

ADDENDUM DATED JUNE 3, 1997

TO OFFICIAL STATEMENT DATED MAY 13, 1997

NEW ISSUE

Moody's Rating: Aa3

**\$24,440,000**

## **Minnesota Higher Education Facilities Authority**

**Revenue Bonds, Series Four-N**

**(Carleton College)**

**(Book Entry Only)**

### **Schedule of Maturity Dates, Principal Amounts and Interest Rates**

<u>Maturity</u> <u>(November 1)</u>	<u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u> <u>or Price</u>	<u>Maturity</u> <u>(November 1)</u>	<u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u> <u>or Price</u>
1999	\$ 700,000	5.875%	4.20%	2008	\$1,115,000	5.00%	5.10%
2000	\$ 735,000	6.00%	4.45%	2009	\$1,180,000	5.125%	5.20%
2001	\$ 770,000	5.50%	4.55%	2010	\$1,250,000	5.20%	5.25%
2002	\$ 810,000	5.50%	4.65%	2011	\$1,325,000	5.25%	5.30%
2003	\$ 855,000	5.25%	4.75%	2012	\$1,405,000	5.30%	5.35%
2004	\$ 900,000	5.25%	4.85%	2013	\$1,485,000	5.30%	5.40%
2005	\$ 945,000	5.25%	4.90%	2014	\$1,575,000	5.40%	5.45%
2006	\$1,000,000	5.50%	4.95%	2015	\$1,675,000	5.40%	5.50%
2007	\$1,055,000	5.50%	5.00%				

\$5,660,000 5.00% Term Bond due November 1, 2018 at 5.55%.

An underwriting syndicate managed by Dain Bosworth Incorporated with co-manager Oppenheimer & Co., Inc. and Prager, McCarthy & Sealy as a member has agreed to purchase the Bonds from the Authority for an aggregate price of \$24,122,765.05, plus accrued interest to the date of delivery.

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THIS ADDENDUM IS INCORPORATED BY REFERENCE AS OF THE DATE HEREOF INTO THE OFFICIAL STATEMENT OF THE AUTHORITY DATED MAY 13, 1997, WITH RESPECT TO THE BONDS. TAKEN IN CONJUNCTION WITH SAID OFFICIAL STATEMENT, THIS ADDENDUM SHALL CONSTITUTE A "FINAL OFFICIAL STATEMENT" OF THE AUTHORITY WITH RESPECT TO THE BONDS AS THAT TERM IS DEFINED IN RULE 15C2-12 OF THE SECURITIES AND EXCHANGE COMMISSION.



## Original Issue Discount

The dollar amount of the initial offering price to the public of the Bonds with stated maturities in 2008 through 2015 and in 2018 (the "Discount Bonds") is less than the principal amount of Bonds of such maturity. The difference between the initial public offering price of each such Discount Bond (assuming a substantial amount of the Discount Bonds is sold at such price) and its principal amount represents original issue discount. Under existing laws, regulations, rulings and decisions, Bond Counsel is of the opinion with respect to the Discount Bonds that the amount of original issue discount constitutes tax-exempt interest to the extent that it is deemed to accrue to an owner for federal and State of Minnesota income tax purposes (other than Minnesota corporate franchise taxes measured by taxable income and the alternative minimum tax base). Original issue discount is deemed to accrue for such purposes on the basis of a constant yield to maturity taking into account semiannual compounding. The amount of original issue discount that accrues during any accrual period to a holder of a Discount Bond who acquires the Discount Bond in this offering generally equals (i) the issue price of such Discount Bond plus the amount of original issue discount accrued in all prior accrual periods, multiplied by (ii) the yield to maturity of such Discount Bond (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period), less (iii) any interest payable on such Discount Bond during such accrual period. The amount of original issue discount so accrued in a particular accrual period will be considered to be received ratably on each day of the accrual period, will be excluded from gross income for federal income tax purposes to the same extent as stated interest and will increase the holder's tax basis in such Discount Bond. Any gain realized by a holder from a sale, exchange, payment or redemption of a Discount Bond would be treated as gain from the sale or exchange of such Discount Bond.

It is possible under the applicable provisions governing state and local income taxation in states other than Minnesota that interest on Discount Bonds may be taxable in the year of accrual, and may be deemed to accrue earlier than under federal law.

## Term Bond

### Mandatory Redemption

Bonds maturing on November 1, 2018 (the "Term Bond") shall be called for redemption on November 1 in the years 2016 and 2017, at the principal amount thereof to be redeemed, without premium, plus accrued interest to the date fixed for redemption, from moneys in the Sinking Fund Subaccount of the Bond and Interest Sinking Fund Account, in the amounts set forth below.

<u>Year</u>	<u>Amount</u>
2016	\$1,775,000
2017	\$1,885,000
2018 *	\$2,000,000

\* *Maturity*

The Bonds or portions thereof to be so redeemed shall be selected by the Trustee by lot or in such other random manner as the Trustee shall determine.



The Bonds maturing in 2018, to be retired pursuant to the mandatory redemption obligations set forth above, may, at the option of the College, be reduced by the principal amount of any Bonds of such maturity which at least 45 days prior to such redemption:

- (1) have been delivered to the Trustee for cancellation; or
- (2) have been purchased or redeemed (other than through operation of the Sinking Fund Subaccount) and canceled by the Trustee and not theretofore applied as a credit against such mandatory redemption obligations.

#### **Sinking Fund Subaccount For the Term Bond**

A separate Sinking Fund Subaccount will be maintained within the Bond and Interest Sinking Fund Account for the retirement of the Term Bond on each Sinking Fund redemption date. Deposits into the Sinking Fund Subaccount shall be made at least five Business Days prior to each November 1 on which a sinking fund payment is due in amounts equal to the redemption price of the principal specified for mandatory redemption.



# OFFICIAL STATEMENT DATED MAY 13, 1997

## NEW ISSUE

Rating: Requested from Moody's  
Investors Service

*In the opinion of Bond Counsel, according to present State of Minnesota and federal laws, regulations and rulings, 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" herein.)*

**\$24,440,000**

## Minnesota Higher Education Facilities Authority

### Revenue Bonds, Series Four-N

(Carleton College)

(Book Entry Only)

**Dated Date: June 1, 1997**

**Interest Due: May 1 and November 1,  
commencing November 1, 1997**

The Bonds to mature on November 1 as follows:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
1999	\$ 700,000	2009	\$1,180,000
2000	\$ 735,000	2010	\$1,250,000
2001	\$ 770,000	2011	\$1,325,000
2002	\$ 810,000	2012	\$1,405,000
2003	\$ 855,000	2013	\$1,485,000
2004	\$ 900,000	2014	\$1,575,000
2005	\$ 945,000	2015	\$1,675,000
2006	\$1,000,000	2016	\$1,775,000
2007	\$1,055,000	2017	\$1,885,000
2008	\$1,115,000	2018	\$2,000,000

At the option of the Minnesota Higher Education Facilities Authority (the "Authority"), the Bonds are subject to redemption prior to maturity, as described herein. See "The Bonds - Prior Redemption - Optional Redemption". The Bonds will also be subject to optional redemption in whole or in part in certain cases of damage to or destruction or condemnation of the Project Facilities described in the Loan Agreement and Indenture. The Bonds will be subject to optional redemption in whole or in part in the event of a Determination of Taxability, as described herein.

The 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 Depository Trust Company ("DTC"). DTC will act as securities depository of the Bonds. Individual purchases may be made in book entry form only, in the principal amount of \$5,000 and integral multiples thereof. Purchasers will not receive certificates representing their interest in the Bonds purchased. (See "Book Entry Only System" herein). Norwest Bank Minnesota, National Association, Minneapolis, Minnesota will act as Trustee.

The Bonds are special obligations of the Authority payable solely from Loan Repayments made by or on behalf of Carleton College, Northfield, Minnesota (the "College") pursuant to a Loan Agreement between the Authority and the College, or out of other amounts pledged pursuant to the Indenture as described herein. The Loan Repayments will be a general obligation of the College.

Prior to the award of sale of the Bonds, the Bonds will have been registered for sale at a price not greater than 105% with the Securities Division, Department of Commerce, State of Minnesota, pursuant to Chapter 80A, Minnesota Statutes; however, the initial Purchaser of the Bonds shall be required to provide a schedule of reoffering prices and yields with respect to the Bonds and shall agree not to sell (but may offer) any of the Bonds to Minnesota buyers at a price greater than 105% until the Bonds have been re-registered for sale at such higher price by the Department of Commerce, as more fully provided in the Terms and Conditions of Contract of Sale.

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 are offered when, as, and if issued by the Authority subject to the approval of legality by Faegre & Benson LLP, Minneapolis, Minnesota, Bond Counsel. Certain legal matters will be passed upon for the College by Briggs and Morgan, Professional Association, Saint Paul and Minneapolis, Minnesota. Bonds are expected to be available for delivery on or about June 17, 1997.

**PROPOSALS RECEIVED: May 28, 1997 (Wednesday) at 11:00 A.M., Central Time**  
**AWARD: May 28, 1997 (Wednesday) at 12:00 Noon, Central Time**



**SPRINGSTED**  
Public Finance Advisors

Further information may be obtained from SPRINGSTED Incorporated, Financial Advisor to the Issuer, 85 East Seventh Place, Suite 100, Saint Paul, Minnesota 55101 (612) 223-3000

For purposes of compliance with Rule 15c2-12 of the Securities and Exchange Commission, this document, as the same may be supplemented or corrected by the Authority from time to time (collectively, the "Official Statement"), may be treated as an Official Statement with respect to the Bonds described herein that is deemed final as of the date hereof (or of any such supplement or correction) by the Authority, except for the omission of certain information referred to in the succeeding paragraph.

The Official Statement, when further supplemented by an addendum or addenda specifying the maturity dates, principal amounts and interest rates of the Bonds, together with any other information required by law, shall constitute a "Final Official Statement" of the Authority with respect to the Bonds, as that term is defined in Rule 15c2-12. Any such addendum shall, on and after the date thereof, be fully incorporated herein and made a part hereof by reference.

By awarding the Bonds to any underwriter or underwriting syndicate submitting a Proposal therefor, the Authority agrees that, no more than seven business days after the date of such award, it shall provide without cost to the senior managing underwriter of the syndicate to which the Bonds are awarded copies of the Official Statement and the addendum or addenda described in the preceding paragraph in the amount specified in the Terms of Proposal.

The Authority designates the senior managing underwriter of the syndicate to which the Bonds are awarded as its agent for purposes of distributing copies of the Final Official Statement to each Participating Underwriter. Any underwriter delivering a Proposal with respect to the Bonds agrees thereby that if its bid is accepted by the Authority (i) it shall accept such designation and (ii) it shall enter into a contractual relationship with all Participating Underwriters of the Bonds for purposes of assuring the receipt by each such Participating Underwriter of the Final Official Statement.

No dealer, broker, salesman or other person has been authorized by the Authority or the College to give any information or to make any representations with respect to the Bonds, other than as contained in the Official Statement or the Final Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the Authority. Certain information contained in the Official Statement and the Final Official Statement may have been obtained from sources other than records of the Authority and, while believed to be reliable, is not guaranteed as to completeness or accuracy. THE INFORMATION AND EXPRESSIONS OF OPINION IN THE OFFICIAL STATEMENT AND THE FINAL OFFICIAL STATEMENT ARE SUBJECT TO CHANGE, AND NEITHER THE DELIVERY OF THE OFFICIAL STATEMENT OR THE FINAL OFFICIAL STATEMENT NOR ANY SALE MADE UNDER EITHER SUCH DOCUMENT SHALL CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE AUTHORITY OR THE COLLEGE SINCE THE DATE THEREOF.

References herein to laws, rules, regulations, resolutions, agreements, reports and 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 to the Official Statement or the Final Official Statement, they will be furnished on request.



## **MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY**

### **MEMBERS**

Kathryn Balstad Brewer, Chair	Doctoral Candidate of University of Minnesota; New Brighton, Minnesota; Formerly Senior Vice President With FBS Investment Services, Inc.
Mollie N. Thibodeau, Vice Chair	CFRE, Fund Raising Consultant, Duluth, Minnesota
James R. Miller, Secretary	Owner and CEO, James Miller Investment Realty Company, Saint Paul, Minnesota.
Jack Amundson	CPA, Partner, Larson, Allen, Weishair & Co., LLP, Saint Cloud, Minnesota.
John S. Hoyt, Jr.	CEO, Effective Golf Course Systems, Inc., Edina, Minnesota
Kenneth Johnson	Principal/Corporate President, the STANIUS JOHNSON architects, inc., Duluth, Minnesota
David B. Laird, Jr. (Ex Officio)	President, Minnesota Private College Council, Saint Paul, Minnesota.
Timothy Medd (Ex Officio)	Minnesota Higher Education Services Office, Saint Paul, Minnesota.
Tom Martinson	Principal, City Planning & Economic Development, Minneapolis, Minnesota
Christopher A. Nelson	Attorney, Pustorino, Pederson, Tilton & Parrington, Minneapolis, Minnesota

J. Luther Anderson, Executive Director

Bond Counsel  
Faegre & Benson LLP

Financial Advisor  
Springsted Incorporated

## TABLE OF CONTENTS

	<u>Page(s)</u>
Terms of Proposal .....	i-v
Schedule of Bond Years .....	vi
 Introductory Statement .....	 1
Risk Factors.....	2-3
Continuing Disclosure.....	3-4
The Bonds .....	4-7
Estimated Sources and Uses Funds.....	7
Purpose of the Issue.....	7-8
Source of Payment for the Bonds .....	8
Accounts.....	9-10
The Authority .....	10-11
Financial Advisor .....	11
Rating .....	12
Litigation .....	12
Legality .....	12
Tax Exemption.....	12-13
Not Qualified Tax-Exempt Obligations .....	14
 The College .....	 Appendix I
Proposed Form of Legal Opinion .....	Appendix II
Continuing Disclosure Agreement .....	Appendix III
Definition of Certain Terms .....	Appendix IV
Summary of Documents .....	Appendix V
Audited Financial Statements For Fiscal Year Ended June 30, 1996 .....	Appendix VI
 Proposal Forms .....	 Inserted

**THE AUTHORITY HAS AUTHORIZED SPRINGSTED INCORPORATED TO NEGOTIATE THIS ISSUE ON ITS BEHALF. PROPOSALS WILL BE RECEIVED ON THE FOLLOWING BASIS:**

**TERMS OF PROPOSAL**

**\$24,440,000**

**MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY**

**REVENUE BONDS, SERIES FOUR-N**

**(Carleton College)**

**(BOOK ENTRY ONLY)**

Proposals for the Bonds will be received by J. Luther Anderson, Executive Director, Minnesota Higher Education Facilities Authority (the "Authority") or his duly appointed representative on Wednesday, May 28, 1997, until 11:00 A.M., Central Time, at Suite 450, Galtier Plaza, 175 East Fifth Street, Saint Paul, Minnesota 55101, telephone (612) 296-4690, after which time they will be opened and tabulated. Consideration for award of the Bonds will be by the Executive Director of the Authority at 12:00 Noon, Central Time, of the same day.

**SUBMISSION OF PROPOSALS**

Proposals may be submitted in a sealed envelope or by fax (612) 223-3002 to Springsted. Signed Proposals, without final price or coupons, may be submitted to Springsted prior to the time of sale. The prospective purchaser shall be responsible for submitting to Springsted the final Proposal price and coupons, by telephone (612) 223-3000 or fax (612) 223-3002 for inclusion in the submitted Proposal. Springsted will assume no liability for the inability of the proposer to reach Springsted prior to the time of sale specified above. Proposals may also be filed electronically via PARITY, in accordance with PARITY Rules of Participation and the Terms of Proposal, within a one-hour period prior to the time of sale established above, but no Proposals will be received after that time. If provisions in the Terms of Proposal conflict with the PARITY Rules of Participation, the Terms of Proposal shall control. The normal fee for use of PARITY may be obtained from PARITY and such fee shall be the responsibility of the proposer. For further information about PARITY, prospective purchasers may contact PARITY at 500 Main Street, Suite 1010, Fort Worth, TX 76102, telephone (817) 885-8900. Neither the Authority nor Springsted Incorporated assumes any liability if there is a malfunction of PARITY. All prospective purchasers are advised that each Proposal shall be deemed to constitute a contract between the prospective purchaser and the Authority to purchase the Bonds regardless of the manner of the Proposal submitted.

**DETAILS OF THE BONDS**

The Bonds will be dated June 1, 1997, as the date of original issue, and will bear interest payable on May 1 and November 1 of each year, commencing November 1, 1997. Interest will be computed on the basis of a 360-day year of twelve 30-day months.

