Issuance costs including underwriter's discount and fees will not exceed 2% of the proceeds of the Bonds and the Series Three-L3 Bonds. There will be no deposit to the Reserve Account.

THE PROJECT

The proceeds of the Bonds and the Series Three-L3 Bonds will finance a portion of several new construction, remodeling and equipment acquisition projects, including appurtenant site improvements, which are a part of the College's comprehensive capital improvement plan. When completed, the Project will represent a major upgrade of the College's facilities.

The Project consists of the following:

1. New Facility Projects:

- (a) Construction, equipping and furnishing of a new building which will house the Admissions Department, guest rooms and faculty facilities including lounge, library and meeting space (First Street Project);
- (b) Construction, equipping and furnishing of a new building which will house a mathematics and computing center;
- (c) Construction, equipping and furnishing of a new building which will provide a student housing facility;
- (d) Construction, equipping and furnishing of a new building which will house science labs;

2. Improvement Projects:

- (a) Remodeling and expansion of Boliou Hall (Phase One);
- (b) Remodeling of Olin Hall;
- (c) Remodeling of Mudd Hall;
- (d) Improvements to electrical, heating and cooling systems and extension of such systems to new facilities;

3. Equipment Project:

Acquisition of a new telecommunications system.

The College is planning a comprehensive campaign for the purpose of raising funds which has not yet been publicly announced. Approximately \$60 million is expected to be the goal for capital improvements including the components of the Project. The College can give no assurance the campaign goals will be met. If the comprehensive campaign goal is not met, the College intends to reduce the scope of the Project.

The total cost of the Project is approximately \$39 million. In addition to Bond proceeds, the College will use available funds including comprehensive campaign receipts, to finance the Project.

SUMMARY OF SECURITY FOR THE BONDS

The Bonds will be special obligations of the Authority payable solely from payments made by or on behalf of the College as required by the Loan Agreement or out of other amounts pledged therefor under the Indenture.

The College pledges its full faith and credit to the Loan Repayments and agrees to make such payments out of the general fund or any other moneys legally available to the College. The College covenants and agrees to charge tuition, other fees, rentals and charges which, together with the general funds or any other moneys legally available, will be sufficient at all times to make the Loan Repayments and other payments required under the Loan Agreement; to meet current operation and maintenance expenses of the Project Facilities; and to pay all other obligations of the College as they become due.

The College is planning a comprehensive campaign in part to raise funds for the construction of the Project and other capital improvements (see "THE PROJECT," page 16 and "Comprehensive Campaign," page I-13). To the extent available, the College anticipates that principal on the Bonds will be paid from campaign contributions, to the extent they are not used to complete the Project or finance other capital improvements. However, campaign contributions are not pledged as security for the Bonds and will become part of the Trust Estate only upon deposit into the Bond and Interest Sinking Fund Account.

The Bonds shall not be legal or moral obligations of the State of Minnesota nor constitute a debt for which the faith and credit of the Authority or the State of Minnesota, or the taxing powers of the State, are pledged. The Authority has no taxing powers.

The Bonds will not be secured by the General Bond Reserve of the Authority (see "ACCOUNTS - General Bond Reserve Account").

FINANCIAL COVENANTS

The College covenants and agrees, so long as the Bonds shall remain outstanding, to comply with the following:

- (a) At June 30, 1993 and at the end of each Fiscal Year thereafter, for at least two of the preceding three Fiscal Years (including such Fiscal Year), Unrestricted Current Funds revenues shall be not less than Unrestricted Current Funds expenditures, including mandatory transfers, according to the principles of accounting used in the preparation of the College's financial statements for the Fiscal Year ended June 30, 1992 prepared by KPMG Peat Marwick. In the event that, following any Fiscal Year, the College shall not be in compliance with this paragraph (a), the College may cure such deficiency by making a transfer to the Unrestricted Current Funds, on or before or within 180 days of the close of such Fiscal Year, sufficient to cure the deficiency. Such transfer may be made from any Liquid Unencumbered Unrestricted Funds.
- (b) Following the Issue Date, and for so long as the Bonds remain outstanding, the College shall incur no Funded Debt with an aggregate outstanding balance of more than \$2,000,000 and with a maturity in excess of two years (except for a refunding or refinancing of Funded Debt outstanding and except for that portion of any Funded Debt incurred for capital projects issued in anticipation of repayment from written and signed pledges of gifts for such project theretofore secured by the College), unless either:
 - (i) As of the end of the last two preceding Fiscal Years for which audited financial statements are available the Debt Service Coverage Ratio was at least 110% of Maximum Annual Debt Service of (A) then outstanding Funded Debt and

(B) Funded Debt proposed to be issued; provided that if the additional Funded Debt proposed to be issued is to finance student housing, student dining, student union or other revenue producing facilities, there shall be added to the amount of Net Income Available for Debt Service of the earlier Fiscal Years, for purposes of this paragraph (b), the estimated amount of Net Income Available for Debt Service to be derived from such facility in the first Fiscal Year following the estimated date of completion of such facility as estimated in a report of an Independent Management Consultant to the College and the Trustee; and provided further that if the additional Funded Debt proposed to be issued is to finance other College facilities and if the Board of Trustees has increased tuition, student fees or other rates or charges at or after the end of such Fiscal Year, for purposes of this paragraph (b), there shall be added to Net Income Available for Debt Service for the earlier Fiscal Years the amount of increase net of increased operating expenses, as estimated in a report of an Independent Management Consultant to the College and the Trustee; or

- (ii) The Funded Debt is secured by a covenant of the College to maintain during the term of the Funded Debt Liquid Unencumbered Unrestricted Funds in an amount equal to at least the outstanding principal amount of the Funded Debt; or
- (iii) Within thirty (30) days prior to incurring the Funded Debt, the College files with the Trustee a letter from Moody's (or another Rating Agency if the Bonds are not then rated by Moody's) indicating that the rating on such Funded Debt will be at least "Baa" or its equivalent.

For purposes of (a) and (b) above, all capitalized terms used but not otherwise defined in Appendix III, "DEFINITION OF CERTAIN TERMS" shall have the meanings provided for audits of colleges and universities, as applied in the College's audited financial statements for the Fiscal Year ended June 30, 1992.

ACCOUNTS

Summary

The Indenture will provide for the creation of certain trust accounts into which the proceeds from the sale of the Bonds and the Series Three-L3 Bonds and revenues received as Loan Repayments under the Loan Agreement and moneys made available under the Liquidity Facility are to be deposited. These accounts include a Construction Account, a Bond Purchase Fund, a Bond and Interest Sinking Fund Account, a Reserve Account, and a Redemption Account. The net proceeds of original issue and sale of the Bonds and the Series Three-L3 Bonds are to be deposited into the Construction Account. Following Bond Closing, amounts received by the Trustee from the College as Loan Repayments, proceeds of remarketing or moneys available under the Liquidity Facility are to be deposited into the Bond and Interest Sinking Fund Account, the Bond Purchase Fund and the Redemption Account and used, to the extent needed, to redeem or pay the principal of and interest on the Bonds and the Series Three-L3 Bonds or the Purchase Price of the Bonds when due.

Construction Account

There shall be deposited initially into the Construction Account the net proceeds received from sale of the Bonds and the Series Three-L3 Bonds less the amount of underwriters discount. In addition, the College will agree in the Loan Agreement to provide for payment of all Project

Costs in excess of the proceeds of the Bonds and the Series Three-L3 Bonds available therefor and to pay out of available general funds all costs of issuance of the Bonds and the Series Three-L3 Bonds (including underwriting discount) in excess of 2.00% of the proceeds of the Bonds and the Series Three-L3 Bonds (principal less original issue discount according to the reoffering scale). Upon receipt of proper documentation, the Trustee will reimburse or pay for the account of the College costs incurred in connection with the Project. When work on the Project Buildings has been completed and the Project Equipment has been installed and a certificate to that effect has been furnished to the Trustee, any balance in the Construction Account shall be deposited into the Bond and Interest Sinking Fund Account or the Redemption Account.

Bond Purchase Fund

There shall be deposited to the General Account in the Bond Purchase Fund (a) the remarketing proceeds of Bonds received by the Trustee from the Tender Agent (together with any investment income thereon) in a separate sub-account of the General Account, but not including any moneys received from the Authority or the College and (b) all other moneys (except moneys available under the Liquidity Facility) which are required or directed to be deposited to the Bond Purchase Fund. There shall be deposited to the Liquidity Account in the Bond Purchase Fund all moneys available under the Liquidity Facility.

Moneys in the Bond Purchase Fund shall be used solely for the payment of the Purchase Price of Bonds upon optional or mandatory tender and shall be disbursed by the Trustee from the Bond Purchase Fund in the following order: (a) amounts in the General Account derived from remarketing of the Bonds and investment income thereon, (b) amounts in the Liquidity Account and (c) amounts in the General Account derived from any other sources and investment income thereon. If the funds available under clause (a) in the foregoing sentence for the payment of the Purchase Price of Bonds on any Optional Tender Date or Mandatory Tender Date, are not sufficient to pay in full the Purchase Price of such Bonds, the funds shall be made available under the Standby Bond Purchase Agreement in an amount which will be sufficient, together with the funds available under clause (a), to pay the Purchase Price.

If there remains any balance (other than moneys held by the Trustee for the purchase of Untendered Bonds) in either the Liquidity Account or General Account of the Bond Purchase Fund, the Trustee shall, prior to the close of business on the Optional Tender Date or Mandatory Tender Date, authorize the payment of such balance to the Liquidity Facility Provider, to the extent of amounts due under the Liquidity Facility and otherwise to the College.

Bond and Interest Sinking Fund Account

There shall be deposited into the Bond and Interest Sinking Fund Account (a) transfers of amounts in other funds and accounts as permitted and required by the Indenture, including moneys held in the Construction Account and transferred to pay interest on the Bonds and the Series Three-L3 Bonds during construction, and (b) money paid in as Loan Repayments made by the College or any other moneys received by the Trustee from the College and directed by the College to be deposited therein.

The moneys and investments in the Bond and Interest Sinking Fund Account will be irrevocably pledged to and shall be used by the Trustee, from time to time, to the extent required, for the payment of principal of and interest on the Bonds and the Series Three-L3 Bonds as and when such principal and interest shall become due and payable and for that purpose only.

Reserve Account

There will be no deposit into the Reserve Account on the date of issuance.

Redemption Account

There shall be deposited into the Redemption Account all other amounts required to be deposited therein pursuant to any provision of the Loan Agreement or the Indenture.

Amounts on deposit to the credit of the Redemption Account shall be used, first, to make up deficiencies in the Bond and Interest Sinking Fund Account and Reserve Account, in the order listed, and, second, for the redemption of outstanding Bonds or Series Three-L3 Bonds at the request or direction of the College for the purchase of outstanding Bonds or Series Three-L3 Bonds on the market at prices not exceeding the redemption price on the next available date for redemption. Notwithstanding the foregoing, the Trustee is authorized in its discretion to use funds and investments in the Redemption Account to pay the amount of any rebate due the United States in respect of the Bonds and the Series Three-L3 Bonds under Section 148 of the Internal Revenue Code if the College or the Authority shall have failed to pay or provide for the payment thereof under the Loan Agreement.

General Bond Reserve Account

Pursuant to its General Bond Resolution adopted October 31, 1972, the Authority has established and maintains a General Bond Reserve Account. In general, the General Bond Reserve Account secures certain bonds of the Authority for which a deposit is made into the General Bond Reserve Account in compliance with the General Bond Resolution. In connection with the Bonds and the Series Three-L3 Bonds, the Authority will not require that the College deposit funds into the General Bond Reserve Account. **Neither the Bonds nor the Series Three-L3 Bonds will be secured by the General Bond Reserve Account, and Bondholders will have no right to require the Authority to apply moneys or investments in the General Bond Reserve Account to the payment of the Bonds, the Series Three-L3 Bonds or interest thereon.**

Authorized Investments

Moneys on deposit to the credit of the Construction Account, Bond Purchase Fund, Bond and Interest Sinking Fund Account, the Reserve Account, or the Redemption Account shall be invested by the Trustee only in investments as authorized by law from time to time which currently and generally are as follows: Direct obligations of the United States government and certain obligations issued or guaranteed by certain of its agencies; direct and general obligations of states and local governments and state housing finance agencies, rated at least A; revenue bond obligations of states and local governments rated at least AA or Aa; mutual funds or unit trusts which invest solely in the foregoing obligations of the United States government, its agencies, state and local governments or in repurchase agreements or reverse repurchase agreements collateralized by the foregoing obligations; time deposits and other accounts fully insured by the Federal Deposit Insurance Corporation or collateralized by certain government obligations; certain guaranteed investment contracts issued by a bank or insurance company rated at least A; certain types of repurchase agreements; and certain commercial paper maturing in 270 days or less. Section 8.05 of the Indenture sets forth further restrictions as to type and maturity of investments.

THE AUTHORITY

The Minnesota Higher Education Facilities Authority was created by Chapter 868, Laws of Minnesota, 1971 (Sections 136A.25 through 136A.42, Minnesota Statutes), for the purpose of assisting institutions of higher education within the State in the construction and financing of projects. The Authority consists of eight members appointed by the Governor with the advice and consent of the Senate. The Executive Director of the Minnesota Higher Education Coordinating Board, and the President of the Minnesota Private College Council, who is a non-voting member, are also members of the Authority.

Dr. Joseph E. LaBelle has been the Executive Director of the Authority since its inception.

The Authority is authorized and empowered to issue revenue bonds whose aggregate outstanding principal amount at any time shall not exceed \$350 million. The Authority's 68 issues (including refunded and retired issues) total \$281,785,000 of which \$175,710,525 (excluding the Bonds) was outstanding as of August 2, 1992. Bonds issued by the Authority are payable only from the rentals, revenues and other income, charges and moneys pledged for their payment. The bonds of the Authority do not represent or constitute a debt or pledge of the faith or credit or moral obligation of the State of Minnesota.

Educational institutions eligible for assistance by the Authority are generally private nonprofit educational institutions authorized to provide a program of education beyond the high school level. However, pursuant to special legislation, the Authority has once issued bonds on behalf of a State owned and operated post-secondary institution. In addition, State community and technical colleges are eligible for assistance in financing child-care facilities, but not other types of projects. Sectarian institutions are not eligible for assistance; however, the fact that an institution is sponsored by a religious denomination does not of itself make the institution sectarian. Application to the Authority is voluntary.

The scope of projects for which the Authority may issue bonds is broad, including buildings or facilities for use as student housing, academic buildings, parking facilities, day-care centers, and other structures or facilities required or useful for the instruction of students, or conducting of research, in the operation of an institution of higher education.

While the Authority retains broad powers to oversee planning and construction, it is current policy to permit the institution almost complete discretion with respect to these matters.

In Minnesota Higher Education Facilities Authority v. Hawk, filed August 8, 1975, the Minnesota Supreme Court affirmed the constitutionality of the issuance of tax-exempt bonds by the Authority to refinance debts incurred by Minnesota private colleges in the construction of facilities used solely for nonsectarian education purposes. In the opinion of bond counsel, this decision also confirms the legality of bonds issued by the Authority to finance original construction, improvement, and remodeling projects.

The Authority is also authorized to issue revenue bonds for the purpose of refunding bonds of the Authority then outstanding, including payment of any redemption premium thereon and any interest accrued or to accrue to the earliest or any subsequent date of redemption.

The Authority is financed solely from fees paid by the participating institutions; it has no taxing power.

Bond issuance costs, including fees of bond counsel, the financial advisor and trustee, are paid by the participating institution.

FINANCIAL ADVISOR

Springsted Incorporated, Saint Paul, Minnesota, has served as financial advisor to the Authority in connection with the issuance of the Bonds. The Financial Advisor has participated in the preparation of certain portions of this Official Statement, but has not independently verified the factual and financial information contained herein, and accordingly expresses no view as to the accuracy or sufficiency thereof.

UNDERWRITING

The Bonds are being purchased by Norwest Investment Services, Inc. (the "Underwriter"). The Underwriter has agreed to purchase the Bonds at a purchase price of \$20,228,950. The initial public offering prices set forth on the cover page may be changed by the Underwriter and the Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into investment trusts) and others at prices lower than the offering prices set forth on the cover page.

Norwest Investment Services, Inc. ("NISI") is a separate subsidiary of Norwest Corporation and is not a bank. It is a registered broker/dealer and a member of the National Association of Security Dealers and is also a member of the Security Investors Protection Corporation. NISI is an affiliate of banks owned by Norwest Corporation including Norwest Bank Minnesota, National Association. Any obligations of NISI are the sole responsibility of NISI and do not create any obligations on the part of any other affiliate of NISI. No affiliate of NISI is responsible for the securities sold by NISI. Unless so indicated, any investments recommended, offered or sold by NISI are not insured by the Federal Deposit Insurance Corporation.

RATINGS

As noted on the cover page hereof, Moody's Investors Service has given the Bonds a long-term rating of "Aa" and a short-term rating of "VMIG1." The ratings reflect only the view of such rating agency. There is no assurance that either rating will continue for any given period of time or that it may not be lowered or withdrawn entirely by the rating agency if in its judgment circumstances so warrant. Any such downward change in or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

Moody's Investors Service defines a "Aa" rating as follows:

"Bonds which are rated Aa are judged to be of high quality by all standards. Together with the Aaa group they comprise what are generally known as high grade bonds. They are rated lower than the best bonds because margins of protection may not be as large as in Aaa securities or fluctuation of protective elements may be of greater amplitude or there may be other elements present which make the long-term risks appear somewhat larger than in Aaa securities."

Moody's Investors Service defines a "VMIG1" rating as follows:

"This designation denotes best quality. There is present strong protection by established cash flows, superior liquidity support or demonstrated broadbased access to the market for refinancing."

LITIGATION

The Authority and the College are unaware of any pending or threatened litigation which would affect the validity of the Bonds or materially affect the ability of the College to pay the principal of or interest on the Bonds as the same become due.

LEGALITY

The Bonds will be subject to the unqualified approving opinion as to validity and tax exemption by Faegre & Benson of Minneapolis, Minnesota as Bond Counsel. A legal opinion in substantially the form set out in Appendix II herein will be delivered at Bond Closing.

Certain legal matters will be passed upon for the College by Briggs and Morgan, Professional Association, St. Paul, Minnesota; for the Underwriter by Lindquist & Vennum, Minneapolis, Minnesota; and for the Liquidity Facility Provider and Participating Bank by Winthrop and Weinstine, St. Paul, Minnesota.

