## OFFICIAL STATEMENT DATED AUGUST 22, 2018

**NEW ISSUE** **Rating: Moody's Baa1**

*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 Series 2018A Bonds is excludable from gross income for federal income tax purposes and is excludable, to the same extent, from taxable net income of individuals, estates and trusts for State of Minnesota income tax purposes. Interest on the Series 2018A Bonds is not an item of tax preference in determining federal alternative minimum tax applicable to individuals or corporations, or Minnesota alternative minimum tax applicable to individuals, estate or trusts. However, for taxable years that began before January 1, 2018, interest on the Series 2018A Bonds will be included in "adjusted current earnings" in computing alternative minimum taxable income for purposes of the alternative minimum tax. The corporate alternative minimum tax has been repealed for taxable years beginning on or after January 1, 2018. Interest on the Series 2018A Bonds is subject to the State of Minnesota franchise tax applicable to corporations, including financial institutions. The Series 2018A 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.") Interest on the Series 2018B Bonds is included in gross income for federal income tax purposes and is subject to Minnesota income taxation. Bond Counsel expresses no opinion regarding any other federal or state tax consequences relating to the purchase, ownership or disposition of, or the accrual or receipt of interest on, the Bonds.*

ST. CATHERINE UNIVERSITY

# $49,770,000
# Minnesota Higher Education Facilities Authority Revenue and Refunding Bonds, Series 2018A (St. Catherine University)

# $20,765,000
# Minnesota Higher Education Facilities Authority Taxable Revenue Refunding Bonds, Series 2018B (St. Catherine University)

**(Both Issues DTC Book Entry Only)**

**Dated Date: Date of Delivery** **Interest Due: April 1 and October 1, commencing April 1, 2019**

The Minnesota Higher Education Facilities Authority (the "Authority") Revenue and Refunding Bonds, Series 2018A (St. Catherine University) (the "Series 2018A Bonds") and the Minnesota Higher Education Facilities Authority Taxable Revenue Refunding Bonds, Series 2018B (St. Catherine University) (the "Series 2018B Bonds"; and collectively with the Series 2018A Bonds, the "Bonds") will mature annually on October 1 as shown on the inside front cover of this Official Statement.

At the option of the Authority, at the direction of St. Catherine University (the "University"), a Minnesota nonprofit corporation, (i) the Series 2018A Bonds are subject to redemption on October 1, 2028 or thereafter at par, in whole or in part prior to maturity, as described herein, and (ii) the Series 2018B Bonds are subject to redemption on October 1, 2028 or thereafter at par, in whole or in part prior to maturity, as described herein. The Series 2018A Bonds are subject to optional redemption in whole or in part in the event of a Determination of Taxability, as described herein. The Term Bonds are subject to mandatory redemption in installments as described herein. See "THE BONDS – Redemption" and "THE BONDS – Determination of Taxability – Series 2018A Bonds."

Proceeds of the Bonds will be used to (i) refund certain outstanding obligations of the Authority issued on behalf of the University; (ii) fund the costs of the Project (as defined herein); and (iii) pay certain issuance costs and costs of the refundings. See "USE OF PROCEEDS" 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 The 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 "THE BONDS – Book Entry Only System" herein. U.S. Bank National Association, Saint Paul, Minnesota, will act as Trustee.

The Bonds are special obligations of the Authority payable solely from Loan Repayments made by or on behalf of the University pursuant to a Loan Agreement (the "Loan Agreement") between the Authority and the University dated as of September 1, 2018, or out of other amounts pledged pursuant to the Indenture as described herein. The Loan Repayments will be an obligation of the University payable from the general funds or any other moneys legally available to the University. No priority interest in any University revenues is granted or pledged to payment of the Bonds.

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

The Bonds are offered when, as and if issued by the Authority and accepted by the Underwriter named below subject to the opinion as to validity of the Bonds and tax exemption of the Series 2018A Bonds by McGrann Shea Carnival Straughn & Lamb, Chartered, Minneapolis, Minnesota, Bond Counsel. Certain legal matters will be passed upon for the University by Kutak Rock LLP, Minneapolis, Minnesota, and for the Underwriter by Dorsey & Whitney LLP, Minneapolis, Minnesota. The Bonds are expected to be available for delivery to the Underwriter at DTC on or about September 13, 2018.

The Underwriter intends to engage in secondary market trading in the Bonds, subject to applicable securities laws. The Underwriter is not obligated, however, to repurchase any of the Bonds at the request of any holder thereof. For information with respect to the Underwriter, see "UNDERWRITING" herein.

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**Morgan Stanley**

$49,770,000
Minnesota Higher Education Facilities Authority
Revenue and Refunding Bonds, Series 2018A
(St. Catherine University)

Series 2018A Bonds to mature on October 1 as follows:

| Year | Amount | Interest Rate | Yield | Price | CUSIP 60416J: | Year | Amount | Interest Rate | Yield | Price | CUSIP 60416J: |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 2024 | $1,295,000 | 5.00% | 2.47% | 114.135 | AT 7 | 2032 | $1,930,000 | 5.00% | 3.28% | 114.622* | BB 5 |
| 2025 | 1,360,000 | 5.00 | 2.63 | 115.158 | AU 4 | 2033 | 2,025,000 | 5.00 | 3.33 | 114.162* | BC 3 |
| 2026 | 1,430,000 | 5.00 | 2.78 | 115.912 | AV 2 | 2034 | 2,130,000 | 5.00 | 3.38 | 113.705* | BD 1 |
| 2027 | 1,500,000 | 5.00 | 2.89 | 116.695 | AW 0 | 2035 | 2,240,000 | 5.00 | 3.42 | 113.340* | BE 9 |
| 2028 | 1,580,000 | 5.00 | 3.00 | 117.240 | AX 8 | 2036 | 2,345,000 | 4.00 | 3.74 | 102.159* | BF 6 |
| 2029 | 1,660,000 | 5.00 | 3.09 | 116.391* | AY 6 | 2037 | 2,440,000 | 4.00 | 3.77 | 101.907* | BG 4 |
| 2030 | 1,745,000 | 5.00 | 3.19 | 115.456* | AZ 3 | 2038 | 2,540,000 | 4.00 | 3.79 | 101.739* | BH 2 |
| 2031 | 1,835,000 | 5.00 | 3.25 | 114.900* | BA 7 | | | | | | |

$21,715,000 5.00% Term Bonds due October 1, 2045 Yield 3.56% Price 112.074* CUSIP 60416J BJ 8

* Priced to the first optional redemption date of October 1, 2028 at par

$20,765,000
Minnesota Higher Education Facilities Authority
Taxable Revenue Refunding Bonds, Series 2018B
(St. Catherine University)

Series 2018B Bonds to mature on October 1 as follows:

$20,765,000 4.937% Term Bonds due October 1, 2050 Price 100.000 CUSIP 60416J AS 9

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

No dealer, broker, sales representative or other person has been authorized by the Authority, the University or the Underwriter to give any information or to make any representations with respect to the Bonds other than as contained in this Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by the Authority, the University or the Underwriter. The information contained herein, except as it relates to the Authority, DTC, and the Trustee, has been obtained from the University and is not guaranteed as to accuracy or completeness. Information relating to the Authority, DTC and the Trustee has been obtained from such persons and is not guaranteed as to accuracy or completeness. Information regarding the tax-exempt status of the Bonds has been provided by Bond Counsel. Except for information concerning the Authority, the information contained herein is not to be construed as a representation by the Authority. THE INFORMATION AND EXPRESSIONS OF OPINION HEREIN ARE SUBJECT TO CHANGE WITHOUT NOTICE, AND NEITHER THE DELIVERY OF THIS OFFICIAL STATEMENT NOR ANY SALE MADE HEREUNDER SHALL CREATE, UNDER ANY CIRCUMSTANCES, ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE AUTHORITY OR THE UNIVERSITY SINCE THE DATE HEREOF.

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

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this official statement for purposes of, and as that term is defined in, Rule 15c2-12 of the Securities and Exchange Commission.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

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

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

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

THIS OFFICIAL STATEMENT CONTAINS STATEMENTS WHICH SHOULD BE CONSIDERED "FORWARD-LOOKING STATEMENTS," MEANING THEY REFER TO POSSIBLE FUTURE EVENTS OR CONDITIONS. SUCH STATEMENTS ARE GENERALLY IDENTIFIABLE BY WORDS SUCH AS "PLAN," "EXPECT," "ESTIMATE," "BUDGET" OR SIMILAR WORDS. THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. NEITHER THE UNIVERSITY NOR ANY OTHER PARTY EXPECTS OR INTENDS TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED, OCCUR.

The Trustee has not participated in the preparation of this Official Statement or any other disclosure documents relating to the Bonds. Except for information under the heading "THE TRUSTEE," the Trustee has or assumes no responsibility as to the accuracy or completeness of any information contained in this Official Statement or any other such disclosure documents.

## MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

### MEMBERS

| | |
|---|---|
| Mary F. Ives, Vice Chair | Real Estate Business Owner, Resident of Grand Rapids, Minnesota |
| Gary D. Benson | Director of Project Planning & Development, Kraus-Anderson Construction Company, Resident of New Brighton, Minnesota |
| Kathryn Balstad Brewer, Secretary *pro tem* | Retired Banker and Educator, Resident of New Brighton, Minnesota |
| Paul Cerkvenik (Ex Officio) | President, Minnesota Private College Council, Saint Paul, Minnesota |
| Mark Misukanis, Chair *pro tem* | Assistant Professor, Metropolitan State University, Resident of Mendota Heights, Minnesota |
| David D. Rowland | Executive Vice President, The Travelers Companies, Inc., Resident of Edina, Minnesota |
| Raymond VinZant, Jr. | Founder, Midway Vo-Tech, Saint Paul, Resident of Wyoming, Minnesota |
| Poawit Yang (Ex Officio) | Account Manager, Minnesota Office of Higher Education, Saint Paul, Minnesota |

There are currently two member vacancies on the Board.

Barry W. Fick, Executive Director

**Bond Counsel**
McGrann Shea Carnival Straughn & Lamb, Chartered

**Municipal Advisor to the Authority**
Springsted Incorporated

**Municipal Advisor to the University**
North Slope Capital Advisors

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**$20,765,000**
**MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY**
**TAXABLE REVENUE REFUNDING BONDS, SERIES 2018B**
**(ST. CATHERINE UNIVERSITY)**

**(Both issues DTC Book Entry Only)**

## INTRODUCTORY STATEMENT

This Official Statement provides information concerning the Minnesota Higher Education Facilities Authority (the "Authority"), an agency of the State of Minnesota, and St. Catherine University (formerly known as the College of Saint Catherine), a Minnesota non-profit corporation and 501(c)(3) organization and the owner and operator of an institution of higher education with campuses located in Saint Paul and Minneapolis, Minnesota (the "University"), in connection with the issuance of the Authority's $49,770,000 Revenue and Refunding Bonds, Series 2018A (St. Catherine University) (the "Series 2018A Bonds") and the $20,765,000 Taxable Revenue Refunding Bonds, Series 2018B (St. Catherine University) (the "Series 2018B Bonds"). The Series 2018A Bonds and the Series 2018B Bonds are collectively referred to as the "Bonds."

The Bonds are being issued pursuant to the provisions of Sections 136A.25 through and including 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 (the "State") to finance certain projects.

The Bonds are also being issued pursuant to the Trust Indenture (the "Indenture") dated as of September 1, 2018 between the Authority and U.S. Bank National Association, Saint Paul, Minnesota, as trustee (the "Trustee"). The Trustee will also be the Registrar and Paying Agent for the Bonds.

Pursuant to a Loan Agreement (the "Loan Agreement") dated as of September 1, 2018 between the University and the Authority relating to the Bonds, the Authority is loaning the proceeds of the Bonds to the University, and the University will covenant to make Loan Repayments in amounts sufficient to pay the principal of and interest on the Bonds as the same shall become due. The Loan Repayments will be an obligation of the University payable from the general funds or any other moneys legally available to the University.

Proceeds of the Series 2018A Bonds, along with other available University funds and any funds related to the $24,625,000 Minnesota Higher Education Facilities Authority Variable Rate Demand Revenue Bonds, Series Five-N2 (The College of Saint Catherine) (the "Series Five-N2 Bonds") and the $15,867,000 Minnesota Higher Education Facilities Authority Revenue Note, Series Eight-B (St. Catherine University) (the "Series Eight-B Note") that are available for such purposes will be used to:

(1) refund on a current refunding basis the outstanding principal of the Series Five-N2 Bonds,
(2) refund on a current refunding basis the outstanding principal and interest on the Series Eight-B Note,

(3) (a) fund the renovation, furnishing, and equipping of space on the University's Saint Paul campus to accommodate the transfer of the University's Minneapolis campus operations to Saint Paul; (b) fund the installation on the Saint Paul campus of a comprehensive security system; and (c) fund infrastructure improvements on the Saint Paul campus including heating and cooling systems, residential housing hot water system, tunnel reconstruction, and related water abatement; collectively, the "Project," and
(4) pay certain issuance costs and costs of the refundings.