The Bonds will mature November 1 in the years and amounts as follows:

1999	\$700,000	2004	\$ 900,000	2009	\$1,180,000	2014	\$1,575,000
2000	\$735,000	2005	\$ 945,000	2010	\$1,250,000	2015	\$1,675,000
2001	\$770,000	2006	\$1,000,000	2011	\$1,325,000	2016	\$1,775,000
2002	\$810,000	2007	\$1,055,000	2012	\$1,405,000	2017	\$1,885,000
2003	\$855,000	2008	\$1,115,000	2013	\$1,485,000	2018	\$2,000,000

Proposals for the Bonds may contain a maturity schedule providing for a combination of serial bonds and term bonds, provided that no serial bond may mature on or after the first mandatory sinking fund redemption date of any term bond. All term bonds shall be subject to mandatory sinking fund redemption and must conform to the maturity schedule set forth above at a price of par plus accrued interest to the date of redemption. In order to designate term bonds, the proposal must specify "Last Year of Serial Maturities" and "Years of Term Maturities" in the spaces provided on the Proposal Form.

#### BOOK ENTRY SYSTEM

The Bonds will be issued by means of a book entry system with no physical distribution of Bonds made to the public. The Bonds will be issued in fully registered form and one Bond, representing the aggregate principal amount of the Bonds maturing in each year, will be registered in the name of Cede & Co. as nominee of The Depository Trust Company ("DTC"), New York, New York, which will act as securities depository of the Bonds. Individual purchases of the Bonds may be made in the principal amount of \$5,000 or any multiple thereof of a single maturity through book entries made on the books and records of DTC and its participants. Principal and interest are payable by the registrar to DTC or its nominee as registered owner of the Bonds. Transfer of principal and interest payments to participants of DTC will be the responsibility of DTC; transfer of principal and interest payments to beneficial owners by participants will be the responsibility of such participants and other nominees of beneficial owners. The purchaser, as a condition of delivery of the Bonds, will be required to deposit the Bonds with DTC.

#### TRUSTEE

Norwest Bank Minnesota, National Association, Minneapolis, Minnesota will act as trustee and act as escrow agent, registrar and paying agent.

#### OPTIONAL REDEMPTION

The Authority may elect on November 1, 2007, and on any day thereafter to prepay Bonds due on or after November 1, 2008. Redemption may be in whole or in part and if in part at the option of the Authority and in such manner as the Authority shall determine. If less than all Bonds of a maturity are called for redemption, the Authority will notify DTC of the particular amount of such maturity to be prepaid. DTC will determine by lot the amount of each participant's interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interests in such maturity to be redeemed. All prepayments shall be at a price of par plus accrued interest.

The Bonds are subject to redemption in whole or in part on any date in certain events of damage or destruction described in a Loan Agreement between the College and the Authority and a Trust Indenture between the Authority and the Trustee, or in whole or in part on any date in the event of a Determination of Taxability as defined therein. All prepayments shall be at a price of par plus accrued interest.

#### SECURITY AND PURPOSE

The Bonds will be special obligations of the Authority payable solely from payments made by or on behalf of the College pursuant to the Loan Agreement or from other amounts pledged thereto pursuant to the Trust Indenture. Pursuant to the Loan Agreement, Loan Repayments sufficient to pay principal, premium (if any) and interest on the Bonds when due are a general obligation of the College. **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 proceeds will be used, together with other funds of the College, to construct a new recreation center, new student dining hall, renovate various campus buildings, acquire a new chiller pump, piping and related equipment, and acquire computer hardware and software for administration and a bookstore point-of-sale system.

## TYPE OF PROPOSALS

Proposals shall be for not less than \$24,122,280 and accrued interest on the total principal amount of the Bonds. Proposals shall be accompanied by a Good Faith Deposit ("Deposit") in the form of a certified or cashier's check or a Financial Surety Bond in the amount of \$244,400, payable to the order of the Authority. If a check is used, it must accompany each Proposal. If a Financial Surety Bond is used, it must be from an insurance company licensed to issue such a bond in the State of Minnesota, and preapproved by the Authority. Such bond must be submitted to Springsted Incorporated prior to the opening of the Proposals. The Financial Surety Bond must identify each underwriter whose Deposit is guaranteed by such Financial Surety Bond. If the Bonds are awarded to an underwriter using a Financial Surety Bond, then that purchaser is required to submit its Deposit to Springsted Incorporated in the form of a certified or cashier's check or wire transfer as instructed by Springsted Incorporated not later than 3:30 P.M., Central Time, on the next business day following the award. If such Deposit is not received by that time, the Financial Surety Bond may be drawn by the Authority to satisfy the Deposit requirement. The Authority will deposit the check of the purchaser, the amount of which will be deducted at settlement and no interest will accrue to the purchaser. In the event the purchaser fails to comply with the accepted proposal, said amount will be retained by the Authority. No proposal can be withdrawn or amended after the time set for receiving Proposals unless the Executive Director on behalf of the Authority, does not award the Bonds by 12:00 Noon, Central Time, on May 28, 1997. Rates shall be in integral multiples of 5/100 or 1/8 of 1%. Bonds of the same maturity shall bear a single rate from the date of the Bonds to the date of maturity. No conditional proposals will be accepted.

## REOFFERING OF BONDS

The Authority represents that, prior to the award of sale of the Bonds, the Bonds will have been registered for sale at a price not greater than 105% pursuant to an Order of Registration issued by the Securities Division, Department of Commerce, State of Minnesota, pursuant to Chapter 80A, Minnesota Statutes (the "Minnesota Securities Act"). The purchaser will be required to provide a schedule of reoffering prices and yields with respect to the Bonds and shall agree not to sell any of the Bonds in Minnesota at a price or prices higher than 105% without first having obtained an amendment to the Order of Registration permitting the sale of the Bonds at such higher price or prices, provided that this provision shall not prevent the sale of Bonds at higher prices in secondary market trading to the extent permitted by the Minnesota Securities Act. Until such time as the Department enters and makes effective such an amendment to the Order of Registration, the purchaser may make an "offer" but agrees not to make a "sale" (including any contract to sell) of any Bonds to its customers, as such terms are defined in the Minnesota Securities Act, at prices greater than 105%. Without limiting the generality of the foregoing, the purchaser shall agree not to mail or deliver any confirmations to customers or request the payment of funds from customers in Minnesota with respect to any Bonds reoffered at prices greater than 105% until such time as such amendment to the Order of Registration is effective.

If the purchaser represents by letter to the Authority that it is purchasing the Bonds for investment and not with a view to redistribution thereof, the above shall not apply.

## AWARD

The Bonds will be awarded on the basis of the lowest interest rate to be determined on a true interest cost (TIC) basis. The Authority's computation of the interest rate of each proposal, in accordance with customary practice, will be controlling.

The Authority will reserve the right to: (i) waive non-substantive informalities of any proposal or of matters relating to the receipt of proposals and award of the Bonds, (ii) reject all proposals without cause, and (iii) reject any proposal which the Authority determines to have failed to comply with the terms herein.

## BOND INSURANCE AT PURCHASER'S OPTION

If the Bonds qualify for issuance of any policy of municipal bond insurance or commitment therefor at the option of the underwriter, the purchase of any such insurance policy or the issuance of any such commitment shall be at the sole option and expense of the purchaser of the Bonds. Any increased costs of issuance of the Bonds resulting from such purchase of insurance shall be paid by the purchaser, except that, if the Authority has requested and received a rating on the Bonds from a rating agency, the Authority will pay that rating fee. Any other rating agency fees shall be the responsibility of the purchaser.

Failure of the municipal bond insurer to issue the policy after Bonds have been awarded to the purchaser shall not constitute cause for failure or refusal by the purchaser to accept delivery on the Bonds.

## CUSIP NUMBERS

If the Bonds qualify for assignment of CUSIP numbers such numbers will be printed on the Bonds, but neither the failure to print such numbers on any Bond nor any error with respect thereto will constitute cause for failure or refusal by the purchaser to accept delivery of the Bonds. The CUSIP Service Bureau charge for the assignment of CUSIP identification numbers shall be paid by the purchaser.

## CONTINUING DISCLOSURE

The College and Trustee will enter into a Continuing Disclosure Agreement to provide, or cause to be provided, annual financial information, including audited financial statements of the College, and notices of certain material events, as required by SEC Rule 15c2-12.

## SETTLEMENT

The Bonds will be delivered on or about June 17, 1997 without cost to the purchaser at a place mutually satisfactory to the Authority and the purchaser. Delivery will be subject to receipt by the purchaser of an approving legal opinion of Faegre & Benson LLP of Minneapolis, Minnesota, and of customary closing papers, including a no-litigation certificate and a certificate pertaining to information in the Official Statement. Certain legal matters will be passed on for the College by its counsel, Briggs and Morgan, Professional Association, of Saint Paul and Minneapolis, Minnesota. On the date of settlement payment for the Bonds shall be made in federal, or equivalent, funds which shall be received at the offices of the Authority or its designee not later than 12:00 Noon, Central Time. Except as compliance with the terms of payment for the Bonds shall have been made impossible by action of the Authority, or its agents, the purchaser shall be liable to the Authority for any loss suffered by the Authority by reason of the purchaser's non-compliance with said terms for payment.

## OFFICIAL STATEMENT

The Authority has authorized the preparation of an Official Statement containing pertinent information relative to the Bonds, and said Official Statement will serve as a nearly-final Official Statement within the meaning of Rule 15c2-12 of the Securities and Exchange Commission. For copies of the Official Statement or for any additional information prior to sale, any prospective purchaser is referred to the Financial Advisor to the Authority, Springsted Incorporated, 85 East Seventh Place, Suite 100, Saint Paul, Minnesota 55101, telephone (612) 223-3000.

The Official Statement, when further supplemented by an addendum or addenda specifying the maturity dates, principal amounts and interest rates of the Bonds, together with any other information required by law, shall constitute a "Final Official Statement" of the Authority with respect to the Bonds, as that term is defined in Rule 15c2-12. By awarding the Bonds to any

underwriter or underwriting syndicate submitting a proposal therefor, the Authority agrees that, no more than seven business days after the date of such award, it shall provide without cost to the senior managing underwriter of the syndicate to which the Bonds are awarded up to 750 copies of the Official Statement and the addendum or addenda described above. The Authority designates the senior managing underwriter of the syndicate to which the Bonds are awarded as its agent for purposes of distributing copies of the Final Official Statement to each Participating Underwriter. Any underwriter delivering a proposal with respect to the Bonds agrees thereby that if its proposal is accepted by the Authority (i) it shall accept such designation and (ii) it shall enter into a contractual relationship with all Participating Underwriters of the Bonds for purposes of assuring the receipt by each such Participating Underwriter of the Final Official Statement.

Dated April 16, 1997

BY ORDER OF THE MINNESOTA HIGHER  
EDUCATION FACILITIES AUTHORITY

/s/ J. Luther Anderson  
Executive Director

# **SCHEDULE OF BOND YEARS**

**\$24,440,000**

## **MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY REVENUE BONDS, SERIES FOUR-N (CARLETON COLLEGE)**

<u>Year</u>	<u>Principal</u>	<u>Bond Years</u>	<u>Cumulative Bond Years</u>
1999	\$700,000	1,691.6667	1,691.6667
2000	\$735,000	2,511.2500	4,202.9167
2001	\$770,000	3,400.8333	7,603.7500
2002	\$810,000	4,387.5000	11,991.2500
2003	\$855,000	5,486.2500	17,477.5000
2004	\$900,000	6,675.0000	24,152.5000
2005	\$945,000	7,953.7500	32,106.2500
2006	\$1,000,000	9,416.6667	41,522.9167
2007	\$1,055,000	10,989.5833	52,512.5000
2008	\$1,115,000 c	12,729.5833	65,242.0833
2009	\$1,180,000 c	14,651.6667	79,893.7500
2010	\$1,250,000 c	16,770.8333	96,664.5833
2011	\$1,325,000 c	19,102.0833	115,766.6666
2012	\$1,405,000 c	21,660.4167	137,427.0833
2013	\$1,485,000 c	24,378.7500	161,805.8333
2014	\$1,575,000 c	27,431.2500	189,237.0833
2015	\$1,675,000 c	30,847.9167	220,085.0000
2016	\$1,775,000 c	34,464.5833	254,549.5833
2017	\$1,885,000 c	38,485.4167	293,035.0000
2018	\$2,000,000 c	42,833.3333	335,868.3333

**Average Maturity: 13.74 Years**

**Bonds Dated: June 1, 1997**

**Interest Due: November 1, 1997 and each May 1 and November 1 to maturity.**

**Principal Due: November 1, 1999-2018 inclusive.**

**Optional Call: Bonds maturing on or after November 1, 2008 are callable commencing November 1, 2007 and any date thereafter at par. (See Terms of Proposal.)**

**c: subject to optional call**



## **OFFICIAL STATEMENT**

**\$24,440,000**

### **MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY**

#### **REVENUE BONDS, SERIES FOUR-N**

**(Carleton College)**

### **INTRODUCTORY STATEMENT**

This Official Statement provides information concerning the Minnesota Higher Education Facilities Authority (the "Authority") and Carleton College (the "College"), an institution of higher education located in Northfield, Minnesota, in connection with the issuance of the Authority's \$24,440,000 Revenue Bonds, Series Four-N (Carleton College), (the "Bonds" or the "Issue").

The Bonds are being issued pursuant to the provisions of Sections 136A.25 to 136A.42, Minnesota Statutes, as amended, 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 are also issued pursuant to the Trust Indenture between the Authority and Norwest Bank Minnesota, National Association, as trustee (the "Trustee"). The Trustee will also be the Registrar and Paying 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 Loan Repayments in amounts sufficient to pay the principal of and interest on the Bonds as the same shall become due. The proceeds of the Issue will be loaned to the College by the Authority to be used, together with other funds of the College, for (a) the construction, furnishing and equipping of an approximately 80,000 square foot recreation center and related site improvements, including athletic fields, surface parking areas and restoration of Lyman Lake (the "Recreation Center"), (b) the construction, furnishing and equipping of an approximately 15,000 square foot student dining hall (the "Dining Hall"), (c) renovation of Mudd Hall for chemistry and geology (the "Mudd Renovation"), (d) renovation of Goodhue Dining Hall for recreational use (the "Goodhue Renovation"), (e) renovation of Evans Dining Hall for housing and social use (the "Evans Renovation"), (f) acquisition and installation of chiller and related piping system (the "Chiller") and (g) acquisition and installation of computer system for administrative and bookstore use (the "Computer System") (collectively, the "Project"), all owned or to be owned and operated by the College and located on the Project Site. See "PURPOSE OF THE ISSUE," herein.

The Bonds are secured by a pledge of the Loan Repayments. The Loan Repayments are a general obligation of the College.

**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 foregoing Introductory Statement is a summary only. For more specific explanations, reference should be made to the following pages and appendices of this Official Statement.

## **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 principal of or interest on the Bonds.**

### **Construction of Project**

The College has entered into construction contracts and has hired a construction manager for the Mudd Hall Renovation portion of the Project. All other portions of the Project are still in the design phase and no construction bids have been let. Should construction costs be higher than estimated by the College, the College will either adjust the scope of the Project or fund any extra costs from available College funds.

### **No Collateral**

The Bonds are secured by a pledge of amounts payable under the Loan Agreement. No mortgage lien on or security interest in any College property has been granted to secure payment of the Bonds. The Bonds are not secured by a reserve fund.

### **Adequacy of Revenues**

Payment of principal of and interest on the Bonds is intended to be made 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. Such revenues and expenditures are subject to many conditions and factors, some of which may be beyond the control of the College and may change in the future to an extent that cannot be presently determined. Certain debt of the College is secured by mortgage liens on the property financed. (See "Long-Term Debt of the College," page I-19.)

### **Reliance on Tuition**

The adequacy of College revenues will be in part 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. A number of factors, including, without limitation, levels of tuition rates and other fees, competition from other colleges, a change in the number of college age students generally or adverse general economic conditions could influence the number of applicants to the College.

### **Financial Aid**

Approximately 87% of the College's students currently receive some form of financial aid covering tuition and fees or living expenses. No assurance can be given that federal and state financial aid will continue to be funded at current levels or that the College will continue to fund student aid at current levels. Curtailment of such aid could cause a decline in enrollment, which could 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 losses for which insurance cannot be or has not been obtained or that the amount of any such loss will not exceed the coverage of such insurance policies.

### Nature of Pro Forma Debt Service Coverage

Certain historical operating revenue for the College and computed pro forma debt service coverage is provided in APPENDIX I under the caption "Annual Debt Service by Fiscal Year and Coverage Statement." The pro forma coverage is merely a mathematical computation as reflected in the applicable table and constitutes no assurance as to the future sufficiency of College revenues to satisfy College operations and Bond and other debt service requirements.

### Limited Obligation

No entity or person other than the College is, or shall be, in any way liable or responsible for any payments to be made under the Loan Agreement, the Trust Indenture, or the Bonds or the other obligations of the College. Accordingly, for payment of principal and interest on the Bonds, holders of the Bonds must look solely to the Loan Repayments to be made by the College under the Loan Agreement.