TAX EXEMPTION

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met subsequent to the issuance and delivery of the Bonds in order that interest on the Bonds be and remain excludable from gross income under Section 103 of the Code. These requirements include, but are not limited to, (1) a limitation of \$150,000,000 on the aggregate principal amount of "tax-exempt non-hospital bonds" (generally defined as bonds for other than acute care, in-patient hospital facilities) that is allocated to the College or any 501(c)(3) organization under common management or control with the College as an owner or user of facilities financed with proceeds of such bonds, (2) provisions which prescribe yield and other limits relative to the investment of the proceeds of the Bonds and other amounts, (3) provisions which require that certain investment earnings be rebated periodically to the Federal government and (4) a requirement that at least 95% of the proceeds of the Bonds be used for purposes of the College constituting the basis for its being an organization exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and that not more than 5% of the proceeds of the Bonds be used in (or provide a facility to be used in) an unrelated trade or business of the College or the trade or business of any nonexempt person. Noncompliance with such requirements may cause interest on the Bonds to become includable in gross income for purposes of Federal and State of Minnesota income taxation retroactive to their date of original issue, irrespective in some cases of the date on which such noncompliance is ascertained.

The Loan Agreement and Indenture contain provisions (the "Tax Covenants") including covenants of the Authority and the College, pursuant to which, in the opinion of Bond Counsel, such requirements can be satisfied. Certificates will be furnished by officers of the Authority and the College to Bond Counsel at closing to the effect that, at the date of issuance of the Bonds, not more than \$150,000,000 of tax-exempt non-hospital bonds (including the Bonds) are outstanding allocable to the College and 501(c)(3) organizations under common management or control. The Tax Covenants do not relate to all the continuing requirements referred to in the preceding paragraph.

Under present provisions of the Code, interest on the Bonds is exempt from federal income taxes, including the alternative minimum tax imposed with respect to individuals and corporations and the environmental tax imposed with respect to corporations, except that interest on the Bonds will be included in the computation of "adjusted current earnings", which may be an item of tax preference includable in alternative minimum taxable income used in calculating the alternative minimum tax that may be imposed with respect to corporations.

The Code imposes an environmental tax with respect to corporations on the excess of a corporation's modified alternative minimum taxable income (determined as described above) over \$2 million. Regardless of whether a corporation is subject to the alternative minimum tax, the environmental tax applies with respect to taxable years beginning after December 31, 1986 and before January 1, 1996.

The Code imposes a branch profits tax equal to 30% of the "dividend equivalent amount" which is measured by "earnings and profits" effectively connected to the United States, net of certain adjustments. Included in the earnings and profits of a United States branch of a foreign corporation is income that would be effectively connected with a United States trade or business if such income were taxable, such as the interest on the Bonds.

In addition, interest on the Bonds is includable in the net investment income of foreign insurance companies for purposes of Section 842(b) of the Code. In the case of a property, casualty or other insurance company subject to the tax imposed by Section 831 of the Code, the amount which otherwise would be taken into account as losses incurred under Section 832(b)(5) of the Code must be reduced by an amount equal to 15% of the interest on the Bonds that is received or accrued during the taxable year. In addition, passive investment income, including interest on the Bonds, may be subject to federal income taxation under Section 1375 of the Code for an S corporation that has Subchapter C earnings and profits at the close of the taxable year if more than 25% of its gross receipts is passive investment income.

The Code further provides that interest on the Bonds is includable in the calculation of modified adjusted gross income in determining whether Social Security or railroad retirement payments are to be included in taxable income of individuals.

Bondholders should consult their tax advisors with respect to collateral consequences arising from the receipt of interest on the Bonds, including without limitation the calculations of alternative minimum tax, environmental tax or foreign branch profits tax liability, or the inclusion of social security or other retirement payments in taxable income.

Assuming compliance with the Tax Covenants and on the basis of the certifications to be furnished at Bond Closing, in the opinion of Faegre & Benson, Bond Counsel, under present laws and rulings: interest on the Bonds is not includable in gross income for federal income tax purposes or in the taxable income of individuals, estates and trusts for Minnesota income tax purposes. Interest on the Bonds is not treated as a preference item in determining federal alternative minimum taxable income of individuals and corporations or the Minnesota alternative minimum tax applicable to individuals, estates and trusts. However, the interest is includable in "adjusted current earnings" for purposes of computing the federal alternative minimum taxable income of corporations and is subject to the Minnesota franchise tax imposed on corporations, including financial institutions, measured by taxable income and the alternative minimum tax base.

The Bonds will not be "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986 relating to the ability of financial institutions to deduct from income for federal income tax purposes, interest expense that is allocable to carrying and acquiring tax-exempt obligations.

CARLETON COLLEGE

Carleton College was founded by the Minnesota Conference of Congregational Churches, under the name of Northfield College, on November 14, 1866. Preparatory school classes began in September, 1867, but it was not until 1870 that the first college class was formed, and construction of the first on-campus building began. Church control ended after one year and the College became and is now autonomous and non-sectarian.

By the fall of 1871, the name of the College had been changed to honor an early benefactor, William Carleton of Charlestown, Massachusetts, who bestowed a gift of \$50,000 on the struggling young college. At the time, it was the largest single contribution ever made to a western college, and it was made unconditionally, with no requirement that the name of the College be changed.

Carleton has always been a co-educational institution. The original graduating class in 1874 was composed of one man and one woman who followed similar academic programs. Carleton's current enrollment of approximately 1,800 continues to include nearly equal numbers of men and women.

Governance

The College is governed by the Board of Trustees currently comprised of 40 members.

The Alumni Association is authorized to nominate each year one of its members to serve one four-year term. There are four such positions on the Board. The nominee of the Alumni Association has always been approved by the Board.

The President of the Alumni Association is an *ex officio* member of the Board of Trustees with all of the duties and privileges of a Trustee except that of voting.

Two places on the Board are reserved for recent graduates of the College who are between the ages of 23 and 28 and who have held the B.A. degree for at least one year at the time of nomination. They serve nonrenewable, staggered four-year terms and are nominated by the Committee on Trustee Affairs.

All other trustees serve four-year terms and are elected by the Board. The terms are staggered so that approximately one-fourth end each year. Board members may be reelected. If a vacancy on the Board occurs, the term of the trustee elected to fill the vacancy is the balance of the unexpired term.

Retirement from the Board and Emeritus status are governed by regulations adopted by the Board in 1966 and revised in 1981 and 1988. They provide that no trustee shall remain an active member of the Board beyond the academic year in which he/she reaches age 75. Any trustee upon obtaining the age of 75, or at an earlier age if the Board so decides, shall become eligible for the status of Trustee Emeritus, such status to be determined at the pleasure and discretion of the Board and conferred no sooner than one year after a trustee has left the Board. Election as Trustee Emeritus shall be based on exceptional and distinguished service to the College which will generally include not less than 12 years as a trustee. Emeriti Trustees are invited to all meetings and are eligible to participate in discussion but not to vote, and may be asked from time to time to render additional service to the College.

Officers of the Board consist of Chairman, Vice Chairman, President of the College, Treasurer, and Secretary, and are elected for terms of one year. The Treasurer and Secretary traditionally have not been trustees.

The Board normally meets three times a year (fall, winter, and spring), with the annual meeting for the election of trustees and officers in the spring (May). Dates are set by the Board at the convenience of its members. Special meetings may be called at the discretion of the Chairman. One-third of the membership of the Board constitutes a quorum for the transaction of business at any regular or special meeting. The Executive Committee performs duties of the Board between Board meetings.

Board of Trustees

Officers:

Chair Winston R. Wallin	Vice Chair Lloyd P. Johnson	Vice Chair Charles W. Johnson
President Stephen R. Lewis, Jr.	Secretary William R. Lowery	Treasurer Carol N. Campbell
Judd H. Alexander '49	Retired Executive Vice President, James River Corporation, Quechee, Vermont	
Raphael Bernstein, P'86	Investment Banker, Bear Stearns & Co., Inc., New York, New York	
William M. Bracken '63*	Chairman, Northco Corporation, Minneapolis, Minnesota	
Conley Brooks*	Chairman, Brooks Associates, Inc., Minneapolis, Minnesota	
Thomas G. Colwell '52	Chairman, President and Chief Executive Officer, Colwell Industries, Inc., Minneapolis, Minnesota	
George H. Dixon*	Retired Chairman and Chief Executive Officer, First Bank System, Inc., Minneapolis, Minnesota	
Evelyn Haymaker Dolven '60	Special Education Teacher, Oakland Unified School District, Oakland, California	
Jack W. Eugster '67	Chairman, President and CEO, Musicland Stores Corporation, Minneapolis, Minnesota	
Robert L. Gale, '48,P'78	Retired President, Association of Governing Boards of Universities and Colleges, Washington, D.C.	
N. Bud Grossman*	Chief Executive Officer, Cogel Management Company, Minneapolis, Minnesota	
Frank Hammond '41	Attorney, Briggs and Morgan, St. Paul, Minnesota	

* *Executive Committee member.*

NOTE: *H(Year) = Honorary degree from Carleton*
P(Year) = Parent of a Carleton student

Joyce A. Hughes '61	Professor, Northwestern University Law School, Chicago, Illinois
Donald S. Hunt '60,P'92	President, Harris Bankcorp, Inc., Chicago, Illinois
Eden T. Inoway '87	Graduate Student, University of Wisconsin-Madison, Madison, Wisconsin
Charles W. Johnson*	Retired Vice President and Group Executive, Honeywell Inc., Minneapolis, Minnesota
Lloyd P. Johnson '52*	Chairman and Chief Executive Officer, Norwest Corporation, Minneapolis, Minnesota
Geri M. Joseph P'79*	Senior Fellow, Hubert H. Humphrey Institute of Public Affairs, University of Minnesota, Minneapolis, Minnesota (also Former Ambassador to the Netherlands)
Martha H. Kaemmer '66	Owner, Cooks of Crocus Hill, St. Paul, Minnesota
Reatha Clark King H'82*	President and Executive Director, General Mills Foundation, Minneapolis, Minnesota
Katherine Miller Kolliner '73	Hudson, Ohio
John W. Larson '60,P'92,'93*	Chief Operation Officer, The Chronicle Publishing Co., San Francisco, California
Stephen R. Lewis, Jr. P'86*	President, Carleton College, Northfield, Minnesota
Thomas B. Morgan '49	President, WNYC Communications Group, New York, New York
Kiyoaki Murata '46,H'84	Professor of International Communication, Yachiyo International University, Yachiyo City, Japan
The Reverend Earl A. Neil '57*	Executive for Advocacy, Witness and Justice Ministries Episcopal Church Center, New York, New York
Richard C. Nordholm '51,P'78	Retired Vice President, Potlatch Corporation, Rio Verde, Arizona
Catherine James Paglia '74	Managing Director, Interlaken Capital, Inc., Greenwich, Connecticut
Lawrence Perlman '60,P'89*	President and Chief Executive Officer, Ceridian Corporation, Minneapolis, Minnesota
Henry H. Porter, Jr. P'85	Corporate Director, Private Investor, Louisville, Kentucky

* *Executive Committee member.*

NOTE: H(Year) = Honorary degree from Carleton
P(Year) = Parent of a Carleton student

Margaret A. Towsley Riecker '54*	Midland, Michigan
Mary Carolyn Rhode '89	Graduate Student, Dartmouth College Amos Tuck School, Hanover, New Hampshire
Arthur R. Schulze, Jr. '52*	Vice Chairman of the Board, General Mills, Inc., Minneapolis, Minnesota
Eugene C. Sit	President and Chief Executive Officer, Sit Investment Associates, Inc., Minneapolis, Minnesota
Mark R. Steinberg '66	Attorney, O'Melveny & Myers, Los Angeles, California
Martin A. Trow H'78,P'78	Professor, Graduate School of Public Policy, University of California, Berkeley, California
Garrick Utley '61,H'79	Correspondent, NBC News, New York, New York
Francis T. "Fay" Vincent, Jr.	Former Commissioner, Major League Baseball, New York, New York
Winston R. Wallin P'78,'82,'87*	Chairman of the Board, Medtronic, Inc., Minneapolis, Minnesota
Sidney Carne Wolff '62,H'85	Director, National Optical Astronomy Observatories, Tucson, Arizona
Katherine Werness Youngblood, '57,P'81	Senior Account Manager, Zenger Miller, Bloomington, Minnesota

* *Executive Committee member.*

NOTE: *H(Year) = Honorary degree from Carleton*
P(Year) = Parent of a Carleton student

President

Stephen R. Lewis, Jr., became Carleton's ninth president and a professor in Carleton's Economics Department in 1987. He is a specialist in economic policy and planning in developing countries, and has served as economic advisor to the governments of Botswana, Kenya and Pakistan.

Lewis graduated Phi Beta Kappa from Williams College in 1960 and received his doctorate in economics from Stanford University in 1963. He was a member of the Williams faculty from 1966 to 1987, and served twice as Provost. He is a Trustee of the Carnegie Endowment for International Peace and a member of the Council on Foreign Relations.

At the College, Lewis has devoted considerable attention to defining the long-term needs and priorities of the College, has begun a building program to provide for academic programs and student life, and has increased efforts to bring alumni into closer contact with the College. He has a special interest in international and multicultural programs and has supported curricular changes and faculty appointments to promote those efforts.

Vice President and Treasurer

Carol N. Campbell is Vice President and Treasurer, a position she has held since 1990. She functions in that position as Chief Finance Officer of the College and contributes to overall strategy and operations as a key member of executive management. Ms. Campbell is a Certified Public Accountant and has held various positions of financial management and accounting throughout her career. Prior to joining Carleton College she served in several positions at the University of Minnesota including Associate Vice President and Treasurer.

As a member of Phi Beta Kappa, Ms. Campbell graduated with highest distinction with a B.S. in Accounting from the University of Minnesota, in 1975. She was recently elected Vice Chair and Chair-elect of the National Association of College and University Business Officers and also serves on several Boards of Directors within the Northfield community.

The Campus

The College's 900 acres of campus, arboretum, and athletic fields are situated on the northern boundary of Northfield, Minnesota. This attractive rural community has a population of about 15,000 and is located about 40 miles south of the Twin Cities of Minneapolis and St. Paul.

The single building (Willis Hall) completed in 1872 on a ten-acre parcel has been joined by 47 others, including 10 academic facilities, nine on-campus residence halls, three athletic facilities, a library, a chapel, an observatory and a campus center.

The following listing of the College's buildings indicates their present function.

Willis Hall (1872) - economics, education, political science, sociology and anthropology offices, classrooms, a seminar room;

Goodsell Observatory (1887) - mathematics and astronomy offices, classrooms, 16-inch visual refractor, 8-inch photographic refractor;

Scoville Hall (1896) - media center, Multicultural Affairs Office, Learning Skills Center;

Laird Hall (1905) - English offices, classrooms, President and Deans' Offices, Registrar's Office and administrative offices;

Sayles-Hill (1910) - campus center, student post office, classrooms; renovated in 1979, addition completed in 1988;

The Music Hall (1914) - classrooms, practice rooms, music offices;

Skinner Memorial Chapel (1916) - chapel, offices, a seminar room;

Leighton Hall (1921) - classics, religion, history, modern languages and literatures, philosophy offices, classrooms, Admissions Office, administrative offices;

Laird Stadium (1927) - field house, eight-lane, 400-meter, all-weather track, and student housing;

Boliou Memorial Art Building (1949) - gallery, studios, classrooms, and art department offices;

Carleton Library (1956) - four-story structure containing 360,000 volumes, classrooms; a \$7.5 million expansion project, completed in 1984, doubled the size of the Library;

Olin Hall of Science (1961) - biology, physics, psychology offices, classrooms, auditorium, and laboratories;

The West Gymnasium (1964) - basketball courts, swimming pool;

Cowling Recreation Center (1965) - gymnasium, pool, dance studio and a classroom;

The Music and Drama Center (1971) - concert hall seating 500 and theater seating 460 joined by gallery, ensemble rooms, practice rooms, and dressing rooms;

Mudd Hall of Science (1975) - geology and chemistry offices, laboratories, classrooms, and science library.

Residence Halls

Burton Hall (1916) - co-ed dormitory (housing 178 students) and dining hall;

Nourse Hall (1917) - co-ed dormitory (housing 106 students) and Nourse Theater;

Davis Hall (1923) - co-ed dormitory housing 126 students;

Evans Hall (1927) - co-ed dormitory (housing 118 students) and dining hall;

Severance Hall (1927) - co-ed dormitory (housing 69 students) and Dean of Students Office;

Musser Hall (1958) - co-ed dormitory housing 135 students;

Myers Hall (1958) - co-ed dormitory housing 142 students;

Goodhue Hall (1962) - co-ed dormitory (housing 205 students) and dining hall;

Watson Hall (1967) - co-ed dormitory housing 161 students.

Approximately 1,561 students live on campus, including all freshmen and sophomores for whom campus residence is required.

Accreditation and Affiliations

Accredited by several associations, including the North Central Association of Colleges and Secondary Schools (since 1913), Carleton offers the Bachelor of Arts degree. The North Central Association of Colleges and Schools had this to say about the College in its latest accreditation report on the College: "Carleton College is one of the finest, strongest liberal arts colleges in the United States; its purposes are clearly understood and subscribed to enthusiastically by all constituents of the College; its graduates take their place in leadership in the professions, especially education, and in the national life. The best attainments of liberal arts education are measured by the Carleton experience."

Among the academic honor societies with chapters on the campus are Phi Beta Kappa and Mortar Board, scholastic honor societies; Sigma Xi, science honor society; and Pi Delta Epsilon and Pi Mu Epsilon for journalism and mathematics, respectively.

Academic Requirements and Statistics

The College's academic year is comprised of three 10-week long terms. Students normally carry 18 credits per term. They may take as few as 12 credits and, on occasion, as many as 22, or, with special permission, 24 credits.

To receive a Bachelor of Arts degree, a student must earn at least 210 credits and a grade average of C or better.

The College seeks to insure that its students study one field in depth by requiring a major. It encourages students to acquaint themselves with the major divisions of knowledge and modes of inquiry by requiring them to complete a designated number of credits from each of the following broad categories of courses: Arts and Literature, Humanities, Social Sciences and Natural Sciences and Mathematics.