Proceeds of the Series 2018B Bonds, along with other available University funds and any funds related to the $25,630,000 Minnesota Higher Education Facilities Authority Revenue Bonds, Series Seven-Q (St. Catherine University) (the "Series Seven-Q Bonds") that are available for such purposes will be used to:

(1) refund on an advance refunding basis the outstanding principal and interest on the Series Seven-Q Bonds, and
(2) pay certain issuance costs and costs of the refunding.

The Bonds are secured by a pledge of the Loan Repayments, the payment of which is a general, unsecured obligation of the University payable from the general funds or any other moneys legally available to the University. Under the Loan Agreement, the University will agree to provide the funds necessary to make timely payment of the Loan Repayments.

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

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

## RISK FACTORS

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

### No Mortgage or Lien Interests Secure the Bonds

The Bonds are secured solely by a pledge by the Authority to the Trustee of (a) amounts payable by the University under the Loan Agreement, and (b) amounts in accounts and funds which will be held by the Trustee and applied to the payment of principal of and interest on the Bonds. The Bonds are not secured by a mortgage on or security interest in any real property or personal property or University revenues. If an Event of Default occurs, there can be no assurance that pledged amounts will be sufficient to pay the principal of, premium, if any, or interest on the Bonds when due. The Bonds are not insured by a bond insurance policy, letter of credit, or any other form of financial guarantee.

### Obligation of the University

No entity or person other than the University 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 for other obligations of the University under such documents. 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 University under the Loan Agreement and other funds, if any, the Trustee holds under the Indenture. The University's obligation to make Loan Repayments is a general, unsecured obligation.

**No Debt Service Reserve Fund**

Payment of principal and interest on the Bonds is not secured by any debt service reserve fund.

**Adequacy of Revenues**

Payment of principal and interest on the Bonds is intended to be made from the University's Loan Repayments. The University'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 University and may change in the future to an extent that cannot be presently determined.

**Competition**

There is strong competition among institutions of higher education for students both nationally and within the upper Midwest region from which the University draws the majority of its students. Universities and colleges compete principally based on location, tuition rates, degree offerings, and academic reputation. To the extent that competitors have or achieve an advantage with respect to any of these factors, the University could be adversely affected. In addition, competitive pressures could result in tuition reductions or the inability to raise tuition, which could adversely affect or change the University's revenues.

Changes in demographics, such as a decrease in the overall number of high school graduates or a decrease in the number of high school graduates who elect to go to college, could adversely affect the University's efforts to attract students.

**Reliance on Tuition**

The adequacy of the University's revenues will be largely dependent on the amount of future tuition revenue the University receives. Such revenue in turn will depend primarily on the University's ability to charge sufficient rates for tuition and to maintain enrollment levels. Future enrollment levels will depend on the number of students applying to the University and accepting offers of admission. A number of factors, including, without limitation, levels of tuition rates and other fees, competition from other colleges and universities, a change in the number of college-age students and changing general economic conditions will influence the number of applicants to the University.

**Cyber-Security**

Computer networks and data transmission and collection are vital to the safe and efficient operations of the University. Despite security measures, information technology and infrastructure of the University, the University may be vulnerable to attacks by outside or internal hackers, or breached by employee error, negligence or malfeasance. Any such breach or attack could compromise systems and the information stored thereon. Any such disruption or other loss of information could result in a disruption in the efficiency of the operation of the University and the services provided at the University, thereby adversely affecting the ability of the University to generate revenue.

**Secondary Market**

There can be no assurance that there will always be a secondary market for purchase or sale of the Bonds, and from time to time there may be no market for purchase or sale of the Bonds depending upon prevailing market conditions, the financial condition or market position of firms who may make the secondary market, and the financial condition and results of the University and the Project. The Bonds should therefore be considered long-term investments in which funds are committed to maturity.

### Financial Aid

Approximately 74% of the University's eligible total student population currently receive some form of financial aid covering some portion of tuition and fees or living expenses. See Appendix I, "THE UNIVERSITY – Financial Aid" herein. No assurance can be given that federal and state financial aid and private third-party financing will continue to be funded at current levels or that the University 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 University's revenues. State financial shortfalls may result in reductions to state aid funding for colleges, including the University.

No assurance can be given that student loans will continue to be available to students and their parents at historical levels. Reductions in availability of such loans may cause a decline in enrollment, which may in turn have an adverse effect on the University's revenues.

### Damage, Destruction or other Liability

Although the University will be required to obtain certain insurance as set forth in the Loan Agreement, there can be no assurance that the University 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. Under certain circumstances the Bonds may be subject to redemption at par upon damage to or destruction of all or a portion, of the Project Facilities. See "THE BONDS – Redemption – Extraordinary Optional Redemption" and Appendix V, "SUMMARY OF DOCUMENTS – The Loan Agreement – Damage or Destruction of Project Facilities" and "– Condemnation of Project Facilities."

### Construction Risks

Construction of the Project is subject to ordinary risks associated with new construction, such as risks of cost overruns, noncompletion and delays due to a variety of factors, including, among other things, site difficulties, necessary design changes or final detailing, labor shortage or strife, delays in and shortages of materials, weather conditions, fire, and casualty. Any delays in construction may adversely impact the University's ability to complete the Project by the expected completion date, which may result in, among other things, cost overruns. See "USE OF PROCEEDS" herein.

### 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.

### Endowment Portfolio Risk

Market conditions that negatively affect the University's investments may adversely affect endowment spending and debt service coverage. The University's Board of Trustees has approved an investment policy which gives specific guidance about portfolio investments. The University's investment policy defines a diversified investment portfolio utilizing external money managers. The University's operating budget includes an annual contribution from endowment funds currently equal to a maximum of 5.5% of the endowment's prior 36-month moving average and an effective payout of approximately 5% for Fiscal Years ended 2017 and 2016. See Appendix I, "THE UNIVERSITY – Endowment Investment and Spending Policies."

### Derivative Products

The University currently has no outstanding swaps or other derivative products, but it may enter into such arrangements in the future.

### Variable Rate Demand Obligations

The Bonds are not Variable Rate Demand Obligations ("VRDOs"). A portion of the University's long-term debt which is expected to be redeemed in full on November 1, 2018 with Series 2018A Bond proceeds is in the form of VRDOs, specifically the Series Five-N2 Bonds outstanding in the principal amount of $24,625,000. See Appendix I, "THE UNIVERSITY – Long-Term Debt of the University" herein. The University is refunding the Series Five-N2 Bonds, thus removing the various risks associated with VRDOs, such as, *inter alia*, (a) interest rate risk, (b) put risk and remarketing failure risk, (c) letter of credit renewal risk, and (d) letter of credit bank rating risk. Following the issuance of the Bonds, the University will have no outstanding VRDOs.

### Other Possible Risk Factors

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

(1) 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.

(2) Adoption of federal, State or local legislation or regulations having an adverse effect on the future operating or financial performance of the University.

(3) International events, including any acts of war and terrorism, which may have adverse effects on enrollment and investments.

(4) Market conditions that negatively affect the University's investments and therefore may adversely affect debt coverage and endowment spending.

See also "TAX EXEMPTION – Minnesota Tax Considerations" herein.

## 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 University will enter into a Continuing Disclosure Certificate (the "Certificate") for the benefit of beneficial owners of the Bonds to provide certain financial information and operating data relating to the University annually, and to provide notices of the occurrence of any of the events enumerated in the Rule not later than ten business days after the occurrence of the event, to the Municipal Securities Rulemaking Board (the "MSRB"). The specific nature of the Certificate, as well as the information to be contained in the annual report or the notices of material events is set forth in the Certificate to be executed by the University at the time the Bonds are delivered, a copy of which is available from the University or the Trustee. Appendix III, "FORM OF CONTINUING DISCLOSURE CERTIFICATE," contains the financial information and operating data to be provided annually, as well as the list of material events. The Certificate may be amended under certain circumstances as permitted by the Rule and the terms of the Certificate.

Furthermore, the University has reserved its right to discontinue providing information required by the Certificate 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 Certificate if a court of competent jurisdiction or the University determines that such modification is required or permitted by the Rule. A failure by the University to comply with the Certificate will not constitute an event of default on the Bonds (although holders may have other remedies at law or in equity). 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 University pursuant to the Certificate, may adversely affect the Bonds' transferability, liquidity, and market price.

During the previous five years, the University has complied in all material respects with its continuing disclosure obligations under the Rule, except that financial information and operating data for the fiscal year ended May 31, 2016 were filed one day late. The University has taken remedial action to bring the University into compliance with its continuing disclosure obligations.

## THE BONDS

### General

The Bonds will be issued in book-entry form and will be dated as of their date of delivery (the "Issue Date"). The Series 2018A Bonds will mature annually each October 1, commencing October 1, 2024, as set forth on the inside cover page of this Official Statement. The Series 2018B Bonds will mature on October 1, 2050, as set forth on the inside cover page of this Official Statement. The Bonds are being issued in denominations of $5,000 and integral multiples thereof and shall be fully registered as to principal and interest. Interest on the Bonds will be payable on each April 1 and October 1, commencing April 1, 2019.

### Book Entry Only System

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

For further detail on DTC, see Appendix VI, "THE DEPOSITORY TRUST COMPANY."

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**Redemption**

Mandatory Redemption – Series 2018A Bonds

Portions of the Series 2018A Bonds maturing on October 1, 2045 (the "Series 2018A Term Bonds") shall be called for redemption on October 1 in the years and in the principal amounts set forth immediately below, without premium, plus accrued interest to the date fixed for redemption, from moneys in the Series 2018A Bond and Interest Sinking Fund Account.

Series 2018A
Term Bonds Due
October 1, 2045

| Year | Amount |
|---|---|
| 2039 | $2,655,000 |
| 2040 | 2,795,000 |
| 2041 | 2,935,000 |
| 2042 | 3,090,000 |
| 2043 | 3,245,000 |
| 2044 | 3,410,000 |
| 2045† | 3,585,000 |

† *Final maturity*

The Series 2018A Term Bonds to be so redeemed shall be selected by the Trustee by lot or in such other random manner as the Trustee shall determine

The Series 2018A Term Bonds to be redeemed pursuant to the mandatory redemption provisions set forth above may, at the University's option, 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 Bond and Interest Sinking Fund Account) and canceled by the Trustee and not theretofore applied as a credit against such mandatory redemption obligations.

Mandatory Redemption – Series 2018B Bonds

Portions of the Series 2018B Bonds maturing on October 1, 2050 (the "Series 2018B Term Bonds") shall be called for redemption on October 1 in the years and in the principal amounts set forth immediately below, without premium, plus accrued interest to the date fixed for redemption, from moneys in the Series 2018B Bond and Interest Sinking Fund Account.

Series 2018B
Term Bonds Due
October 1, 2050

| Year | Amount |
|---|---|
| 2046 | $3,755,000 |
| 2047 | 3,945,000 |
| 2048 | 4,145,000 |
| 2049 | 4,350,000 |
| 2050† | 4,570,000 |

† *Final maturity*

The Series 2018B Term Bonds to be so redeemed shall be selected on a pro rata basis among the holders thereof.

The Series 2018B Term Bonds to be redeemed pursuant to the mandatory redemption provisions set forth above may, at the University's option, 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 Bond and Interest Sinking Fund Account) and canceled by the Trustee and not theretofore applied as a credit against such mandatory redemption obligations.

Optional Redemption – Series 2018A Bonds

The Authority, at the University's written direction, may optionally redeem the Series 2018A Bonds maturing on or after October 1, 2029 in whole or in part, on October 1, 2028 and on any day thereafter at a price of par plus accrued interest.

Optional Redemption – Series 2018B Bonds

The Authority, at the University's written direction, may optionally redeem the Series 2018B Bonds in whole or in part, on October 1, 2028 and on any day thereafter at a price of par plus accrued interest.

Extraordinary Optional Redemption

The Bonds will be subject to optional redemption at par in integral multiples of $5,000, in whole or in part, plus accrued interest in certain cases of damage to or destruction or condemnation of the Project Facilities. In the event the Project Facilities are damaged such that the claim for loss exceeds $1,000,000, the University may elect to repair, rebuild or restore the Project Facilities or may elect, pursuant to the terms of the Loan Agreement, to redeem all or part of the outstanding Bonds.

The Series 2018A Bonds will also be subject to optional redemption at par and accrued interest upon a Determination of Taxability as provided in the Loan Agreement.