### 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.

## **CONTINUING DISCLOSURE**

In order to assist the Underwriter in complying with SEC Rule 15c2-12 promulgated by the Securities and Exchange Commission, pursuant to the Securities Exchange Act of 1934 (the "Rule"), the College will enter into an undertaking (the "Undertaking") with the Trustee for the benefit of beneficial owners of the Bonds to provide certain financial information and operating data relating to the College to certain information repositories annually, and to provide notices of the occurrence of the eleven events enumerated in the Rule to such repositories or the Municipal Securities Rulemaking Board and to the Minnesota state information depository, if any. The specific nature of the Undertaking, as well as the information to be contained in the annual report or the notices of material events is set forth in the Continuing Disclosure Agreement, attached as Appendix III, to be executed by the College at the time the Bonds are delivered, a copy of which is available from the College or the Trustee. The Continuing Disclosure Agreement may be amended under certain circumstances as permitted by the Rule.

Furthermore, the College has reserved its right to discontinue providing information required by the Continuing Disclosure Agreement or the Rule, if a final determination is made by a court of competent jurisdiction that the Rule is invalid or otherwise unlawful, and to modify the terms of the Continuing Disclosure Agreement if a court of competent jurisdiction or the College determines that such modification is required by the Rule. The College has never failed to comply in all material respects with any previous undertakings under the Rule to provide annual reports or notices of material events. (The College has never been a party to any Undertaking under the Rule.) A failure by the College to comply with the Undertaking will not constitute an event of default on the Bonds (although holders may have other remedies in the event of noncompliance). Nevertheless, such a failure must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such a failure, or the information supplied by the College pursuant to the Undertaking, may adversely affect the transferability and liquidity of the Bonds and their market price.

## **THE BONDS**

The Bonds will be dated June 1, 1997 and will mature annually each November 1, commencing November 1, 1999, as set forth on the cover page of this Official Statement. The Bonds are being issued in denominations of \$5,000 and integral multiples thereof not exceeding the amount maturing in any maturity, and shall be fully registered as to principal and interest. Interest on the Bonds will be payable on each May 1 and November 1, commencing November 1, 1997.

### **Book Entry Only System**

The Depository Trust Company ("DTC"), New York, NY, 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 Security certificate will be issued for the Bonds, 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 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 of each actual purchaser of each Security ("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 interests 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 interests in Bonds, 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.

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 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 Agent, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Trustee or the Agent, 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.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Trustee or the Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Security 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 system has been obtained from sources that the Authority believes to be reliable, but neither the College nor the Authority takes any responsibility for the accuracy thereof.

### Optional Redemption

At the request of the College, the Authority may elect on November, 1, 2007, and on any day thereafter, to prepay Bonds due on or after November 1, 2008. Redemption may be in whole or in part and if in part at the option of the Authority and in such manner as the Authority shall determine as directed by the College. If less than all Bonds of a maturity are called for redemption, the Authority will notify DTC of the particular amount of such maturity to be prepaid. DTC will determine by lot the amount of each participant's interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interests in such maturity to be redeemed. All prepayments shall be at a price of par plus accrued interest.

The Bonds will also be subject to optional redemption at par and accrued interest in integral multiples of \$5,000, as a whole or in part, in certain cases of damage to or destruction or condemnation of the Project Facilities, and upon a Determination of Taxability as provided in the Loan Agreement (see "SUMMARY OF DOCUMENTS - The Loan Agreement").

### Partial Redemption

In the case of Bonds of denominations greater than \$5,000, if less than all of such Bonds then outstanding are to be called for redemption, then for all purposes in connection with redemption, each \$5,000 of principal amount shall be treated as though it was a separate Bond of the denomination of \$5,000 bearing the number borne by such fully registered Bond and a subnumber assigned by the Trustee. If it is determined that one or more, but not all of the \$5,000 units of principal amount represented by any such Bond is to be called for redemption, then upon notice of intention to redeem such \$5,000 unit or units, the Owner of such fully registered Bond shall forthwith surrender such Bond to the Trustee for (1) payment of the redemption price of the \$5,000 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 registered Owner thereof, without charge therefor. If the Owner of any such Bond of a denomination greater than \$5,000 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 \$5,000 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 \$5,000 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 \$5,000 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 \$5,000 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 additional interest equal to two percent (2.00%) per annum above the basic interest rate from the Date Of Taxability effective until the respective dates on which the principal of the Bonds is paid. See "Tax Exemption" on pages 12 and 13 and Appendix IV, "DEFINITION OF CERTAIN TERMS."

**If a Determination of Taxability should occur, any monetary damages or loss resulting from or incident thereto shall be limited to the stepped up interest rate on the Bonds.**

The College will have the option to prepay the Loan on the next redemption date for which due notice of redemption can be given, in full or in part and on any date thereafter following a Determination of Taxability at a price of par and accrued interest (including additional interest from the Date of Taxability).

## **ESTIMATED SOURCES AND USES OF FUNDS**

Sources of Funds	
Series Four-N Principal	\$24,440,000
Funds of the College	<u>80,000</u>
Total Sources	<u>\$24,520,000</u>
Uses of Funds	
Project Costs	\$24,080,000
Discount and Costs of Issuance	<u>440,000</u>
Total Uses	<u>\$24,520,000</u>

In the event issuance costs including underwriter's discount exceed 2% of the proceeds of the Bonds, defined as par less original issue discount according to the reoffering scale, such excess shall be paid by the College from other than Bond proceeds.

Accrued interest received at Bond Closing will be deposited into the Bond and Interest Sinking Fund Account and applied as a credit against the amount to be deposited in the Bond and Interest Sinking Fund Account on or before the next interest payment date.

## **PURPOSE OF THE ISSUE**

Net proceeds of the Bonds and additional funds of the College will finance the following:

- The construction, furnishing and equipping of an approximately 80,000 square foot Recreation Center and related site improvements, including athletic fields, surface parking areas and restoration of Lyman Lake at an estimated cost of \$13,835,000;
- The construction, furnishing and equipping of an approximately 15,000 square foot student Dining Hall at an estimated cost of \$3,500,000;

- Renovation of Mudd Hall to house chemistry and geology departments at an estimated cost of \$4,900,000;
- Renovation of the dining area in Goodhue Dining Hall for recreational use at an estimated cost of \$500,000;
- Renovation of Evans Hall dining area for housing and social use at an estimated cost of \$475,000;
- Acquisition and installation of a chiller and the related piping system at an estimated cost of \$570,000; and
- Acquisition and installation of a computer system for administrative and bookstore use at an estimated cost of \$300,000.

The entire cost of the projects will be approximately \$24,080,000. The College will finance the balance of costs not paid from Bond proceeds from other funds of the College.

Construction contracts have been entered into for the Mudd Hall Renovation project and work has started. The College has hired CPMI of Bloomington, Minnesota as construction manager for the Mudd Hall Renovation. CPMI will also be construction manager on the other portions of the Project.

All other portions of the Project are in the design phase and no construction bids have been let. Should construction costs be higher than estimated by the College, the College will either adjust the scope of the Project or fund any extra costs from available College funds.

All components of the Project are expected to be completed by June 1, 2000.

### **SOURCE OF PAYMENT FOR THE BONDS**

The Bonds will be special obligations of the Authority payable solely from Loan Repayments made by the College as required by the Loan Agreement.

The Bonds are secured by the pledge of the Loan Repayments. The Loan Repayments are a general obligation of the College. The College will agree pursuant to the terms of the Loan Agreement and the Indenture to make payments directly to the Trustee in such amounts and at such times as to assure that the Trustee has sufficient funds with which to pay the principal of and interest on the Bonds. The College agrees to make such payments out of its operating funds or any other moneys legally available. The College covenants and agrees to charge tuition fees, 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 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").



## **ACCOUNTS**

### **Summary**

The Indenture will provide for the creation of certain trust accounts into which certain proceeds from the sale of the Bonds and revenues received as Loan Repayments under the Loan Agreement are to be deposited. These accounts include a Construction Account, a Bond and Interest Sinking Fund Account and a Redemption Account. The net proceeds of original issue and sale of the Bonds are to be deposited into the Construction Account and accrued interest, if any, will be deposited in the Bond and Interest Sinking Fund Account. Following Bond Closing, amounts received by the Trustee from the College as Loan Repayments are to be deposited into the Bond and Interest Sinking Fund Account and the Redemption Account, as required by the Loan Agreement and used, to the extent needed, to redeem or pay the principal of and interest on the Bonds.

### **Construction Account**

There shall be deposited initially into the Construction Account certain proceeds of the Bonds, except as otherwise required to be deposited into the Bond and Interest Sinking Fund Account. In addition to such proceeds of the Bonds, under the Loan Agreement, the College has covenanted that it will provide and apply additional funds, if any, which, together with Bond proceeds, will be sufficient to provide for the payment of all Project Costs and all other costs relating to the Project. The Authority shall have no obligation to deposit any moneys in said Construction Account or apply moneys to Project Costs except proceeds of the Bonds or funds made available therefor by the College.

The moneys in the Construction Account shall be held in trust by the Trustee and applied to the payment and reimbursement of Project Costs and pending such application shall be subject to a lien and charge in favor of the Holders of the Bonds and shall be held for the further security of such Holders until paid out.

Payments may be made from the Construction Account for costs of improvement, acquisition, construction and equipping of the Project ("Project Costs"), provided, however, that proceeds of the Bonds may not be applied to the costs of issuance thereof (including underwriting discount) in an amount in excess of two percent of the proceeds (par value less original issue discount according to the reoffering scale) of the Bonds.

Project Costs shall be paid only upon written order of the Authorized Institution Representative provided that interest accruing on the Bonds during the Construction Period may be paid from the Construction Account.

### **Bond and Interest Sinking Fund Account and Sinking Fund Subaccount**

Initially there shall be deposited into the Bond and Interest Sinking Fund Account any amount of Bond proceeds representing accrued interest, which is to be used to pay interest on the Bonds. Deposits shall be made to the Bond and Interest Sinking Fund Account from transfers of amounts in other accounts, as permitted by the Indenture, and from Loan Repayments made by the College. 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 as and when such principal and interest shall become due and payable and for that purpose only.

## **Redemption Account**

Any amounts received which are not otherwise committed will be paid into the Redemption Account. Funds in this Account will be available to maintain required balances in other accounts and to purchase or redeem Bonds. No specific amounts are required. Notwithstanding the foregoing, the Trustee, in its discretion, is authorized 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 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, the Authority will not require that the College deposit funds into the General Bond Reserve Account. **The Bonds will not 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 or interest thereon.**

## **Authorized Investments**

Moneys on deposit to the credit of the Construction Account, Bond and Interest Sinking Fund Account, and the Redemption Account shall be invested by the Trustee only in investments as authorized by law from time to time which are generally as follows currently: 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, rated at least in the rating category of "AA" or "Aa"; revenue bond obligations of states and local governments insured by municipal bond insurance and rated "AAA" or "Aaa"; mutual funds or unit trusts which invest solely in the foregoing obligations of the United States Government, its agencies, state and local governments; time deposits and other accounts fully insured by the Federal Deposit Insurance Corporation; certain guaranteed investment contracts issued by a bank or insurance company rated at least in the rating category of "A"; certain types of repurchase agreements; and certain commercial paper maturing in 270 days or less. Section 5.04 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. A representative of the Minnesota Higher Education Services Office and the President of the Minnesota Private College Council, who is a non-voting member, are also members of the Authority.

J. Luther Anderson has been the Executive Director of the Authority since June 30, 1995, at which time he replaced Joseph E. LaBelle, who retired after serving as Executive Director since

the inception of the Authority. Mr. Anderson was formerly a Senior Vice President with Springsted Incorporated.

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 is seeking authority from the State legislature to increase the maximum to \$500 million. The Authority has had 98 issues (including refunded and retired issues) totaling \$489,994,189 of which \$253,344,723 (excluding the Bonds) is outstanding as of May 1, 1997. An additional \$38,850,000 is authorized but unissued as of that date. 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. Under current statutory authority, public community and technical colleges in the State are also eligible for assistance, but only in financing of child-care and parking facilities. In addition, pursuant to special legislation, the Authority has twice issued bonds on behalf of a public community college for housing purposes. 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.

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**

The Authority has retained Springsted Incorporated, Public Finance Advisors, of St. Paul, Minnesota, as financial advisor (the "Financial Advisor") in connection with the issuance of the Bonds. In preparing the Official Statement, the Financial Advisor has relied upon College officials, and other sources, who have access to relevant data to provide accurate information for the Official Statement, and the Financial Advisor has not been engaged, nor has it undertaken, to independently verify the accuracy of such information. The Financial Advisor is not a public accounting firm and has not been engaged by the Authority to compile, review, examine or audit any information in the Official Statement in accordance with accounting standards. The Financial Advisor is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities and therefore will not participate in the underwriting of the Bonds.

## **RATING**

An application for a rating of the Bonds has been made to Moody's Investors Service ("Moody's"), 99 Church Street, New York, New York. If a rating is assigned, it will reflect only the opinion of Moody's. Any explanation of the significance of the rating may be obtained only from Moody's.

There is no assurance that a rating, if assigned, will continue for any given period of time, or that such rating will not be revised or withdrawn, if in the judgment of Moody's, circumstances so warrant. A revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

## **LITIGATION**

The Authority and the College are unaware of any pending or overtly threatened in writing 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 LLP 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, of St. Paul and Minneapolis, 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) provisions relating to the expenditure of Bond proceeds, (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) provisions relating to the ownership and operation of the facilities financed or refinanced by the Bonds. 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. The Tax Covenants do not relate to all the continuing requirements referred to in the preceding paragraph. If a Determination of Taxability occurs,

however, whether or not as a result of violation of any of the Tax Covenants, the outstanding Bonds are subject to optional redemption without premium, and the Bonds shall bear additional interest at a rate of two percent (2%) per annum from the Date Of Taxability until the respective dates on which the principal of the Bonds is paid. (See "THE LOAN AGREEMENT-Determination of Taxability" in Appendix IV). A determination that interest on the Bonds is includable in the computation of the alternative minimum tax imposed on individuals under the Code is not a Determination of Taxability.

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 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, 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 LLP, 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.

It is possible under the applicable provisions governing state and local income taxation in states other than Minnesota that interest on Discount Bonds may be taxable in the year of accrual, and may be deemed to accrue earlier than under federal law.

## **NOT QUALIFIED TAX-EXEMPT OBLIGATIONS**

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 43 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 and the Chair of the Alumni Annual Fund are each *ex officio* members of the Board of Trustees with all of the duties and privileges of a Trustee except that of voting and attending executive sessions of the Board.

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 Chair, one or more Vice Chairs, 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 Chair. 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 Chairs**

Lloyd P. Johnson

Margaret Ann Towsley Riecker

Arthur R. Schulze, Jr.

#### **President**

Stephen R. Lewis, Jr.

#### **Secretary**

Clement F. Shearer

#### **Treasurer**

Carol N. Campbell

Judd H. Alexander '49

Retired Executive Vice President, James River Corporation, Quechee, Vermont

Michael H. Armacost '58, H. '89

President, The Brookings Institution, Washington, D.C.