Recent figures show that the College ranks first among undergraduate liberal arts colleges in the attraction of National Merit Scholars. Fifteen percent of the College's graduates reflect its early heritage of preparing educators and ministers, 18% are in medicine or law and another 22% are in business, industry and finance. The College is, according to McGraw-Hill's 1985 Executive/College Survey, one of the top 25 U.S. liberal arts colleges in producing "leading business executives." About 70% of Carleton's graduates attend graduate or professional schools within five years after leaving the College. A recent study ranked Carleton third for the period 1977 to 1986 among private undergraduate colleges in the number of graduates who have gone on to earn PhDs in the natural sciences.

In 1991-92, 54% of Carleton's 1,828 students came from the Midwest, 16% from the West, 20% from the East, 8% from the South and 2% from outside of the United States. Approximately 14% are African American, Asian/Pacific Islanders, Hispanic, Native American or Puerto Rican. Approximately 50% of Carleton's students receive scholarship or grant assistance based on need, and about 88% work on campus. The average class size is 18; 68% of the classes have 20 or fewer students. Each year, students choose from approximately 895 courses in 33 majors and several interdisciplinary programs. More than 300 College students participate every year in off-campus programs in more than 30 countries.

Preparation for Professional Schools

The Carleton curriculum does not provide programs which are recommended for all students intending to enter a particular professional school upon completion of their B.A. degree. Contrary to the practice at some colleges, Carleton has no special programs designated as pre-law, pre-medicine, pre-ministerial, and so on, although each year many College graduates continue their education in various professional schools. Rather, at Carleton a regular program of studies in one of the established major fields is generally recommended as the best preparation for further training. In consultation with their faculty advisor and department chair, students can arrange a program of studies which best suits their own needs and objectives, without restriction to one program which is adjudged the best for all circumstances and cases. However, the College does provide several combined plans to further professional preparation.

Engineering: A Combined Plan in Engineering is offered in cooperation with the Columbia University School of Engineering. Under this plan a student combines three years of study at Carleton with two years at one of the collaborating institutions. After completion of the five-year program, the student is awarded two degrees, a B.A. degree from Carleton and a B.S. degree from Columbia University.

Law: A Combined Plan in Law is offered in cooperation with the Columbia University School of Law. Under this plan a student combines three years of study at Carleton with three years at

Columbia Law School. After completion of the six-year program, the student is awarded two degrees, a B.A. degree from Carleton and a J.D. degree from Columbia.

Nursing: Carleton is a participant in a cooperative 3-2 program with the Rush University College of Nursing and Allied Health Sciences in Chicago. Three years in the liberal arts and basic sciences at Carleton are followed by two years at the Rush-Presbyterian-St. Lukes Medical Center. A student who completes the requisite courses in the major and meets other graduation requirements earns a Carleton B.A. as well as a degree in nursing from Rush University.

Public Education: Programs leading to secondary teaching certificates are available at Carleton in the areas of art, English, language, mathematics, science and social studies. Elementary certificate programs are available in art and French. The teacher education program at Carleton College is fully accredited by the National Council for Accreditation of Teacher Education. Graduates are eligible for teaching certificates in most states.

During their junior year, Carleton students may apply to the Bank Street College of Education in New York for admission to its Master of Science program in elementary education. Following their junior year, students take two July summer session courses at Bank Street, then return to Carleton to complete their senior year. After receiving their B.A. from Carleton, they return to Bank Street to complete both their M.S. in education and the requirements for New York State elementary certifications.

Student Enrollment

Below is the total student enrollment for the past five years. The College intends to maintain student enrollment at approximately 1,840 in future years.

1988-89	1,885
1989-90	1,850
1990-91	1,841
1991-92	1,828
1992-93	1,847*

* *Estimate.*

Geographic Distribution of College Alumni For Whom Information is Available

Minnesota	4,421
California	2,155
Illinois	1,763
New York	1,000
Wisconsin	889
Massachusetts	666
Other States	9,336
Foreign Countries	<u>446</u>
Total	20,676

Marketing

Carleton's marketing efforts include (i) direct contact with potential students by the admissions office, (2) contact with state, regional and national media by the College's relations office, (3) special efforts toward national visibility in coordination with a national college public

relations firm, (4) promotion of faculty regionally and nationally as experts in their fields, and (5) cultivation of support by an alumni, parent and donor network of more than 26,000 people.

The admissions office reaches more than 130,000 secondary school students annually through a direct mail campaign, maintaining contact with about one-third of those in the application process. An alumni admissions volunteer network of more than 500 persons helps maintain contact, provides information and increases the College's visibility.

The publications office produces nearly 400 printed pieces annually including all admissions materials for prospective students. The public relations office and news bureau make more than 3,000 contacts annually with print, TV and radio reporters and editors.

The alumni/parent/donor network is maintained through 40 active alumni clubs, the College magazine, "The Voice," 330 class agents and volunteers, and an annual class reunion that draws upwards of 1,000 alumni from around the country.

The President of the College supports the marketing effort by making more than 100 public appearances annually around the country and participating in media interviews and talk shows.

Applications, Acceptances and Enrollments

Freshmen

<u>Year</u>	<u>Applicants</u>	<u>Acceptances</u>	<u>Matriculants</u>	<u>Acceptance Ratio</u>	<u>Matriculation Ratio</u>	<u>Median SAT Scores</u>
1987-88	2,905	1,256	508	43.2%	40.4%	1,300
1988-89	2,947	1,223	474	41.5	38.8	1,300
1989-90	3,032	1,212	471	40.0	38.9	1,310
1990-91	2,841	1,337	462	47.1	34.6	1,310
1991-92	2,507	1,426	472	56.9	33.1	1,290
1992-93*	2,659	1,424	498	53.5	35.0	1,290

* As of July 1, 1992.

Overlap Acceptance Institutions

The College's research finds that candidates for admission to Carleton also apply most frequently to the following institutions: Oberlin College, Macalester College, Wesleyan University, University of Chicago, Northwestern University, Grinnell College, Washington University (Missouri), Haverford College, Williams College, and Amherst College.

Geographic Distribution of Fall 1992 Entering Freshmen

Minnesota	118
Illinois	43
Wisconsin	35
California	29
Massachusetts	22
Michigan	20
Other States	227
Foreign Countries	<u>13</u>
Total	507

Student Retention

<u>Fall Semester</u>	<u>New Freshmen</u>	<u>Percent of Students Returning</u>			<u>Percent of Graduates</u>	
		<u>2nd Year</u>	<u>3rd Year</u>	<u>4th Year</u>	<u>4 Years</u>	<u>By 6th Year</u>
1983	522	92.3%	84.1%	82.6%	71.6%	80.8%
1984	481	92.7	84.8	80.8	73.8	81.7
1985	508	96.4	86.0	85.6	77.8	87.0
1986	485	94.6	90.5	85.7	83.7	(5. Yrs. 88.5)
1987	507	95.1	89.2	89.8	82.6	
1988	473	94.7	89.6	87.9		
1989	472	95.6	90.7			
1990	462	95.9				

The percentages shown above are the retention levels each year of the new freshmen listed.

Tuition and Fees

	<u>1988-89</u>	<u>1989-90</u>	<u>1990-91</u>	<u>1991-92</u>	<u>1992-93</u>
Tuition and Fees	\$12,377	\$13,953	\$15,035	\$16,170	\$17,234
Room	1,125	1,179	1,266	1,362	1,452
Full Board	1,620	1,701	1,824	1,962	2,088
Fees	<u>108</u>	<u>117</u>	<u>125</u>	<u>126</u>	<u>126</u>
Total	\$15,230	\$16,950	\$18,250	\$19,620	\$20,900

1991-92 Undergraduate Cost Comparison of Minnesota Private Colleges and Universities (Ranked by Total Fees)

	<u>Tuition & Fees</u>	<u>Room & Board</u>	<u>Total</u>
Carleton College	\$16,296	\$3,324	\$19,620
Macalester College	13,331	3,970	17,301
St. Olaf College	12,080	3,345	15,425
Hamline University	11,550	3,631	15,181
Gustavus Adolphus College*	11,900	2,900	14,800
University of St. Thomas	10,528	3,535	14,063
Augsburg College	10,148	3,832	13,980
College of St. Benedict	10,135	3,750	13,885
St. John's University	10,135	3,680	13,815
Minneapolis College of Art & Design	10,340	3,400	13,740
College of St. Catherine	10,140	3,593	13,733
Bethel College	9,950	3,590	13,540
College of St. Scholastica	9,921	3,255	13,176
St. Mary's College of Minnesota*	9,205	3,170	12,375
Concordia College (Moorhead)	8,690	2,710	11,400
Concordia College (St. Paul)	<u>8,268</u>	<u>2,910</u>	<u>11,178</u>
Average	\$10,789	\$3,412	\$14,200

* Figures for Gustavus Adolphus College and St. Mary's College of Minnesota are for fall, 1991 new students only.

Source: Minnesota Private College Council.

1991-92 Total Cost Comparison of COFHE Colleges

The following table presents a comparison of 1991-92 total costs, including tuition, room and board and mandatory fee, of the college members of the Consortium on Financing Higher Education (COFHE).

<u>College</u>	<u>Total</u>
Barnard	\$22,774
Swarthmore	22,160
Radcliffe	22,080
Oberlin	21,972
Williams	21,940
Wellesley	21,938
Bryn Mawr	21,600
Amherst	21,545
Pomona	21,080
Mount Holyoke	20,950
Carleton	<u>19,620</u>
Median	\$21,845

Source: Consortium on Financing Higher Education.

Faculty and Staff

The teaching student-faculty ratio for 1991-92 is 11.1 to 1. The College subscribes to the 1940 Statement of Principles on Academic Freedom of the American Association of University Professors and the Association of American Colleges.

The total payroll for Fiscal Year 1991-92 was \$18,885,095.

Faculty and Staff 1991-92

Undergraduate Faculty - Tenured	105
Undergraduate Faculty - Tenure Track	49
Undergraduate Faculty - Non-Tenured	3
Administrative Staff - Non-Union	279
Administrative Staff - Union	<u>75</u>
Total	511

Faculty Compensation 1991-92

<u>Academic Rank</u>	<u>Number of Faculty</u>	<u>Average Total Compensation</u>
Professor	71	\$73,712
Associate Professor	28	56,552
Assistant Professor	55	46,253
Instructor	3	40,892

Of the full-time faculty, 159 or 95.8% hold PhDs or terminal degrees in their fields and six hold Master's degrees.

Pensions

The College has one contributory defined contribution retirement plan for academic and non-academic personnel. Contributions are based on a percentage of compensation. The cost of the retirement plans is paid currently and amounted to \$1,055,687 for the Fiscal Year ended June 30, 1991.

Unions

The International Union of Operating Engineers, Local 70, represents regular full-time and part-time maintenance, grounds and custodial employees working at Carleton College. The bargaining unit is made up of approximately 81 employees. The current contract expires July 1, 1994. This is the only bargaining unit at the College.

Financial Aid

Approximately 88% of the College's students receive some form of financial aid. Some financial aid programs apply to tuition and fees, whereas others provide for living expenses such as transportation, housing and personal expenses.

The following table sets forth a five-year summary of direct financial aid by source for students at the College.

<u>Source</u>	<u>1986-87</u>	<u>1987-88</u>	<u>1988-89</u>	<u>1989-90</u>	<u>1990-91</u>
Carleton College	\$4,001,631	\$4,499,708	\$5,472,530	\$6,103,192	\$6,779,904
Federal Govt.*	2,942,150	2,769,447	2,692,142	2,779,870	2,838,645
State of Minnesota	403,383	449,142	427,075	522,893	573,325
Other	<u>671,899</u>	<u>698,381</u>	<u>790,506</u>	<u>872,421</u>	<u>989,867</u>
Total	\$8,019,063	\$8,416,678	\$9,382,253	\$10,278,376	\$11,181,741
% of Enrollment Aided	87%	88%	87%	87%	88%

* Includes Pell Grants, Supplemental Educational Opportunity Grants, Stafford and other Guaranteed Student Loans, National Direct Student Loans and College Work Study Program.

Endowment and Annuity and Life Income Funds

Following is a six-year history of the ending market value of the College's Endowment, Annuity and Life Income Funds. For the Fiscal Years ended 1987 through 1991, the market values are as reported in the footnotes to the annual financial statements of the College for each year.

<u>Year Ended June 30</u>	<u>Endowment</u>	<u>Unrestricted Quasi- Endowment</u>	<u>Annuity & Life Income</u>	<u>Total</u>
1987	\$ 99,706,351	\$44,483,825	\$6,312,500	\$150,502,676
1988	97,257,781	42,308,294	6,077,456	145,643,531
1989	111,179,675	46,452,652	6,694,636	164,326,963
1990	126,035,211	49,758,092	7,273,535	183,066,838
1991	125,738,570	48,405,540	7,491,843	181,635,953
1992*	138,200,866	53,216,021	8,264,866	199,681,753

* Derived from unaudited financial statements of the College.

The College's financial goal for its Endowment Funds is to preserve their inflation-adjusted purchasing power, after accounting for investment returns, spending and inflation, but excluding gifts. The performance of the overall Fund against this goal is evaluated over rolling ten-year periods. The primary investment objective for the Endowment is to earn, over the long term, an average annual real total return of 5.5%. This objective is measured over rolling ten-year periods.

According to a survey conducted by the National Association of College and University Business Officers (NACUBO), the College ranked 80th among 395 higher education institutions and foundations reporting on the total market value of total endowment assets at the end of Fiscal Year 1991.

Gifts and Grants

The following table reports gifts and grants revenues received by fund for the past six years:

Year Ended June 30	Current Funds		Loan Funds	Endowment Funds	Annuity & Life Income Funds	Plant Funds
	<u>Unrestricted</u>	<u>Restricted</u>				
1987	\$2,034,384	\$2,559,865	\$219,412	\$4,373,927	\$238,426	\$374,794
1988	1,924,730	3,213,522	264,209	2,614,196	150,686	61,930
1989	2,015,916	2,395,774	249,574	3,510,490	235,835	540,955
1990	2,174,908	2,804,925	249,545	4,225,116	93,411	93,411
1991	2,250,003	3,053,263	241,684	1,677,491	114,524	578,574
1992*	2,357,127	3,679,984	261,563	3,093,315	441,581	1,610,351

* Derived from unaudited financial statements of the College.

Comprehensive Campaign

The College expects to have completed by the fall of 1998 a campaign designed to raise funds for buildings, endowment, and operating support. The campaign is comprehensive in nature, involving both staff members and a cadre of volunteers much larger than any group that has worked in service for Carleton in the past. The campaign is under way in its pre-announcement nucleus phase.

A precise statement of campaign goals will not be issued until the nucleus fund is in place and the campaign is publicly announced. The College expects the campaign will contain the following components: approximately \$100 million for current capital projects and endowment, between \$25 and \$30 million for current operating expenses, and at least \$25 million in gifts with future payout (life-income gifts and bequest provisions).

Of the expected \$100 million for capital projects and endowment, approximately \$60 million will be directed to new buildings, building renovations and necessary infrastructure improvements. The remaining \$40 million will increase the College's endowment to maintain the buildings and support faculty salaries, student financial aid, library operations, faculty development and other related activities.

The College's last campaign, which ran from 1983 to 1986, exceeded its goal by raising \$35,193,400 from 1,906 donors. At the time, it was the largest campaign in the history of midwestern private colleges.

Financial Statements

The College's Fiscal Year ends June 30 of each year. Financial records are maintained on the fund accounting system and financial statements have been prepared on the accrual basis of accounting. Appendix V sets forth the financial statements of the College for the year ended June 30, 1991, audited by KPMG Peat Marwick, Certified Public Accountants, Minneapolis, Minnesota.

Summaries of Current Funds Revenues, Expenditures and Transfers

The following tables set forth summaries of revenues, expenditures and other changes for the College's Unrestricted Current Fund for the past five Fiscal Years from the College's audited financial statements, and unaudited revenues, expenditures and other changes for the Unrestricted Current Fund for the Fiscal Year 1991/92, as prepared by College staff. These tables should be read in conjunction with the financial statements found in Appendix V.

CARLETON COLLEGE
STATEMENT OF UNRESTRICTED CURRENT FUND
REVENUES, EXPENDITURES AND TRANSFERS
For the Years Ended June 30,

	1988	1989	1990	1991	Preliminary 1992
REVENUES:					
Student fees	\$20,773,987	\$23,935,920	\$26,728,762	\$28,237,128	\$30,090,240
Endowment income	1,766,286	1,813,047	2,014,193	1,957,060	1,702,524
Private gifts	1,924,730	2,015,916	2,174,908	2,250,003	2,342,127
Other sources	885,996	850,821	1,075,910	952,392	992,221
	<u>25,350,999</u>	<u>28,615,704</u>	<u>31,993,773</u>	<u>33,396,583</u>	<u>35,127,112</u>
 Auxiliary enterprises	 6,189,527	 6,701,121	 6,794,405	 7,267,524	 7,235,989
 Total Revenues	 <u>31,540,526</u>	 <u>35,316,825</u>	 <u>38,788,178</u>	 <u>40,664,107</u>	 <u>42,363,101</u>
 EXPENDITURES:					
Educational and general:					
Instruction	7,028,819	7,492,074	8,579,450	8,601,971	8,937,974
Organized research	22,846	4,672			
Academic support	2,003,687	2,309,191	2,835,782	2,815,656	2,948,935
Student services	3,212,878	3,610,148	3,954,626	4,440,094	4,574,666
Institutional support	5,321,735	5,649,748	6,456,894	7,447,534	7,666,078
Plant operations	2,696,488	3,136,923	3,208,802	3,387,019	3,573,791
Student aid	2,358,708	3,082,746	3,589,452	4,114,735	4,545,645
Other educational operations	1,735,413	1,800,622	2,014,117	1,859,221	2,394,634
Total education and general	<u>24,380,574</u>	<u>27,086,124</u>	<u>30,639,123</u>	<u>32,666,230</u>	<u>34,641,723</u>
 Auxiliary enterprises	 6,197,283	 6,779,691	 6,873,897	 6,981,046	 6,922,536
 Total Expenditures	 <u>30,577,857</u>	 <u>33,865,815</u>	 <u>37,513,020</u>	 <u>39,647,276</u>	 <u>41,564,259</u>
 Revenues over expenditures before transfers	 <u>962,669</u>	 <u>1,451,010</u>	 <u>1,275,158</u>	 <u>1,016,831</u>	 <u>798,842</u>
 Transfers and Deductions:					
Mandatory					
Debt service*	(957,800)	(995,463)	(293,950)	(423,178)	(395,241)
Non-mandatory					
Endowment income transferred under total return formula	66,489	57,903	(94,667)	68,664	396,561
Internal debt service	*	*	(699,159)	(653,684)	(661,390)
Surplus to Plant Funds	(221,481)	(453,214)	(101,498)		
Other	(39,379)			(4,021)	
Total Transfers and Deductions	<u>(1,152,171)</u>	<u>(1,390,774)</u>	<u>(1,189,274)</u>	<u>(1,012,219)</u>	<u>(660,070)</u>
 Net Increase (Decrease) in Fund Balance	 (189,503)	 60,236	 85,884	 4,612	 138,772
 Beginning Fund Balance, July 1	 <u>979,168</u>	 <u>789,665</u>	 <u>849,901</u>	 <u>935,785</u>	 <u>940,397</u>
 Ending Fund Balance, June 30	 <u>\$789,665</u>	 <u>\$849,901</u>	 <u>\$935,785</u>	 <u>\$940,397</u>	 <u>\$1,079,169</u>

*Prior to Fiscal Year 1990, debt service transfers were not differentiated between mandatory and non-mandatory.