For additional information, see "THE BONDS – Determination of Taxability" and Appendix V, "SUMMARY OF DOCUMENTS – The Loan Agreement."

Partial Redemption

If fewer than all of the Series 2018A Bonds are called for redemption, the University may direct the order of maturity or order of sinking fund installments within a Term Bond, including the particular amounts within maturities or sinking fund installments to be prepaid.

In the case of Series 2018A Bonds of denominations greater than $5,000, if fewer 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 were 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. 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 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.

The Series 2018A Bonds to be redeemed within any maturity shall be directed by the Trustee by lot or any other method.

If fewer than all of the Series 2018B Bonds are called for redemption, the Trustee shall select the Series 2018B Bonds or any given portion thereof to be redeemed from the Series 2018B Bonds outstanding or such given portion thereof not previously called for redemption, *pro rata*.

If the Series 2018B Bonds are registered in book-entry form and so long as DTC or a successor Securities Depository is the sole registered owner of the Series 2018B Bonds, if fewer than all of the Series 2018B Bonds of a maturity are called for prior redemption, the particular Series 2018B Bonds or portions thereof to be redeemed shall be selected on a *pro rata* pass-through distribution of principal basis in accordance with DTC procedures, provided that, so long as the Series 2018B Bonds are held in book-entry form, the selection of redemption of such Series 2018B Bonds shall be made in accordance with the operational arrangements of DTC then in effect.

It is the University's intent that the redemption allocations made by DTC be made on a *pro rata* pass-through distribution of principal basis as described above. However, the University can provide no assurance that DTC, DTC's direct and indirect participants or any other intermediary will allocate the redemption of Series 2018B Bonds on such basis. If the DTC operations arrangements do not allow for the redemption of the Series 2018B Bonds on a *pro rata* pass-through distribution of principal basis as discussed above, then the Series 2018B Bonds will be selected for redemption, in accordance with DTC procedures, by lot. The Trustee can provide no assurance how DTC and other parties allocate redemption payments.

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 20 days, and if more than 60 days, then again not less than 20 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.

Conditional Redemption

In case of an optional redemption to be funded in full or part from proceeds from a refunding financing, the University may elect to provide a certificate providing details of the proposed financing as outlined in the Indenture and stating the redemption is conditioned upon providing the Trustee with funds sufficient to effect the refunding at least five business days prior to the redemption date or that the University has the right to rescind the redemption no later than five business days prior to the redemption date (a "Conditional Redemption".) The University may deliver to the Trustee a certificate no later than five business days prior to the redemption date instructing the Trustee to rescind the redemption notice. If the Trustee does not receive sufficient funds no later than five business days prior to the redemption date the Trustee shall give prompt notice to DTC or affected holders that the redemption did not occur. Such rescission of the redemption notice is not an event of default and the Bonds conditionally call for redemption and not so paid shall remain outstanding.

**Determination of Taxability – Series 2018A Bonds**

If a Determination of Taxability is made that the interest payable on the Series 2018A 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 Series 2018A 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 date on which the principal of the Series 2018A Bonds is paid. **If a Determination of Taxability should occur, any monetary damages or loss resulting from or incident thereto shall be limited to the increased interest rate on the Series 2018A Bonds.** See "TAX EXEMPTION" herein and Appendix IV, "DEFINITIONS OF CERTAIN TERMS."

The University has the option to prepay the Loan Repayments relating to the Series 2018A Bonds on the next 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 on the Series 2018A Bonds at a price of par and accrued interest (including additional interest from the Date of Taxability and without a premium).

## USE OF PROCEEDS

Bond proceeds will be loaned to the University pursuant to the Loan Agreement.

Series 2018A Bond proceeds, along with available University funds and any funds related to the Series Five-N2 Bonds and the Series Eight-B Note that are available for such purposes will be used to:

(1) refund on a current refunding basis the outstanding principal of the Series Five-N2 Bonds,
(2) refund on a current refunding basis the outstanding principal and interest on the Series Eight-B Note,
(3) (a) fund the renovation, furnishing, and equipping of space on the University's Saint Paul campus to accommodate the transfer of the University's Minneapolis campus operations to Saint Paul; (b) fund the installation on the Saint Paul campus of a comprehensive security system; and (c) fund infrastructure improvements on the Saint Paul campus including heating and cooling systems, residential housing hot water system, tunnel reconstruction, and related water abatement; collectively, the "Project," and
(4) pay certain issuance costs and costs of the refundings.

Series 2018B Bond proceeds, along with available University funds and any funds related to the Series Seven-Q Bonds that are available for such purposes will be used to:

(1) refund on an advance refunding basis the outstanding principal and interest on the Series Seven-Q Bonds, and
(2) pay certain issuance costs and costs of the refunding.

### Use of Series 2018A Bond Proceeds

Refund Series Five-N2 Bonds

The Series Five-N2 Bonds are outstanding in the principal amount of $24,625,000 and have a maturity date of October 1, 2032. The Series Five-N2 Bonds to be refunded, identified by CUSIP, are as follows:

| Maturity Date October 1 | Principal | CUSIP 604151 |
|---|---|---|
| 2032 | $24,625,000 | 7U 8 |

The Series Five-N2 Bonds are callable on any interest payment date, which is the first business day of any calendar month, at par plus accrued interest to the redemption date.

On the Issue Date, a portion of the Series 2018A Bond proceeds will be deposited in the Series Five-N2 subaccount of the Series 2018A Refunding Account created under the Indenture and immediately transferred to Wells Fargo Bank, National Association as the Trustee for the Series Five-N2 Bonds for deposit into the Series Five-N2 Redemption Account. The amounts so deposited will be in an amount sufficient to prepay the outstanding principal of the Series Five-N2 Bonds on the Series Five-N2 redemption date, which is expected to be November 1, 2018, without a redemption premium. The University will pay from its own funds interest due on the Series Five-N2 Bonds on October 1, 2018 and on the Series Five-N2 redemption date.

Refund Series Eight-B Note

The Series Eight-B Note is outstanding in the principal amount of $15,424,000 with a final maturity of June 3, 2042 and a mandatory tender date of June 3, 2021. The Series Eight-B Note is callable on any date upon 30 days' notice to U.S. Bank National Association as the note holder at a price of par plus accrued interest.

On the Issue Date, a portion of the Series 2018A Bonds proceeds will be deposited in the Series Eight-B subaccount of the Series 2018A Refunding Account created under the Indenture. The amounts so deposited shall not be invested but will be in an amount sufficient to pay the interest on the Series Eight-B Note on the Series Eight-B redemption date, which is expected to be October 1, 2018 and prepay the outstanding principal of the Series Eight-B Note on that date, totaling approximately $15,603,962, anticipated to be without a prepayment fee. On the Series Eight-B redemption date the Trustee will pay to U.S. Bank National Association as the Series Eight-B note holder the amounts so described and, in the event a prepayment fee is required, the amount of the prepayment fee will be paid from the University's own funds.

The Project

On the Issue Date, a portion of the Series 2018A Bond proceeds will be deposited into the Construction Account established under the Indenture to be used, along with University funds, to fund the capital improvements described above under "USE OF PROCEEDS."

Approximately 33,000 square feet of classroom, laboratory, office and common space will be affected with regard to the renovation of Saint Paul campus space. The cost of this portion of the Project is estimated to be $10 million, of which $8.5 million will be financed with the proceeds of the Bonds and $1.5 million is anticipated to be financed from University funds, including private gifts.

The University estimates the cost of the security system installation to be approximately $4.3 million and the cost of the various other improvements to be approximately $2.2 million. Total costs for the Project are estimated to be $16.5 million, for which the University is borrowing $15 million of Bond proceeds.

The University has retained the DLR Group, Minneapolis, Minnesota, as architects for the Project. The University expects to enter into a construction contract for the project with McGough Construction, Saint Paul, Minnesota.

Planning for the Project commenced in April 2017 and building construction and renovation related to the transfer of Minneapolis operations to Saint Paul began in June 2018. Work on the security system and other infrastructure improvements will begin in September 2018. The University anticipates that all parts of the Project will be completed by December 2020.

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**Use of Series 2018B Bond Proceeds**

Refund Series Seven-Q Bonds

The Series Seven-Q Bonds are outstanding in the amount of $20,695,000. The Series Seven-Q Bonds to be defeased and advance refunded, identified by CUSIP, are as follows:

| Maturity Date October 1 | Principal | CUSIP 60416H |
|---|---|---|
| 2018 | $1,120,000 | XX 7 |
| 2019 | 1,180,000 | XY 5 |
| 2020 | 1,240,000 | XZ 2 |
| 2021 | 1,305,000 | YA 6 |
| 2022 | 1,370,000 | YB 4 |
| 2023 | 1,440,000 | YC 2 |
| 2024 | 1,515,000 | YD 0 |
| 2025 | 1,590,000 | YE 8 |
| 2026 | 1,680,000 | YF 5 |
| 2027 | 1,220,000 | YG 3 |
| 2032† | 7,035,000 | YH 1 |

† *Term Bonds and Final Maturity*

The Authority at the University's direction may optionally redeem the Series Seven-Q Bonds maturing on or after October 1, 2023 on October 1, 2022 and on any date thereafter in whole or in part, at a price of par plus interest accrued to the redemption date and without a redemption premium. As of the Issue Date, the outstanding Series Seven-Q Bonds will be fully defeased from Series 2018B Bonds proceeds, and any funds available therefor on deposit under the Series Seven-Q Indenture. The Authority and the University will give Wells Fargo Bank, National Association, as trustee for the Series Seven-Q Bonds, irrevocable direction to optionally redeem the Series Seven-Q Bonds maturing on and after October 1, 2023 on October 1, 2022. The Series Seven-Q Bonds will be paid on their maturity dates of October 1 in the years 2018 through 2022, and prepaid and redeemed on October 1, 2022 at a price of par plus interest accrued to that date and without a redemption premium.

On the Issue Date, a portion of the Series 2018B Bonds proceeds will be deposited in the Series 2018B Refunding Account created under the Indenture and immediately transferred to Wells Fargo Bank, National Association as the Escrow Agent pursuant to the Escrow Agreement dated as of September 1, 2018 for deposit in the Escrow Account thereunder. The amount so deposited, along with the balance in the Series Seven-Q Bond Account and the Series Seven-Q Reserve Account which the Series Seven-Q Trustee will concurrently transfer to the Escrow Account, will be invested in U.S. government securities the principal amount of which, plus earnings thereon, will be sufficient to pay interest and maturing principal of on the Series Seven-Q Bonds to and including the Series Seven-Q redemption date of October 1, 2022 and to pay, prepay, and redeem the outstanding Series Seven-Q Bonds on that date.

The University will obtain from Ritz and Associates PA, Certified Public Accountants, a verification report confirming that the initial monies deposited in the Escrow Account, including the earnings on federal securities therein, will be sufficient to pay the principal of and interest on the Series Seven-Q Bonds when due and to pay the outstanding principal balance of the Series Seven-Q Bonds on the Series Seven-Q redemption date.