Carol A. Barnett '86\*

Manager of Finance, Medtronic, Inc., Minneapolis, Minnesota

G. Kenneth Baum '52

Chairman of the Board, George K. Baum Group Inc., Kansas City, Missouri

Bernard B. Beal '76

CEO, President and Founder, M.R. Beal & Co., New York, New York

Raphael Bernstein, P'86

Private Investor, Bear Stearns & Co., Inc., New York, New York

William M. Bracken '63\*

Chairman, CEO and President, Northco Corporation, Edina, Minnesota

Conley Brooks\*

Chairman, Brooks Associates, Inc., Minneapolis, Minnesota

William C. Craine '70, P'00

President and CEO, Craine & Mirabito Insurance & Mang Group, Inc., Sherburne, New York

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\* *Executive Committee member.*

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



Thomas G. Colwell '52*	Chairman and Chief Executive Officer, Colwell Industries, Inc., Minneapolis, Minnesota
Beth Boosalis Davis '70	Executive Director, National Lekotek Center, Evanston, Illinois
Arnold W. Donald '76	President, Crop Protection, Monsanto Company, St. Louis, Missouri
Jack W. Eugster '67*	Chairman, President and CEO, Musicland Stores Corporation, Minneapolis, Minnesota
William A. Feldt '61, P '87	President and CEO, Flohr Metal Fabricators, Seattle, Washington
Robert L. Gale, '48,P'78	President Emeritus, Association of Governing Boards of Universities and Colleges, Washington, D.C.
Lloyd P. Johnson '52*	Retired Chairman of the Board, Norwest Corporation, Minneapolis, Minnesota
Martha H. Kaemmer '66, P'95	Owner, Cooks of Crocus Hill, St. Paul, Minnesota
Irene Daniell Kress, '51	Green Bay, Wisconsin
John W. Larson '60, P'92, '93	Private Investor, San Francisco, California
Robert C. Larson '56	Chairman, Taubman Realty Group, Bloomfield Hills, Michigan
Douglas W. Leatherdale, P'77	Chairman, President and Chief Executive Officer The St. Paul Companies, Inc., St. Paul, Minnesota
Stephen R. Lewis, Jr. P'86*	President, Carleton College, Northfield, Minnesota
Keith A. Libbey '59	Chairman of the Board, Frederickson & Bryon, P.A., Minneapolis, Minnesota
Charles W. Loftgren '62, P'86, '87	President and Vice Chair, ADE, Inc., Chicago, Illinois
Georgina A. Moreno '92	Graduate Student, Department of Agricultural and Resource Economics, University of California, Berkeley, California
Thomas B. Morgan '49	Author and Free-Lance Journalist, New York, New York
The Reverend Canon Earl A. Neil '57	Canon Missionary, Washington National Cathedral, Washington, D.C.
Catherine James Paglia '74	Managing Director, Interlaken Capital, Inc., Greenwich, Connecticut

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\* *Executive Committee member.*

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

Ada L. Posey '78	Deputy Director and Associate Director for General Services, Executive Office of the President, Washington, D.C.
Margaret Ann Towsley Riecker '54*	Midland, Michigan
John H. Roe, III*	Chairman and Chief Executive Officer Bemis Company, Inc., Minneapolis, Minnesota
Kathleen Ligare Rotchford '72	Director, Sales and Marketing G.E. Capital Fleet Services Europe, Brussels, Belgium
Robert A. Roth '69	President, Chicago Reader, Inc., Chicago Illinois
Arthur R. Schulze, Jr. '52*	Retired Vice Chairman of the Board, General Mills, Inc., Minneapolis, Minnesota
Eugene C. Sit	Chairman, CEO and Chief Investment Officer, Sit Investment Associates, Inc., Minneapolis, Minnesota
Martin A. Trow H'78, P'78	Professor, Graduate School of Public Policy, University of California, Berkeley, California
Bruce C. Tully '71	Managing Director, Bankers Trust Company, New York, New York
Garrick Utley '61, H'79	Chief Foreign Correspondent, ABC News, New York, New York
Winston R. Wallin P'78, '82, '87	Emeritus Chairman, Medtronic, Inc., Minneapolis, Minnesota
Kenneth J. Widder, M.D. '74	Chairman and CEO, Molecular Biosystems, Inc., San Diego, California
Sidney Carne Wolff '62, H'85*	Director, National Optical Astronomy Observatories, Tucson, Arizona
Katherine Werness Youngblood, '57, P'81	Client Consultant, The Clemmer Group, Inc., Minneapolis, Minnesota

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\* 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 led a comprehensive campaign to provide for academic programs and student life, and has increased efforts to bring alumni into closer contact with their alma mater. 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 served as Chair of the National Association of College and University Business Officers in 1993-94 and currently serves on several Boards of Directors within the Northfield community and nationally.

### **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 original building (Willis Hall) completed in 1872 on a ten-acre parcel has been joined by 49 others, including 12 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) - linguistics, astronomy offices and laboratory, classrooms, 16-inch visual refractor, 8-inch photographic refractor telescope;

Scoville Hall (1896) - Asian languages offices, media center, Multicultural Affairs Office and Student Support Services offices, classrooms;

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 literature, philosophy offices, classrooms, administrative offices;

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

Boliou Memorial Art Building (1949) - gallery, studios, classrooms, and art and art history 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) - physics, psychology offices, classrooms, auditorium, and laboratories;

The West Gymnasium (1964) - offices, basketball courts, swimming pool and locker rooms;

Cowling Recreation Center (1965) - offices, gymnasium, pool, dance studio, and locker rooms;

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, and laboratories;

Johnson House and Alumni Guest House (1992) - A single structure, Johnson House includes offices and support space for Admissions and the Alumni Guest House, has guest quarters, a faculty and staff lounge and library, and a meeting room;

Center for Mathematics and Computing (1993) - A new four-story building housing mathematics and computer science, offices, academic and administrative computing offices, laboratories, classrooms;

Hulings Hall (1995) - biology offices, biology and psychology laboratories.

## **Residence Halls**

Burton Hall (1916) - co-ed dormitory (housing 180 students) and dining hall;

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

Davis Hall (1923) - co-ed dormitory (housing 110 students) and College Wellness Center;

Evans Hall (1927) - co-ed dormitory (housing 117 students) and dining hall;

Severance Hall (1927) - co-ed dormitory (housing 68 students), dining hall and Dean of Students Office;

Musser Hall (1958) - co-ed dormitory (housing 141 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 175 students).

Approximately 1,570 students live in College-owned housing, 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.

Since 1983, Carleton has been first among all undergraduate liberal arts colleges in the number of National Merit Scholars enrolled. Eighteen percent of the College's graduates enter careers in medicine or law, 18% in business or commerce, and 15% in education. Carleton is second among all liberal arts colleges in graduates who earned Ph.D's in all fields between 1986 and 1995, the most recent figures available. For the same period, the College is first among liberal arts colleges in graduates who earned Ph.D's in all sciences and mathematics, first in physics and astronomy, first in the number of chemistry Ph.D's, first in Ph.D's in the geological sciences, first in Ph.D's in the biological sciences and fifth in the mathematical sciences. (Source: Doctorate Records File maintained by the National Research Council.)

In 1996-1997, 49% of Carleton's 1,867 students came from the Midwest, 24% from the West, 19% from the East, 6% from the South and 2% from outside the United States. Approximately 16% are African American, Asian/Pacific Islanders, Hispanic or Native American. Approximately 54% of Carleton's students receive scholarship or grant assistance based on need, and about 75% work on campus. The student/faculty ratio is 10:1. The average class size is 18; 65% of the classes have 20 or fewer students. Each year, students can choose from 1,000 courses in 34 majors and several interdisciplinary programs. More than 350 Carleton students participate every year in off-campus study 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 and Washington University (St. Louis). 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 the engineering school.

**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. The teacher education program at Carleton College is fully accredited by the State of Minnesota Board of Teaching. 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 licensure.

## **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.

1992-93	1,822
1993-94	1,859
1994-95	1,912
1995-96	1,909
1996-97	1,867

## Geographic Distribution of College Alumni For Whom Information is Available

Minnesota	4,576
California	2,251
Illinois	1,879
New York	1,063
Wisconsin	928
Washington State	750
Other States	9,870
Foreign Countries	<u>542</u>
Total	21,859

## Marketing

Carleton's marketing efforts include (1) direct contact with potential students by the admissions office, (2) contact with state, regional and national media, (3) continuing contact with high school counselors and college advisors, (4) special efforts toward national visibility in coordination with a national college public relations firm, (5) promotion of faculty regionally and nationally as experts in their fields, and (6) 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, about one-third of whom become realistic prospects. More than 3,000 well-qualified prospects return applications each year. Admission staff members visit schools, represent the College at national college fairs and hold area receptions for prospects and their parents in about 35 states, including Hawaii and Alaska, and in Asia. An alumni admissions volunteer network of more than 800 persons helps maintain contact, provides information and increases the College's visibility.

The College produces nearly 500 printed pieces annually including all admissions materials for prospective students and makes 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," 600 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 national and international public appearances annually, participating in media interviews, writing opinion pieces for news media, and making literary contributions to the alumni magazine.

The College is regularly referenced among the finest liberal arts colleges in the country by various publications. *U.S. News and World Report* ranks Carleton College among the top ten national liberal arts colleges, and in a 1995 special report, ranked the College first in the nation among national liberal arts colleges in its dedication to teaching.

## 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>
1992-93	2,659	1,424	494	53.5%	34.7%	1,280
1993-94	2,693	1,579	489	58.6	31.0	1,270
1994-95	2,782	1,596	527	57.4	33.0	1,290
1995-96	2,854	1,444	463	50.6	32.1	1,300
1996-97	2,962	1,467	474	49.5	32.3	1,360

### 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, Northwestern University, Grinnell College, Williams College, Amherst College, Brown University, Swarthmore College, and Harvard University.

### Geographic Distribution of Entering Freshmen

For the fall of 1996, the geographic distribution of entering freshmen is as follows:

Minnesota	112
California	36
Illinois	31
New York	27
Wisconsin	22
Massachusetts	21
Michigan	14
Other States	201
Foreign Countries	9
Total	473

### 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>
1987	507	95.1%	89.2%	89.8%	82.6%	90.3%
1988	473	94.7	89.6	87.9	84.1	89.6
1989	472	95.6	90.7	88.8	84.3	90.3
1990	462	95.9	88.7	89.8	81.4	87.9
1991	471	91.7	90.4	87.3	82.2	
1992	494	94.7	89.9	87.7	81.4	
1993	488	92.4	89.5	86.7		
1994	524	95.2	90.8			
1995	463	94.8				
1996	473					

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



## Tuition and Fees

	<u>1993-94</u>	<u>1994-95</u>	<u>1995-96</u>	<u>1996-97</u>	<u>1997-98</u>
Tuition and Fees	\$18,279	\$19,292	\$20,171	\$20,988	\$21,750
Room	1,539	1,623	1,692	1,857	1,923
Full Board	2,211	2,334	2,433	2,433	2,517
Fees	<u>126</u>	<u>126</u>	<u>129</u>	<u>132</u>	<u>135</u>
Total	\$22,155	\$23,375	\$24,425	\$25,410	\$26,325

## 1996-97 Undergraduate Rate Comparison of Minnesota Private Colleges (Ranked by Comprehensive Fees)

<u>College</u>	<u>Tuition &amp; Fees</u>	<u>Room &amp; Board</u>	<u>Comprehensive Fees</u>
<b>Carleton College</b>	<b>\$21,120</b>	<b>\$4,290</b>	<b>\$25,410</b>
Macalester College	17,708	5,275	22,983
St. Olaf College	15,700	3,850	19,550
Gustavus Adolphus College	15,350	3,900	19,250
Hamline University	14,344	4,536	18,880
College of St. Benedict	13,996	4,541	18,537
Minneapolis College of Art & Design	14,786	3,745	18,531
St. John's University	13,996	4,392	18,388
University of St. Thomas	13,778	4,559	18,337
College of Saint Catherine	13,702	4,402	18,104
Augsburg College	13,286	4,794	18,080
Bethel College	13,180	4,690	17,870
College of St. Scholastica	13,131	3,807	16,938
St. Mary's University of Minnesota	12,045	3,920	15,965
Concordia College (St. Paul)	11,355	4,200	15,555
Concordia College (Moorhead)	11,570	3,400	14,970
Average	\$14,315	\$4,269	\$18,584

*NOTE: Charges apply to new entering students only. Several colleges have differential tuition for upperclassmen, housing cost freezes for returning students or other policies that result in variation in costs.*

*Source: Minnesota Private College Council.*

### 1996-97 Total Cost Comparison of COFHE Colleges

The following table presents a comparison of 1996-97 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	\$29,058
Swarthmore	28,230
Bryn Mawr	28,200
Williams	28,050
Wesleyan	27,940
Amherst	27,815
Oberlin	27,750
Mount Holyoke	27,640
Pomona	27,570
Trinity	27,530
Smith	27,458
Wellesley	26,970
<b>Carleton</b>	<b>25,410</b>
Median	\$27,750

Source: Consortium on Financing Higher Education.

### Faculty and Staff

The teaching student-faculty ratio for 1996-97 is 10 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.

#### Faculty and Staff 1996-97

Undergraduate Faculty - Tenured	112
Undergraduate Faculty - Tenure Track	40
Undergraduate Faculty - Non-Tenured	14
Administrative Staff - Non-Union	328
Administrative Staff - Union	<u>67</u>
Total	561

#### Faculty Compensation 1996-97

<u>Academic Rank</u>	<u>Number of Faculty</u>	<u>Average Total Compensation</u>
Professor	79	\$88,842
Associate Professor	40	69,025
Assistant Professor	42	55,340
Instructor	5	47,345

Of the full-time faculty, 158 or 97% hold Ph.D.s or terminal degrees in their fields, four hold Master's degrees and one holds a Bachelor of Arts degree.

## 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 plan is paid currently and amounted to \$1,274,950 for the Fiscal Year ended June 30, 1996.

## 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, of which 14 are employees of Marriot Corporation. The current contract expires July 1, 1997. This is the only bargaining unit at the College.

## Financial Aid

Approximately 87% 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>1991-92</u>	<u>1992-93</u>	<u>1993-94</u>	<u>1994-95</u>	<u>1995-96</u>
Carleton College	\$ 7,461,481	\$ 8,963,369	\$10,245,019	\$11,610,731	\$12,138,991
Federal Govt.	2,992,526	3,239,202	3,559,891	4,002,798	4,402,039
State of Minnesota	887,722	1,091,102	1,115,183	1,142,795	1,169,262
Other	<u>1,017,147</u>	<u>1,090,708</u>	<u>1,035,510</u>	<u>1,128,291</u>	<u>1,113,670</u>
Total	\$12,358,876	\$14,384,381	\$15,955,603	\$17,884,615	\$18,823,962
% of Enrollment Aided	87%	89%	87%	88%	87%

\* 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 five-year history of the ending market value of the College's Endowment, Annuity and Life Income Funds.

	<u>Endowment</u>	<u>Quasi-Endowment</u>	<u>Annuity &amp; Life Income</u>	<u>Total</u>
1991/92	\$138,348,757	\$53,273,768	\$ 8,268,156	\$199,890,681
1992/93	161,855,528	57,243,396	11,686,725	230,785,647
1993/94	163,671,153	65,491,092	14,226,341	243,388,586
1994/95	194,519,947	71,101,050	16,201,541	281,822,538
1995/96	225,562,415	77,332,535	20,319,094	323,214,044

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 87th among 466 higher education institutions and foundations reporting on the total market value of total endowment assets at the end of Fiscal Year 1996.

### Gifts and Grants

The following table reports gifts and grants revenues received for the past five years:

	<u>1991-92</u>	<u>1992-93</u>	<u>1993-94</u>	<u>1994-95</u>	<u>1995-96</u>
Current:					
Unrestricted	\$ 2,342,127	\$ 2,626,307	\$ 2,974,903		
Restricted	2,581,043	2,304,966	2,820,062		
Loan	50				
Endowment	3,093,315	5,942,720	5,230,875		
Annuity, life income	441,580	1,138,771	2,889,413		
Plant	1,610,351	2,187,878	3,924,259		
Unrestricted				\$ 5,628,220	\$ 5,368,592
Temporarily restricted				4,967,201	5,840,863
Permanently restricted				<u>1,486,407</u>	<u>3,311,235</u>
Subtotals per Financial Statement	\$10,068,466	\$14,446,642	\$17,839,512	\$12,081,828	\$14,520,690
Government grants				1,332,203	1,141,969
Annuity and life income				<u>1,234,344</u>	<u>1,580,133</u>
Totals	<u>\$10,068,466</u>	<u>\$14,446,642</u>	<u>\$17,839,512</u>	<u>\$14,648,375</u>	<u>\$17,242,792</u>

### 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 College expects the campaign will contain the following components: approximately \$70 million for current capital projects and endowment, \$35 million for current operating expenses, and \$35 million in gifts with future payout (life-income gifts and bequest provisions).

Of the expected \$70 million for capital projects and endowment, approximately \$46 million will be directed to new buildings, building renovations and necessary infrastructure improvements.

The remaining \$24 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.

### **Presentation of Financial Statements**

For the year ended June 30, 1995, the College adopted three new Statements of Financial Accounting Standards (SFAS) issued by the Financial Accounting Standards Board. Together the new statements significantly alter the appearance and content of private college and university financial statements. These changes in presentation make it difficult to draw comparisons between the financial statement for the fiscal years ended prior to June 30, 1995, and the financial statements for 1995 and thereafter.

SFAS No. 116, *Accounting for Contributions Received and Contributions Made*, has two significant aspects. The first is a requirement to record certain specifically verifiable donor promises as revenues in the period the promises are received, and to reflect the promises as receivables of the College. This contrasts with the previous practice of recording contributions when the actual cash or property was received.

The second aspect of SFAS No. 116 is the requirement to record contributions into one of three classes of net assets: permanently restricted, temporarily restricted or unrestricted, based on the existence or absence of donor imposed restrictions.

SFAS No. 117, *Financial Statements for Not-for-Profit Organizations*, is intended to make financial statements of not-for-profit organizations more understandable to users of those statements, and requires that the financial statements of all not-for-profit organizations include a statement of position, a statement of activities and a statement of cash flows. Such financial statements focus on the College as a whole and present balances and transactions according to the existence or absence of donor imposed restrictions, and again classify fund balances and transactions into three classes of net assets: permanently restricted, temporarily restricted or unrestricted.