Sources: Derived from audited financial statements of the College for Fiscal Years 1988 - 1991; College staff for Fiscal Year 1992.

Long-Term Debt of the College

1. \$4,000,000 Minnesota Higher Education Facilities Authority First Mortgage Revenue Bonds, Series O, dated November 1, 1975; 7% interest rate; term maturity due November 1, 2000. The bonds are secured by (i) a first mortgage on Mudd Hall of Science and Burton Hall; (ii) the full faith and credit of the College; and (iii) debt service reserve of \$4,400,000 or 110% of the outstanding principal, which may be reduced by the market value of Sinking Fund payments of \$200,000 required to be deposited each November 1, commencing November 1, 1990 through November 1, 1999 and (iv) the Authority's General Bond Reserve.
2. \$2,385,000 Minnesota Higher Education Facilities Authority First Mortgage Revenue Bonds, Series T, dated December 1, 1977; 5.625% interest rate; term maturity due March 1, 2007. The bonds are secured by (i) a first mortgage on Leighton Hall, Sayles-Hill and Willis Hall; (ii) the full faith and credit of the College; and (iii) debt service reserve of \$2,625,000 or 110% of the outstanding principal, which may be reduced by the market value of Sinking Fund payments of \$120,000 required to be deposited each March 1, commencing March 1, 1997 through March 1, 2006 and (iv) the Authority's General Bond Reserve.
3. The Series Three-L Bonds.

The College intends to defease the Series O Bonds on November 1, 1992. As of October 1, 1992, the College's total long-term debt outstanding, adjusted to include the Series Three-L Bonds and exclude the Series O Bonds, is \$26,685,000.

FAEGRE & BENSON

2200 NORWEST CENTER
90 SOUTH SEVENTH STREET
MINNEAPOLIS, MINNESOTA 55402-3901
612/336-3000
FACSIMILE 336-3026

\$10,000,000

Minnesota Higher Education Facilities Authority
Variable Rate Demand Revenue Bonds Series Three-L1
(Carleton College)

\$10,300,000

Minnesota Higher Education Facilities Authority
Variable Rate Demand Revenue Bonds Series Three-L2
(Carleton College)

\$4,000,000

Minnesota Higher Education Facilities Authority
Revenue Bonds, Series Three-L3
(Carleton College)

We have acted as bond counsel in connection with the issuance by the Minnesota Higher Education Facilities Authority (the "Authority") of its fully registered (initially book entry system) Variable Rate Demand Revenue Bonds, Series Three-L1 and Series Three-L2 (Carleton College) dated the date of delivery and its Revenue Bonds, Series Three-L3 (Carleton College) (collectively, the "Bonds"), dated as of October 1, 1992. The Bonds are issued for the purpose of funding a loan from the Authority to Carleton College, a Minnesota nonprofit corporation (the "College"), as owner and operator of the Carleton College, a Minnesota nonprofit institution of higher education having its main campus in the City of Northfield, Minnesota (the "Institution"), in order to finance the costs of a project consisting of the acquisition, construction, improving, furnishing and equipping, including appurtenant site improvements, of certain existing and new facilities on the campus of the Institution, (as further described in the Loan Agreement and Indenture, the "Project"). We have examined executed counterparts of the Loan Agreement (the "Loan Agreement") between the Authority and the College and the Trust Indenture (the "Indenture") between the Authority and Norwest Bank Minnesota, National Association, in Minneapolis, Minnesota, as Trustee, both dated as of October 1, 1992, the opinion of Briggs and Morgan as counsel to the College, the form of the Bonds prepared for execution, and such other documents as we deemed necessary for the purpose of the following opinion.

As to questions of fact material to our opinion, we have relied upon certified proceedings, documents and certifications furnished to us by public officials and officials

of the College without undertaking to verify such facts by independent investigation. We have also relied upon the opinion of Briggs and Morgan, as to the Loan Agreement having been duly authorized and executed and being binding upon the College, as to the corporate organization, good standing and powers of the College, and upon the opinion of Schmitz and Ophaug, as special counsel to the College, as to the title to the Project Site (as defined in the Loan Agreement and Indenture) without examining the records of the College or original title records or abstracts of title. We have also relied upon the opinion of Winthrop & Weinstine as counsel to Swiss Bank, New York Branch (the "Liquidity Facility Provider") and Norwest Bank Minnesota, National Association (the "Participating Bank"), as to the Standby Bond Purchase Agreement having been duly executed and delivered and being a valid and binding obligation of the Liquidity Facility Provider and the Participating Bank.

We have not been engaged or undertaken to verify the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds (except to the extent, if any, stated in the Official Statement), and we express no opinion relating thereto (except only matters set forth as our opinion in the Official Statement).

Based on our examination, we are of the opinion, as of the date hereof, as follows:

1. The Authority is an agency of the State of Minnesota with authority under Sections 136A.25 to 136A.42, Minnesota Statutes, as amended, to issue the Bonds, to loan the proceeds thereof to the College and to execute and deliver the Loan Agreement and the Indenture to secure the Bonds.
2. The Loan Agreement and the Indenture are valid and binding instruments of the parties thereto, enforceable in accordance with their terms.
3. The Bonds are secured by the assignment of the loan repayments payable by the College under the Loan Agreement to the Trustee, in amounts and at times sufficient (if timely paid in full) to pay the principal of and interest on the Bonds when due, and by the pledge of the funds and investments held by the Trustee under the Indenture.
4. Assuming compliance with the covenants in the Loan Agreement and Indenture, the interest on the Bonds is not includable in gross income for purposes of Federal income taxation or in taxable income of individuals, estates and trusts for purposes of Minnesota income taxation under present laws and rulings. Interest on the Bonds is not an item of tax preference required to be included in the computation of "alternative minimum taxable income" for purposes of the federal alternative

minimum tax applicable to individuals under Section 55 of the Internal Revenue Code of 1986, as amended (the "Code"), or Minnesota alternative minimum tax applicable to individuals, trusts and estates. Interest on the Bonds is includable in "adjusted current earnings" for the purpose of determining the "alternative minimum taxable income" of corporations under Section 55 of the Code and is subject to the Minnesota franchise tax imposed upon corporations, including financial institutions, measured by taxable income and the alternative minimum tax base. The Bonds are not arbitrage bonds within the meaning of Section 148 of the Code. The Bonds are "private activity bonds" within the meaning of Section 141(a) and "qualified 501(c)(3) bonds" within the meaning of Section 145 of the Code. Ownership of the Bonds will result in disallowance of a deduction for a portion of the interest expense of a "financial institution" under Section 265(b) of the Code. Reference is made to the caption "Tax Exemption" in the Official Statement for a description of the effect of certain provisions of the Code relating to, among other things, the environmental tax imposed on corporations, the branch profits tax imposed on foreign corporations, losses incurred by property and casualty insurance companies, Subchapter C earnings of S corporations, net investment income of foreign corporations, and the taxability of Social Security and railroad retirement benefits.

It is to be understood that the rights of the holders of the Bonds and the enforceability of the Bonds, the Indenture and the Loan Agreement may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in accordance with general principles of law.

Dated at Minneapolis, Minnesota, October __, 1992.

(This page was left blank intentionally.)

DEFINITION OF CERTAIN TERMS

Act: Sections 136A.25 to 136A.42, Minnesota Statutes, as amended.

***Alternate Liquidity Facility:** A Liquidity Facility obtained by the College meeting the conditions set forth in the Indenture, but not qualifying as a Substitute Liquidity Facility.

Authority: The Minnesota Higher Education Facilities Authority.

Authorized Authority Representative: The person at the time designated to act on behalf of the Authority by written certificate furnished to the Institution and the Trustee, containing the specimen signature of such person and signed on behalf of the Authority by its Chair, Vice Chair, Secretary or Executive Director. Such certificate may designate an alternate or alternates.

Authorized Denominations: (a) \$100,000 and any larger amount which is an integral multiple of \$5,000 for Series Three-L1 Bonds or Series Three-L2 Bonds in a Weekly Reset/Overnight Put Mode, Multi-Monthly Mode or Flexible Mode and (b) \$5,000 and any integral multiple thereof for (i) Series Three-L3 Bonds and (ii) Series Three-L1 Bonds and Series Three-L2 Bonds with respect to which a Conversion Date has occurred.

Authorized Institution Representative: The person at the time designated to act on behalf of the College by written certificate furnished to the Authority and the Trustee, containing the specimen signature of such person and signed on behalf of the College by the Chairman, or the Secretary of its Board of Trustees or the President or Vice President of Finance of the College. Such certificate may designate an alternate or alternates.

Authorized Investments: Investments authorized for moneys in the accounts created under Article VIII of the Indenture and described in Section 8.05 thereof.

***Bank Bonds:** Bonds registered in the name of the Liquidity Facility Provider or as otherwise directed by the Liquidity Facility Provider or with respect to any Bond registered in the name of the Depository, the principal portion thereof the Beneficial Owner of which is the Liquidity Facility Provider or other Beneficial Owner as directed by the Liquidity Facility Provider.

Beneficial Owner: With respect to any Authorized Denomination of a Bond of any series in book-entry form, each person who beneficially owns such Bond in such authorized denomination and on whose behalf, directly or indirectly, such Authorized Denomination of Bond is held by the Depository pursuant to the book-entry system.

Board of Trustees: The Board of Trustees of the College, including the Executive Committee authorized to act for such board.

Bond and Interest Sinking Fund Account: The account established pursuant to the Indenture into which the Authority and Trustee shall deposit certain moneys for payment of principal of and interest on the Bonds.

Bond Purchase Agreement: The Bond Purchase Agreement dated September 24, 1992 among the Authority, the Underwriter and the College.

* Definitions marked with an asterisk do not apply to the Series Three-L3 Bonds.

***Bond Purchase Fund:** The trust fund created in the Indenture, including the General Account and the Liquidity Account into which the Authority, the College or the Trustee shall deposit certain moneys for the payment of the Purchase Price of Bonds.

Bond Resolution: The Series Resolution of the Authority adopted on September 16, 1992, authorizing the Bonds, as the same may be amended, modified or supplemented by any amendments or modifications thereof.

Bonds: The Series Three-L1 Bonds, Series Three-L2 Bonds and/or Series Three-L3 Bonds issued under the Indenture.

Building Equipment: Those items of goods, equipment, furnishings, furniture, inventory, machinery or other tangible personal property now or hereafter owned by the College and located in the Project Buildings acquired from funds other than the proceeds of the Bonds.

Business Day: (i) When Bonds bear interest at a Variable Rate or a Flexible Rate, any day other than a day on which banking institutions located in the City of New York or in the city or cities in which the principal corporate trust offices of the Trustee or of the Tender Agent, or the principal offices of the Remarketing Agent or of the Liquidity Facility Provider are located are required or authorized by law to remain closed or other than a day on which the New York Stock Exchange is closed, and (ii) when Bonds bear interest at a Fixed Rate, any day other than a day upon which banks located in the city or cities in which the principal corporate trust offices of the Trustee are located are not required or authorized by law to remain closed.

College: Carleton College, a Minnesota nonprofit corporation and institution of higher education located in Northfield, Minnesota.

***College Bond:** Any Bond (i) registered in the name of, or the Beneficial Owner of which is, or which the Trustee actually knows is owned or held by the College or the Authority or the Trustee or an agent of the Trustee for the account of the College or the Authority or (ii) with respect to which the College or the Authority has notified the Trustee, or which the Trustee actually knows, were purchased by another person for the account of the College or the Authority or by a person directly or indirectly controlling or controlled by or under direct or indirect common control with the College or the Authority.

Construction Account: The account established under the Indenture for the deposit of certain Bond proceeds and other funds to be used for the payment of Project Costs.

***Conversion Date:** The date as of which the interest rate on the Bonds converts from a Variable Rate or a Flexible Rate to a Fixed Rate as such date is established pursuant to the Indenture.

Debt Service Coverage Ratio: For any particular period, the ratio (expressed as a percentage) determined by dividing Net Income Available for Debt Service by the Maximum Annual Debt.

Determination of Taxability: A Notice of Deficiency issued by the Internal Revenue Service or a final decision of a court of competent jurisdiction or an opinion of a nationally recognized bond counsel to the effect that the interest payable on the Bonds is includable in gross income for purposes of federal income taxation by reason of the application of the provisions of Section 103 of the Internal Revenue Code, related sections and regulations thereunder, in effect on the date of issuance of the Bonds, as more fully provided in the Loan Agreement. A determination

* Definitions marked with an asterisk do not apply to the Series Three-L3 Bonds.

that interest on the Bonds is includible in the computation of any alternative minimum tax is not a Determination of Taxability.

Depository or DTC: The Depository Trust Company in New York, New York, its successors or assigns, or any other person who shall be a Holder of all Bonds of any series directly or indirectly for the benefit of Beneficial Owners and approved by the Authority, College, Trustee and Remarketing Agent to act as the Depository; provided any Depository shall be registered or qualified as a "clearing agency" within the meaning of Section 17A of the Securities Exchange Act of 1934, as amended.

Event of Default: An Event of Default described in the Indenture, Loan Agreement or the Original Standby Bond Purchase Agreement and summarized in this Official Statement in the sections entitled "THE INDENTURE - Events of Default," "THE LOAN AGREEMENT - Events of Default" and "THE INITIAL LIQUIDITY FACILITY."

**Expiration Date:* The stated expiration date of the commitment under a Liquidity Facility to pay or provide funds to pay the Purchase Price, including any extensions thereof, or the immediately preceding Business Day if such date is not a Business Day.

Financial Journal: Northwest Financial Review, The Bond Buyer, Finance & Commerce or any other newspaper or journal devoted to financial news published in the English language in Minneapolis or St. Paul, Minnesota, or in the City of New York, New York.

Fiscal Year: The College's fiscal year, initially the 12-month period commencing on July 1 in each year.

Fixed Rate or Fixed Rates: The Fixed Rates established in accordance with the Indenture (i) at the Conversion Date for Series Three-L1 Bonds and Series Three-L2 Bonds and (ii) on October 1, 1992 for Series Three-L3 Bonds.

Fixed Rate Interest Payment Date: (i) With respect to the Series Three-L3 Bonds, May 1, 1993, and each May 1 and November 1 thereafter prior to the last Maturity of such Bonds and the date of such Maturity and (ii) the first May 1 or November 1 occurring at least 90 days after the Conversion Date with respect to Series Three-L1 Bonds or Series Three-L2 Bonds, and each May 1 and November 1 thereafter prior to the last Maturity of any Bonds, and the date of such Maturity.

Fixed Rate Period: (i) With respect to Series Three-L1 Bonds or Series Three-L2 Bonds for which there has been a Conversion Date, the period from and including the Conversion Date to and including the date of the last Maturity of any Bonds, and (ii) with respect to the Series Three-L3 Bonds, the period from and including October 1, 1992 to and including the date of the last Maturity of such Bonds.

**Flexible Mode:* An Interest Mode established pursuant to the Indenture, with respect to Series Three-L1 Bonds or Series Three-L2 Bonds and during which Mode such Bonds bear interest at Flexible Rates for Flexible Rate Periods and are subject to mandatory tender pursuant to the Indenture.

**Flexible Rate:* The interest rate, established in accordance with the Indenture, with respect to any Series Three-L1 Bond or Series Three-L2 Bond in a Flexible Mode.

* Definitions marked with an asterisk do not apply to the Series Three-L3 Bonds.

**Flexible Rate Period:* As to any Series Three-L1 Bonds or Series Three-L2 Bonds, the period between any two Business Days with respect to any Series Three-L1 Bond or Series Three-L2 Bond in the Flexible Mode having a duration not less than thirty (30) days nor more than 270 days, designated in accordance with the Indenture.

Funded Debt: Indebtedness of the College for borrowed money having a maturity date of more than one year from the date of creation thereof and which, under generally accepted accounting principles, is shown on the balance sheet as a liability, including obligations whenever payable if renewable pursuant to the terms thereof or of a revolving loan agreement for a period of more than one year from the date of creation thereof and including lease rental obligations which, under generally accepted accounting principles, are shown on the balance sheet as a liability.

General Account: The account by that name established within the Bond Purchase Fund.

General Bond Reserve Account: The General Bond Reserve Account created pursuant to the General Bond Resolution adopted by the Authority on October 31, 1972.

General Bond Resolution: The General Bond Resolution adopted by the Authority on October 31, 1972, and any amendments thereto.

Holder, Bondholder, or Owner: The person in whose name a Bond is registered.

Indenture: The Trust Indenture between the Authority and the Trustee, dated as of October 1, 1992, under which the Bonds are authorized to be issued, and including any indenture supplemental thereto.

**Indexing Agent:* An Indexing Agent appointed pursuant to the Indenture, until a successor Indexing Agent is appointed pursuant to the Indenture, and thereafter Indexing Agent means such successor.

Institution: The College.

**Interest Accrual Period or Interest Period:* The period from and including an Interest Payment Date to and including the day next preceding the next Interest Payment Date, except that the first Interest Period shall be the Weekly Reset/Overnight Put Mode from and including the Issue Date to and including November 2, 1992.

**Interest Index:* The rate determined by multiplying 1.14 minus the higher of the maximum marginal federal tax rate for individuals or corporations by the bond equivalent yield on the United States Treasury obligations maturing closest to the Rate Adjustment Date next following the immediately succeeding Rate Adjustment Date or the Stated Maturity, if no further Rate Adjustment Dates will occur, as such yield and maturity date is published in the Wall Street Journal, or, if not then published, in an equivalent financial journal, on the date six days before (or the next succeeding Business Day, if such date is not a Business Day) the Rate Adjustment Date or the Stated Maturity, as applicable.