**SOURCES AND USES OF FUNDS**

| Sources | Series 2018A | Series 2018B |
|---|---|---|
| Par Amount of Bonds | $49,770,000.00 | $20,765,000.00 |
| Original Offering Premium | 5,877,685.10 | -- |
| Prior Bonds Indentured Funds | 1,552.93 | 2,146,307.01 |
| Total Sources: | $55,649,238.03 | $22,911,307.01 |

| Uses | | |
|---|---|---|
| Refunding Series Five-N2 | $24,625,000.00 | $ -- |
| Refunding Series Eight-B | 15,603,962.31 | -- |
| Refunding Series Seven-Q | -- | 22,737,617.31 |
| Deposit to Construction Account | 15,000,000.00 | -- |
| Costs of Issuance including Underwriter's Discount | 420,275.72 | 173,689.70 |
| Total Uses | $55,649,238.03 | $22,911,307.01 |

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## FISCAL YEAR ANNUAL DEBT SERVICE

Bond proceeds will defease and refund the University's outstanding long-term debt service. Following issuance of the Bonds, the University's long-term debt service will be as follows:

| Fiscal Year Ended May 31 | Series 2018A Debt Service | Series 2018B Debt Service | Aggregate Debt Service |
|---|---|---|---|
| 2019 | $ 1,328,388 | $ 563,842 | $ 1,892,230 |
| 2020 | 2,415,250 | 1,025,168 | 3,440,418 |
| 2021 | 2,415,250 | 1,025,168 | 3,440,418 |
| 2022 | 2,415,250 | 1,025,168 | 3,440,418 |
| 2023 | 2,415,250 | 1,025,168 | 3,440,418 |
| 2024 | 2,415,250 | 1,025,168 | 3,440,418 |
| 2025 | 3,677,875 | 1,025,168 | 4,703,043 |
| 2026 | 3,676,500 | 1,025,168 | 4,701,668 |
| 2027 | 3,676,750 | 1,025,168 | 4,701,918 |
| 2028 | 3,673,500 | 1,025,168 | 4,698,668 |
| 2029 | 3,676,500 | 1,025,168 | 4,701,668 |
| 2030 | 3,675,500 | 1,025,168 | 4,700,668 |
| 2031 | 3,675,375 | 1,025,168 | 4,700,543 |
| 2032 | 3,675,875 | 1,025,168 | 4,701,043 |
| 2033 | 3,676,750 | 1,025,168 | 4,701,918 |
| 2034 | 3,672,875 | 1,025,168 | 4,698,043 |
| 2035 | 3,674,000 | 1,025,168 | 4,699,168 |
| 2036 | 3,674,750 | 1,025,168 | 4,699,918 |
| 2037 | 3,676,850 | 1,025,168 | 4,702,018 |
| 2038 | 3,676,150 | 1,025,168 | 4,701,318 |
| 2039 | 3,676,550 | 1,025,168 | 4,701,718 |
| 2040 | 3,674,375 | 1,025,168 | 4,699,543 |
| 2041 | 3,678,125 | 1,025,168 | 4,703,293 |
| 2042 | 3,674,875 | 1,025,168 | 4,700,043 |
| 2043 | 3,679,250 | 1,025,168 | 4,704,418 |
| 2044 | 3,675,875 | 1,025,168 | 4,701,043 |
| 2045 | 3,674,500 | 1,025,168 | 4,699,668 |
| 2046 | 3,674,625 | 1,025,168 | 4,699,793 |
| 2047 | 0 | 4,687,476 | 4,687,476 |
| 2048 | 0 | 4,687,401 | 4,687,401 |
| 2049 | 0 | 4,687,700 | 4,687,700 |
| 2050 | 0 | 4,683,001 | 4,683,001 |
| 2051 | 0 | 4,682,810 | 4,682,810 |
| Total: | $94,272,063 | $51,671,768 | $145,943,831 |

Totals may not precisely equal the sum of the displayed annual amounts due to rounding.

## SOURCE OF PAYMENT FOR THE BONDS

### General

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

The Bonds are secured by the Authority's pledge of the Loan Repayments, which are a general obligation of the University, and other funds, if any, the Trustee holds under the Indenture. The University will agree pursuant to the terms of the Loan Agreement 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 Loan Repayments are a general obligation of the University. The University will therefore agree in the Loan Agreement to make such payments from the general funds or any other moneys legally available to the University. No priority interest in any University revenues is granted or pledged to payment of the Bonds.

The University covenants and agrees under the Loan Agreement to charge tuition, fees, rentals and charges which, together with the University's 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 University as they become due.

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

## ACCOUNTS

### Summary

The Indenture will provide for the creation of certain trust accounts into which the proceeds of the sale of the Bonds and revenues received as Loan Repayments under the Loan Agreement are to be deposited. These accounts include for each of the Series 2018A Bonds and the Series 2018B Bonds a Refunding Account, a Bond and Interest Sinking Fund Account, a Costs of Issuance Account, and a Redemption Account. The Series 2018A Bonds shall also include a Construction Account. The net proceeds of original issue and sale of the Bonds are to be deposited into the respective Refunding Accounts and the Series 2018A Construction Account, except that the amount of the costs of issuance of the Bonds will be deposited into the respective Costs of Issuance Accounts, and accrued interest, if any, will be deposited in the respective Bond and Interest Sinking Fund Accounts. Following the Issue Date, amounts received by the Trustee from the University as Loan Repayments are to be deposited into the respective Bond and Interest Sinking Fund Accounts or the Redemption Accounts, as required by the Loan Agreement and used, to the extent needed, to redeem or pay the principal of and interest on the Bonds when due.

### Refunding Accounts (Series 2018A and 2018B)

There will be deposited initially into the respective Refunding Accounts certain Bond proceeds which shall be in an amount sufficient, along with available moneys held by the Trustee for Series Five-N2 Bonds and the Series Seven-Q Bonds, to pay the redemption price of such bonds on their respective redemption dates, and to prepay and redeem the Series Eight-B Note on its redemption date. For details of deposits and use of monies in the Refunding Accounts see "USE OF PROCEEDS – Use of Series 2018A Bond Proceeds" and "USE OF PROCEEDS – Use of Series 2018B Bond Proceeds" herein.

**Construction Account (Series 2018A)**

There shall be deposited initially into the Construction Account certain proceeds of the Series 2018A Bonds, except as otherwise required to be deposited into the Series 2018A Refunding Account, the Series 2018A Bond and Interest Sinking Fund Account, and the Series 2018A Costs of Issuance Account. The University will agree in the Loan Agreement to provide for payment of all costs of the Project in excess of the proceeds of the Bonds available therefor. Upon receipt of proper documentation, the Trustee will reimburse or pay for the account of the University costs incurred in connection with the Project. When work on the Project has been completed and the Project Equipment has been installed and a certificate to that effect has been furnished to the Trustee, any balance in the Series 2018A Construction Account shall be deposited into the Series 2018A Redemption Account or the Series 2018A Bond and Interest Sinking Fund Account under certain conditions.

**Bond and Interest Sinking Fund Accounts (Series 2018A and 2018B)**

Initially there shall be deposited into the respective Bond and Interest Sinking Fund Accounts an amount of Bond proceeds representing accrued interest, if any, and the respective rounding amounts, which is to be used to pay interest on the Bonds. Deposits shall be made to the Bond and Interest Sinking Fund Accounts from transfers of amounts in other accounts, as permitted by the Indenture, and from Loan Repayments made by the University. Deposits into the Bond and Interest Sinking Fund Accounts shall be made at least two Business Days prior to each April 1 and October 1 in amounts equal to the interest and principal, if any, due on the following April 1 or October 1.

The moneys and investments in the Bond and Interest Sinking Fund Accounts 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.

**Costs of Issuance Accounts (Series 2018A and 2018B)**

There shall be deposited into the respective Costs of Issuance Accounts the amount specified in the Indenture to be applied to the costs, fees and expenses incurred in connection with the issuance of the Bonds. The Trustee shall disburse funds from these accounts upon presentation to the Trustee of an invoice approved by the Authorized Institution Representative or the Authorized Authority Representative. Any funds remaining in the Costs of Issuance Accounts after a period of six months shall be transferred to the respective Accounts specified in the Indenture.

**Redemption Accounts (Series 2018A and 2018B)**

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

Amounts on deposit to the credit of the Redemption Accounts shall be used, first, to maintain required balances in the Bond and Interest Sinking Fund Accounts; and second, for the redemption of outstanding Bonds at the request or direction of the University or for the purchase of outstanding Bonds on the market at prices not exceeding the redemption price on the next available date for redemption. Notwithstanding the foregoing, the Trustee is authorized in its discretion to use funds and investments in the Redemption Accounts to pay the amount of any rebate due the United States in respect of the Series 2018A Bonds under Section 148 of the Internal Revenue Code if the University or the Authority shall have failed to pay or provide for the payment thereof under the Loan Agreement.

### Authorized Investments

Moneys on deposit to the credit of the Construction Account, the Bond and Interest Sinking Fund Accounts, the Costs of Issuance Accounts, and the Redemption Accounts shall be invested by the Trustee only in investments as authorized by law from time to time. Section 5.05 of the Indenture sets forth the specific parameters to the type, credit quality, and maturity of investments. See Appendix V – "SUMMARY OF DOCUMENTS – The Indenture" herein.

Monies deposited in the Refunding Accounts relating to the Series Five-N2 Bonds and the Series Seven-Q Bonds will not be invested in those accounts but will be transferred to the Trustee for the Series Five-N2 Bonds and the Trustee and Escrow Agent for the Series Seven-Q Bonds, respectively for deposit into the Series Five-N2 Redemption Account or the Escrow Account under the Escrow Agreement relating to the defeasance of the Series Seven-Q Bonds, as applicable. Moneys deposited in the Refunding Account relating to the Series Eight-B Note will be held in the Refunding Account uninvested until paid to the Series Eight-B note holder and to prepay the Series Eight-B Note. See "USE OF PROCEEDS" above for detailed descriptions.

## FUTURE FINANCING

The University regularly improves and expands its campus facilities. The University does not anticipate financing any such projects with debt within the next 12 months. The University continually evaluates project needs and market conditions and although there are no plans for future financing during the next 12 months, that may change given the historical low interest rates and continued operational growth and needs of the University.

## THE AUTHORITY

The Minnesota Higher Education Facilities Authority was created by Chapter 868, Laws of Minnesota, 1971 (Minnesota Statutes Sections 136A.25 through 136A.42), 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. Appointed Board members serve staggered four-year terms. A representative of the Minnesota Office of Higher Education and the President of the Minnesota Private College Council, who is a non-voting member, are also members of the Authority.

All Authority members must be residents of Minnesota. At least two members must reside outside the metropolitan area of Minneapolis-Saint Paul. At least one member must be knowledgeable in the field of municipal finance, at least one member shall be knowledgeable in the building construction field and at least one member shall be a trustee, director, officer, or employee of an institution of higher education.

The administration and overall operation of the Authority is the responsibility of its Executive Director, Barry W. Fick. Mr. Fick became the Executive Director of the Authority on July 13, 2016. He brings over 28 years of public finance and higher education finance experience to the Authority. Mr. Fick has a Bachelor of Science degree in Economics from the University of Minnesota and a Juris Doctorate from Mitchell | Hamline School of Law. He replaced Marianne T. Remedios, who retired after having been Executive Director since 2000. Prior to becoming Executive Director of the Authority, Mr. Fick served as Senior Vice President at Springsted Incorporated, Public Sector Advisors ("Springsted"). Springsted is the Municipal Advisor to the Authority. See "MUNICIPAL ADVISOR TO THE AUTHORITY" herein.

The Authority is authorized and empowered to issue revenue bonds whose aggregate outstanding principal amount at any time shall not exceed $1.3 billion. The Authority has issued bonds totaling over $2.85 billion, of which approximately $939 million of Authority issued debt is outstanding as of August 1, 2018. Bonds issued by the Authority are payable only from the loan repayments, rentals, and other revenues 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.

Each series of bonds or other obligations of the Authority issued for the benefit of a particular higher education institution is secured by a separate trust indenture or financing agreement (in the case of private placements). Consequently, each series of obligations of the Authority (with the exception of additional bonds with respect to that series) is separate and distinct as to security and source of payment. The Authority may authorize other series of bonds or other obligations for the financing of projects for other private nonprofit educational institutions eligible for Authority financing assistance,

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 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 and to refinance other debt for capital improvements.

The operations of the Authority are financed solely from fees paid by the participating institutions; it has no taxing power. The Authority does not receive any funds from the State of Minnesota.

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

## MUNICIPAL ADVISOR TO THE AUTHORITY

The Authority has retained Springsted Incorporated, Public Sector Advisors, of Saint Paul, Minnesota ("Springsted"), as municipal advisor in connection with certain aspects of the issuance of the Bonds and, in that capacity, Springsted has assisted the Authority in preparing this Official Statement. The information contained herein is derived from University officials, and other sources, who have access to relevant data to provide accurate information for this Official Statement. Springsted makes no representation, warranty or guarantee regarding the accuracy or completeness of the information in this Official Statement, and its assistance in preparing this Official Statement should not be construed as a representation that it has independently verified such information. Springsted is an independent advisory firm, registered as a municipal advisor, and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

Springsted is under common ownership with Springsted Investment Advisors, Inc. ("SIA"), an investment advisor registered in the states where services are provided. SIA may provide investment advisory services to the Authority from time to time in connection with the investment of proceeds from the Bonds as well as advice with respect to portfolio management and investment policies for the Authority. SIA pays Springsted, as Municipal Advisor, a referral fee from the fees paid to SIA by the Authority.

## MUNICIPAL ADVISOR TO THE UNIVERSITY

The University has retained North Slope Capital Advisors ("North Slope"), Denver, Colorado, as municipal advisor to the University with respect to the issuance of the Bonds. As the University's municipal advisor, North Slope has assisted in the preparation of this Official Statement and in other matters relating to the planning, structure, rating and issuance of the Bonds. In its role as municipal advisor to the University, North Slope has not undertaken to make an independent verification of or to assume the responsibility for the accuracy or completeness of the information contained in this Official Statement.