SFAS No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*, requires that the College report investments on a current market basis.

The College adopted SFAS No. 116, No. 117 and SFAS No. 124 effective July 1, 1994.

Notes 1 and 2 in the Notes to Financial Statements dated June 30, 1996, includes further discussion of the accounting policies related to the changes brought about by the new SFAS statements.

Appendix VI sets forth the financial statements of the College for the year ended June 30, 1996, audited by Coopers & Lybrand L.L.P., Minneapolis, Minnesota and prepared in accordance with SFAS No. 116 and SFAS No. 117. The firm has not participated in the preparation of this Official Statement and expresses no opinion on its contents.

**Summaries of Current Unrestricted Fund Revenues, Expenditures and Other Changes for Fiscal Years 1991 through 1994**

The table on page I-17 sets forth summaries of revenues, expenditures and other changes for the College's Unrestricted Current Fund, for Fiscal Years 1991 through 1994 which were maintained and presented on the fund accounting system.

**Statement of Unrestricted Activities for Fiscal Years 1995 and 1996**

The table on page I-18 sets forth the statement of unrestricted activities prepared in accordance in SFAS No. 116 and No. 117 for the Fiscal Years 1995 and 1996.

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

	1991	1992	1993	1994
<b>REVENUES:</b>				
Student fees	\$28,237,128	\$30,090,240	\$31,772,351	\$33,895,173
Endowment income	1,957,060	1,702,524	1,498,403	1,759,608
Private gifts	2,250,003	2,342,127	2,626,307	2,974,903
Other sources	952,392	992,221	824,817	931,246
	<u>33,396,583</u>	<u>35,127,112</u>	<u>36,721,878</u>	<u>39,560,930</u>
Auxiliary enterprises	<u>7,267,524</u>	<u>7,235,989</u>	<u>7,747,483</u>	<u>8,152,373</u>
Total Revenues	<u>40,664,107</u>	<u>42,363,101</u>	<u>44,469,361</u>	<u>47,713,303</u>
<b>EXPENDITURES:</b>				
Educational and general:				
Instruction	8,601,971	8,937,974	11,585,089	10,888,274
Organized research				
Academic support	2,815,656	2,948,935	3,261,369	4,646,125
Student services	4,440,094	4,574,666	4,908,762	5,144,374
Institutional support	7,447,534	7,666,078	7,651,331	8,046,042
Plant operations	3,387,019	3,573,791	3,833,144	4,249,601
Student aid	4,114,735	4,545,645	5,747,522	6,768,645
Other educational operations	1,859,221	2,394,634		
Total education and general	<u>32,666,230</u>	<u>34,641,723</u>	<u>36,987,217</u>	<u>39,743,061</u>
Auxiliary enterprises	<u>6,981,046</u>	<u>6,922,536</u>	<u>7,267,296</u>	<u>7,573,137</u>
Total Expenditures	<u>39,647,276</u>	<u>41,564,259</u>	<u>44,254,513</u>	<u>47,316,198</u>
Revenues over expenditures before transfers	<u>1,016,831</u>	<u>798,842</u>	<u>214,848</u>	<u>397,105</u>
<b>Transfers and Deductions:</b>				
Mandatory				
Debt Service	(423,178)	(395,241)	(142,635)	(141,264)
Non-mandatory				
Endowment income transferred under total return formula	68,664	396,561	621,397	386,983
Internal debt service	(653,684)	(661,390)	(662,880)	(627,254)
Surplus to Plant Funds				
Other	(4,021)			
Total Transfers and Deductions	<u>(1,012,219)</u>	<u>(660,070)</u>	<u>(184,118)</u>	<u>(381,535)</u>
Net Increase (Decrease) in Fund Balance	4,612	138,772	30,730	15,570
Beginning Fund Balance, July 1	<u>935,785</u>	<u>940,397</u>	<u>1,079,169</u>	<u>1,109,899</u>
Ending Fund Balance, June 30	<u>\$940,397</u>	<u>\$1,079,169</u>	<u>\$1,109,899</u>	<u>\$1,125,469</u>

Sources: Derived from audited financial statements of the College for Fiscal Years 1991 - 1994 which were prepared using the principles of fund accounting.

**CARLETON COLLEGE  
STATEMENT OF ACTIVITIES**

**For the Years Ended June 30**

	1995	1996
<b>Revenues and other additions:</b>		
Student fees	\$37,062,630	\$38,532,337
Room and board	5,712,813	6,011,409
Less: grant aid to students	(10,324,383)	(10,842,427)
Net student fee revenue	<u>32,451,060</u>	<u>33,701,319</u>
Bookstore, rents, other services	3,329,707	3,300,670
Investment income	6,925,310	7,220,262
Private gifts and pledges	12,081,828	14,520,690
Net gain on sale of investments	13,181,645	42,062,380
Unrealized gain (loss) on investments	22,513,306	101,483
Government reimbursement	740,015	727,984
Net change in deferred gifts	112,482	569,679
Total revenue and other additions	<u>91,335,353</u>	<u>102,204,467</u>
<b>Expenses and other deductions:</b>		
Operations:		
Instruction	21,301,242	21,805,330
Academic support:		
Library	4,026,567	3,888,064
Other	3,268,541	3,677,190
Student services	5,456,233	5,846,663
Institutional support:		
Administration	2,096,640	2,167,310
External relations	2,211,300	2,405,155
Fund raising	1,896,427	2,337,189
General	3,574,112	2,805,599
Auxiliary enterprises	8,527,890	9,288,505
Total expenses and other deductions	<u>52,358,952</u>	<u>54,221,005</u>
Increase (decrease) in net assets before cumulative effect of change in accounting principle	38,976,401	47,983,462
Cumulative effect of change in accounting principle	<u>23,134,550</u>	
Change in unrestricted net assets	60,926,964	37,902,795
Change in temporarily restricted net assets	(306,030)	6,733,708
Change in permanently restricted net assets	<u>1,490,017</u>	<u>3,346,959</u>
Change in net assets	<u><u>62,110,951</u></u>	<u><u>47,983,462</u></u>

Sources: Derived from audited financial statement of the College for Fiscal Years 1995 and 1996 which were prepared using the principles of SFAS No. 116 and No. 117.



## **Long-Term Debt of the College**

1. \$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. \$2,385,000 is outstanding.
2. \$24,300,000 Minnesota Higher Education Facilities Authority Revenue Bonds, Series Three-L1, Three-L2 and Three-L3, dated October 1, 1992. The proceeds financed a portion of the cost of several construction, remodeling and equipment acquisition projects. The bonds are secured by the full faith and credit of the College. The \$4,000,000 Series Three-L3 Bonds are fixed-rate, bear various rates of interest from 3.25% to 5.50% and mature serially November 1 each year through 2000; \$2,155,000 is outstanding. The \$10,000,000 Series Three-L1 Bonds and the \$10,300,000 Series Three-L2 Bonds are variable rate and have term maturities of November 1, 2012. The Series Three-L1 Bonds are in a multi-monthly mode of 5.75% through the term of the bonds. The entire principal of the Series Three-L1 and Series Three-L2 Bonds is outstanding.

As of June 1, 1997, the College's total long-term debt outstanding, adjusted to include the Bonds, is \$49,280,000.

## **Annual Debt Service by Fiscal Year and Coverage Statement**

The table on page I-20 sets forth the principal and estimated debt service on the Bonds and debt service on the College's currently outstanding long-term debt for each fiscal year during the term of the Bonds. Column 6 shows coverage of such annual debt service by the amount of College revenue that was available for debt service for the year ended June 30, 1996, as further detailed in footnote (c) of the table. Actual long-term debt of the College is expected to increase in the future as additional capital projects are undertaken.

**This table is intended merely to show the relationship of historic annual revenues of the College available for the payment of debt service to a proforma statement of combined annual debt service of the College after giving effect to the issuance of the Bonds based on an assumed interest rate schedule with respect to the Bonds and an assumed interest rate on the Series Three-L2 Bonds. The table is not intended and should not be considered a projection of future revenues, expenses, debt service or debt service coverage of the College. There is no assurance that the future revenues, expenses, debt service and debt service coverage of the College or the respective relationships thereof will correspond to the revenues, expenses and debt service or the respective relationships thereof shown by or reflected in the following table.**

**Minnesota Higher Education Facilities Authority**  
**Series Four-N, Carleton College**  
**Annual Debt Service by Fiscal Year and Coverage Statement**

Fiscal Year Ending June 30	Debt Service on the Bonds (a)	Existing Long Term Debt Service	Combined Long Term Debt Service	Amount Available For Debt Service (b)	Coverage (Times)
(1)	(2)	(3)	(4)	(5)	(6)
1997	0	\$ 1,731,570	\$ 1,731,570	\$ 5,039,545	2.91
1998	1,258,964	1,727,669	2,986,633	5,039,545	1.69
1999	1,373,415	1,721,262	3,094,677	5,039,545	1.63
2000	2,056,615	1,717,631	3,774,246	5,039,545	1.34
2001	2,056,808	1,711,969	3,768,777	5,039,545	1.34
2002	2,054,550	1,121,156	3,175,706	5,039,545	1.59
2003	2,054,645	1,121,156	3,175,801	5,039,545	1.59
2004	2,056,760	1,121,156	3,177,916	5,039,545	1.59
2005	2,055,905	1,121,156	3,177,061	5,039,545	1.59
2006	2,052,238	1,121,156	3,173,394	5,039,545	1.59
2007	2,055,445	3,506,156 (c)	5,561,601	5,039,545	0.91
2008	2,054,946	987,000	3,041,946	5,039,545	1.66
2009	2,055,256	987,000	3,042,256	5,039,545	1.66
2010	2,055,980	987,000	3,042,980	5,039,545	1.66
2011	2,057,020	987,000	3,044,020	5,039,545	1.66
2012	2,058,301	987,000	3,045,301	5,039,545	1.65
2013	2,059,463	21,287,000 (d)	23,346,463	5,039,545	0.22
2014	2,055,281		2,055,281	5,039,545	2.45
2015	2,055,776		2,055,776	5,039,545	2.45
2016	2,060,295		2,060,295	5,039,545	2.45
2017	2,058,520		2,058,520	5,039,545	2.45
2018	2,060,079		2,060,079	5,039,545	2.45
2019	2,059,500		2,059,500	5,039,545	2.45
<b>Totals:</b>	<b>\$ 43,765,761</b>	<b>\$ 43,944,037</b>	<b>\$ 87,709,798</b>		

(a) Estimated based on market rates for May 1997.

(b) Calculation of Amount Available for Debt Service for Fiscal Year Ended June 30, 1996:

Increase in Unrestricted Net Assets:	<u>\$ 37,902,795</u>
Plus:	
Depreciation	3,243,401
Net Unrealized Loss on Investments	66,877
Debt Service Interest	1,212,799
Less:	
Net Assets Released from Restriction for	
Land, Buildings and Equipment	(5,019,059)
Net Gain on Sale of Investments	<u>(32,367,268) (*)</u>
<b>Amount Available for Debt Service:</b>	<u><b>\$ 5,039,545</b></u>

\*Excludes endowment earnings allocated to general operations.

(c) Includes the \$2,385,000 Series T Bonds due as a balloon payment for which the College has 110% collateralization and is making annual sinking fund payments. See the discussion of the Series T Bonds on page I-19.

(d) Assumes the Series Three-L1 Bonds and Series Three-L2 Bonds principal will be paid when due on November 1, 2012. The interest rate on the Series Three-L1 Bonds is fixed through the term of the bonds at 5.75%. The Series Three-L2 are in a seven-day put mode; interest has been assumed at 4.00% for the term of the bonds.

## PROPOSED FORM OF LEGAL OPINION

## FAEGRE &amp; BENSON LLP

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

\$24,440,000

Minnesota Higher Education Facilities Authority  
 Revenue Bonds, Series Four-N  
 (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) Revenue Bonds, Series Four-N (Carleton College), in the aggregate principal amount of \$24,440,000 (the "Bonds"), dated June 1, 1997, in the denomination of \$5,000 each and integral multiples thereof, maturing on November 1 in the years and amounts and bearing interest at the basic rates per annum as follows:

<u>November 1</u> <u>of the Year</u>	<u>Amount</u>	<u>Basic</u> <u>Interest</u> <u>Rate</u>	<u>November 1</u> <u>of the Year</u>	<u>Amount</u>	<u>Basic</u> <u>Interest</u> <u>Rate</u>
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The Bonds are subject to optional redemption prior to the stated maturities thereof as provided in the Bonds and the Indenture. Interest on the Bonds is payable on each May 1 and November 1, commencing November 1, 1997. In the event of a Determination of Taxability (as defined in the Loan Agreement and Trust Indenture referred to below), the Bonds are subject to additional interest and optional redemption. Interest is payable by check or draft mailed or sent by wire transfer to the registered owner, and principal is payable at the principal corporate trust office of Norwest Bank Minnesota, National Association, in Minneapolis, Minnesota, as Trustee (the "Trustee"). The Bonds are issued for the purpose of funding a loan from the Authority to Carleton College, a Minnesota nonprofit corporation and institution of higher education located in the City of Northfield, Minnesota (the "College"), in order to finance improvement of existing facilities and acquisition, construction and installation of new facilities, all owned or to be owned and operated by the College and located on its main campus in Northfield, Minnesota. 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 the Trustee each dated as of June 1, 1997, one or more opinions of Briggs and Morgan Professional Association, 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 Professional Association, as to the Loan Agreement having been duly authorized and executed and being binding upon the College and as to the corporate organization, tax-exempt status, good standing and powers of the College, and upon the opinion of Schmitz and Ophaug, as to 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 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, 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, scheduled to be made 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 and by the pledge of funds and rights to payment held by the Trustee, as assignee, under the Loan Agreement.

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 purposes of the computation of "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 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, \_\_\_\_\_, 1997.

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## CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the "Agreement"), by and between Carleton College, a Minnesota nonprofit corporation ("College") and Norwest Bank Minnesota, National Association, as trustee under the Indenture described below (the "Trustee"), is dated as of June 1, 1997.

### RECITALS

A. Pursuant to a Trust Indenture of even date herewith between the Minnesota Higher Education Facilities Authority, an agency of the State of Minnesota (the "Issuer") and the Trustee (the "Indenture"), the Issuer is issuing \$24,440,000 Revenue Bonds, Series Four-N (the "Bonds"). The Bonds will be offered for sale pursuant to an Official Statement dated May 13, 1997 (together with any amendments thereof or supplements thereto, the "Final Official Statement").

B. Proceeds of the Bonds will be loaned to the College pursuant to a Loan Agreement between the Issuer and the College (the "Loan Agreement") dated as of even date herewith, with all principal of and interest on the Bonds intended to be repaid from Loan Repayments as defined in the Loan Agreement.

C. This Agreement is being entered into in response to promulgation by the Securities and Exchange Commission (the "Commission") of certain amendments to Rule 15c2-12 under the Securities Exchange Act of 1934, as amended, restricting participating underwriters from purchasing municipal securities unless an agreement has been entered into to provide certain continuing disclosure concerning the municipal securities after their issuance.

NOW THEREFORE, in consideration of the Issuer's issuance of the Bonds, the purchase of the Bonds by the participating underwriter, and other good and valuable consideration, the parties hereto agree as follows:

**SECTION 1. Definitions.** In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Agreement unless otherwise defined in this Section or the foregoing Recitals, the following capitalized terms shall have the following meanings:

"Annual Report" means, with respect to the Reporting Party, a document or set of documents which contains (or includes by reference as provided in Section 2 hereof)

financial and operating data with respect to the Reporting Party described in the Exhibit hereto.

“Annual Report Date” means, with respect to each Annual Report, the date so designated in the Exhibit hereto.

“Disclosure Representative” means, with respect to the Reporting Party, the person identified in Section 10 hereof as the recipient of notices to be sent hereunder or such other person as the Reporting Party shall designate by written notice to the Trustee.

“Listed Events” shall mean any of the events listed in Section 3(a) of this Agreement.

“National Repository” shall mean, as of the date of determination, any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. Currently, the following are National Repositories:

Bloomberg Municipal Repository  
P.O. Box 840  
Princeton, N.J. 08542-0840  
Phone: (609) 279-3200

R.R. Donnelly Financial Municipal Securities  
Disclosure Archive  
559 Main Street  
Hudson, Mass. 01749  
Phone: (800) 580-3670

Thomsons Municipal Services  
Attn: Municipal Disclosure  
395 Hudson Street - 3rd Floor  
New York, NY 10014  
Phone: (800) 689-8466

Kenny Information Systems Inc.  
Attn: Kenny Repository Service  
65 Broadway - 16th Floor  
New York, N.Y. 10006  
Phone: (212) 770-4595

Disclosure, Inc.  
Attn: Document Acquisitions/Municipal  
Securities  
5161 River Road  
Bethesda, Md. 20816  
Phone: (301) 215-6015

Moody's NRMSIR  
Public Finance Information Center  
99 Church Street  
New York, N.Y. 10007  
Phone: (800) 339-6306

“Participating Underwriter” shall mean \_\_\_\_\_, the original purchasers.