**Interest Mode:* A Weekly Reset/Overnight Put Mode, a Multi-Monthly Mode or a Flexible Mode.

Interest Payment Date: (i) On and prior to the Conversion Date, each Variable Rate Interest Payment Date and each Flexible Rate Interest Payment Date, and (ii) on and after October 1,

* Definitions marked with an asterisk do not apply to the Series Three-L3 Bonds.

1992 with respect to Series Three-L3 Bonds and after the Conversion Date with respect to Series Three-L1 Bonds and Series Three-L2 Bonds, each Fixed Rate Interest Payment Date.

**Interest Period:* The Weekly Rate Period, the Monthly Rate Period and/or the Flexible Rate Period, as the case may be.

Internal Revenue Code: The Internal Revenue Code of 1986 and amendments thereto.

Issue: The Bonds.

Issue Date: The date on which the Bonds are delivered to the Underwriter thereof upon original issuance.

Liquid Assets: Cash and cash equivalents, marketable securities (with equity securities being valued for purposes of this definition at 67% of fair market value on the date of valuation and debt securities for such purposes being valued at 80% of fair market value on the date of valuation) and loans made by the College with a term of no more than ninety (90) days (other than accounts receivable).

Liquid Unencumbered Unrestricted Funds: Unencumbered Unrestricted Funds consisting of Liquid Assets.

**Liquidity Account:* The account by that name established within the Bond Purchase Fund.

**Liquidity Facility:* The Original Liquidity Facility or, if an Alternate Liquidity Facility is obtained, in accordance with the Indenture, or a Substitute Liquidity Facility is obtained in accordance with the Indenture, such Alternate Liquidity Facility or Substitute Liquidity Facility.

**Liquidity Facility Provider:* Swiss Bank Corporation, New York Branch as the issuer of the Original Liquidity Facility, its successors in such capacity and its assigns until the Expiration Date or the Termination Date of the Original Liquidity Facility; upon the issuance of any Alternate Liquidity Facility or Substitute Liquidity Facility, "Liquidity Facility Provider" shall mean the issuer of such Alternate Liquidity Facility or Substitute Liquidity Facility, its successors in such capacity and their assigns until the Expiration Date or the Termination Date of such Alternate Liquidity Facility or Substitute Liquidity Facility.

Loan Agreement: The Loan Agreement between the Authority and the Institution dated as of October 1, 1992, as amended or supplemented from time to time.

Loan Repayments: Payments required to be made by the College to the Trustee pursuant to Sections 4.02 and 4.09 of the Loan Agreement.

**Mandatory Tender Date:* The meaning assigned thereto in "THE BONDS - Mandatory Tender" herein.

Maturity: When used with respect to any Bond, means the date on which the principal of such Bond becomes due and payable whether at the Stated Maturity or by declaration of acceleration, call for redemption or otherwise.

Maximum Annual Debt Service: The largest total amount of principal of and interest on Funded Debt payable by the College in any future Fiscal Year during which Bonds will (if paid at their stated maturity dates or redeemed in accordance with a mandatory sinking fund schedule) be

* Definitions marked with an asterisk do not apply to the Series Three-L3 Bonds.

outstanding subject to the following: (i) If any part of the Funded Debt is outstanding variable rate indebtedness, the rate of interest on the variable rate indebtedness for future Fiscal Years shall be computed at the average rate of interest for the then most recent Fiscal Year or, at the election of the College, for the then current interest period; if variable rate indebtedness is proposed to be issued, the rate of interest shall be the initial variable rate as estimated by an Independent Management Consultant, or an investment banking firm selected by the College to underwrite the sale of such variable rate indebtedness; (ii) if any part of the Funded Debt outstanding or to be issued is a guarantee by the College of indebtedness of a third person or so-called "pass-through" or "covered" indebtedness (the College having borrowed money to relend to a third person), such Funded Debt shall be excluded if the third person (whose debt is guaranteed or whose payments are expected to service the College's obligations with respect to such Funded Debt) had a Debt Service Coverage Ratio (including the amount of debt proposed to be incurred in the computation of debt service) of at least 110%; (iii) the amount of debt service with respect to "balloon" indebtedness may, at the option of the College, be calculated on a level debt service basis over a fifteen (15) year period commencing in the Fiscal Year when the balloon is payable at an interest rate projected by an Independent Management Consultant or an investment banking firm selected by the College to underwrite the sale of such "balloon" indebtedness or the sale of Funded Debt; as used herein, "balloon" indebtedness means Funded Debt 25% or more of the principal of which is due in any 12-month period; (iv) the amount of debt service with respect to "put" indebtedness shall be calculated at the maximum amount of principal of or interest on such indebtedness which the College may be required to purchase or redeem in any Fiscal Year; provided that if there is a written commitment from a bank or other financial institution to refinance the amount of any indebtedness which the College may be required to redeem or purchase, the debt service with respect to such put indebtedness may, at the option of the College, be calculated on the basis of the repayment schedule contemplated by such written commitment, commencing the date such commitment will (unless renewed) expire; and provided further that "put" indebtedness may, at the option of the College, be calculated on a level debt service basis over a fifteen (15) year period commencing in the Fiscal Year the "put" may be first exercised after the date of calculation at an interest rate projected by an Independent Management Consultant or an investment banking firm selected by the College to underwrite the sale of such "put" indebtedness; "put" indebtedness means Funded Debt which the College may be required, at the option of the holder thereof, to prepay or purchase prior to the stated maturity date thereof, in whole or in part, but if in part, in an amount 25% or more of the original principal amount thereof; (v) there shall not be taken into account any part of the Funded Debt of the College which has been refunded, refinanced or otherwise defeased under an arrangement whereby all future payments of such indebtedness will be met from moneys and investments held by an indenture trustee or escrow agent, provided that any such investments shall be direct obligations of or obligations fully guaranteed by the United States of America; (vi) if any part of such Funded Debt consists of crossover refunding debt, no part of the debt service with respect to such crossover refunding debt shall be taken into account; (vii) if any part of such Funded Debt is "nonrecourse" indebtedness or "subordinated" indebtedness, no part of the debt service with respect thereto shall be taken into account; "nonrecourse" indebtedness means indebtedness payable only from a limited fund and secured only by property purchased or acquired from the proceeds of such indebtedness; "subordinated" indebtedness means indebtedness the principal and interest on which are subordinated to payment of the Bonds by a written instrument of the holder, a copy of which is filed with the Trustee; (viii) if any part of the Funded Debt outstanding or to be issued constitutes capital appreciation bonds or notes, the amount of debt service to be taken into account shall be the excess of accreted value of such bonds or notes in a Fiscal Year over the accreted value in the prior Fiscal Year; "capital appreciation bonds or notes" includes zero coupon bonds and notes and discount bonds or notes issued at less than 95% of the par value at maturity, provided that accreted values per

* *Definitions marked with an asterisk do not apply to the Series Three-L3 Bonds.*

year are established at the date of issuance thereof; (ix) the amount of any reserve fund for any Funded Debt issued or proposed to be issued may be deducted from debt service for the Fiscal Year or Years in which such Funded Debt finally matures and for payment of which the reserve fund moneys may be used without creating a default.

**Maximum Rate:* The maximum rate, 15% per annum, borne by the Series Three-L1 Bonds or Series Three-L2 Bonds before the Conversion Date.

**Mode Change Date:* Any date on which, pursuant to the Indenture, there is a change from one Interest Mode to a different Interest Mode for Series Three-L1 Bonds or Series Three-L2 Bonds.

**Monthly Rate Period:* As to any Series Three-L1 Bonds or Series Three-L2 Bonds, the period beginning on a Rate Adjustment Date and ending on the day preceding the first Business Day of a subsequent calendar month with respect to either series of Bonds in the Multi-Monthly Mode and having a duration of one or more months designated in accordance with the Indenture.

**Multi-Monthly Mode:* An Interest Mode established pursuant to the Indenture with respect to Series Three-L1 Bonds or Series Three-L2 Bonds and during which Mode such Bonds bear interest at rates established in accordance with the Indenture for Monthly Rate Periods and are subject to optional and mandatory tenders pursuant to the Indenture.

Net Income Available for Debt Service: The excess of Unrestricted Current Fund revenues over Unrestricted Current Fund expenditures (without double counting), plus (a) Other Available Funds and (b) income from investment of either (i) funds held by the Trustee under the Indenture or (ii) any other funds that may be applied towards payment of principal and interest on Funded Debt the debt service on which is included in the calculation of Maximum Annual Debt Service, all as determined by generally accepted accounting principles as applied in preparation of the College's financial statements for the applicable Fiscal Year.

**Optional Tender Date:* The meaning assigned thereto in "THE BONDS - Optional and Mandatory Tenders - Optional Tender" herein.

Other Available Funds: Liquid Assets of the College available during the applicable Fiscal Year to pay principal and interest on Funded Debt, not to exceed 5% of the aggregate balances of Unencumbered Unrestricted Funds at the beginning of such Fiscal Year.

**Original Liquidity Facility:* The bond purchase commitment furnished by the Liquidity Facility Provider to the College pursuant to the Original Standby Bond Purchase Agreement.

**Original Standby Bond Purchase Agreement:* The Standby Bond Purchase Agreement dated as of October 1, 1992, between Swiss Bank Corporation, New York Branch and Norwest Bank Minnesota, National Association and the College, including any amendment thereof.

**Participating Bank:* Norwest Bank Minnesota, National Association in its capacity as a participating bank under the Original Standby Bond Purchase Agreement.

Permitted Encumbrances: As of any particular time, (i) liens for ad valorem taxes and special assessments not then delinquent, (ii) utility, access and other easements and rights-of-way, mineral rights, restrictions and exceptions that an independent engineer certifies will not interfere with or impair the use of or operations being conducted in the Project Facilities, (iii) such minor defects, irregularities, encumbrances, easements, rights-of-way and clouds on title

* Definitions marked with an asterisk do not apply to the Series Three-L3 Bonds.

as normally exist with respect to properties similar in character to the Project Facilities and as do not in the aggregate, in the opinion of independent counsel, materially impair the property affected thereby for the purposes for which it was acquired or is held by the College, and (iv) those additional encumbrances set forth in Exhibit C to the Loan Agreement.

Project: The meaning assigned thereto in "THE PROJECT" herein.

Project Buildings: The buildings improved or constructed as part of the Project.

Project Costs: Costs properly payable from the Construction Account in relation to the Project.

Project Equipment: All furnishings, furniture, fixtures, equipment, and other personal property of a capital nature acquired with proceeds of the Bonds, including investment income, and installed and located in or as part of the Project Buildings or elsewhere as part of the Project.

Project Facilities: The Project Site, the Project Buildings, and the Project Equipment.

Project Site: The land on which the Project Buildings are or will be located.

Proposed Conversion Date: The date on which the interest on the Series Three-L1 Bonds or Series Three-L2 Bonds is to be converted to a Fixed Rate, as specified in the notice given by the College of its election to convert the interest rate on such Bonds to a Fixed Rate.

**Purchase Price:* When used with respect to the purchase of a Series Three-L1 Bond or Series Three-L2 Bond pursuant to the Indenture or the remarketing of a Series Three-L1 Bond or Series Three-L2 Bond on a Tender Date pursuant to the Indenture, an amount equal to the principal amount of such Bond to be so purchased or remarketed plus interest accrued and unpaid to, but not including, the applicable Tender Date; provided that, if such Tender Date is an Interest Payment Date for which moneys are available for the payment of such interest, accrued interest will not constitute a part of the Purchase Price but will be paid to the Holder in the ordinary manner.

**Rate Adjustment Date:* The date as of which any change in the Variable Rate becomes effective, which shall be (i) as to any Weekly Reset/Overnight Put Mode, Thursday of each week, except as to any Weekly Reset/Overnight Put Mode which begins on a Mode Change Date, in which case, the Rate Adjustment Date shall be the Mode Change Date, and (ii) as to any Multi-Monthly Mode, the first Business Day of each Monthly Rate Period, except as to any Monthly Rate Period which begins on a Mode Change Date, in which case the Rate Adjustment Date shall be the Mode Change Date.

Record Date: (i) With respect to each Variable Rate Interest Payment Date for a series of Bonds in the Weekly Reset/Overnight Put Mode and each Flexible Rate Interest Payment Date, the Business Day next preceding such Variable Rate Interest Payment Date or Flexible Rate Interest Payment Date, (ii) with respect to each Variable Rate Interest Payment Date for a series of Bonds in a Multi-Monthly Mode and each Fixed Rate Interest Payment Date, the 15th day of the calendar month next preceding such Variable Rate Interest Payment Date or Fixed Rate Interest Payment Date, as the case may be, regardless of whether such day is a Business Day.

Redemption Account: The Redemption Account created under the Indenture for deposit of any moneys received which are not otherwise committed. Moneys in the Redemption Account shall be used (i) to create and maintain the required balance in the Bond and Interest Sinking Fund Account, (ii) to create and maintain the required reserve in the Reserve Account, and (iii)

* Definitions marked with an asterisk do not apply to the Series Three-L3 Bonds.

to redeem or prepay outstanding Bonds or to purchase outstanding Bonds for redemption and cancellation. Moneys in the Redemption Account may be used in the discretion of the Trustee to pay rebate due to the United States under Section 148 of the Internal Revenue Code if the College or the Authority fails to provide for payment of any rebate.

***Remarketing Agent:** Norwest Investment Services, Inc., or any successor or successors appointed and serving in such capacity pursuant to the Indenture.

***Remarketing Agreement:** The Remarketing Agreement, dated as of October 1, 1992 between the College and the Remarketing Agent, including any amendments thereto; and any other written agreement among the Authority and/or the College and any Remarketing Agent describing the responsibilities of the Remarketing Agent.

Reserve Account: The Reserve Account established under the Indenture.

Series Three-L1 Bonds: Minnesota Higher Education Facilities Authority Variable Rate Demand Revenue Bonds, Series Three-L1 (Carleton College).

Series Three-L2 Bonds: Minnesota Higher Education Facilities Authority Variable Rate Demand Revenue Bonds, Series Three-L2 (Carleton College).

Series Three-L3 Bonds: Minnesota Higher Education Facilities Authority Revenue Bonds, Series Three-L3 (Carleton College).

Stated Maturity: When used with respect to any Bond or any installment of interest thereon, the date specified in such Bond as the fixed date on which principal of such Bond or such installment of interest is due and payable.

***Substitute Liquidity Facility:** A Liquidity Facility obtained by the College meeting the requirements set forth in the Indenture.

Taxable Rate: For Series Three-L1 and Series Three-L2 Bonds an amount equal to 1.4 times (i) the interest rate for the Rate Period during which the Determination of Taxability occurred, and or (ii) the Fixed Rate, if the Determination of Taxability occurs on or after the Conversion Date. The Taxable Rate for Series Three-L3 Bonds is 1.4 times the Fixed Rate.

***Tender Agent:** The Tender Agent appointed in accordance with the Indenture (initially the Trustee), and any successor Tender Agent appointed hereunder.

***Tender Date:** Each Optional Tender Date and each Mandatory Tender Date.

***Termination Date:** The date, other than an Expiration Date, on which a commitment under a Liquidity Facility to pay or provide funds to pay the Purchase Price, terminates or expires for any reason.

Trust Estate: All the rights, interests and security given to the Trustee under the Indenture as security for the Bonds.

Trustee, Registrar, Paying Agent: Norwest Bank Minnesota, National Association, Minneapolis, Minnesota.

Underwriter: Norwest Investment Services, Inc.

* Definitions marked with an asterisk do not apply to the Series Three-L3 Bonds.

Unencumbered Unrestricted Funds: Those funds of the College which have been donated by donors or other Persons or obtained from any other source which (a) do not require the maintenance of principal as a condition of the gift, (b) the use of which is controlled by the Board of Trustees of the College fully expendable at the Board of Trustees' discretion, and in no way restricted for a specific purpose or purposes by any Person other than the Board of Trustees and, if restricted by the Board of Trustees, such restriction can be removed at any time by the Board of Trustees or with respect to which the Board of Trustees has authorized the Treasurer of the College to liquidate and use to pay principal, interest or purchase price of the Bonds or to deposit with the Banks if and when required to do so hereunder notwithstanding such Board of Trustees' restriction, (c) not controlled or restricted by any donor or other Person or by applicable law, (d) which are not pledged, assigned or hypothecated by the College to any Person or entity to secure indebtedness of the College, and (e) are not contained in any Current Funds, Loan Funds or Annuity and Life Income Funds of the College (as defined in the College's 1991 financial statements).

Unrestricted Current Funds: Current funds over which the College retains full control.

Unrestricted Current Funds Expenditures: Monies expended from the Unrestricted Current Funds as designated by the Board of Trustees, including mandatory transfers but excluding interest, depreciation, amortization and other non-cash expenditures.

Unrestricted Current Funds Revenues: Monies received by the College which may legally be transferred to the Unrestricted Current Funds by action of the Board of Trustees.

****Variable Rate:*** The variable interest rate established from time to time in accordance with the Indenture with respect to any Series Three-L1 Bond or Series Three-L2 Bond in a Weekly/Reset Overnight Put Mode or Multi-Monthly Mode.

****Variable Rate Interest Payment Date:*** (i) during a Weekly Reset/Overnight Put Mode, the first Business Day of each calendar month; and for a Multi-Monthly Mode the first day following the expiration date of such Multi-Monthly Mode, and the first Business Day of every calendar month prior thereto; and (ii) each Mandatory Tender Date described in the Indenture with respect to the Bonds subject thereto.

****Variable Rate Period:*** As to any Series Three-L1 Bond or Series Three-L2 Bond, the period from and including the Issue Date to and including the earlier of (i) the day next preceding the Conversion Date or (ii) the date of the last Maturity of any Bonds.

****Weekly Rate Period:*** As to any Series Three-L1 Bonds or Series Three-L2 Bonds, the period between Rate Adjustment Dates with respect to either series of Bonds in the Weekly Reset/Overnight Put Mode which begins on Thursday of any week or on a Mode Change Date and ends on the following Wednesday or on a Mode Change Date.

****Weekly Reset/Overnight Put Mode:*** An Interest Mode established pursuant to the Indenture with respect to Series Three-L1 Bonds or Series Three-L2 Bonds and during which Mode such Bonds bear interest at weekly rates established in accordance with the Indenture for Weekly Rate Periods and are subject to optional and mandatory tenders pursuant to the Indenture.