## UNDERWRITING

The Bonds are being purchased by Morgan Stanley & Co. LLC (the "Underwriter"). The Underwriter has agreed to purchase the Series 2018A Bonds at a purchase price of $55,455,448.86 (representing the aggregate principal amount of the Series 2018A Bonds less an underwriter's discount of $192,236.24 plus original issue premium of $5,877,685.10). The Underwriter has agreed to purchase the Series 2018B Bonds at a purchase price of $20,684,795.33 (representing the aggregate principal amount of the Series 2018B Bonds less an underwriter's discount of $80,204.67).

The Underwriter intends to offer the Bonds to the public initially at the offering prices that result in the yields set forth on the inside front cover of this Official Statement, which may subsequently change without any requirement of prior notice. The Underwriter has entered into a retail distribution arrangement with its affiliate, Morgan Stanley Smith Barney LLC. As part of the distribution arrangement, the Underwriter may distribute municipal securities to retail investors through the financial network of Morgan Stanley Smith Barney LLC. As part of this arrangement, the Underwriter may compensate Morgan Stanley Smith Barney LLC for its underwriting efforts with respect to the Bonds.

The University has agreed in the Bond Purchase Agreement to indemnify the Underwriter and the Authority against certain civil liabilities, including certain potential liabilities under federal securities laws.

## THE TRUSTEE

The Issuer has appointed U.S. Bank National Association, a national banking association organized under the laws of the United States of America, to serve as Trustee. The Trustee has all of the powers of a bank, including fiduciary powers, and is a member of the Federal Deposit Insurance Corporation and the Federal Reserve System. The Trustee is only responsible to carry out those specific duties assigned to it under the Indenture. Except for the contents of this section, the Trustee has not reviewed or participated in the preparation of this Official Statement and assumes no responsibility for the nature, contents, accuracy, fairness or completeness of the information set forth in this Official Statement or for the recitals contained in the Indenture, the Loan Agreement, or the Bonds, or for the validity, sufficiency, or legal effect of any of such documents.

Furthermore, the Trustee has no oversight responsibility, and is not accountable, for the use or application by the University of any of the Bonds authenticated or delivered pursuant to the Indenture. The Trustee has not evaluated the risks, benefits, or propriety of any investment in the Bonds and makes no representation, and has reached no conclusions, regarding the value or condition of any assets or revenues pledged or assigned as security for the Bonds, or the investment quality of the Bonds, about all of which the Trustee expresses no opinion and expressly disclaims the expertise to evaluate.

## RATING

As noted on the cover page hereof, Moody's Investors Service ("Moody's"), 7 World Trade Center, 250 Greenwich Street, 23rd Floor, New York, New York, has assigned a rating of Baa1 on the Bonds. The rating reflects only the view of such rating agency. Further information concerning the rating is available from Moody's.

Generally, a rating agency bases its ratings on the information and materials furnished it and on investigations, studies and assumptions by the rating agency. There is no assurance that the rating will continue for any given period of time or that it may not be lowered or withdrawn entirely by the rating agency if in its judgment circumstances so warrant. Any such downward change in or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

## LITIGATION

The Authority and the University are unaware of any pending or threatened litigation which would affect the validity of the Bonds, the tax-exempt nature of the Series 2018A Bonds, the authority of either party to enter into the Bond-related documents or the ability of either to perform as described herein, or the ability of the University to pay the principal of, premium, if any, 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 as applicable, by McGrann Shea Carnival Straughn & Lamb, Chartered, Minneapolis, Minnesota, as Bond Counsel. Legal opinions 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 University by Kutak Rock LLP, Minneapolis, Minnesota; and for the Underwriter by Dorsey & Whitney LLP, Minneapolis, Minnesota.

## TAX EXEMPTION

**Series 2018A Bonds**

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 Series 2018A Bonds in order that interest on the Series 2018A 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 Series 2018A Bond proceeds, (2) provisions which prescribe yield and other limits relative to the investment of the proceeds of the Series 2018A 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 by the Series 2018A Bonds. Noncompliance with such requirements may cause interest on the Series 2018A Bonds to become includable in gross income for purposes of Federal and State 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 University, 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 Series 2018A Bonds are subject to optional redemption without premium, and the Series 2018A 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 Series 2018A Bonds is paid. (See "SUMMARY OF DOCUMENTS – The Loan Agreement – Determination of Taxability" in Appendix V). A change of law as in effect on the date of issuance of the Series 2018A Bonds or a determination that interest on the Series 2018A Bonds is includable in the computation of the alternative minimum tax imposed on individuals under the Code is not a Determination of Taxability.

Assuming compliance with the Tax Covenants and on the basis of the certifications to be furnished at Bond Closing, in the opinion of Bond Counsel, under present laws and rulings, interest on the Series 2018A Bonds is excludable from gross income for federal income tax purposes. Interest on the Series 2018A Bonds is not treated as a preference item in determining federal alternative minimum taxable income of individuals and corporations. However, for taxable years that began before January 1, 2018, the interest is includable in "adjusted current earnings" for purposes of computing the federal alternative minimum taxable income of corporations. The corporate alternative minimum tax has been repealed for taxable years beginning on or after January 1, 2018.

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 Series 2018A Bonds.

In addition, interest on the Series 2018A 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 Series 2018A Bonds that is received or accrued during the taxable year. In addition, passive investment income, including interest on the Series 2018A 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 are passive investment income.

The Code further provides that interest on the Series 2018A 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.

**Minnesota Tax Considerations**

Assuming compliance with the Tax Covenants and on the basis of the certifications to be furnished at Bond Closing, in the opinion of Bond Counsel, under present laws and rulings, interest on the Series 2018A Bonds is excludable from the taxable income of individuals, estates and trusts for Minnesota income tax purposes. Interest on the Series 2018A Bonds is not treated as a preference item in determining the Minnesota alternative minimum tax applicable to individuals, estates and trusts. However, the interest is subject to the Minnesota franchise tax imposed on corporations, including financial institutions, measured by taxable income and the alternative minimum tax base.

Minnesota, like many other states, generally taxes interest on obligations of governmental issuers in other states. In 1995, Minnesota enacted a statement of intent, codified at Minn. Stat. § 289A.50, subd. 10, that interest on obligations of Minnesota governmental units and Indian tribes be included in the net income of individuals, estates and trusts for Minnesota income tax purposes if a court determines that Minnesota's exemption of such interest and its taxation of interest on obligations of governmental issuers in other states unlawfully discriminates against interstate commerce. This provision applies to taxable years that begin during or after the calendar year in which any such court decision becomes final, irrespective of the date upon which the obligations were issued.

**Changes in Federal and State Tax Law**

From time to time there are Presidential proposals, proposals from various federal committees, and legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the marketability or market value of the Series 2018A Bonds or otherwise prevent holders of the Series 2018A Bonds from realizing the full benefit of the tax exemption of interest on the Series 2018A Bonds. Further, such proposals may impact the marketability or market value of the Series 2018A Bonds simply by being proposed.

It cannot be predicted, however, whether or in what form any other such proposal might be enacted or whether if enacted it would apply to the Series 2018A Bonds even if issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Series 2018A Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Series 2018A Bonds would be impacted thereby.

Purchasers of the Series 2018A Bonds should consult their tax advisors regarding any pending or proposed legislation, such as described above, as well as any pending or proposed regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Series 2018A Bonds and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

**Original Issue Premium**

All of the maturities of the Series 2018A Bonds have been be sold to the public at amounts in excess of the principal amount of such maturities. Such excess of the purchase price of a Series 2018A Bond over its stated redemption price at maturity constitutes premium on such Bond. A purchaser of a Series 2018A Bond must amortize any premium over such Bond's term using constant yield principles, based on the purchaser's yield to maturity. As premium is amortized, the purchaser's basis in such Series 2018A Bond is reduced by a corresponding amount, resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Series 2018A Bond prior to its maturity. Even though the purchaser's basis is reduced, no federal income tax deduction is allowed. Purchasers of any Series 2018A Bonds at a premium, whether at the time of initial issuance or subsequent thereto, should consult with their own tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to state and local tax consequences of owning such Series 2018A Bonds.

**Series 2018B Bonds**

Interest on the Series 2018B Bonds is included in (a) gross income for federal income tax purposes, (b) taxable net income of individuals, estates, and trusts for Minnesota income tax purposes, and (c) taxable income for purposes of the Minnesota franchise tax on corporations and financial institutions.

Prospective purchasers or bondholders should consult with their own tax advisors concerning the federal, state or local tax consequences of the purchase, ownership, retirement or disposition of the Series 2018B Bonds, including, without limitation: anticipated and potential changes in tax rates on interest income; the treatment of interest in jurisdictions other than Minnesota; the calculation and timing of the inclusion of interest in income; the tax consequences of dispositions of Series 2018B Bonds at a gain or loss and the determination of the amount thereof; and rules applicable if Series 2018B Bonds are issued or acquired at a premium or discount from their face amount (including without limitation the possible treatment of accrued market discount as ordinary income, deferral of certain interest deductions attributable to indebtedness incurred or continued to purchase or hold Series 2018B Bonds, and the amortization of market premium).

Interest payments and proceeds of the sale, exchange, redemption or retirement of Series 2018B Bonds are expected to be reported to the Internal Revenue Service to the extent required by law. A backup withholding tax might apply to payments to bondholders under circumstances described in section 3406 of the Code, including without limitation failure of the bondholder to provide the bondholder's tax identification number or certain other information. Payments to bondholders who are not U.S. residents or that are foreign entities might also be subject to tax withholding in certain circumstances.

THE FOREGOING IS NOT INTENDED TO BE AN EXHAUSTIVE DISCUSSION OF TAX CONSEQUENCES ARISING FROM OWNERSHIP OR DISPOSITION OF THE BONDS OR RECEIPT OF INTEREST ON THE BONDS. PROSPECTIVE PURCHASERS OR BOND HOLDERS SHOULD CONSULT THEIR TAX ADVISORS WITH RESPECT TO APPLICABLE FEDERAL, STATE AND LOCAL TAX RULES.

## NOT QUALIFIED TAX-EXEMPT OBLIGATIONS

The Series 2018A 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.

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# THE UNIVERSITY

St. Catherine University (formerly the College of St. Catherine) (the "University"), was founded in Saint Paul, Minnesota, in 1905 by the Sisters of St. Joseph of Carondelet. Today the University is one of the largest Catholic universities primarily for women in the nation. In 1917, St. Catherine University earned full accreditation by the North Central Association of Colleges and Schools, and by 1937, the University became the first Catholic college or university in the United States, and the third Minnesota institution, to be awarded a Phi Beta Kappa chapter. As the nation's oldest and most prestigious undergraduate honors organization, Phi Beta Kappa recognizes achievement in the liberal arts.

The University also presently maintains a campus in Minneapolis, Minnesota, which was originally founded in 1887 by the Sisters of St. Joseph of Carondelet as St. Mary's School of Nursing, later named St. Mary's Junior College. Operations at the Minneapolis campus will be merged with and transferred to the Saint Paul campus by Fiscal Year 2021. In 1986, St. Mary's Junior College merged with what was then called the College of St. Catherine. This connection to St. Mary's School of Nursing makes the University the oldest healthcare educator in Minnesota. St. Catherine University became Minnesota's newest university on June 1, 2009. The change reflected the University's transformation into the comprehensive institution it is today — with four schools and three colleges — and vision to move from a regional presence to national and international pre-eminence.

The University offers traditional four-year liberal arts and professional programs as well as non-traditional evening, weekend and on-line opportunities to pursue baccalaureate, associate and master's degrees in the liberal arts, healthcare and other professional programs. With campuses in Saint Paul and Minneapolis, the University had a total enrollment of 4,724 as of the fall term 2017.

The University's mission is to educate women to lead and influence. The University educates at all degree levels through valuing and integrating the liberal arts and professional education within the Catholic intellectual tradition, emphasizing scholarly inquiry and social justice teaching as lived by the Sisters of St. Joseph of Carondelet. The University welcomes a rich diversity of students, with a baccalaureate college for women at the heart of the University and graduate and adult colleges for women and men. Committed to excellence and opportunity, the University develops leaders who act with integrity. The University's mission is based on three core principles: Catholic, women and the liberal arts.

The University is an independent non-profit 501(c)(3) corporation organized under the laws of the State of Minnesota. The University is sponsored by the Sisters of St. Joseph of Carondelet, also a non-profit 501(c)(3) corporation. The Sisters of St. Joseph of Carondelet is a pontifical religious institute with headquarters in Saint Louis, Missouri.

## Governance

The University is governed by a Board of Trustees (the "Board"), currently composed of 23 elected members and two ex officio members. The maximum number of trustees, exclusive of ex officio trustees, is 28. Not less than one-quarter of the Board must be vowed members of the Sisters of St. Joseph of Carondelet ("CSJ"). The President of the University and the Province Leadership Team liaison of CSJ are each an ex officio trustee. Except for ex officio trustees, all trustees serve four-year terms and are eligible for up to three consecutive terms.