“Reporting Party” shall mean, subject to release as provided in Section 4 hereof, the College; together with any successors or assigns as provided in Section 4 hereof.

“Repository” shall mean each National Repository and each State Repository, if any.



“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Commission under the Securities Exchange Act of 1934, as in effect on the date hereof.

“State Repository” shall mean any public or private repository or entity designated by the State of Minnesota as a state repository for the purpose of the Rule. As of the date of this Agreement, there is no State Repository.

“Tax-exempt” shall mean that interest on the Bonds is excluded from the gross income, for federal income tax purposes, whether or not such interest is includable as an item of tax preference or otherwise includable directly or indirectly for purposes of calculating any other tax liability, including any alternative minimum tax or environmental tax.

## SECTION 2. Provision of Annual Report.

(a) On or before the Annual Report Date, the Reporting Party shall cause the Annual Report of the Reporting Party to be delivered to the Issuer, the Trustee and each Repository; provided that if the Annual Report consists of a final Official Statement within the meaning of the Rule it shall also be delivered to the Municipal Securities Rulemaking Board (the “MSRB”).

(b) To the extent included in an Annual Report, financial statements shall be audited and prepared in accordance with generally accepted accounting principles, as in effect from time to time.

(c) Each Annual Report may incorporate by reference any information on file with each Repository or the Commission, instead of setting forth such information in the Annual Report.

(d) Concurrent with delivery of an Annual Report to the Trustee there shall be also delivered to the Trustee a written certification from the Reporting Party stating whether or not the Annual Report has been provided and describing arrangements made by the Reporting Party to provide the Annual Report to each Repository.

(e) If the Trustee has not yet received an Annual Report for the most recent complete fiscal year, the Trustee shall on or before 180 days after each fiscal year end of the College, request the certification by the Reporting Party described in Section 2(d) and repeat the request on or before 240 days after each fiscal year end of the College. If the Trustee has not received an Annual Report by the date of the second request to the Reporting Party, together with the certification by the Reporting Party described in Section 2(d), the Trustee shall promptly notify the Disclosure Representative of the failure to receive the Annual Report and certification. If the Trustee is unable to verify by the Annual Report Date that an Annual Report was provided to each Repository and if the Trustee has received such Annual

Report, the Trustee shall, at the expense of the Reporting Party, promptly provide the Annual Report to each Repository for whom verification was not obtained.

### SECTION 3. Reporting of Listed Events.

(a) The Trustee shall promptly notify the Reporting Party of any of the following occurrences (each, a "Listed Event") of which it has actual knowledge; and no later than three Business Days after receiving actual notice of the occurrence of a Listed Event, the Reporting Party shall notify the Trustee in writing of the Listed Event:

- (i) Principal and interest payment delinquencies;
- (ii) Non-payment related defaults;
- (iii) Unscheduled draws on debt service reserves reflecting financial difficulties (this is not applicable to the Bonds);
- (iv) Unscheduled draws on credit enhancements reflecting financial difficulties (this is not applicable to the Bonds);
- (v) Substitution of credit or liquidity providers, or their failure to perform (this is not applicable to the Bonds);
- (vi) Adverse tax opinions or events affecting the tax-exempt status of the security;
- (vii) Modifications to rights of security holders;
- (viii) The giving of notice to redeem any Bonds other than for a sinking fund redemption;
- (ix) Defeasances;
- (x) Release, substitution, or sale of property securing repayment of the securities (this is not applicable to the Bonds) and;
- (xi) Rating changes.

(b) No later than five Business Days after either (i) the Reporting Party has received notice from the Trustee of a Listed Event or (ii) the Reporting Party is required to give notice of a Listed Event to the Trustee, the Reporting Party shall give notice of the occurrence of the Listed Event, if material, to each Repository or MSRB. However, if the Reporting Party deems a Listed Event to be not material, the Reporting Party shall certify to the Trustee no later than five Business Days after (i) or (ii) of the foregoing sentence the reason such Listed Event is not deemed material.

(c) The Trustee shall promptly give notice to each Repository or MSRB of a failure of the Reporting Party to provide the Annual Report on or before the Annual Report Date.

SECTION 4. Termination of Reporting Obligation. The Reporting Party's obligations under this Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. The obligations hereunder of the Reporting Party shall

also terminate upon the release of the obligation of such party to pay any amounts due or to become due under the Loan Agreement; provided that if such release occurs because of any transfer of assets or the merger of the Reporting Party and the transferee or resultant organization assumes such obligations of the Reporting Party, the Reporting Party shall first require such transferee or resultant organization to assume the obligations of the Reporting Party hereunder.

SECTION 5. Amendment. Notwithstanding any other provision of this Agreement, the Reporting Party and the Trustee may amend any provision of this Agreement (and the Trustee shall agree to any amendment so requested by the Reporting Party so long as, in the judgment of the Trustee, its burdens or liabilities are not increased thereby), subject to the following conditions:

- (a) the amendment is in connection with a change in circumstances that arises from a change in legal requirements, change in law or change in the identity, nature or status of the Reporting Party or type of business conducted;
- (b) this Agreement, after giving effect to the amendments, would have complied with the requirements of the Rule as of the date of the Official Statement, after taking into account any subsequent amendments or interpretations of the Rule, as well as any change in circumstances; and
- (c) the Trustee either determines, in its discretion, that the amendment does not materially impair the interest of the Holders of the Bonds or obtains the consent of Holders of at least 51% in aggregate principal amount of the Bonds then outstanding.

In addition, any Annual Report containing amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information. If an amendment to this Agreement relates to a change in the accounting principles to be followed in preparing financial statements, the Annual Report in which the change appears should present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles, with a qualitative discussion and (to the extent reasonably feasible) a quantitative comparison of the differences in principles and the impact of the change on the presentation of the financial information. A notice of any change in accounting principles should be sent to the Repository or the MSRB.

Subject to the foregoing, this Agreement may be amended or supplemented from time to time without notice to or consent of the Holders of any Bonds or the Participating Underwriters.

SECTION 6. Additional Information. Nothing in this Agreement shall be deemed to prevent the Reporting Party from disseminating any other information, using the means of dissemination set forth in this Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Agreement. If the Reporting Party chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the Reporting Party shall have no obligation under this Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 7. Default. In the event of a failure of the Reporting Party to provide a timely Annual Report or to report the occurrence of a Listed Event, the Trustee or any Holder of Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Reporting Party to provide the reports. In the event of a failure of the Reporting Party to comply with provisions (other than Sections 2 and 3 of this Agreement) or a challenge to the adequacy of any report under Sections 2 and 3, the Trustee may (and, at the request the Holders of at least 51% of the aggregate principal amount of Bonds then outstanding, shall) take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Reporting Party to comply with its obligations under this Agreement. A default under this Agreement shall not be deemed an Event of Default under the Bonds, the Indenture or the Loan Agreement, and the sole remedy under this Agreement in the event of any failure of a Reporting Party to comply with this Agreement shall be an action to compel performance. Direct, indirect, consequential and punitive damages shall not be recoverable by any person for any default hereunder and are hereby waived to the extent permitted by law. The Trustee may condition the taking of any action under this Section on receiving indemnification satisfactory to it.

SECTION 8. Beneficiaries. This Agreement shall inure solely to the benefit of the parties hereto, the Participating Underwriters and the Holders from time to time of the Bonds, and shall create no rights in any other person or entity. As used in this Agreement, the term "Holders" shall mean beneficial owners of Bonds so long as such Bonds are in book-entry form.

SECTION 9. Counterparts. This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 10. Notices. All notice, requests, demands or other communications to or upon the respective parties hereto shall be deemed to have been duly given or made when delivered personally or by mail to the party to which such notice, request, demand or other communication is required or permitted to be given or made under this Agreement and

addressed as set forth below or telecopied to the telecopier number of the recipient, with confirmation of transmission, indicated below:

If to the Reporting Party, at:  
Carleton College  
One North College Street  
Northfield, Minnesota 55057  
Attention: Vice President and Treasurer  
as Disclosure Representative

If to Trustee, at:  
Norwest Bank Minnesota,  
National Association  
Norwest Center, Sixth and Marquette  
Minneapolis, MN 55479-0069  
Attention: Corporate Trust Services  
Fax: 612-667-9825

SECTION 11. Changes with respect to Repositories. Promptly after actual knowledge by the Trustee or the Reporting Party of a change in the identity or address of any Repository, the Trustee or the Reporting Party shall notify in writing the other parties of such fact.

SECTION 12. Reserved Rights. The College reserves the right to discontinue providing any information required under this Agreement or the Rule, if a final determination should be made by a court of competent jurisdiction that the Rule is invalid or otherwise unlawful, and to modify the undertaking under this Agreement, if a court of competent jurisdiction or the College determines that such modification is required by the Rule.

SECTION 13. Dissemination Agent. The College or the Trustee may, from time to time, appoint or engage an agent to assist it in carrying out its obligations under this Agreement, and may discharge any such agent, with or without appointing a successor agent, but the appointment of any agent shall in no way relieve the principal of its obligations hereunder.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed as of the day and year first above written but actually on this \_\_\_\_ day of June, 1997.

CARLETON COLLEGE

By \_\_\_\_\_  
Its Vice President and Treasurer

[Signature Page for Continuing Disclosure Agreement]

NORWEST BANK MINNESOTA, NATIONAL  
ASSOCIATION  
as Trustee

By \_\_\_\_\_  
Corporate Trust Officer

[Signature Page for Continuing Disclosure Agreement]

## **EXHIBIT**

### **ANNUAL REPORT INFORMATION**

The Annual Report Date will be 270 days after each fiscal year end, commencing with the fiscal year ended June 30, 1997.

1. Audited financial statements for the most recent complete fiscal year.
2. The following financial and operating data contained in Appendix I to the Final Official Statement:
  - a. Information as of the end of the most recent complete academic or fiscal year, as appropriate, of the matters covered by the Sections entitled:
    - Student Enrollment
    - Applications, Acceptances And Enrollments
    - Geographic Distribution of Entering Freshmen
    - Student Retention
    - Tuition and Fees
    - Faculty And Staff
    - Financial Aid
  - b. Information as to gifts, bequests and grant support for the most recent complete fiscal year.
  - c. Information as to any publicly announced capital campaign, including stated goals and progress toward the goals.



**DEFINITION OF CERTAIN TERMS**

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

*Additional Bonds:* Any Additional Bonds issued by the Authority on behalf of the College pursuant to section 2.09 of the Indenture.

*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 College and the Trustee, containing the specimen signature of such person and signed on behalf of the Authority by its Chair, Secretary or Executive Director or other officer authorized to act on behalf of the foregoing officer. Such certificate may designate an alternate or alternates.

*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 Chair or the Secretary of its Board of Trustees or by the President or the Vice President and Treasurer of the College. Such certificate may designate an alternate or alternates.

*Authorized Investments:* Investments authorized for moneys in the accounts created under the Indenture as described in Section 5.04 thereof.

*Board of Trustees:* The Board of Trustees of the College, including any Executive Committee or any other 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 Closing:* The original issuance, sale and delivery of the Bonds.

*Bond Resolution:* The Series Resolution of the Authority adopted on May 21, 1997, authorizing the Bonds, as the same may be amended, modified or supplemented by any amendments or modifications thereof.

*Bonds:* Minnesota Higher Education Facilities Authority Revenue Bonds, Series Four-N (Carleton College).

*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 on the Project Site acquired with funds other than the proceeds of the Bonds.

*Business Day:* Any day other than Saturday, Sunday, a legal holiday in the State of Minnesota, or any other day that banks in Minnesota, or DTC or its successor as depository are not open for business.

*College:* Carleton College, a Minnesota nonprofit corporation, its successors and assigns.

*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.

*Date of Taxability:* The date as of which the interest on the Series Four-N Bonds is determined to be includable in the gross income of the Owners thereof, provided that no Series Four-N

Bond shall bear additional interest for any period for which the statute of limitations shall be a bar to the assertion or collection of a deficiency of federal income taxes from the Owner of such Bond.

*Determination of Taxability:* A Notice of Deficiency issued by the Internal Revenue Service or a final decision of a court of competent jurisdiction 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 that interest on the Bonds is includable in the computation of any alternative minimum tax is not a Determination of Taxability.

*Event of Default:* An Event of Default described in the Indenture or Loan Agreement and summarized in this Official Statement in the sections entitled "THE INDENTURE - Events of Default" and "THE LOAN AGREEMENT - Events of Default."

*Financial Journal:* Northwestern 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.

*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, except if any Bond is in Book-Entry Form, with respect to any consent or approval of a Holder of Bonds of such Series, the terms shall mean the Beneficial Owner.

*Indenture:* The Trust Indenture between the Authority and Norwest Bank Minnesota, National Association, as Trustee, dated as of June 1, 1997, under which the Bonds are authorized to be issued, and including any indenture supplemental thereto.

*Institution:* Carleton College, a Minnesota institution of higher education located in Northfield, Minnesota and owned and operated by the College.

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

*Issue:* The Bonds.

*Loan Agreement:* The Loan Agreement between the Authority and the College dated as of June 1, 1997, as amended or supplemented from time to time.

*Loan Repayments:* Payments required to be made by the College to the Trustee pursuant to the Loan Agreement.

*Net Proceeds:* When used with respect to proceeds of insurance or a condemnation award, moneys received or receivable by the College as owner or lessee or the Trustee as secured party pursuant to the Indenture, less the cost of recovery (including attorneys' fees) of such moneys from the insuring company or the condemning authority plus investment earnings thereon.

*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 not listed in the Loan Agreement which 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 as normally exist with respect to properties similar in character to the Project Facilities which are not listed in the Loan Agreement 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; (iv) with respect to Project Equipment, purchase money security interests and equipment leases, and (v) those additional encumbrances set forth in Exhibit C to the Loan Agreement.

*Project Buildings:* The facilities acquired, improved or constructed with proceeds of the Bonds, including investment earnings.

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

*Project Equipment:* All fixtures, equipment, and other personal property of a capital nature acquired with proceeds of the Bonds, including investment earnings.

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

*Project Site:* The land on which any of the Project Buildings are or will be located or otherwise to be improved as part of the Project.

*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 and (ii) 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.

*Regular Record Date:* The 15th day (whether or not a Business Day) of the calendar month next preceding an interest payment date.

*Series Four-N Bonds:* The Minnesota Higher Education Facilities Authority Revenue Bonds, Series Four-N (Carleton College).

*Special Record Date:* The record date set by the Trustee for the purpose of paying defaulted interest.

*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.

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**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 IV, contained herein.

**Construction of Project**

The College represents that the acquisition, construction and installation of the Project are to be substantially completed by no later than June 1, 2000, although Bond proceeds are expected to be expended by June 1, 1999, 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, or both, 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 and an opinion of counsel to such effects is furnished. 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, including investment earnings 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) At least five business days prior to each May 1 and November 1, commencing November 1, 1997, into the Bond and Interest Sinking Fund Account a sum which will be equal to the amount payable as interest, or as principal and interest, on the Series Four-N Bonds on the next succeeding interest 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 permitted by Sections 5.02, 5.03 or 5.04 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) on or prior to a date established for the 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 Series Four-N Bonds called for redemption from the Redemption Account; and
- (c) forthwith into the Bond and Interest Sinking Fund Account or Redemption Account, as appropriate, the amount of any deficiency in the event that the funds on deposit in the

Bond and Interest Sinking Fund Account or Redemption Account on any Bond principal or interest payment date are for any reason insufficient to pay principal, premium (if any) and interest on the Series Four-N Bonds then due or then to become due (whether at maturity, or by call for redemption, or by acceleration of maturity); and

- (d) into any fund or account designated by the Trustee funds in the amount determined by the Trustee to be necessary to comply with the provisions of Section 6.09(f) of the Loan Agreement and Section 5.05 of the Indenture (relating to arbitrage rebate); and

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, modifications and replacements as are necessary so that the Project will remain a "project" under the Act and interest on the Bonds will be excludable 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, such lease, sublease or use agreement shall not be inconsistent with the Loan Agreement, the Indenture, or the Act, and the College shall remain fully obligated under the Loan Agreement as if such lease, sublease or use agreement had not been made.

### **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. To the extent certain Project Equipment become fixtures of College buildings which are not Project Buildings, liens and encumbrances may be placed on such Project Equipment.

## **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 brought 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 Facilities, with a deductible amount of no more than \$250,000.
- (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, with a deductible amount of not more than \$250,000 per occurrence, 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 comprehensive general public liability insurance, 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.