* Definitions marked with an asterisk do not apply to the Series Three-L3 Bonds.

SUMMARY OF DOCUMENTS

THE LOAN AGREEMENT

The following is a summary of certain provisions of the Loan Agreement. This summary does not purport to be complete and reference is made to the full text of the Loan Agreement for a complete recital of its terms. Certain words and terms used in this summary are defined in "DEFINITIONS OF CERTAIN TERMS," Appendix III, contained herein.

Construction of Project

The College represents that the acquisition, construction and improvement of the Project are to be substantially completed by no later than October 1, 1995 subject only to "force majeure," as provided in the Loan Agreement. The College may apply to the Authority at any time to delete from the Project any building, system or equipment proposed to be acquired, constructed or improved as part of the Project, or to add any building, system or equipment to the Project, and upon approval of the Authority, the description of the Project shall accordingly be amended by a supplement to the Loan Agreement executed by the Authority and the College, a copy of which shall be furnished to the Trustee, provided that no such amendment of the description of the Project shall be approved if the Project, as so amended, will not constitute an authorized "project" under the Act or will adversely affect the tax exempt status of interest on the Bonds. The College may, without consent of the Authority, prior to the Completion Date, delete any component of the Project so long as (i) notice is filed with the Authority, (ii) the College can make certain representations regarding the economic life and the useful life of the Project, and (iii) the balance of estimated Project Costs exceed the sums, together with investment earnings thereon, held in the Construction Fund. A component of the Project so deleted shall be deemed deleted from the definition of Project upon filing of the notice with the Authority as described in the preceding sentence. The College agrees that it has previously paid or will itself pay all costs relating to the acquisition, construction, improving and equipping of the Project, including costs of issuance of the Bonds, to the extent such payments and costs exceed the proceeds of the Bonds in the Construction Account.

Loan Repayments

Under the Loan Agreement, the College agrees to make Loan Repayments in amounts and at times sufficient to provide for payment in full of all principal of and interest on the Bonds when due. To provide for such payments the College covenants to pay for the account of the Authority in immediately available funds the following amounts:

- (a) Into the Bond and Interest Sinking Fund Account a sum which will be equal to the amount payable as interest on the Bonds on the next succeeding Interest Payment Date and the amount payable as principal on the Bonds on the next succeeding principal payment date; provided however, that there shall be credited against such obligations (i) the net amount of funds and investments then on deposit to the credit of the Bond and Interest Sinking Fund Account, and (ii) any credits for amounts transferred under Sections 5.04, 5.07, 8.02, 8.03 and 8.05 of the Indenture (relating to the transfer to the Bond and Interest Sinking Fund Account of certain investment earnings and certain excess funds); and
- (b) prior to a date established for the optional redemption and prepayment of the Bonds, into the Redemption Account such amount, if any, as shall be necessary and sufficient to provide for the redemption of any Bonds called for redemption from the Redemption Account; and

- (c) on and after the Conversion Date, into the Reserve Account forthwith any amounts then required to be deposited therein by Section 8.02 of the Indenture; and
- (d) to the Trustee the amounts to be disbursed to the Tender Agent to pay the Purchase Price of Bonds upon optional or mandatory tender; provided however that there shall be credited against such obligations the moneys made available under the Liquidity Facility.

There is reserved to the College the right to prepay all or part of the Loan and to redeem Bonds prior to their maturity in certain events as described under "THE BONDS."

As additional payments the College agrees to pay the annual fee of the Authority, fees and expenses of the Trustee, rebate of certain excess investment earnings to the United States, and certain other expenses.

Use of Project Facilities

The College agrees to use the Project Facilities as educational facilities, in compliance with law and ordinance requirements, and not as facilities for sectarian instruction or religious worship, nor primarily in connection with a program of a school or department of divinity for any religious denomination. The College agrees not to permit use of the Project Facilities in such manner or to such an extent as would result in loss of the tax-exemption of interest on the Bonds under the Internal Revenue Code or loss of its status as an exempt organization under Section 501(c)(3) of the Code.

Maintenance of Project Facilities

The College agrees that, so long as there are Bonds outstanding, the College will keep the Project Facilities in good repair and good operating condition at its own cost, making such repairs and replacements as are necessary so that the Project will remain a "project" under the Act and interest on the Bonds will be exempt from federal income taxation. The College may lease or sublease or enter into agreements in the ordinary course of business for the use of the Project Facilities, so long as the tax-exempt status of the Bonds will not be affected thereby and such lease, sublease or use agreement shall not be inconsistent with the Loan Agreement, the Indenture or the Act.

Title to Property and Liens

Except for Permitted Encumbrances, the College will not permit any liens to be established or to remain against the Project Facilities including any mechanics liens for labor or materials furnished in connection with any remodeling, additions, modifications, improvements, repairs, renewals or replacements, provided the College may in good faith contest any liens filed or established against the Project Facilities and may permit the items so contested to remain undischarged and unsatisfied during the period of such contest unless the Authority or Trustee shall notify the College that, in the opinion of independent counsel, by nonpayment of any such items the Project Facilities will be subject to loss or forfeiture, in which event the College shall promptly pay all such items.

Taxes and Other Governmental Charges

The College will pay all taxes, special assessments, license fees and governmental charges of any kind that may at any time be lawfully assessed or levied against, or with respect to the

operations of the College, or the Project Facilities or any improvements, equipment or related property installed or bought by the College therein or thereon, or the Bonds, the Loan Agreement, the Indenture, or the interest of the Authority, the Trustee, or the Bondholders therein.

The College may, at its expense, in good faith contest any such taxes, assessments, license fees and other charges and may permit the taxes, assessments, license fees or other charges so contested to remain unpaid during the period of such contest unless the Authority or the Trustee shall notify the College that, in the opinion of independent counsel, by nonpayment of any such items the Project Facilities or any part thereof, or the revenue therefrom will be subject to loss or forfeiture, in which event such items shall be paid promptly.

Insurance

The College is required to maintain, or cause to be maintained, insurance as follows:

- (a) Insurance against loss and/or damage to the Project Facilities and contents, including fire and extended coverage in an amount not less than 80% of the full insurable replacement value of the Project Building.
- (b) Comprehensive general public liability insurance against liability for personal injury in the minimum amount for each occurrence of \$5,000,000 and aggregate for each year of \$5,000,000 and against liability for property damage in the minimum amount for each occurrence of \$100,000.
- (c) Workers' compensation insurance in such amount as is customarily carried by organizations in like activities of comparable size and liability exposure to the College.

Upon the written request of the College, the Trustee (i) may permit modifications to such insurance requirements and deductible amounts, including permission for the College to be self-insured in whole or in part for any such coverage, upon such terms and conditions as the Trustee may require, and (ii) shall permit modifications to such insurance requirements and deductible amounts, including permission for self-insurance, in accordance with the recommendation of an independent insurance consultant employed by the College and satisfactory to the Trustee.

The College is required to furnish to the Trustee policies or certificates or binders evidencing the required insurance. Each required policy shall contain a provision that the insurer will not cancel or modify the policy without giving written notice to the College and the Trustee at least thirty days before the cancellation or modification becomes effective.

Indemnification

The College agrees to hold the Authority, its members and employees, harmless against any claim, cause of action, suit or liability for any loss or damage to property or any injury to or death of any person that may be occasioned by any cause whatsoever pertaining to the Project Facilities and the use thereof, including that caused by any negligence of the Authority or anyone acting in its behalf, provided that the indemnity shall be effective only to the extent of any loss that may be sustained by the Authority in excess of the net proceeds received by the Authority from any insurance carried with respect to the loss sustained.

The College agrees to indemnify and hold harmless the Authority against any and all losses, claims, damages or liability to which the Authority may become subject under law, and to reimburse the Authority for any out-of-pocket legal and other expenses (including reasonable counsel fees) incurred by the Authority in connection with investigating any such losses,

claims, damages, or liabilities or in connection with defending any actions, insofar as the same relate to information furnished to the Authority by the College in connection with the sale of the Bonds.

Existence and Accreditation of College and Institution

The College agrees that during the term of the Loan Agreement it will maintain its existence as a nonprofit corporation and will maintain the Institution's existence as a nonprofit institution of higher education under the laws of Minnesota, accredited as such by recognized accrediting agencies, and that it will not dissolve or otherwise dispose of all or substantially all of its assets or all or substantially all the assets of the Institution, or consolidate with or merge into another corporation, or permit one or more other corporations to consolidate with or merge into it, except upon the conditions provided in the Loan Agreement. The conditions are the following: (a) If the surviving, resulting or transferee corporation or institution, as the case may be, is other than the College, such surviving, resulting or transferee corporation or institution shall assume in writing all of the obligations of the College in the Loan Agreement and shall be either a state university or college or a nonprofit corporation operating or authorized to operate an institution of higher education under the laws of Minnesota, eligible to be a participating nonprofit institution under the Act, and complies and will comply with the provisions of the Loan Agreement against discrimination and requiring that the Institution be nonsectarian; and (b) the College shall furnish to the Trustee an opinion of bond counsel that such consolidation, merger or transfer shall have no effect upon the tax-exempt nature of the interest on the Bonds under the Internal Revenue Code and regulations thereunder.

\$150,000,000 Limitation on Outstanding Non-Hospital Bonds

The College has represented that the sum of the principal amount of the Bonds, plus the respective outstanding aggregate principal amounts of all tax-exempt bonds issued on behalf of or for the benefit of the College and all organizations under common management or control with the College (other than qualified hospital bonds), within the meaning of Section 145 of the Internal Revenue Code, does not exceed \$150,000,000. Under the Loan Agreement, in no event will the College affiliate or consolidate with or merge into another corporation or sell or otherwise transfer to another institution all or substantially all of its assets or the assets of the Institution as an entirety if the effect of any such transaction would be to cause the sum of the principal amount of the Bonds, plus the respective outstanding aggregate principal amounts of all tax-exempt bonds issued by or on behalf of the College or such other resulting entity, and all organizations under common management or control with the College or such resulting entity (other than qualified hospital bonds), within the meaning of Section 145 of the Internal Revenue Code, to exceed \$150,000,000.

Institution To Be Nonsectarian

The College agrees that the Institution will continue to be nonsectarian; will not require or forbid attendance by students or any other persons at religious worship or acceptance of any religious creed; and will not promulgate the distinctive doctrines, creeds or tenets of any particular religious sect.

Federal Income Tax Status

The College represents that it presently is and agrees that it shall take all appropriate measures to assure that it remains an organization described in Section 501(c)(3) of the Internal Revenue Code, exempt from income taxes under Section 501(a) of such Code.

Determination of Taxability

In the event a Determination of Taxability is made at any time that interest payable on the Bonds is includible in gross income for purposes of federal income taxation under the provisions of the Internal Revenue Code and regulations thereunder as in effect at the date of issuance of the Bonds, the Bonds shall bear additional interest at the Taxable Rate from the Date of Taxability until the respective dates on which the principal of the Bonds is paid. In addition, in the event of such Determination of Taxability, the Bonds shall be subject to optional redemption, as a whole, on the next practicable interest payment date and any interest payment date thereafter and the redemption price therefor shall be equal to par plus accrued interest.

Other Covenants

The College further agrees to provide financial statements and other information to the Authority and the Trustee; to comply with all applicable laws and regulations against discrimination, and not to discriminate on account of religion, race, color or creed in the use of the Project Facilities; to provide and file such financing statements and other instruments of further assurance as the Trustee may request; to perform all obligations imposed by the Internal Revenue Code and regulations thereunder with respect to the non-arbitrage status of the Bonds; and to observe all applicable State laws and regulations, including those of the Authority and the Minnesota Higher Education Coordinating Board, subject to the right of contest.

The Authority further agrees to comply with the applicable rebate requirements imposed under Section 148(f) of the Internal Revenue Code with respect (but only with respect) to amounts paid by the College to the Authority as the Authority's annual fee under the Loan Agreement and any income earned or imputed therefrom.

Events of Default

Following are Events of Default under Section 7.01 of the Loan Agreement:

- (a) If the College shall fail to make any Loan Repayment when due and either (i) the moneys on deposit in the Bond and Interest Sinking Fund Account, Reserve Account or Redemption Account, as the case may be, on a Bond principal or interest payment date are insufficient to pay when due principal, premium, if any, and interest on the Bonds, or (ii) such failure shall continue for 5 Business Days after notice from the Trustee or the Authority to the College that such payment has not been made; or
- (b) If the College shall fail to comply with the provisions of Section 6.09(f) of the Loan Agreement (relating to arbitrage calculation and rebate requirements); or
- (c) On or after the Conversion Date, if the College shall fail to maintain the balance in the Reserve Account with respect to the Series Three-L1 Bonds and Series Three-L2 Bonds in the amount of the Reserve Requirement, provided failure to comply with such requirement shall not become an Event of Default unless the College fails to restore such deficiency within a period of thirty (30) days after written notice specifying such deficiency and requesting that it be remedied is given to the College by the Authority or the Trustee; or
- (d) If the College fails to observe the financial covenants set forth in Section 6.14 of the Loan Agreement, provided that failure to comply with Section 6.14(a) relating to the Unrestricted Current Funds balance shall not become an Event of Default unless the

College fails to restore the deficiency within a period of 180 days after the close of the Fiscal Year in which such deficiency has occurred and provided further, that any Event of Default arising from a failure to comply with Section 6.14(a) and failure to restore the deficiency thereunder within 180 days shall cease to be an Event of Default if in any subsequent Fiscal Year the College shall be in compliance with such covenants; and provide further that failure to comply with Section 6.14(b) shall not become an Event of Default unless the College continues to fail to comply for a period of thirty (30) days after written notice, specifying such default and requesting that it be remedied is given to the College by the Authority or the Trustee (unless the Trustee shall agree in writing to an extension of such time prior to its expiration for such longer period as may be reasonably necessary to remedy such default so long as the College is proceeding with reasonable diligence to remedy the same); or

- (e) If the College shall fail to observe and perform for reasons other than force majeure any other covenant, condition or agreement on its part under the Loan Agreement for a period of thirty (30) days after written notice, specifying such default and requesting that it be remedied, is given to the College by the Authority or the Trustee unless the Trustee shall agree in writing to an extension of such time prior to its expiration for such longer period as may be reasonably necessary to remedy such default so long as the College is proceeding with reasonable diligence to remedy the same; or
- (f) If the College files a petition in voluntary bankruptcy, or for the composition of its affairs or for its corporate reorganization under any state or Federal bankruptcy or insolvency law, or makes an assignment for the benefit of creditors, or consents in writing to the appointment of a trustee or receiver for itself or for the whole or any substantial part of the property of the College; or
- (g) If a court of competent jurisdiction shall enter an order, judgment or decree against the College in any insolvency, bankruptcy, or reorganization proceeding, or appointing a trustee or receiver of the College or of the whole or any substantial part of the property of the College and such order, judgment or decree shall not be vacated or set aside or stayed within ninety days from the date of the entry thereof; or
- (h) If, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the College or of the whole or any substantial part of the property of the College, and such custody or control shall not be terminated within ninety days from the date of assumption of such custody or control; or
- (i) If the College fails to pay when due the amount of any Purchase Price required to be paid under the Loan Agreement.

The term "force majeure" as used above includes the following: acts of God; strikes, lockouts or other employee disturbances; acts of public enemies; orders, regulations or laws of any kind of the government of the United States of America or of the State of Minnesota or any of their departments, agencies, political subdivisions or officials, or any civil or military authority; insurrections; riots; epidemics; landslides; lightning; earthquakes; fires; hurricanes; tornadoes; storms; floods; washouts; droughts; arrests; restraint of government and people; civil disturbances; explosions, breakage or accident to machinery, transmission pipes or canals; partial or entire failure of utilities; or any other cause or event not reasonably within the control of the College.

Remedies on Default

Whenever any Event of Default shall have happened, and be subsisting, the Loan Agreement provides that any one or more of the following steps may be taken:

- (a) The Trustee may declare all or any amount of Loan Repayments thereafter to become due under and payable for the remainder of the term of the Loan Agreement to be immediately due and payable, whereupon the same shall become immediately due and payable.
- (b) The Trustee (or the Authority with respect to certain sections of the Loan Agreement) may take whatever action at law or in equity which may appear necessary or desirable to collect the payments then due and thereafter to become due under the Loan Agreement.
- (c) The Trustee may take whatever action in law or equity which appears necessary or desirable to enforce the security provided by or enforce any provision of the Loan Agreement or the Indenture in accordance with the provisions thereof.

Any amounts collected by the Trustee pursuant to action taken under the foregoing paragraphs shall be applied first to advances and expenses, second to payment of the Bonds as provided in Section 10.05 of the Indenture and third to the Liquidity Facility Provider to pay all obligations under the Standby Bond Purchase Agreement and any excess to the College.

Amendments

Except as otherwise provided in the Loan Agreement or in the Indenture, subsequent to issuance of the Bonds and so long as any Bonds are outstanding, the Loan Agreement may not be amended without the prior written consent of the Trustee.

THE INDENTURE

The following constitutes a summary of certain provisions of the Trust Indenture (the "Indenture"). This summary does not purport to be complete and reference is made to the full text of the Indenture for a complete recital of its terms. Certain words and terms used in this summary are defined in "DEFINITIONS OF CERTAIN TERMS," Appendix III, contained herein.

Granting Clauses

Pursuant to the Indenture, the Authority grants to the Trustee, as security for the Holders of the Bonds, the following:

- (a) all right, title and interest of the Authority under the Loan Agreement and all Loan Repayments and other sums due under the Loan Agreement, except the Authority's annual fee and rights to indemnity and reimbursement;
- (b) a first lien on and pledge of (i) the moneys and investments in the Accounts covenanted to be paid and maintained under the Indenture, (ii) moneys and investments in the Construction Account not paid out for Project Costs, and (iii) all accounts, contract rights, general intangibles, moneys and instruments arising

therefrom or relating thereto and all proceeds and products of and accessions to any thereof; and

- (c) any and all other property of every name and nature from time to time conveyed, mortgaged, assigned or transferred, or in which a security interest is granted, by the Authority or the College or by anyone in behalf of them or with their written consent, to the Trustee.

Accounts

Bond proceeds, revenues and other funds derived under the Loan Agreement or Indenture shall be deposited into accounts held by the Trustee as described in "ACCOUNTS," contained in the body of this Official Statement.