Seven trustees comprise the Sponsorship Council. They include the Province Leadership Team liaison of CSJ, the President of the University, and the Chair of the Board. These three select four additional trustees to be the remaining Sponsorship Council trustees. Four of the seven Sponsorship Council trustees must be vowed members of CSJ. The Sponsorship Council trustees have additional rights and responsibilities regarding sponsorship and mission for the University. In addition to other rights granted to the Sponsorship Council in the University's Articles of Incorporation and bylaws, an affirmative vote of at least four of the

Sponsorship Council trustees is required for the selection of trustees; for the Board to act on any matter that substantially affects or alters the University's mission or Catholic identity; and for other actions specified in the bylaws.

The Board designates four or more trustees, including the Chair and President, to constitute an Executive Committee. To the extent determined by the Board, the Executive Committee has the authority of the Board in the management of the business of the University. The Executive Committee shall act only in the interval between meetings of the Board, shall report to the Board formal actions it may take during any interval between meetings and, at all times, is subject to the control and direction of the Board. In addition to the Executive Committee, the Board shall have such other committees, either standing or special, as the Board, or the Board through its Chair, shall authorize. Currently, the standing committees of the Board are:

- Committee on Trusteeship and Governance
- Audit Committee
- Committee on Finance, Infrastructure, Resources and Investment
- Committee on the Educational Experience
- Committee on Strategic Planning and Priorities
- Committee on Institutional Advancement

Following is a list of the University Board members and their business or professional affiliation, as of June 2018:

**Administration**

The principal officers of the University are as follows:

*President*

Rebecca Koenig Roloff is the 11th President of the University. She is a 1976 graduate of the University, chaired the University's board from 1991-1995, and has been an active alumna. She also holds an MBA with Distinction from Harvard Business School.

Ms. Roloff joined the University in 2016 from the YWCA of Minneapolis, where she served as President and Chief Executive Officer for 11 years and was responsible for leading the organization with a mission to eliminate racism and empower women and girls. Under her leadership, the YWCA Minneapolis successfully completed a capital campaign, grew its revenue substantially and significantly increased the diversity of its board of directors. Prior to her time at the YWCA she was a senior vice president and a member of the senior leadership team at American Express Financial Advisors (now Ameriprise), held various leadership positions at Pillsbury Company and was a grain merchant for Cargill in Texas. She has served on the boards of C.H. Robinson Worldwide, Inc., the Minneapolis Downtown Council Executive Committee and Allina Health.

*Interim Provost*

In August 2018 the University appointed Lynda Szymanski, PhD, as the University's Interim Provost, overseeing the University's three colleges and promoting the academic centered activities of faculty and deans. She joined the University in 1998 after completing her pre-doctoral internship at the Brown University School of Medicine in Providence, Rhode Island and her post-doctoral fellowship at Rush-Presbyterian-St. Luke's Medical Center in Chicago.

Dr. Szymanski received a bachelor's degree from Connecticut College and a doctorate in clinical psychology from West Virginia University. Dr. Szymanski's area of specialty is health psychology. She is an accomplished teacher and administrator, most recently serving as Interim Dean of the School of Humanities, Arts, and Sciences during the 2017-18 academic year. She is currently serving a three-year term as Councilor in the Undergraduate Research Program Director Division of the Council for Undergraduate Research.

The University has begun the process of conducting a National search for a permanent Executive Vice President and Provost. The University is using a nationally recognized search firm to assist with the Provost search.

*Executive Vice President and Chief Advancement Officer*

Elizabeth (Beth) Halloran, as Executive Vice President and Chief Advance Officer, holds primary strategic and oversight responsibility for the University's development, alumnae relations, and marketing and communications teams. She joined the University in 2017 from The Minneapolis Foundation, where she was senior vice president for advancement, leading the philanthropic services and external relations teams and shaping the foundations' fundraising strategy and donor services program. She previously served as vice president for development and alumni relations at Grinnell College and in senior positions at the University of Michigan and the Mayo Clinic.

Ms. Halloran holds a BS in social work from the College of St. Teresa, a master's degree in social welfare from the University of Wisconsin, and an MBA from the University of St. Thomas.

*Executive Vice President, CFO, Treasurer, and Corporate Secretary*

Angela M. Riley is the University's Executive Vice President, Chief Financial Officer, Treasurer, and Corporate Secretary. She came to the University in 2016 from Imperial Plastics, Inc. where she was Vice

President of Finance and Chief Financial Officer from 2013-2016. Previously, she was Chief Financial Officer at Northern Contours, Inc. in Mendota Heights, Minnesota, and Professional Company Director in Western Australia. Ms. Riley has also held various executive positions in global manufacturing with the Ball Corporation and Honeywell, Inc. and financial services with RBC Wealth Management (formerly Dain Rauscher).

Ms. Riley has a bachelor's degree in accounting from the University, and an MBA from the Carlson School of Management, University of Minnesota. She is a member of the American Institute of Certified public Accountants.

*Senior Vice President for Enrollment Management and Student Affairs*

Andrew (Drew) Melendres is the University's Senior Vice President for Enrollment Management and Student Affairs. He joined the University in 2018 from Collegis Education, where he was the Vice President of Strategic Partnerships for the higher education enrollment growth management company focused on private, non-profit schools between 2,000 and 5,000 enrollments. He previously served as Vice President of Enrollment Management and Student Affairs at Metropolitan State University (Minnesota). Mr. Melendres also previously was a consultant for Noel-Levits, a higher education consulting firm, and worked for Texas Tech University where he reorganized and launched four regional centers across the state of Texas to increase the institution's diverse student population.

Mr. Melendres has a bachelor's degree in Economics from the University of Texas at Austin and an MBA from Texas Tech University.

*Senior Vice President for Human Resources, Equity and Inclusion*

Patricia Pratt-Cook serves as the University's Senior Vice President for Human Resources, Equity and Inclusion. Ms. Pratt-Cook joined the University in 2017 and previously served as the Vice President for Human Resources and Chief Diversity Officer at the College of St. Scholastica in Duluth. In other prior roles, she served as Chief Human Resources Officer for the Minneapolis Public Schools, Executive Director of Human Resources for the Memphis City Schools in Memphis, and Human Resources Director and Chief EEO Officer for the Osseo (Minnesota) School District.

Ms. Pratt-Cook received a Bachelor of Arts degree in social work from Mankato State University, a Master of Arts degree in Management and Human Development from St. Mary's University of Minnesota and an MBA from the College of St. Scholastica. She has also completed the Public Education Leadership Program at Harvard and a Leadership Development Program at Christian Brothers University.

**The University's Strategic Plan – "Setting our Sails 2028"**

The University's (ten year) Strategic Plan (the "Plan"), captioned "Setting our Sails 2028," has been developed through extensive collaboration by faculty, staff, students, alumni, the CSJs, external stakeholders and the University's Board. Supported by a refreshed articulation of the University's Vision, Mission and Values, the University's Strategic Priorities, Objectives, Initiatives and 2018-2019 Implementation Goals position the University for ongoing success.

The Strategic Priorities that will guide the next decade of the University's evolution are:

(i) **Strengthen Academic Excellence** with a drive to cultivate a dynamic environment that fosters discovery, inquiry and application of knowledge for a complex world while recruiting, retaining and supporting outstanding and diverse faculty and staff to graduate successful students while maintaining affordability,

(ii) **Stake our Claim** to attract and retain students as we tell our story and keep the CSJ's legacy alive,

(iii) **Forge Partnerships** to expand the University's academic reach and increase corporate, foundation, and governmental support,

(iv) **Foster Forever St. Catherine** to keep all University students and alumni engaged with the University beyond graduation and establish opportunities to give back to the University forever,

(v) **Drive a Culture of Inclusive Excellence** through cultivating and maintaining a healthy campus climate and by developing systemic infrastructure to ensure inclusive excellence is into all operations, and

(vi) **Build a Strong and Sustainable Foundation** that will continue to stabilize and strengthen the University's financial position and create a master campus plan that will support the University's academic vision and student experience.

The Plan's initiatives are led by a standing committee of the Board and supported by the President's Cabinet and dedicated staff resources. The Plan includes specific strategic initiatives that support the University's Strategic Priorities and Objectives. The Plan is measured against a myriad of benchmarking data and will be driven by key performance metrics and supported by a robust system platform that will track progress and assess outcomes of the Plan.

As the University creates its master campus and related enrollment plans that sustain the College for Women while growing both co-ed adult and graduate programs, the University will leverage its resources in support of its robust and diverse instructional program delivery models including campus based, on-line and hybrid options.

Key initiatives of the plan include:

- Increasing brand and market visibility
- Integrating the Minneapolis location to the Saint Paul campus, to leverage fixed costs and enhance program delivery and student experience
- Implementing an enhanced program review processes to better align resources with student demand
- Expanding fundraising through enhanced donor engagement activities
- Strengthening financial position through strong operational control and management
- Optimizing enrollment by developing an enrollment strategic plan that: Leverages exceptional programs and the University's position of strength as a women's focused university; is data driven with respect to market demand; encompasses traditional, hybrid and online program delivery; distinguishes and capitalizes on the College for Women, College for Adults and Graduate College; and balances pricing and affordability which is mindful of our diverse student population

A key component of the Plan is to leverage its resources to enhance the University's financial position. One example includes current plans to consolidate the University's physical footprint to its primary campus in Saint Paul. The consolidation will save approximately $1 million in annual support services expense and avoid approximately $17 million in deferred maintenance at the Minneapolis campus. In addition, the University will be better able to leverage faculty and staff work load, fixed facility costs and student support services in one Saint Paul location.

**Academic Information**

The University provides diverse course offerings in more than 100 fields of study – many available in both traditional and weekend/evening formats. In addition to traditional on-campus programs and academic study, the University offers curriculum through online and hybrid on-campus/online settings, as the University targets non-traditional and adult learners. The University offers 83 programs in an on-campus setting, 12 programs in an online format, and 19 programs in a hybrid format. Students enroll in one of three colleges: the College for Women, the College for Adults, and the Graduate College. Majors or programs of study are pursued through four disciplined-based schools:

- *The School of Business and Professional Studies.* The School of Business and Professional Studies (SBPS) prepares lifelong learners to initiate ideas and take action in a globally-connected, changing world. Bachelor's and graduate degrees, certificates and professional development programming span finance, marketing, sales, management, communication, ethics and consumer science.

  Programs include the nationally recognized Center for Sales Innovation, the Master of Arts in Organizational Leadership and the Master of Business Administration. Education programs are offered at two degree levels and in Montessori. All elementary education majors are required to complete a science, technology, engineering and mathematics (STEM) certificate. The Master of Library and Information Science program is the only library and information science program in Minnesota, and one of only 58 in North America, accredited by the American Library Association.

  Other baccalaureate majors offered in SBPS include accounting, professional sales (healthcare and business to business), business administration, business management, communication studies, apparel design, and fashion merchandising.

- *The Henrietta Schmoll School of Health.* The Henrietta Schmoll School of Health is a recognized leader in preparing competent, compassionate and principled healthcare professionals. It also engages clinical and community partners to influence health, health systems and health policy.

  The School offers programs in such areas as radiography, sonography, occupational and physical therapy, dietetics, holistic health, and exercise and sports science. It also has a range of entry-level to advanced-level education such as the Doctor of Nursing Practice, Doctor of Occupational Therapy and the Doctor of Physical Therapy programs.

- *The School of Humanities, Arts and Sciences.* The School of Humanities, Arts, and Sciences is named for its three academic foci: the Humanities; the Visual, Media, and Performing Arts; and the Natural and Social Sciences. All three areas of study play an equally important role in the education of students. These three areas, taken together, comprise the liberal arts, a foundational element of the historic College of St. Catherine and one major component of the university's three-part mission.

  The School prepares students with the knowledge and skills to be successful in a wide variety of careers and in graduate and professional programs. Students learn to understand deeply, analyze critically, explore and judge available solutions, and take effective, ethical action in increasingly complex and ever-changing global communities. The School offers more than 25 majors and 30 minors, including some of the most popular majors for students, psychology, English, and biology.

- *The School of Social Work.* The University and the University of St. Thomas jointly offer social work degrees at the undergraduate and graduate levels. The School of Social Work offers undergraduate courses and curricula for social work, chemical dependency counseling and social services management.

  The Master of Social Work (MSW) is designed to provide advanced professional study in clinical social work. Dual-degree programs are offered in collaboration with the Departments of Holistic Health and Theology at the University, and the Law School at the University of St. Thomas. The Doctorate of Social Work (DSW) prepares students to teach and lead in the social work profession with a particular focus on teaching as social work practice.