## **Damage or Destruction**

If the Project Facilities shall be damaged or partially or totally destroyed there shall be no abatement in the Loan Repayments, and to the extent that the claim for loss resulting from such damage or destruction is not greater than \$1,000,000, the College will promptly repair, rebuild or restore the property damaged or destroyed with such changes, alterations and modifications (including the substitution and addition of other property) as will not impair the character or significance of the Project Facilities as educational facilities. To the extent that the claim for loss resulting from such damage or destruction exceeds \$1,000,000, the College shall either repair, rebuild or restore the damaged facilities, or redeem and prepay the Bonds in whole or in part as more fully provided in the Loan Agreement.

If the Bonds are redeemed, the available Net Proceeds or (if less) the prorata portion in respect of any Project Building shall be used for redemption or purchase of outstanding Bonds. For purposes of the provision, "prorata portion" shall mean the following percentages of the principal amount of outstanding Bonds:

- 57% of the principal amount of outstanding Bonds in the case of all or parts of the Recreation Center;
- 14% of the principal amount of outstanding Bonds in the case of all or parts of the Dining Hall; and
- 20% of the principal amount of outstanding Bonds in the case of all or parts of the Mudd Renovation.

## **Condemnation**

If at any time before the Bonds have been fully paid (or provision for payment thereof has been made in accordance with the Indenture), title to any Project Building, and site thereof, shall be taken in any proceeding involving the exercise of the right of eminent domain, the College shall either redeem the Bonds or rebuild or restore such Project Building and site, as more fully provided in the Loan Agreement.

If the Bonds are to be redeemed, the available Net Proceeds (or if less, the prorata portion) in respect to any Project Building and site thereof which the College elects not to repair, rebuild, or restore shall be used for redemption or purchase of outstanding Bonds. For purposes of this provision, "prorata portion" shall be defined as set forth above under "Damage or Destruction."

## **Removal or Release of Project Equipment and Building Equipment**

The College may remove or release Project Equipment and Building Equipment from the Project Facilities if no Default exists and upon the following conditions:

- (a) the College may substitute furnishings, equipment and related property for any Project Equipment and Building Equipment, provided that such substitution shall not materially impair the character or revenue producing significance of the Project Facilities ;
- (b) the College may release any equipment from the definition of Project Equipment (with or without the physical removal thereof) without substitution therefor, provided that the College pays a sum equal to the then value of such Project Equipment as determined by an Independent Engineer selected by the College, to the Trustee for deposit in the Redemption Account; and



- (c) the College may remove any Building Equipment without substitution therefor provided that such removal will not materially impair the character or revenue producing significance of the Project Facilities.

In connection with (a) and (b) above, if the depreciated book value of the Project Equipment or, in connection with (c) above, if the depreciated book value of the Building Equipment, to be substituted, removed or released equals or exceeds \$50,000 the College will deliver to the Trustee a certificate signed by the Authorized Institution Representative stating that the substitution, removal, or release, as the case may be, of such equipment will not materially impair the character or revenue producing significance of the Project Facilities.

### **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.

### **College to Maintain its Existence and Accreditation**

The College agrees that during the term of the Loan Agreement it will maintain its existence as a nonprofit corporation and maintain the Institution as an institution of higher education under the laws of Minnesota and its accreditation as an institution of higher education by recognized accrediting agencies and that it will not consolidate with or merge into another corporation, or permit one or more other corporations to consolidate with or merge into it, or transfer all or substantially all of its assets to another institution except upon the conditions provided in the Loan Agreement. The conditions are the following: (a) if the surviving, resulting or transferee institution, as the case may be, is other than the College, such surviving, resulting or transferee corporation shall assume in writing all of the obligations of the College in the Loan Agreement, and be either a state university or college or a nonprofit corporation and a nonprofit 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 non-hospital 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, unless the College obtains an opinion of nationally recognized bond counsel that the tax-exempt status of the Bonds will not be affected, 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 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 and if the effect of exceeding such amount would be to adversely affect the tax-exempt status of the Bonds.

### **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.

### **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.

### **Determination of Taxability**

In the event a Determination of Taxability is made that interest payable on the Bonds is includable 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 rate of two percent (2.00%) per annum 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, in integral multiples of \$5,000, as a whole or in part on the next date for which due notice can be given or any date thereafter and the redemption price in either event shall be equal to par plus accrued interest (including additional interest from the Date of Taxability). If a Determination of Taxability should occur, any monetary damage or loss resulting from or incident thereto shall be limited to the stepped-up interest rate, as more fully set forth in the Loan Agreement.

### **Other Covenants**

The College further agrees to comply with all applicable laws and regulations against unlawful discrimination, and not to discriminate on account of religion, race, color, creed, or national origin in the use of the Project Facilities; to provide and file such financing statements and other instruments of further assurance as the Authority or 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 comply with the applicable rebate requirements under Section 148 of the Code and regulations thereunder; and to observe all applicable State laws and regulations, including those of the Authority and the Minnesota Higher Education Services Office, subject to the right of contest. The College agrees to indemnify the Authority from losses arising from certain representations made by the College regarding the absence of hazardous waste on the Project Facilities.

The Authority further agrees to comply with the applicable rebate requirements imposed under Section 148 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.

### **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 or Redemption Account, as the case may be, on a Bond principal or interest payment date or redemption 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) 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 this 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; or
- (d) 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
- (e) 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
- (f) 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 its property, and such custody or control shall not be terminated within ninety days from the date of assumption of such custody or control.

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. The provisions of paragraph (c) above, are subject to the further limitation that if the Default can be remedied but not within a period of thirty days after notice and if the College has taken all action reasonably possible to remedy such default within such thirty-day period, the default shall not become an Event of Default for so long as the College shall diligently proceed to remedy such default and in accordance with any directions or limitations of time made by the Trustee. The College agrees, however, to use its best efforts to remedy with all reasonable dispatch any cause or causes preventing the College from carrying out its agreements.

## **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 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.
- (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 the actions set forth above shall be applied first to advances and expenses, and then to payment of interest, principal and premium, if any, on the Bonds as provided in Section 7.04 of the Indenture, 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 IV, contained herein.

## **Granting Clauses**

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

- (1) 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;
- (2) 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
- (3) 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 and revenues 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 first 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, breach of contract, breach of fiduciary duty, willful misconduct, or willful default of the Trustee).

## **Additional Bonds**

In addition to the Bonds, the Indenture permits the issuance of one or more series of Additional Bonds by the Authority, acting at the request of the College, equally and ratably secured on a parity with the Bonds to provide funds for the following purposes: (i) completion of the Project, (ii) refunding of all or any series or portion of series of then outstanding Bonds or Additional Bonds, (iii) improvements or alterations, repairs or replacement of the Project Facilities, or (iv) other project or projects as authorized by the Act.

The issuance of Additional Bonds requires, among other things, evidence satisfactory to the Authority of the College's ability to meet debt service on the Additional Bonds and comply with certain financial covenants set forth in the Loan Agreement. Furthermore, to the extent required by the Authority, the College shall execute supplements to the Loan Agreement and the Indenture. Additional Bonds may not be issued unless in the opinion of bond counsel the interest on the outstanding Bonds remains excludable from gross income of the holders for federal income tax purposes.

## **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 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 money 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.

## **Remedies**

Upon the occurrence of an Event of Default, the Trustee may, and 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, by written notice to the Authority and to the Trustee, 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 may, and shall upon the written request of the Holders of not less than a majority in aggregate principal amount of outstanding Bonds, 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 its reference or prime rate, 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 and for the equal benefit of the Holders of all Bonds outstanding.

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; 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 the Bonds at the time and in the manner stipulated therein and in the Indenture, or
- (b) provide for the payment of principal and interest, if any, on the outstanding 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 of America 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 Bonds outstanding, or
- (c) deliver to the Trustee (1) proof that notice of redemption of all of the outstanding 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 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 Bonds, and in any case, deposit with the Trustee before the date on which such 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 Bonds are to be redeemed and on any interest payment dates, or
- (d) surrender to the Trustee for cancellation all Bonds for which payment is not so provided,

and shall also pay or provide for the payment of the 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 of the Internal Revenue Code, 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 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, in the case of defeasance under paragraph (b) above, as to effect on tax exempt status), 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 the 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 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 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 or any successor;
- (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; and
- (e) to create a series of and authorize Additional Bonds.

In addition and subject to the provisions set forth below, the Holders of not less than 51% in aggregate principal amount of the Bonds under the Indenture 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 Bonds directly or indirectly affected (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 (except as provided in Section 2.09 of 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 to amendments to the Loan Agreement.

## **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 51% 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.

### **Registration**

The Bonds shall be fully registered as to principal and interest at the 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. If the Bonds are no longer in book entry form, Bonds may be exchanged for a new Bond or Bonds of the same series, aggregate principal amount, maturity and basic 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 subject to applicable procedures while in book entry form.

**AUDITED FINANCIAL STATEMENTS**

## Report of Independent Accountants

To the Board of Trustees  
Carleton College:

We have audited the accompanying balance sheet of Carleton College (the College) as of June 30, 1996, and the related statements of activities, change in net assets, and cash flows 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. The financial statements of the College as of June 30, 1995, were audited by other auditors whose report, dated September 29, 1995, expressed an unqualified opinion on those statements.

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 the College as of June 30, 1996 and the change in its net assets and its cash flows for the year then ended, in conformity with generally accepted accounting principles.

As described in Note 2, the College has restated its June 30, 1995 net asset classifications by reclassifying \$27,121,330 of cumulative unspent earnings, long-term pledges receivable and gifts to temporarily restricted net assets. Also described is an increase in temporarily restricted net assets of \$1,032,366 related to the restatement of the annuity payable liability.

Minneapolis, Minnesota  
September 26, 1996

*Coopers & Lybrand L.L.P.*

# Carleton College

## Balance Sheet

as of June 30, 1996

(with comparative totals for June 30, 1995)

ASSETS	Unrestricted	Temporarily Restricted	Permanently Restricted	1996 Totals	1995 Totals (Restated)
Cash and cash equivalents	\$ 15,687,060			\$ 15,687,060	\$ 13,717,484
Receivables	1,924,080			1,924,080	1,694,807
Inventories	739,621			739,621	792,911
Prepaid expenses and deferred charges	854,598			854,598	1,646,939
Pledges receivable		\$ 3,628,723	\$ 2,743,643	6,372,366	4,207,122
Loans to students, net of allowance of \$514,302 for 1996 and 1995	7,692,265			7,692,265	7,395,930
Deposits with bond trustee	156,483			156,483	150,234
Investments	194,118,957	54,880,889	67,619,275	316,619,121	276,589,537
Property, plant and equipment, net	59,850,865			59,850,865	56,102,741
Total assets	<u>\$ 281,023,929</u>	<u>\$ 58,509,612</u>	<u>\$ 70,362,918</u>	<u>\$ 409,896,459</u>	<u>\$ 362,297,705</u>
<b>LIABILITIES AND NET ASSETS</b>					
Liabilities:					
Accounts payable	1,832,444			1,832,444	3,109,338
Accrued expenses	3,469,575			3,469,575	3,170,870
Deferred income and deposits	3,419,850			3,419,850	4,080,481
Annuities payable		6,012,947		6,012,947	4,475,413
Bonds payable	25,325,000			25,325,000	25,795,734
Government grants repayable	5,980,597			5,980,597	5,793,285
Total liabilities	40,027,466	6,012,947		46,040,413	46,425,121
Net assets	<u>240,996,463</u>	<u>52,496,665</u>	<u>70,362,918</u>	<u>363,856,046</u>	<u>315,872,584</u>
Total liabilities and net assets	<u>\$ 281,023,929</u>	<u>\$ 58,509,612</u>	<u>\$ 70,362,918</u>	<u>\$ 409,896,459</u>	<u>\$ 362,297,705</u>

**Carleton College**  
**Statement of Activities**  
*for the year ended June 30, 1986*  
*(with comparative totals for June 30, 1995)*

	Unrestricted	Temporarily Restricted	Permanently Restricted	1996 Total	1995 Total
Revenues and other additions:					
Tuition	\$ 38,532,337			\$ 38,532,337	\$ 37,062,630
Room and board	6,011,409			6,011,409	5,712,813
Less grant aid to students	(10,842,427)			(10,842,427)	(10,324,383)
Net student fee revenue	33,701,319			33,701,319	32,451,060
Bookstore, rents and other services	3,300,670			3,300,670	3,329,707
Investment income	2,986,745	\$ 4,233,517		7,220,262	6,925,310
Private gifts and pledges	5,368,592	5,840,863	\$ 3,311,235	14,520,690	12,081,828
Net gain on sale of investments	36,348,267	5,714,113		42,062,380	13,181,645
Net unrealized gain (loss) on investments	(66,877)	168,360		101,483	22,513,306
Government reimbursements	727,984			727,984	740,015
Net change in deferred gifts	97,053	436,902	35,724	569,679	112,482
Net assets released from restrictions:					
Satisfaction of donor stipulations related to gifts and endowment earnings	4,640,988	(4,640,988)			
Satisfaction of donor stipulations related to capital gifts	5,019,059	(5,019,059)			
Total revenues and other additions	92,123,800	6,733,708	3,346,959	102,204,467	91,335,353
Expenses and other deductions:					
Instruction	21,805,330			21,805,330	21,301,242
Academic support:					
Library	3,888,064			3,888,064	4,026,567
Other	3,677,190			3,677,190	3,268,541
Student services	5,846,663			5,846,663	5,456,233
Institutional support:					
Administration	2,167,310			2,167,310	2,096,640
External relations	2,405,155			2,405,155	2,211,300
Fund raising	2,337,189			2,337,189	1,896,427
General	2,805,599			2,805,599	3,574,112
Auxiliary enterprises	9,288,505			9,288,505	8,527,890
Total expenses and other deductions	54,221,005			54,221,005	52,358,952
Change in accounting principle					23,134,550
Change in net assets	\$ 37,902,795	\$ 6,733,708	\$ 3,346,959	\$ 47,983,462	\$ 62,110,951

**Carleton College**  
**Statement of Change in Net Assets**  
*for the year ended June 30, 1996*

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Net assets as of June 30, 1994	\$ 169,282,748	\$ 17,915,291	\$ 65,531,228	\$ 252,729,267
Change in net assets for year ended June 30, 1995	<u>60,926,964</u>	<u>(306,030)</u>	<u>1,490,017</u>	<u>62,110,951</u>
Net assets as of June 30, 1995	230,209,712	17,609,261	67,021,245	314,840,218
Restatement for:				
Allocation of unspent endowment earnings	(24,219,325)	24,219,325		
Pledges reclassified to temporarily restricted	(2,323,533)	2,323,533		
Gifts reclassified to temporarily restricted	(573,186)	578,472	(5,286)	
Annuity payable		<u>1,032,366</u>		<u>1,032,366</u>
Net assets as of June 30, 1995 restated	203,093,668	45,762,957	67,015,959	315,872,584
Change in net assets for year ended June 30, 1996	<u>37,902,795</u>	<u>6,733,708</u>	<u>3,346,959</u>	<u>47,983,462</u>
Net assets as of June 30, 1996	<u><u>\$ 240,996,463</u></u>	<u><u>\$ 52,496,665</u></u>	<u><u>\$ 70,362,918</u></u>	<u><u>\$ 363,856,046</u></u>

## Carleton College

### Statement of Cash Flows

*Increase (Decrease) in Cash and Cash Equivalents  
for the years ended June 30, 1996 and 1995*

	1996	1995
Cash flows from operating activities:		
Change in net assets	\$ 47,983,462	\$ 38,976,401
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	3,243,401	2,833,085
Gain on investments	(42,163,864)	(36,913,744)
Private gifts for long-term investments	(5,948,316)	(4,671,653)
Bond premium amortized	(734)	(60)
Changes in operating assets and liabilities:		
Accounts receivable	(229,273)	(213,203)
Pledges receivable	(2,165,244)	(323,699)
Inventories	53,290	(63,933)
Prepays	792,341	(920,009)
Loans to students	(296,335)	(526,430)
Accounts payable and accrued expenses	(978,189)	1,418,968
Deferred income	(660,631)	857,402
Government grants repayable	187,312	619,263
Annuities payable	1,537,534	992,815
Net cash provided by operating activities	<u>1,354,754</u>	<u>2,065,203</u>
Cash flows from investing activities:		
Purchase of investments	(354,423,457)	(295,256,480)
Proceeds from sale of investments	356,557,737	293,516,293
Acquisition of land, buildings and equipment	(6,991,525)	(12,127,770)
Net cash used for investing activities	<u>(4,857,245)</u>	<u>(13,867,957)</u>
Cash flows from financing activities:		
Decrease in deposits with bond trustee	(6,249)	7,001,837
Proceeds from private gifts for long-term investment	5,948,316	4,671,653
Principal payment	(470,000)	(450,000)
Net cash provided by financing activities	<u>5,472,067</u>	<u>11,223,490</u>
Net increase (decrease) in cash and cash equivalents	1,969,576	(579,264)
Cash and cash equivalents at beginning of the year	<u>13,717,484</u>	<u>14,296,748</u>
Cash and cash equivalents at end of the year	<u>\$ 15,687,060</u>	<u>\$ 13,717,484</u>

#### Additional disclosure:

The College paid \$1,212,799 and \$1,269,000 in interest during fiscal years 1996 and 1995, respectively.