Trustee's Right to Payment

The Trustee shall have a lien, with right of payment prior to payment of interest on or principal of the Bonds, for reasonable compensation, expenses, advances and counsel fees incurred in and about the execution of the trusts created by the Indenture and exercise and performance of the powers and duties of the Trustee under the Indenture, and the cost and expenses incurred in defending against any liability in the premises of any character whatsoever (unless such liability is adjudicated to have resulted from the negligence or willful default of the Trustee). The Trustee has no lien upon or right to receive payment of any fees, expenses or other amounts from the Bond Purchase Fund or amounts made available under the Liquidity Facility or the proceeds of remarketing the Bonds.

Covenants of the Authority

Under the Indenture the Authority covenants, among other things, to perform its various undertakings and agreements; not to extend the maturity of any of the Bonds or the time of payment of any claims for interest; to take such action or cause and permit the Trustee to take such action as may be necessary and advisable to enforce the covenants, terms and conditions of the Loan Agreement, if such action shall, in the discretion of the Trustee, be deemed to be in the best interests of the Authority or the Bondholders; to comply with the applicable arbitrage rebate requirements under Section 148(f) of the Code and regulations thereunder; to keep proper books, accounts and records; and not to issue or permit to be issued any Bonds under the Indenture in any manner other than in accordance with the provisions of the Indenture and not to suffer or permit any default to occur under the Indenture. Under the Act, and it is expressly agreed that, the Authority has no obligation to make any advance or payment or incur any expense or liability from its general funds for performing any of the conditions, covenants or requirements of the Indenture or from any funds other than Loan Repayments or moneys in the Accounts established by the Indenture.

Events of Default

The following are Events of Default under the Indenture:

- (a) If payment of the principal of any of the Bonds, when the same shall become due and payable (whether at maturity or by proceedings for redemption or by declaration of acceleration or otherwise), shall not be made; or

- (b) If payment of any interest on the Bonds when the same shall become due and payable (in which case interest shall be payable to the extent permitted by law on any overdue installments of interest, in each case at the interest rate borne by the Bonds in respect of which such interest is overdue) shall not be made; or
- (c) If the Authority shall default in the due and punctual performance of any of the covenants, conditions, agreements and provisions contained in the Bonds or in the Indenture, or in any supplemental indenture on the part of the Authority to be performed, and such default shall have continued for a period of sixty days after written notice, specifying such default and requiring the same to be remedied, shall have been given to the Authority and to the College (giving the College the privilege of curing such default in the name of the Authority, if permitted by law) by the Trustee, which may give such notice in its discretion and shall give such notice upon written request of the Holders of not less than a majority in principal amount of the Bonds then outstanding; or
- (d) If any "event of default" on the part of the College, as that term is defined in the Loan Agreement shall occur and be continuing; or
- (e) If there is a default in the due and punctual payment of the Purchase Price of Bonds required to be purchased pursuant to Section 4.01 or Section 4.02 of the Indenture (relating to optional and mandatory tender of Bonds) when payment of such amount has become due and payable.

Remedies

Upon the occurrence of an Event of Default, the Trustee upon written request of the Holders of a majority in aggregate principal amount of Bonds outstanding shall, by notice in writing delivered to the Authority, declare the principal of all Bonds then outstanding and the interest accrued thereon immediately due and payable, and such principal and interest shall thereupon become and be immediately due and payable subject, however, to the right of the Holders of a majority in aggregate principal amount of Bonds then outstanding to annul such declaration and destroy its effect at any time if all covenants with respect to which default shall have been made shall be fully performed or made good, and all arrears of interest upon all Bonds outstanding and the reasonable expenses and charges of the Trustee, its agents and attorneys, and all other indebtedness secured by the Indenture (except the principal of any Bonds which have not then attained their stated maturity and interest accrued on such Bonds since the last interest payment date) shall be paid, or the amount thereof shall be paid to the Trustee for the benefit of those entitled thereto.

In the case of the breach of any of the covenants or conditions of the Loan Agreement or the Indenture, the Trustee, anything therein contained to the contrary notwithstanding and without any request from any Bondholder (subject, however to its rights to indemnity and notice provided in the Indenture) shall be obligated to take such action or actions for the enforcement of its rights and the rights of the Bondholders and the rights of the Authority under the Loan Agreement as due diligence, prudence and care would require and to pursue the same with like diligence, prudence and care.

Upon the happening and continuance of an Event of Default, the Trustee upon the written request of the Holders of not less than a majority in aggregate principal amount of outstanding Bonds shall proceed forthwith by suit or suits at law or in equity or by any other appropriate remedy to enforce payment of the Bonds, to enforce application to payment of the Bonds the funds, revenues and income appropriated thereto by the Indenture and by the Bonds, to enforce any such other appropriate legal or equitable remedy as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce any of its rights or any of the rights of

the Bondholders. Notwithstanding the foregoing, the Trustee need not proceed upon any such written request of the Bondholders as aforesaid, unless such Bondholders shall have offered to the Trustee security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby.

Concerning the Trustee

The Trustee has no responsibility to use its own funds under the Indenture, but it may make advances at a rate equal to the reference rate of Norwest Bank Minnesota, National Association, which advances are given priority of payment. The Trustee also has a lien with right of payment prior to payment of Bond interest or principal for reasonable compensation, expenses, advances and counsel fees. The responsibilities of the Trustee prior to an Event of Default are limited to express provisions of the Indenture, and at all times the Trustee shall not be liable unless it acts negligently or in bad faith. The Trustee is not required to institute suit or take other steps to enforce its rights and powers unless indemnified to its satisfaction against all costs and expenses. The Trustee and its officers and directors are authorized to acquire and hold Bonds and otherwise deal with the Authority or the College to the same extent as if it were not Trustee. Provision is made for the succession or replacement of the Trustee by another corporate Trustee with a minimum capital, surplus and undivided profits of \$10 million in event of merger, resignation, or removal by Holders of a majority in principal amount of outstanding Bonds, or in the event of disability, by the Authority or a court.

Concerning the Bondholders

No Bondholder shall have any right to institute any proceeding in equity or at law for the enforcement of the Indenture or for any remedy under the Loan Agreement unless a default has occurred of which the Trustee has been notified or of which it is deemed to have notice; nor unless also such default shall have become an Event of Default and the Holders of a majority in aggregate principal amount of Bonds outstanding shall have made written request to the Trustee and shall have offered it reasonable opportunity either to proceed to exercise the powers granted or to institute such action, suit or proceeding in its own name; nor unless also they shall have offered to the Trustee indemnity as provided in the Indenture; and no one or more Bondholders shall have the right to affect, disturb, or prejudice the lien of the Indenture by his or their action or to enforce any right thereunder except in the manner therein provided, and that all proceedings at law or in equity shall be instituted and maintained in the manner therein provided: First for the equal benefit of the Holders of all Bonds outstanding (other than College Bonds) and Second for the benefit of the Holders of the College Bonds.

The Trustee upon the written request of the Holders of a majority in principal amount of the Bonds at the time outstanding shall waive any default under the Indenture and its consequences, except a default in the payment of the principal of the Bonds at the date of maturity specified therein or the Purchase Price; provided, however, that a default in the payment of interest on the Bonds shall not be waived unless, prior to such waiver, all arrears of interest, and all expenses of the Trustee shall have been paid or shall have been provided for by deposit with the Trustee of a sum sufficient to pay the same. In case of any such waiver, the Authority, the Trustee and the Holders of the Bonds shall be restored to their former positions and rights respectively. No waiver of any default or Event of Default, whether by the Trustee or by the Bondholders, shall extend to or shall affect any subsequent default or Event of Default or shall impair any rights or remedies consequent thereon.

Provision is made for meetings of Bondholders, proof of ownership of Bonds and execution of consents and other instruments by Bondholders.

Defeasance

If the Authority and the College shall:

- (a) pay or cause to be paid the principal of, and premium, if any, and interest on any series of Bonds at the time and in the manner stipulated therein and in the Indenture, or
- (b) on or after the Conversion Date, with respect to the Series Three-L1 Bonds and Series Three-L2 Bonds and at any time after the issuance of the Series Three-L3 Bonds, provide for the payment of principal and interest on such outstanding series of Bonds by depositing with the Trustee at or at any time before maturity an amount either in cash or direct obligations of the United States in such aggregate face amount, bearing interest at such rates, and maturing on such dates sufficient to pay the entire amount due or to become due for principal and premium, if any, and interest to maturity of all such series of Bonds outstanding, or
- (c) on or after the Conversion Date, with respect to the Series Three-L1 Bonds and Series Three-L2 Bonds and at any time after the issuance of the Series Three-L3 Bonds, deliver to the Trustee (1) proof that notice of redemption of all of such outstanding series of Bonds not surrendered or to be surrendered to it for cancellation has been given or waived, or that arrangements have been made insuring that such notice will be given or waived, or (2) a written instrument executed by the College for the Authority under its official seal and expressed to be irrevocable, authorizing the Trustee to give such notice for and on behalf of the Authority, or (3) file with the Trustee a waiver of such notice of redemption signed by the Holders of all such outstanding series of Bonds, and in any case, deposit with the Trustee before the date on which such series of Bonds are to be redeemed, the entire amount of the redemption price, including interest accrued and to accrue, and premium, if any, either in cash or direct obligations of the United States of America in such aggregate face amount, bearing interest at such rates and maturing at such dates as shall be sufficient to provide for the payment of the redemption price on the date such series of Bonds are to be redeemed and on any interest payment dates, or
- (d) surrender to the Trustee for cancellation all Bonds of a series for which payment is not so provided,

and shall also pay all other sums due and payable under the Indenture by the Authority, and shall also pay or provide for the payment of all unpaid fees and expenses of the Trustee and the rebate of all amounts due or to become due to the United States under Section 148(f) of the Internal Revenue Code and regulations thereunder, then at the request of the Authority or the College all the Trust Estate shall revert to the Authority and the College as their interests appear, and the entire estate, right, title and interest of the Trustee, and of registered owners of such series of Bonds in respect thereof, shall thereupon cease, determine and become void; and the Trustee in such case, upon cancellation of all such Bonds for the payment of which cash or government obligations shall not have been deposited in accordance with the provisions of the Indenture, shall, upon receipt of a written request of the Authority and of a certificate of the Authority and an opinion of counsel as to compliance with conditions precedent, and at its cost and expense, execute to the Authority, or its order, proper instruments acknowledging satisfaction of the Indenture and surrender to the Authority or its order, all cash and deposited securities, if any (except that held for the payment of such Bonds), which shall then be held thereunder.

When the Authority or the College shall have deposited at any time with the Trustee in trust for the purpose, in the manner provided, or left with it if previously so deposited, cash or direct obligations of the United States of America sufficient to pay the principal of any series of Bonds (and premium, if any) when the same become due, either at maturity or otherwise, or at the

date fixed for the redemption thereof and to pay all interest with respect thereto at the due date of such interest or to the date fixed for redemption, for the use and benefit of the Holders thereof, then upon such deposit all such Bonds of such series shall cease to be entitled to any lien, benefit or security of the Indenture except the right to receive the funds so deposited, and such Bonds shall be deemed not to be outstanding thereunder; and from and after such redemption date or maturity, interest on such Bonds so called for redemption shall cease to accrue.

Supplemental Indentures

The Authority and the Trustee may enter into such supplemental indentures as shall by them be deemed necessary or desirable for any one or more of the following purposes, among others:

- (a) to correct the description of any property conveyed or pledged by the Indenture or intended so to be, or to assign, convey, pledge or transfer and set over to the Trustee additional property for the benefit and security of the Holders and owners of all Bonds under the Indenture;
- (b) to add to the covenants and agreements of the Authority or to surrender any right or power reserved to or conferred upon the Authority;
- (c) to evidence the succession of any other department, agency, body or corporation to the Authority;
- (d) to cure any ambiguity or to correct or supplement any defective or inconsistent provision contained in the Indenture or in any supplemental indentures or to make such other provisions in regard to matters or questions arising under the Indenture or any supplemental indenture as the Authority may deem necessary or desirable and which shall not be inconsistent with the provisions of the Indenture or any supplemental indenture and which shall not impair the security of the same;
- (e) to modify the Indenture as authorized by Holders; and
- (f) to modify or supplement provisions relating to procedures for drawing on the Liquidity Facility in connection with the issuance of an Alternate or a Substitute Liquidity Facility.

In addition and subject to the provisions set forth below, the Holders of not less than 65% in aggregate principal amount of the Bonds then outstanding shall have the right to consent to and approve such supplemental indentures as shall be deemed necessary or desirable by the Authority for the purpose of modifying, altering, amending, adding to or rescinding in any particular, any of the terms or provisions of the Indenture or in any supplemental indenture; provided, however, that such provision shall not be construed as permitting without the consent of the Holders of all such Bonds (a) an extension of the maturity of any Bond, or (b) a reduction in the principal amount of any Bond or the redemption premium or the rate of interest thereon, or (c) the creation of a lien upon or a pledge of revenues ranking prior to or on a parity with the lien or pledge created by the Indenture, or (d) a preference or priority of any Bond over any other, or (e) a reduction in the aggregate principal amount of the Bonds the Holders of which are required to consent to such supplemental indenture or the Loan Agreement as set forth in the Indenture.

Any supplemental indenture affecting the rights or obligations of the Liquidity Facility Provider, the Remarketing Agent or the Tender Agent shall not be effective without written consent of the party affected thereby.

Amendments to the Loan Agreement

The Authority and the Trustee may, without the consent of or notice to any of the Bondholders, consent to and (if requested) execute any amendment, change or modification of the Loan Agreement as may be required (a) by the provisions of the Loan Agreement or Indenture, or (b) for the purpose of curing any ambiguity or formal defect or omission, or (c) so as to add additional rights acquired in accordance with the provisions of the Loan Agreement, or (d) in connection with any other change therein which, in the judgment of the Trustee, is not to the prejudice of the Trustee or the Holders of the Bonds.

Except for amendments, changes or modifications provided for in the preceding paragraph, neither the Authority nor the Trustee may consent to any amendment, change or modification of the Loan Agreement without the written approval or consent of the Holders of not less than 65% in aggregate principal amount of the Bonds at the time outstanding, given and procured as provided in the Indenture. However, the Indenture does not permit a reduction in, or a postponement of, the loan repayments under the Loan Agreement without the consent of the Holders of all the Bonds then outstanding.

No amendment to or other modification of the Loan Agreement or waiver of any provision thereof may be entered into or given without the prior written consent of the Bank. Any amendment to or other modification of the Loan Agreement which affects any of the rights or obligations of the Liquidity Facility Provider or the Tender Agent shall not be effective without the written consent of the party so affected.

Registration

The Bonds shall be fully registered as to principal and interest at the principal corporate trust office of the Trustee, which shall also perform the functions of registrar and paying agent. Bonds may be transferred and exchanged by surrender to the Trustee with a written authorization by the registered Holder or his authorized attorney satisfactory to the Trustee subject to such reasonable regulations as the Trustee may prescribe and shall be without expense to the Holder, except as to any taxes or other governmental charges required to be paid. Bonds may be exchanged only for a new Bond or Bonds of the same series, aggregate principal amount, maturity and interest rate of any Authorized Denominations. Payment of principal will be at the principal corporate trust office of the Trustee and interest shall be by check or draft of the Trustee mailed (or, pursuant to an agreement with the Trustee, by wire transfer) to the registered Owner at his address as shown on the registration books of the Trustee.

(This page was left blank intentionally.)

CARLETON COLLEGE

Financial Statements

June 30, 1991



Certified Public Accountants

4200 Norwest Center
90 South Seventh Street
Minneapolis, MN 55402

Independent Auditors' Report

The Board of Trustees
Carleton College:

We have audited the accompanying balance sheet of Carleton College (the College) as of June 30, 1991 and the related statements of changes in fund balances and current operating funds revenues, expenditures and transfers for the year then ended. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Carleton College at June 30, 1991, and the changes in fund balances and the current funds revenues, expenditures and other changes for the year then ended in conformity with generally accepted accounting principles.

As discussed in note 1 to the financial statements, the College adopted the provisions of Statement of Financial Accounting Standards No. 93, Recognition of Depreciation by Not-for-Profit Organizations, which requires the recording of depreciation of long lived tangible assets.

KPMG Peat Marwick

September 10, 1991

EXHIBITS

Balance Sheet

Summary of Changes in Fund Balances

Revenue and Expenditures

Carleton College
Balance Sheet

June 30, 1991 with
Comparative Totals for June 30, 1990

	Current Funds		Loan Funds	Endowment & Similar Funds	Annuity & Life Income Funds	Plant Funds		1991	1990
	Unrestricted	Restricted				Unexpended	Investment in Plant		
Assets:									
Cash	1,308,962							1,308,962	977,000
Short-term investments	3,819,362	4,523,760	986,162			2,788,153	416,207	12,533,644	12,252,042
Deposits with bond trustee						1,774,852		1,774,852	1,816,159
Receivables	592,579	656,545						1,249,124	990,733
Inventories	721,194							721,194	726,954
Prepaid expenses and deferred charges	440,870					5,621		446,491	432,237
Loans to students			4,964,257					4,964,257	4,442,617
Investments				143,698,096	6,406,708			150,104,804	145,904,442
Loans to (from) plant fund	214,000			5,879,959			(6,093,959)		
Property, plant and equipment							63,351,173	63,351,173	60,872,309
Accumulated depreciation							(34,308,060)	(34,308,060)	(31,824,640)
Total Assets	7,096,967	5,180,305	5,950,419	149,578,055	6,406,708	4,568,626	23,365,361	202,146,441	196,589,853
Liabilities and Fund Balances:									
Accounts payable	1,569,662							1,569,662	1,019,171
Accrued expenses	1,896,835							1,896,835	1,676,662
Deferred income and deposits	2,690,073							2,690,073	2,966,499
Annuities payable					2,218,488			2,218,488	2,541,511
Bonds payable							6,837,919	6,837,919	7,273,663
Total Liabilities	6,156,570				2,218,488		6,837,919	15,212,977	15,477,506
Fund Balances	940,397	5,180,305	5,950,419	149,578,055	4,188,220	4,568,626	16,527,442	186,933,464	181,112,347
Total Liabilities and Fund Balances	7,096,967	5,180,305	5,950,419	149,578,055	6,406,708	4,568,626	23,365,361	202,146,441	196,589,853

See accompanying notes to financial statements.