**Facilities**

The University currently has two campuses in Minnesota. The main campus is located in Saint Paul and consists of 18 buildings located on 110 acres. The Saint Paul campus has classrooms, office facilities, student residence halls and apartments, the O'Shaughnessy Auditorium, a Chapel, the Butler Sports and

Fitness Center, and Coeur de Catherine, a student center that houses dining, library, bookstore, coffee shop, post office, and other facilities. The five residence halls and two apartment buildings on the Saint Paul campus have a total capacity of approximately 900 students. Additional residence hall space is leased in Saint Paul from Carondelet Life Care Corporation on a year to year basis.

A second campus is currently located in Minneapolis, which consists of two multi-purpose buildings on one acre of land. The Minneapolis campus operations will be transferred to the Saint Paul campus, at which time the University will discontinue use of the Minneapolis campus for academic purposes. Future use and final disposition of the Minneapolis campus has not been determined.

The new money Project financed with Series 2018A Bond proceeds involves the renovation and restoration of certain systems and infrastructure across the Saint Paul campus as the University begins to integrate all Minneapolis campus operations to one location in Saint Paul. The University projects annual cost savings of up to $1 million from the integrating of the campus operations, which is anticipated to be completed by December, 2020.

The following table lists the University property, plant and equipment amounts for the five most recent fiscal years.

| Fiscal Year Ending | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|
| Land | $ 2,230,501 | $ 2,298,917 | $ 2,298,917 | $ 2,298,917 | $ 2,298,917 |
| Building and Improvements | 104,931,886 | 105,419,492 | 114,403,170 | 114,782,540 | 114,758,827 |
| Furniture and Equipment | 25,012,932 | 25,105,072 | 26,206,560 | 26,398,787 | 26,818,295 |
| Construction in Progress | 396,649 | 820,019 | 130,000 | 165,731 | 165,731 |
| Total | 132,571,968 | 133,643,500 | 143,038,647 | 143,645,975 | 144,041,770 |
| Accumulated Depreciation | (56,689,974) | (60,296,753) | (64,112,428) | (67,808,118) | (71,581,788) |
| Total Property, Plant and Equipment | $ 75,881,994 | $ 73,346,747 | $ 78,926,219 | $ 75,837,857 | $ 72,459,982 |

**Faculty and Staff**

The University's current faculty-student ratio in the baccalaureate programs is approximately 1 to 10 with an average day class size of 18. There is no religious or denominational prerequisite or any participatory religious requirement for faculty or staff membership. The University subscribes to the 1940 Statement of Principles on Academic Freedom of the American Association of University Professors and the Association of American Colleges.

The following table lists the faculty and staff of the University as of the fall term of the five most recent academic years.

| | 2013/14 | 2014/15 | 2015/16 | 2016/17 | 2017/18 |
|---|---|---|---|---|---|
| Full Time Faculty | 308 | 293 | 289 | 292 | 294 |
| Part Time Faculty | 27 | 44 | 45 | 43 | 46 |
| Full Time Staff | 420 | 421 | 414 | 405 | 413 |
| Part Time Staff | 153 | 163 | 143 | 154 | 159 |
| Total | 908 | 921 | 891 | 894 | 912 |

For the fall term 2018, the University expects to employ 366 faculty and 799 total employees. For the fiscal year 2019 (fall term 2018), the University conducted a comprehensive review of faculty, adjunct faculty and staff positions. This effort resulted in a reduction of over 100 FTEs primarily from open or unfilled positions and retirement or attrition. The University has optimized existing faculty contracts reducing adjunct hiring and allocating resources for Plan initiatives supporting student learning.

### Student Body

There is no religious or denominational prerequisite or any participating religious requirement for students of the University. Approximately 85% of the 2017/18 undergraduate freshman class was from the State of Minnesota. The remaining students were from 13 states and four countries. Women comprise 96% of the total undergraduate student body and 89% of the graduate student body. Associate, certificate and graduate programs are coeducational. Students at the University are diverse and talented, with 33% being first in their family to attend college and 34% being multicultural.

### Enrollments

The table below sets forth enrollment at the University as of the fall term for the five most recent academic years.

| | 2013/14 | 2014/15 | 2015/16 | 2016/17 | 2017/18 |
|---|---|---|---|---|---|
| Headcount (University) | | | | | |
| Undergraduate | 3,559 | 3,491 | 3,320 | 3,176 | 3,158 |
| Graduate and Professional | 1,458 | 1,564 | 1,641 | 1,610 | 1,566 |
| Total Headcount | 5,017 | 5,055 | 4,961 | 4,786 | 4,724 |
| Headcount (Program ) | | | | | |
| College for Women | 2,036 | 1,964 | 1,955 | 1,956 | 1,910 |
| College for Adults | | | | | |
| Adult Baccalaureate | 639 | 641 | 593 | 549 | 576 |
| Associate | 884 | 886 | 772 | 671 | 672 |
| Total College for Adults | 1,523 | 1,527 | 1,365 | 1,220 | 1,248 |
| Graduate | 1,458 | 1,564 | 1,641 | 1,610 | 1,566 |
| Total Headcount | 5,017 | 5,055 | 4,961 | 4,786 | 4,724 |
| FTEs (University) | | | | | |
| Undergraduate | 3,034 | 2,946 | 2,886 | 2,742 | 2,777 |
| Graduate and Professional | 1,281 | 1,365 | 1,422 | 1,430 | 1,425 |
| Total FTE | 4,315 | 4,311 | 4,308 | 4,172 | 4,202 |

The University's 2019 Operating Fund budget is based on a total headcount of 4,762 students for the fall term 2018. These budgeted levels reflect an expectation for growth, led by Baccalaureate programs and Associate programs at the College for Adults. For example, since the University's online Occupational Therapy Assistance (OTA) program began, the share of OTA enrollment grew from 2% of the Associate enrollment in fall term 2014, to 48% in fall term 2017. OTA enrollment levels for fall term 2018 are expected to comprise 69% of Associate enrollment.

The University remains guided by its Strategic Plan as it continues to manage enrollment growth and a sound Operating Fund budget. For example, in fall term 2017 the University hired its first Vice President of Marketing and Communications, and it is currently doing market research that will bolster marketing and branding efforts and provide important information for enrollment management and admissions. The Strategic Plan also calls for investments and changes to realign academic and student structures and related costs to support students, ensuring the student body remains competitive in the marketplace. Offering traditional, hybrid, and online programs that meet student demand for key programs offers flexibility, diversity and growth to the University's student mix and total enrollment. The University has working relationships with a number of community colleges that facilitate tuition affordability and further promote diversity of student enrollment. In the spring of 2018, the University enhanced its relationships with Saint Paul College and Minneapolis Community and Technical College with the launch of *St. Kate's Complete*, a program designed to further streamline student access to a university educational experience. The University sees an opportunity to grow partnerships with community colleges as it maintains emphasis on access to higher education.

### Freshman Applications, Acceptances and Enrollments

The following table sets forth freshman applications, acceptances and enrollments at the University as of the fall term for the five most recent academic years.

| | 2013/14 | 2014/15 | 2015/16 | 2016/17 | 2017/18 |
|---|---|---|---|---|---|
| Applications | 2,685 | 2,629 | 2,747 | 2,853 | 2,577 |
| Acceptances | 1,571 | 1,718 | 1,836 | 1,979 | 1,850 |
| Percent Accepted | 59% | 65% | 67% | 69% | 72% |
| Fall Enrolled | 371 | 416 | 399 | 409 | 383 |
| Percent Enrolled to Accepted | 24% | 24% | 22% | 21% | 21% |
| Mean ACT Scores | 23 | 23 | 22 | 22 | 23 |

As of August 13, 2018, for the 2018/19 academic year, the University has received 2,496 applications and has made1,856 acceptances. The University's 2019 Operating Fund budget is based on a freshmen class of 380 students for the fall term 2018.

### New Transfer Student Enrollment – Fall Semester – Undergraduate Program

The following table sets forth the new undergraduate transfer student enrollment at the University as of the fall term for the five most recent academic years.

| 2013/14 | 2014/15 | 2015/16 | 2016/17 | 2017/18 |
|---|---|---|---|---|
| 500 | 517 | 404 | 389 | 452 |

### Student Retention

For the past five academic years, retention from the first year to the second year has been as follows:

| | |
|---|---|
| Fall 2013 to Fall 2014: | 78.5% |
| Fall 2014 to Fall 2015: | 77.7% |
| Fall 2015 to Fall 2016: | 86.3% |
| Fall 2016 to Fall 2017: | 81.1% |
| Fall 2017 to Fall 2018: | 80.7% |

The University has made a deliberate effort to increase its enrollment of "at-risk" students (for example, first generation college students and students with English as a second language). As a result, the retention rate of first year students fluctuates. The University has implemented programs to respond to the fluctuations. Dedicated staff positions identify students, or take student referrals, to support specific needs affecting academic success, including multi-culture and international programs and services (MIPS), an early alert services team (EAST), and the Access and Success program supporting students with children. Seminars and two specific courses are utilized to engage with students on academic success. The challenge is being further addressed through the University's strategic plan for strengthening key academic and student affairs programs. See "Strategic Plan" herein.

**Tuition**

The University meets the cost of educational programs primarily through tuition and fees. The following table lists the tuition and mandatory fees charged full-time students in the University's major programs for the academic years listed:

| | 2014/15 | 2015/16 | 2016/17 | 2017/18 | 2018/19 |
|---|---|---|---|---|---|
| Day Program (full-time) per academic year | $36,130 | $37,248 | $39,093 | $41,055 | $42,148 |
| College for Adults (full-time) per academic year | $12,768 | $13,152 | $13,407 | $13,664 | $11,165 |
| College for Adults Associate per credit | $649 | $664 | $680 | $696 | $712 |
| Graduate Programs (various) per credit | $914 | $955 | $995 | $995 | $1,078 |

**2018/2019 Undergraduate Rate Comparison of Minnesota Private Colleges (Ranked by Comprehensive Fees)**

| College/University | Tuition and Required Fees | Room and Board | Comprehensive Charges* |
|---|---|---|---|
| Carleton College | $54,759 | $14,085 | $68,844 |
| Macalester College | 54,344 | 12,156 | 66,500 |
| St. Olaf College | 47,840 | 10,850 | 58,690 |
| College of Saint Benedict | 45,264 | 10,904 | 56,168 |
| Gustavus Adolphus College | 45,600 | 9,910 | 55,510 |
| Saint John's University | 44,990 | 10,319 | 55,309 |
| University of St. Thomas | 42,736 | 10,412 | 53,148 |
| Hamline University | 42,155 | 10,358 | 52,513 |
| **St. Catherine University**** | **42,148** | **9,260** | **51,408** |
| Augsburg University** | 38,800 | 10,280 | 49,080 |
| Concordia College (Moorhead) | 39,878 | 8,230 | 48,108 |
| Bethel University** | 37,300 | 10,520 | 47,820 |
| Minneapolis College of Art and Design | 39,210 | 7,986 | 47,196 |
| The College of St. Scholastica** | 37,212 | 9,710 | 46,922 |
| Saint Mary's University of Minnesota** | 35,030 | 9,160 | 44,190 |
| Bethany Lutheran College | 27,910 | 8,100 | 36,010 |
| Concordia University, St. Paul** | 22,275 | 9,000 | 31,275 |
| **Average** | **$41,027** | **$10,073** | **$51,099** |

* *These are standard charges for first-time, full time, full-year undergraduate students, including fees assessed on all undergraduates. Some charges may vary depending on room, board and program choices.*
** *Six colleges have non-traditional programs for which a separate tuition applies.*

*Source: The Minnesota Private College Council, website as of August 14, 2018 at:* https://www.mnprivatecolleges.org/how-pay/what-does-it-cost/tuition-and-fees

### Financial Aid

Approximately 74% of the total student body received some form of financial aid in the 2017 award year. The following table is a five-year summary of financial aid received from University and non-University sources.

| Fiscal Year Ending | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|
| Federal | | | | | |
| Grants | $ 6,284,185 | $ 5,846,754 | $ 5,737,370 | $ 5,641,248 | $ 5,684,091 |
| Loans | 41,418,736 | 41,773,935 | 43,505,900 | 43,010,676 | 42,993,340 |
| Work-Study | 315,293 | 289,297 | 322,656 | 354,653 | 342,410 |
| Federal Subtotal | 48,018,214 | 47,909,986 | 49,565,926 | 49,006,577 | 49,019,841 |
| Minnesota | | | | | |
| Grants | 3,674,981 | 3,936,714 | 3,826,389 | 4,318,856 | 4,668,551 |
| Loans | 436,355 | 492,769 | 453,192 | 828,448 | 757,781 |
| Work-Study | 231,054 | 232,316 | 245,290 | 245,849 | 287,922 |
| Minnesota Subtotal | 4,342,390 | 4,661,799 | 4,524,871 | 5,393,153 | 5,714,254 |
| University Grants | 26,427,866 | 27,494,680 | 29,502,647 | 31,893,513 | 33,753,137 |
| Other | 4,395,799 | 4,764,527 | 4,527,886 | 4,467,095 | 4,499,154 |
| Total Financial Aid | $ 83,184,269 | $ 84,830,992 | $ 88,121,330 | $ 90,760,338 | $ 92,986,386 |

### Presentation of Financial Statements

Appendix VII sets forth the audited Financial Statements of the University with Independent Auditors' Report for the Fiscal Years ended May 31, 2017 and 2016. The Financial Statements were prepared in accordance with generally accepted accounting principles (GAAP) and were audited by CliftonLarsonAllen LLP, independent auditors, as indicated in their report which also appears in Appendix VII.