# **Carleton College**

## **Notes to Financial Statements**

### **1. Summary of Significant Accounting Policies:**

#### **Accrual Basis:**

The financial statements of Carleton College (the College) have been prepared on the accrual basis.

#### **Basis of Presentation:**

In fiscal year 1995, the College adopted Statement of Financial Accounting Standards No. 116, "Accounting for Contributions Received and Contributions Made" (SFAS No. 116) and Statement of Financial Accounting Standards No. 117, "Financial Statements of Not-for-Profit Organizations" (SFAS No. 117).

Under these provisions, net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the College and changes therein are classified and reported as follows:

- Unrestricted - Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Trustees.
- Temporarily restricted - Net assets whose use by the College is subject to donor-imposed stipulations that can be fulfilled by actions of the College pursuant to those stipulations or that expire by the passage of time.
- Permanently restricted - Net assets subject to donor-imposed stipulations that they be maintained permanently by the College. Generally, the donors of these assets permit the College to use all of, or part of, the income earned on related investments for general or specific purposes.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions receivable is provided based upon management's judgment including such factors as prior collection history, type of contribution and nature of fundraising activity.

## **Carleton College**

### **Notes to Financial Statements, Continued**

#### **1. Summary of Significant Accounting Policies, continued:**

##### **Cash and Cash Equivalents:**

Cash and cash equivalents include interest-bearing money market accounts and short-term investments with an original maturity of less than three months.

##### **Investments:**

Investments are stated at quoted market value. Changes in quoted market value are recorded as unrealized gains or losses in the period of change.

Endowment and board-designated funds are invested on the basis of a total return policy to provide income and to realize appreciation in investment values. Under this policy, a portion of realized and unrealized gains accumulated, in addition to accumulated earnings, are used to support operations. Any such gains used to support operations are utilized in accordance with the same restrictions, if any, imposed by donors on the use of income earned by the endowment and similar funds.

##### **Property, Plant and Equipment:**

Property, plant and equipment are stated at cost less accumulated depreciation. Depreciation is computed on the straight-line method over the estimated useful lives of the assets (3 to 40 years). Expenditures for new construction, major renewals and replacements and equipment costing over \$10,000 are capitalized.

##### **Inventories:**

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

##### **Gift Annuity Contracts:**

Annuities payable represent the College's liability under annuity contracts with donors. The liability is established at the time of the contribution using life expectancy actuarial tables and revalued annually. Actual gains and losses resulting from the annual revaluation of annuity obligations are reflected as temporarily or permanently restricted, consistent with the method used to initially record the contributions.

##### **Income Taxes:**

The College qualifies as a tax-exempt nonprofit organization under Section 501(c)(3) of the Internal Revenue Code and similar statutes of Minnesota law. Accordingly, no provisions for federal or state income taxes is required.

# **Carleton College**

## **Notes to Financial Statements, Continued**

### **1. Summary of Significant Accounting Policies, continued:**

#### **Use of Estimates:**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. The most significant areas which requires the use of management estimates relates to the allowance for doubtful accounts, gift annuity contracts and schedule of pledge receipts.

#### **Concentration of Credit Risk:**

The College has investments totaling approximately \$134,000,000 concentrated in one financial institution. The College invests in corporate stocks and bonds, real estate, partnerships, joint ventures and other nontraditional investments. The investment viability and return of funds held by the institution is dependent on, among other factors, the financial results underlying issuers.

#### **Reclassifications:**

Certain reclassifications have been made in the 1995 financial statements to conform to the classifications used in 1996. These reclassifications had no effect on net assets, change in net assets or net cash flows as previously reported.

### **2. Reclassification and Restatement of Net Assets:**

The provisions of SFAS No. 117 and the American Institute of Certified Public Accountants Audit and Accounting Guide, "Not-for-Profit Organizations" require that unspent earnings derived from restricted net assets are to be classified as unrestricted net assets to the extent to which the restrictions on such earnings can be deemed to have been met and that long-term pledges receivable are considered temporarily restricted net assets. During fiscal year 1995, these provisions were interpreted differently by the College and as a result, the College has restated its previously issued fiscal year 1995 financial statements. This restatement resulted in a reclassification of cumulative unspent earnings as of June 30, 1995 of \$24,219,325 previously classified as unrestricted to temporarily restricted and a reclassification of long-term pledges receivable of \$2,323,533 classified as unrestricted to temporarily restricted net assets. The College also reclassified certain gifts totaling \$578,472 to temporarily restricted net assets as of June 30, 1995 based on donor stipulations. During 1996, it was determined that the earnings on investments related to annuities payable had been classified as a liability instead of revenue during the year ended June 30, 1995 and therefore the College restated June 30, 1995 net assets by increasing temporarily restricted net assets by \$1,032,366.

# **Carleton College** **Notes to Financial Statements, Continued**

## **3. Long-Term Investments:**

The long-term investments include funds traditionally considered the endowment of the College as well as assets of deferred gifts, funds designated for debt service and funds temporarily restricted for building projects.

Allocations at market value are as follows:

	1996	1995
Permanent endowment	\$ 67,809,752	\$ 65,137,656
Gains related to permanent endowment	165,321,962	137,847,259
Funds functioning as endowment fund	8,144,902	7,089,887
Gains related to funds functioning as endowment	51,412,103	42,481,623
	<u>292,688,719</u>	<u>252,556,425</u>
Deferred gifts	20,319,094	16,201,541
Net plant assets	<u>3,611,308</u>	<u>7,831,571</u>
Total long-term investments	<u>\$ 316,619,121</u>	<u>\$ 276,589,537</u>

The assets of the long-term investments include:

	June 30, 1996		June 30, 1995	
	Cost	Market Value	Cost	Market Value
Cash and short-term investments	\$ 7,538,768	\$ 7,538,768	\$ 7,618,314	\$ 7,618,314
Bonds	74,962,647	75,768,381	45,312,284	47,815,625
Equities	154,755,199	204,409,700	144,335,081	187,982,531
Nontraditional	15,950,443	14,187,504	15,972,080	15,723,099
Other	16,022,782	14,714,768	17,061,048	17,449,968
	<u>\$ 269,229,839</u>	<u>\$ 316,619,121</u>	<u>\$ 230,298,807</u>	<u>\$ 276,589,537</u>

The majority of the long-term investment 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, 1996, 29,677,423 shares were owned by endowment and similar funds, 1,075,769 shares by annuity and life income funds and 1,635,477 shares by plant funds, each share having a market value of \$9.65.

# **Carleton College** **Notes to Financial Statements, Continued**

## **4. Investment Income:**

The College utilizes the total return method of accounting for income from its investments. 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. At June 30, 1996, the rate was 4.2%.

During the year ended June 30, 1996, investment interest and dividend of \$5,660,620 and gains of \$3,980,999 were used to support operations. Included in these amounts is an increase in the draw for campaign expenses of \$1,098,000.

## **5. Property, Plant and Equipment:**

Property, plant and equipment as of June 30, 1996 and 1995 are as follows:

	1996	1995
Land and real estate improvements	\$ 1,136,103	\$ 1,067,378
Buildings	74,144,593	69,980,974
Equipment and books	32,461,524	29,702,343
	<u>107,742,220</u>	<u>100,750,695</u>
Less accumulated depreciation	(47,891,355)	(44,647,954)
	<u>\$ 59,850,865</u>	<u>\$ 56,102,741</u>

## **6. Government Funds:**

Government funds are reported as grants repayable and include:

	1996	1995
Federal share of the Perkins Student Loan Fund	\$ 5,599,453	\$ 5,303,533
National Science Foundation research grants	353,337	401,022
Other government grants	27,807	88,730
	<u>\$ 5,980,597</u>	<u>\$ 5,793,285</u>

## Carleton College

### Notes to Financial Statements, Continued

#### 7. Bonds Payable:

Bonds payable at June 30, 1996 and 1995 are as follows:

	1996	1995
Minnesota Higher Education Facilities Authority (MHEFA):		
First Mortgage Revenue Bond Series T	\$ 2,385,000	\$ 2,385,000
Variable and Fixed Rate Demand Revenue Bonds Series 3L1, 2	20,300,000	20,300,000
Revenue bonds Series 3L-3	<u>2,640,000</u>	<u>3,110,000</u>
	25,325,000	25,795,000
Add unamortized premium		<u>734</u>
	<u>\$ 25,325,000</u>	<u>\$ 25,795,734</u>

The Series T bonds bear interest at 5.625% per annum payable semi-annually, 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 statement of financial position. The Series T bonds are collateralized by a first mortgage on the facilities for which the funds were used and first liens and pledge of the net revenues derived from the operations of these facilities.

On October 1, 1992, the College issued bonds financed through MHEFA. The Series 3-L1, in the amount of \$10,000,000, was reissued in March 1994 at a fixed rate of 5.75%. The Series 3-L2, in the amount of \$10,300,000, bears a variable rate of interest and matures November 1, 2012. The interest rate was 3.25% at June 30, 1996. The proceeds from these bonds were used to finance construction projects.

Also, on October 1, 1992, the Series 3-L3 were issued in the amount of \$4,000,000, bear a fixed rate of interest for each year ranging from 3.25% to 5.50% and are repayable over eight years with interest payable semi-annually. The bonds were issued to refinance Series O bonds bearing interest at 7% per annum payable semi-annually.

For all Series 3-L bonds, interest and principal payments are required to be deposited to a Bond and Interest Sinking fund as they become due.

The College has deposited \$30,000 for Series T bonds in general bond reserve accounts of the MHEFA for the purpose of collateralizing the College's bonds issued by MHEFA. The series T issue contains a sinking fund requirement of \$120,000 per year commencing in 1997 and continuing through 2006. The College must also maintain a debt service reserve account for 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 \$3,032,530 at June 30, 1996 have been recorded as unrestricted investments of the College.

# **Carleton College** **Notes to Financial Statements, Continued**

## **7. Bonds Payable, continued:**

The maturities of debt in each of the five years subsequent to June 30, 1996 are as follows:

1997	\$ 485,000
1998	505,000
1999	525,000
2000	550,000
2001	575,000
Thereafter	<u>22,685,000</u>
	<u>\$ 25,325,000</u>

## **8. Retirement Plan:**

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

Expenses for the College's share of the cost of these annuities were \$1,274,950 in 1996 and \$1,207,334 in 1995.

## **9. 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 has no obligation for unrelated business income tax.

## **10. Pledges Receivable and Conditional Promises Received:**

Unconditional promises to give are included in the financial statements as pledges receivable and revenue in the appropriate net asset category.

Pledges receivable are summarized as follows at June 30, 1996 and 1995:

	1996	1995
Unconditional promises expected to be collected in:		
Less than one year	\$ 3,042,774	\$ 1,373,030
One year to five years	3,991,008	3,427,881
Over five years	40,000	54,917
Less discount	<u>(701,416)</u>	<u>(648,706)</u>
	<u>\$ 6,372,366</u>	<u>\$ 4,207,122</u>

## **Carleton College**

### **Notes to Financial Statements, Continued**

#### **10. Pledges Receivable and Conditional Promises Received, continued:**

As of June 30, 1996, the College had also received conditional promises to give totaling approximately \$2,729,380. Of conditional promises, if received, \$1,000,000 will be restricted for use in building renovation and the remainder is unrestricted.

#### **11. Fair Value of Financial Instruments:**

The carrying amounts of cash and cash equivalents and pledges receivable approximate fair value because of the short maturity of these financial instruments. The carrying values, which are the fair value of investments, are based upon values provided by an external investment manager or quoted market values. In the limited cases where such values are not available, historical cost is used as an estimate of market value.

Student loans receivable consist primarily of loans made to students under U.S. government loan programs. The loans are stated at net realizable value in the accompanying statements. It is not practicable to estimate the fair value of these receivables since they contain federally-mandated interest rates and repayment terms subject to significant restrictions as to their transfer and disposition.

The carrying amount of bonds payable approximates fair value because these financial instruments bear interest at rates which approximate current market rates for bonds with similar maturities and credit quality.



**PROPOSAL FORM****SALE DATE:** May 28, 1997

**TO:** Mr. J. Luther Anderson, Executive Director  
Minnesota Higher Education Facilities Authority  
Galtier Plaza, Suite 450  
175 East Fifth Street  
St. Paul, MN 55101  
(612) 296-4690

\_\_\_\_ Submitted through PARITY

**RE:** \$24,440,000 Revenue Bonds, Series Four-N

For the Bonds of this Issue which shall mature and bear interest at the respective annual rates, as follow, we offer a price of \$\_\_\_\_\_ (Note: This amount may not be less than \$24,122,280) and accrued interest to the date of delivery.

_____ % 1999	_____ % 2004	_____ % 2009	_____ % 2014
_____ % 2000	_____ % 2005	_____ % 2010	_____ % 2015
_____ % 2001	_____ % 2006	_____ % 2011	_____ % 2016
_____ % 2002	_____ % 2007	_____ % 2012	_____ % 2017
_____ % 2003	_____ % 2008	_____ % 2013	_____ % 2018

**Designation of Serial and Term Maturities**

Last Year of Serial Maturities \_\_\_\_\_ Years of Term Maturities \_\_\_\_\_ - \_\_\_\_\_  
\_\_\_\_\_ - \_\_\_\_\_

In making this offer we accept all of the terms and conditions of the Terms of Proposal published in the Official Statement dated May 13, 1997. In the event of failure to deliver these Bonds in accordance with the Terms of Proposal as printed in the Official Statement and made a part hereof, we reserve the right to withdraw our offer, whereupon the deposit accompanying it will be immediately returned. All blank spaces of this offer are intentional and are not to be construed as an omission.

Subject to any applicable exemption in the Rule, this offer to purchase/bid is subject to the Authority's covenant and agreement to take all steps necessary to assist us in complying with SEC Rule 15c2-12, as amended.

Not as a part of our offer, the above quoted prices being controlling, but only as an aid for the verification of the offer, we have made the following computations:

NET INTEREST COST: \$ \_\_\_\_\_

TRUE INTEREST RATE: \_\_\_\_\_ %

**Account Members**\_\_\_\_\_  
Account Manager

BY: \_\_\_\_\_

Phone: \_\_\_\_\_

.....  
The foregoing offer is hereby accepted by the Issuer on the date of the offer by its following officer duly authorized and empowered to make such acceptance.

\_\_\_\_\_  
Executive Director

\_\_\_\_ SURE-BID

\_\_\_\_ Good Faith Check Submitted



**PROPOSAL FORM****SALE DATE:** May 28, 1997

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_____ % 1999	_____ % 2004	_____ % 2009	_____ % 2014
_____ % 2000	_____ % 2005	_____ % 2010	_____ % 2015
_____ % 2001	_____ % 2006	_____ % 2011	_____ % 2016
_____ % 2002	_____ % 2007	_____ % 2012	_____ % 2017
_____ % 2003	_____ % 2008	_____ % 2013	_____ % 2018

**Designation of Serial and Term Maturities**

Last Year of Serial Maturities \_\_\_\_\_ Years of Term Maturities \_\_\_\_\_ - \_\_\_\_\_  
\_\_\_\_\_- \_\_\_\_\_

In making this offer we accept all of the terms and conditions of the Terms of Proposal published in the Official Statement dated May 13, 1997. In the event of failure to deliver these Bonds in accordance with the Terms of Proposal as printed in the Official Statement and made a part hereof, we reserve the right to withdraw our offer, whereupon the deposit accompanying it will be immediately returned. All blank spaces of this offer are intentional and are not to be construed as an omission.

Subject to any applicable exemption in the Rule, this offer to purchase/bid is subject to the Authority's covenant and agreement to take all steps necessary to assist us in complying with SEC Rule 15c2-12, as amended.

Not as a part of our offer, the above quoted prices being controlling, but only as an aid for the verification of the offer, we have made the following computations:

NET INTEREST COST: \$ \_\_\_\_\_

TRUE INTEREST RATE: \_\_\_\_\_ %

Account Members\_\_\_\_\_  
Account Manager

BY: \_\_\_\_\_

Phone: \_\_\_\_\_

.....  
The foregoing offer is hereby accepted by the Issuer on the date of the offer by its following officer duly authorized and empowered to make such acceptance.

\_\_\_\_\_  
Executive Director

\_\_\_\_ SURE-BID

\_\_\_\_ Good Faith Check Submitted