Carleton College
Statement of Changes in Fund Balances

June 30, 1991 with
Comparative Totals for June 30, 1990

	Current Funds		Loan Funds	Endowment & Similar Funds	Annuity & Life Income Funds	Plant Funds		1991	1990
	Unrestricted	Restricted				Unexpended	Investment in Plant		
Revenues and									
Other Additions:									
Student fees (with room and board)	32,821,366							32,821,366	31,021,810
Income producing services	2,683,286							2,683,286	2,501,358
Investment income:									
Endowment	1,957,060	4,898,625	5,234					6,860,919	6,968,767
Other	444,966	163,719	166,567		366,840	474,354		1,616,446	1,480,861
Private gifts	2,250,003	1,026,963	10,050	1,677,491	114,524	578,574		5,657,605	7,718,250
Government grants		1,930,479	231,634					2,162,113	1,776,863
Net gain on sale of investments				3,306,877	120,912			3,427,789	9,834,552
Expended for plant facilities:									
Current funds						237,929	1,248,019	1,485,948	1,746,347
Unexpended plant funds							1,230,846	1,230,846	713,227
Retirement of indebtedness							458,060	458,060	511,209
Loan proceeds used						269,228		269,228	176,776
Other	507,426		79,463	27,768	571,534	56,369		1,242,560	710,334
Total Revenues and Other Additions	40,664,107	8,019,786	492,948	5,012,136	1,173,810	1,616,454	2,936,925	59,916,166	65,160,354
Expenditures and Other Deductions:									
Operating expenditures	39,647,276	7,865,631						47,512,907	44,840,568
Plant expenditures:									
Repairs and replacement						603,162		603,162	154,904
Debt service						1,625,096		1,625,096	1,543,210
Land, buildings, and equipment						1,230,846		1,230,846	713,227
Depreciation							2,483,420	2,483,420	2,229,699
Payment to beneficiaries					369,473			369,473	350,764
Other	4,021	4,257	249,377			12,490		270,145	298,765
Total Expenditures and Other Deductions	39,651,297	7,869,888	249,377		369,473	3,471,594	2,483,420	54,095,049	50,131,137
Transfers:									
Mandatory									
Debt service	(423,178)					423,178			
Non-mandatory									
Endowment income transferred under total return formula	68,664	160,216		(228,880)					
Debt service	(653,684)					653,684			
Other		(86,026)		(836,275)	(168,290)	1,090,591			
Total Transfers	(1,008,198)	74,190		(1,065,155)	(168,290)	2,167,453			
Net increase for year	4,612	224,088	243,571	3,946,981	636,047	312,313	453,505	5,821,117	15,029,217
Fund balance at beginning of year	935,785	4,956,217	5,706,848	145,631,074	3,552,173	4,256,313	16,073,937	181,112,347	166,083,130
Fund balance at end of year	940,397	5,180,305	5,950,419	149,578,055	4,188,220	4,568,626	16,527,442	186,933,464	181,112,347

Carleton College
Statement of Current Operating Funds Revenues, Expenditures and Transfers

June 30, 1991 with
Comparative Totals for June 30, 1990

	Year Ended June 30, 1991			Year Ended June 30, 1990
	Unrestricted	Restricted	Combined	Combined
Revenues:				
Student fees	28,237,128		28,237,128	26,728,762
Endowment income	1,957,060	4,652,152	6,609,212	6,691,122
Private gifts	2,250,003	1,333,496	3,583,499	3,315,822
Government grants and appropriations		1,719,767	1,719,767	1,664,011
Other sources	952,392		952,392	1,075,910
	33,396,583	7,705,415	41,101,998	39,475,627
Auxiliary enterprises	7,267,524		7,267,524	6,794,405
Total Revenues	40,664,107	7,705,415	48,369,522	46,270,032
Expenditures:				
Educational and general:				
Instruction	8,601,971	3,448,423	12,050,394	11,679,398
Organized research		1,066,819	1,066,819	981,797
Academic Support:				
Library	1,282,780	541,906	1,824,686	1,719,029
Other	1,532,876	99,647	1,632,523	1,669,102
Student services	4,440,094	83,520	4,523,614	4,067,256
Institutional support:				
Administration	1,796,033	16,756	1,812,789	1,625,885
Development	3,115,800		3,115,800	2,981,507
General	2,535,701		2,535,701	1,904,198
Plant operations	3,387,019		3,387,019	3,218,549
Student aid	4,114,735	2,608,560	6,723,295	6,105,833
Other educational operations	1,859,221		1,859,221	2,014,117
Total education and general expenditures	32,666,230	7,865,631	40,531,861	37,966,671
Auxiliary enterprises	6,981,046		6,981,046	6,873,897
Total Expenditures	39,647,276	7,865,631	47,512,907	44,840,568
Revenues over (under) expenditures before transfers	1,016,831	(160,216)	856,615	1,429,464
Transfers and Deductions:				
Mandatory				
Debt service	(423,178)		(423,178)	(433,732)
Non-mandatory				
Endowment income transferred under total return formula	68,664	160,216	228,880	(248,973)
Internal debt service	(653,684)		(653,684)	(559,377)
Surplus to Plant Funds				(101,498)
Other	(4,021)		(4,021)	
Excess of transfers to revenue over restricted receipts		224,088	224,088	(261,181)
Total Transfers and Deductions	(1,012,219)	384,304	(627,915)	(1,604,761)
Net increase (decrease) in fund balances	4,612	224,088	228,700	(175,297)

See accompanying notes to financial statements.

CARLETON COLLEGE

Notes to Financial Statements

June 30, 1991

(1) Summary of Significant Accounting Policies

The accounting policies followed by Carleton College (the College) are described below to enhance the usefulness of the financial statements to the reader.

Fund Accounting

To satisfy the requirement to account properly for the diversity of resources and their use, the College employs the principles of "fund accounting." Under this practice, resources are classified into funds according to the various activities or objectives specified. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds that have similar characteristics have been combined into fund groups. Accordingly, all financial transactions have been recorded and reported by fund group.

Current Funds

Current funds are composed of unrestricted and restricted funds. Unrestricted funds include funds over which the College retains full control. Some unrestricted funds have been designated by the Board of Trustees to be used for certain nonrecurrent expenditures. As of June 30, 1991 and 1990, designated funds included in the current unrestricted fund balance were \$15,091 and \$19,111 respectively. Restricted funds may be used only in accordance with the purpose established by the donor or outside agency.

Restricted gifts, grants, endowment income and other restricted resources are reported as revenue when expended for current operating purposes. All unrestricted resources, including gifts, are reported as revenues when earned or received. A portion of realized and unrealized gains and losses of endowment and quasi endowment funds is transferred to or from the current fund under the "total return concept" described in note 4.

Accrual Basis

The financial statements of the College have been prepared on the accrual basis. The statement of current operating funds revenues and expenditures, and other changes is a statement of financial activities of current funds related to the current reporting period. It does not purport to present the results of operations or the net income for the period as would a statement of income or a statement of revenues and expenses.

To the extent that current funds are used to finance plant assets, the amounts so provided are accounted for as (1) expenditures, in the case of normal replacement of movable equipment and library books and also in the case of annual provisions for certain major types of plant renewals, repairs and replacements; and (2) transfers in the case of required provisions for debt service.

Investments

Investments are stated at cost; investments received by gift are carried at market value at date of gift adjusted for amortization of premiums and discounts.

Property, Plant and Equipment

Plant facilities are stated at cost or fair value at date of gift.

Change in Accounting for Depreciation

During the fiscal year ended June 30, 1991, the College adopted the provisions of Statement of Financial Accounting Standards no. 93, Recognition of Depreciation by Not-for-Profit Organizations, which requires the recording of depreciation of long-lived tangible assets.

In addition to recording depreciation, the College made certain adjustments to its accounting records to reflect the results of a capitalization policy change. The College now capitalizes \$100,000 or more of improvements and additions to buildings and \$10,000 or more of individual equipment additions.

(continued)

CARLETON COLLEGE

Accordingly, a retroactive change in net investment in plant as of June 30, 1990 has been made as follows:

Net investment in plant, as previously reported	\$47,898,577
Adjustment for accumulated depreciation related to prior years	(31,824,640)
Net investment in plant, as restated	<u>\$16,073,937</u>

The College depreciates on a straight-line basis with no salvage value. Buildings and improvements are depreciated over a 40 year life and equipment over a life of 10 years or less.

Pledges

Gifts pledged in connection with the Campaign of the 90's and other pledges as of June 30, 1991, aggregating approximately \$469,000 are not reported in the financial statements because it is impracticable to estimate the net realizable value of such pledges or the year in which payments will be received.

Short-term Investments

Short-term investments are carried at cost, which approximates market.

Inventories

Inventories are stated at the lower of cost, determined by the first-in, first-out method, or market.

(2) Student Loans

Loan funds are provided by the Federal government and private donors. These are revolving funds with repayments available for loans to other students.

The student loan fund assets as of June 30, 1991 were as follows:

	<u>College Funds</u>	<u>Henry Strong Trust Funds</u>	<u>Perkins Loan Funds</u>	<u>Total</u>
Short-term investments	\$ 759,379	\$ 27,492	\$ 199,291	\$ 986,162
Loans to students	<u>320,218</u>	<u>117,851</u>	<u>4,526,188</u>	<u>4,964,257</u>
Total	<u>\$1,079,597</u>	<u>\$145,343</u>	<u>\$4,725,479</u>	<u>\$5,950,419</u>

Loans to students are reflected net of allowance for doubtful loans of \$514,302 for 1991 and \$384,302 for 1990.

(3) Assets of Endowment, Annuity and Similar Funds

Funds are donated by individuals, agencies, and others that, as a condition of the gift instrument, generally require the maintenance of principal. The principal of true endowment funds is invested permanently to produce income. Quasi endowment restricted funds represent gifts restricted for specific purposes for which the College has established endowments. Such restricted gifts are recorded as additions directly to the quasi endowment restricted funds and can be spent for their restricted purposes. Quasi endowment unrestricted funds are funds without restriction that have been allocated by the College for investment purposes.

Endowment funds include "true" endowments subject to the restriction that the principal is not expendable. Term endowments are similar to true endowments except that all or part of the principal may be expended upon the passage of a stated period of time or occurrence of a particular event. While quasi endowment funds have been established by the Board of Trustees for the same purposes as endowment funds, any portion is expendable at the Board's discretion.

(continued)

CARLETON COLLEGE

Assets at June 30, 1991 and 1990 were as follows:

	<u>Market value</u>	<u>Book Value</u>	
	<u>June 30, 1991</u>	<u>June 30, 1991</u>	<u>June 30, 1990</u>
Pooled assets			
Cash and short-term securities	\$ 5,500,596	\$ 5,500,596	\$ 5,311,811
Bonds	43,808,472	42,344,067	39,227,690
Stocks	115,071,859	91,196,062	84,862,438
Real estate and other	5,372,396	5,073,764	10,223,465
Loan to Plant fund	<u>5,879,959</u>	<u>5,879,959</u>	<u>5,820,316</u>
	<u>175,633,282</u>	<u>149,994,448</u>	<u>145,445,720</u>
Separately invested assets:			
Cash and short-term securities	524,800	524,800	302,388
Notes receivable and other investments	2,593,437	2,593,437	3,295,935
Bonds	1,810,365	1,877,153	1,876,924
Stocks	<u>1,074,069</u>	<u>994,925</u>	<u>803,791</u>
	<u>6,002,671</u>	<u>5,990,315</u>	<u>6,279,038</u>
Total assets	<u>\$181,635,953</u>	<u>\$155,984,763</u>	<u>\$151,724,758</u>
Assets are included in the following funds:			
Endowment and similar funds	\$174,144,110	\$149,578,055	\$145,631,074
Annuity and life income funds	<u>7,491,843</u>	<u>6,406,708</u>	<u>6,093,684</u>
Total assets	<u>\$181,635,953</u>	<u>\$155,984,763</u>	<u>\$151,724,758</u>

Consolidated investment fund assets are pooled on a market value basis with each individual fund subscribing to or disposing of shares on the basis of the market value per share at the beginning of the calendar quarter within which the transaction takes place. At June 30, 1991, 28,569,778 shares were owned by endowment and similar funds, and 459,991 shares by annuity and life income funds, each share having a market value of \$6.05.

The following tabulation summarizes changes in relationships between the book value and market value of the assets in the pool:

	<u>Consolidated investment pool</u>		<u>Net loss</u>	<u>Market value per share</u>
	<u>Market value</u>	<u>Book value</u>		
End of year	\$ 175,633,282	149,994,448	-	6.05
Beginning of year	<u>176,783,556</u>	<u>145,445,720</u>	-	6.14
Unrealized net loss for year	\$ <u>(1,150,274)</u>	<u>4,548,728</u>	(3,398,454)	-
Realized net gain for year			<u>3,306,877</u>	-
Total net loss for year			\$ <u>(91,577)</u>	<u>(.09)</u>

The fund balances are comprised of the following:

	<u>Book Value</u>	<u>Realized Net Appreciation</u>	<u>Total</u>
Endowment funds	\$54,043,496	\$60,615,856	\$114,659,352
Quasi endowment funds	<u>11,340,771</u>	<u>23,577,932</u>	<u>34,918,703</u>
	<u>\$65,384,267</u>	<u>\$84,193,788</u>	<u>\$149,578,055</u>

(continued)

CARLETON COLLEGE

(4) Endowment Income

The College utilizes the "total return" method of accounting for income from its investments of endowment and quasi endowment funds. Under this method, a rate of return is established which is considered to be a prudent return on investments, consisting of both yield (dividends and interest) and realized and unrealized appreciation. The investment income available for expenditure is adjusted to the rate of return factor by a transfer to or from realized net appreciation depending on whether the actual yield in the form of dividends and interest is greater or lesser than the total return calculation.

During the year ended June 30, 1991, the actual yield on the endowment fund investments was less than the rate of return applied under the total return formula by \$228,880.

For the year ended June 30, 1990, such transfer was \$248,973 to realized net appreciation.

(5) Property, Plant and Equipment

Plant funds are funds to be used for acquisition of physical properties for institutional purposes but unexpended at the date of reporting, funds set aside for renewal and replacement of institutional properties, funds set aside for debt service charges and for retirement of indebtedness related to institutional properties, and funds invested in institutional properties.

Plant facilities as of June 30, 1991 and 1990 were as follows:

	<u>1991</u>	<u>1990</u>
Land and real estate improvements	\$ 1,077,975	\$ 976,696
Buildings	39,815,395	38,671,868
Equipment and books	<u>22,457,803</u>	<u>21,223,745</u>
	63,351,173	60,872,309
Accumulated depreciation	<u>(34,308,060)</u>	<u>(31,824,640)</u>
	<u>\$29,043,113</u>	<u>\$29,047,669</u>

(6) Provision for Repair and Replacement

In accordance with the financial policy of the College, unrestricted current funds are transferred to unexpended plant funds to provide a reserve for repair and replacement of buildings and equipment. Transfers to such reserve amounted to \$237,929 and \$37,276 for the years ended June 30, 1991 and 1990, respectively. The current funds are charged with the actual cost of repairs and replacements as made.

(7) Bonds Payable

Bonds payable at June 30, 1991 and 1990 were as follows:

	<u>1991</u>	<u>1990</u>
Minnesota Higher Education Facilities Authority First Mortgage Revenue Bonds:		
Series O	\$ 4,000,000	\$ 4,000,000
Series T	2,385,000	2,385,000
Pooled Series 1983-A	<u>482,065</u>	<u>927,768</u>
	6,867,065	7,312,768
Less unamortized discount and premium	<u>(29,146)</u>	<u>(39,105)</u>
	<u>\$ 6,837,919</u>	<u>\$ 7,273,663</u>

The College has financed certain buildings with the proceeds of the Minnesota Higher Education Facilities Authority (MHEFA), First Mortgage Revenue Bonds. The Series O bonds bear interest at 7% per annum payable semiannually, and mature November 1, 2000, while the Series T bonds bear interest at 5.625% per annum payable semiannually, and mature March 1, 2007. The financing was structured through leases with MHEFA under the terms of which the College has an option to purchase the facilities at the termination of the leases. The transactions have been accounted for as capitalized leases with the related assets and liabilities being reflected in the balance sheet.

(continued)

CARLETON COLLEGE

The bonds are secured by a first mortgage on the facilities for which the funds were used and first liens and pledges of the net revenues derived from the operations of these facilities.

The MHEFA Series 1983-A bonds financed certain projects at several Minnesota colleges. Carleton's share of the obligation is evidenced by a note payable to MHEFA bearing interest at an annual effective rate of 8.417% payable monthly and principal payable in annual installments from 1987 to 1992.

The College has deposited \$80,000 and \$30,000 for the Series O and Series T bonds, respectively, in general bond reserve accounts of the MHEFA for the purpose of securing the College's bonds issued by MHEFA. In addition, the Series O issue contains a sinking fund requirement of \$200,000 per year commencing in 1990 and continuing through 1999 and the Series T issue contains a sinking fund requirement of \$120,000 per year commencing in 1997 and continues through 2006. The College must also maintain a debt service reserve account for Series O and Series T bonds with qualified reserve investments having market values equal at least to 110% of the principal amount of the bonds outstanding less any balances in the sinking funds. Such investments, whose market value aggregates approximately \$8,004,782 at June 30, 1991, are included in the pooled endowment investments of the College.

The maturities of debt in each of the five years subsequent to June 30, 1991 are as follows:

1992	482,065
1993	-
1994	-
1995	-
1996	-
Thereafter	<u>6,385,000</u>
	<u>\$6,867,065</u>

(8) Retirement Plan

Employees of the College may elect to participate in an arrangement whereby the individuals and the College contribute to TIAA-CREFF retirement funds to purchase individual annuities equivalent to retirement benefits earned.

The College's share of the cost of these annuities was \$946,135 in 1991 and \$874,755 in 1990.

(9) Compensated Absences

Financial Accounting Standard No. 43, "Accounting for Compensated Absences," requires that certain benefits qualifying as "compensated absences" be recorded on an accrual basis. The unaccrued cumulative liability for compensated absences at June 30, 1991 and 1990 is approximately \$404,000 and \$369,000 respectively. The College consistently records and reports compensated absences on a cash basis since the cumulative liability is not material with respect to total funds.

(10) Income Tax Status

The College is subject to federal income tax only on net unrelated business income under the provisions of Section 501(c)(3) of the Internal Revenue Code. The College currently has no obligation for unrelated business income tax.

(11) Reclassifications

Certain amounts reported in 1990 have been reclassified to conform with the presentation in 1991.