See Appendix VIII, "UNAUDITED FISCAL YEAR 2018 OPERATING FUND BUDGET TO ACTUAL" for information regarding the University's finances for Fiscal Year 2018. The unaudited budget to actual presentation is not necessarily indicative of what the University's final Fiscal Year 2018 audited financial statements will show.

### Management Discussion and Analysis

President Rebecca Roloff joined the University in 2016 as its 11th President. Her demonstrated extraordinary leadership, commitment to inclusion and equity and a proven ability to achieve financial stability through fundraising and operational excellence have laid a foundation for the University's next decade of growth and success. Since her arrival, she has attracted a team of senior professional administrators that work with the President's Cabinet and faculty to deploy the University's Strategic Plan. The President's team of new direct reports bring additional expertise to the University in the areas of enrollment management, fundraising, marketing and communication, human resource management, technology, finance and risk management.

Given stable net tuition revenue and expense management, University administration anticipates operating results for Fiscal Year 2018 to yield a balanced operating statement prior to taking into account funding for depreciation. As compared to Fiscal Year 2017, Fiscal Year 2018 net tuition revenue is projected to increase by approximately $3.5 million (unaudited) as a result of both price and volume increases in the on-line, hybrid and graduate programs. Led by stronger expense controls, the University's operating fund results are expected to be favorable against budget forecast for Fiscal Year 2018, with an unaudited increase in net position by approximately $4.9 million, versus a budget of $1.7 million (see Appendix VIII, "UNAUDITED FISCAL YEAR 2018 OPERATING FUND BUDGET TO ACTUAL"). The University's financial position at May 31, 2018 is expected to benefit from continued strong investment returns of 6% (unaudited) for Fiscal Year 2018.

In response to the challenging landscape of higher education and the desire to maintain affordability to the University's diverse portfolio of students, the President and her team in collaboration with faculty leadership have undertaken a comprehensive University wide evaluation of programs and operations. As a result of this evaluation, the University eliminated approximately 100 faculty and staff positions (full time equivalent positions) and implemented a structural realignment that better supports the University's students and programs. These reductions, effective beginning in Fiscal Year 2019, have positioned the University to invest in profitable revenue streams such as doctoral programs in healthcare and a master's program in business and professional studies, while maintaining a high level of institutional financial and academic support for its diverse student population.

**Statement of Financial Activity for Fiscal Years 2013 through 2017**

The following table summarizes the University's statements of unrestricted activities for the Fiscal Years ended May 31, 2013 through 2017. For more complete information of the University for the Fiscal Year ended May 31, 2017, see Appendix VII of this Official Statement.

For additional information on the University's finances as of the May 31, 2018 Fiscal Year End, see Appendix VIII, "UNAUDITED FISCAL YEAR 2018 OPERATING FUND BUDGET TO ACTUAL." The unaudited budget to actual presentation is not necessarily indicative of what the University's final Fiscal Year 2018 audited financial statements will show.

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ST. CATHERINE UNIVERSITY

Statement of Unrestricted Activities
For the years ended May 31,

| | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|
| **OPERATING REVENUE** | | | | | |
| Tuition and instructional fees, net of internally funded student aid | $ 63,358,268 | $ 65,112,056 | $ 67,522,721 | $ 69,739,726 | $ 70,034,336 |
| Grants | 714,999 | 402,366 | 506,423 | 306,491 | 665,191 |
| Contributions | 2,306,738 | 2,444,981 | 2,114,521 | 2,103,986 | 2,316,568 |
| Auxiliary services | 10,646,284 | 11,038,286 | 11,549,583 | 11,227,418 | 10,565,973 |
| Investment income, net | 701,535 | 389,379 | 645,501 | 534,701 | 519,668 |
| Net gain (loss) on investments | 4,928,636 | 3,506,417 | 1,220,983 | (1,301,129) | 3,320,478 |
| Interest on student loans | 68,736 | 41,982 | 63,427 | 44,343 | 75,762 |
| Other | 1,472,850 | 1,483,337 | 1,498,013 | 1,539,284 | 1,917,956 |
| Net assets released from restrictions | 8,206,704 | 9,560,927 | 10,857,134 | 10,583,919 | 11,570,936 |
| Total Revenue | 92,404,750 | 93,979,731 | 95,978,306 | 94,778,739 | 100,986,868 |
| **OPERATING EXPENDITURES** | | | | | |
| **Instruction and Other Services** | | | | | |
| Instructional | 38,143,356 | 39,860,335 | 41,159,487 | 42,573,215 | 46,087,956 |
| Library | 3,663,135 | 3,381,314 | 3,201,320 | 3,527,786 | 3,647,087 |
| Academic support | 4,565,795 | 4,404,068 | 4,251,707 | 4,171,679 | 4,303,450 |
| Student services | 12,668,667 | 13,099,814 | 13,920,723 | 14,358,904 | 14,030,103 |
| Auxiliary enterprises | 12,383,546 | 12,206,125 | 11,973,234 | 11,766,093 | 11,608,130 |
| Sponsored research | 2,440,259 | 3,199,478 | 5,066,480 | 5,034,776 | 4,904,239 |
| Total Instruction and Other Services | 73,864,758 | 76,151,134 | 79,572,951 | 81,432,453 | 84,580,965 |
| **Management and General** | | | | | |
| Institutional support | 13,165,486 | 13,477,602 | 11,649,753 | 12,493,167 | 12,056,442 |
| Development | 2,661,227 | 2,398,468 | 2,324,150 | 2,287,997 | 2,385,022 |
| Total Management and General | 15,826,713 | 15,876,070 | 13,973,903 | 14,781,164 | 14,441,464 |
| Total Expenses | 89,691,471 | 92,027,204 | 93,546,854 | 96,213,617 | 99,022,429 |
| **CHANGE IN OPERATING NET ASSETS** | 2,713,279 | 1,952,527 | 2,431,452 | (1,434,878) | 1,964,439 |
| **NON-OPERATING ACTIVITIES** | | | | | |
| Reclassification - donor gift | 118,777 | 0 | 0 | 0 | 0 |
| Unrealized gain/(loss) on interest rate swap agmt. | 124,477 | 0 | 0 | 0 | 0 |
| **CHANGE IN NON-OPERATING NET ASSETS** | 243,254 | 0 | 0 | 0 | 0 |
| **CHANGE IN NET ASSETS BEFORE RECLASSIFICATION** | 2,956,533 | 1,952,527 | 2,431,452 | (1,434,878) | 1,964,439 |
| Reclassification | | | (335,707) | 57,075 | 5,010,733 |
| **CHANGE IN NET ASSETS** | 2,956,533 | 1,952,527 | 2,095,745 | (1,377,803) | 6,975,172 |
| New Assets -- Beginning of Year | 76,331,391 | 79,287,924 | 81,240,451 | 83,336,196 | 81,958,393 |
| **NET ASSETS -- END OF YEAR** | 79,287,924 | 81,240,451 | 83,336,196 | 81,958,393 | 88,933,565 |

Source: Audited financial statements of the University

## Gift and Grants

The University actively solicits and receives gifts and bequests from a variety of donors and also receives various grants from private community and corporate foundations and from agencies of the federal government.

Major development programs, including efforts to raise capital funds and a variety of annual giving programs among alumnae, parents of students, businesses and friends of the University, have been maintained for a number of years.

Gifts and grants received by net asset classification for the past five Fiscal Years are as follows:

| Fiscal Year Ending | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|
| Unrestricted | $3,021,737 | $ 2,847,347 | $ 2,620,944 | $ 2,410,477 | $ 2,981,759 |
| Temporarily Restricted | 5,377,097 | 6,971,031 | 6,883,017 | 8,418,360 | 16,481,575 |
| Permanently Restricted | 1,467,392 | 2,076,260 | 964,772 | 400,558 | 2,641,169 |
| Total Gifts and Grants | $9,866,226 | $11,894,638 | $10,468,733 | $11,229,395 | $22,104,503 |

As the President and her leadership team integrate the academic, enrollment, campus facilities and financial plans, the foundational work for the feasibility and campaign work will be positioned for future fundraising.

**Endowment Investment and Spending Policies**

The University uses the total return method of accounting for income from its investments of endowment funds. Under this method, a rate of return is established which is considered to be a prudent return on investment, consisting of both yield (dividend and interest) and realized and unrealized gains.

Endowment funds are managed primarily by outside fund managers selected by the University. The University retains an investment consultant who works with management and the investment subcommittee of the Board of Trustees on selecting the outside fund managers. The University currently has four fund managers managing its endowment funds. The University uses an asset allocation model, which currently allocates approximately 60% of the endowment to equity investments and 40% of the endowment to fixed rate income investments. Income earned and appreciation, both realized and unrealized, are measured to calculate a total return. The investment subcommittee of the Board's Finance Committee is charged with reviewing the allocation of endowment funds between equity investments and fixed rate income investments.

Because of the risk associated with its stated investment objectives, the University's Board of Trustees has adopted a set of investment and spending policies to which the investment subcommittee must adhere in order to minimize the investment risks. To this end, the investment policies mandate a diversified investment portfolio, and the investment subcommittee reviews and evaluates the investment objectives and performance periodically at scheduled meetings.

The University's policies allow for a maximum spending rate of up to 5.5% of the rolling three-year average of the market value of certain cash and investments as of the mark date (November 30) for the next Fiscal Year. For Fiscal Years 2001 through 2017, the effective payout percentage was 5%. The investment and spending policies are periodically reviewed and revised by the Board of Trustees.

The following table sets forth a five-year history of the University's Endowment Investments at fair value and the asset allocation of endowment investments. The unaudited value of the University's endowment as of May 31, 2018 was $93 million. The asset allocation for Fiscal Year 2018 does not materially differ from allocations shown below for Fiscal Year 2017.

| | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|
| Endowment Assets | $64,604,914 | $74,887,264 | $80,333,293 | $74,767,468 | $88,372,712 |
| Asset Allocation | | | | | |
| Publicly Traded Equities | | | | | |
| Domestic | 41.6% | 41.9% | 48.4% | 40.1% | 40.3% |
| International | 16.9% | 17.9% | 20.2% | 16.5% | 17.0% |
| Total Publicly Traded Equities | 58.5% | 59.8% | 68.5% | 56.6% | 57.4% |
| Traditional Fixed Income | 36.8% | 35.9% | 26.4% | 39.0% | 38.3% |
| Cash | 4.7% | 4.3% | 5.1% | 4.4% | 4.3% |
| Total | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |

**Summary of Net Assets and Investments**

The following two tables display a five-year history of the University's Net Assets, Cash, and Investments, itemized as Unrestricted, Temporarily Restricted, and Permanently Restricted:

NET ASSETS

| Fiscal Year Ended May 31 | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| 2017 | $ 88,933,565 | $ 61,190,829 | $ 43,814,616 | $193,939,010 |
| 2016 | 81,958,393 | 46,509,288 | 40,891,394 | 169,359,075 |
| 2015 | 83,336,196 | 51,166,942 | 40,707,587 | 175,210,725 |
| 2014 | 81,240,451 | 49,913,784 | 38,943,103 | 170,097,338 |
| 2013 | 79,287,924 | 40,924,374 | 36,524,070 | 156,736,368 |

CASH &INVESTMENTS

| Fiscal Year Ended May 31 | Cash | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|---|
| 2017 | $ 10,543,484 | $ 80,292,978 | $ 55,379,505 | $ 41,552,095 | $ 187,768,062 |
| 2016 | 7,600,112 | 73,596,086 | 44,186,878 | 38,819,824 | 164,202,900 |
| 2015 | 8,995,098 | 70,264,690 | 48,741,419 | 38,357,529 | 166,358,736 |
| 2014 | 4,696,689 | 67,926,904 | 46,454,490 | 35,182,999 | 154,261,082 |
| 2013 | 6,529,680 | 63,167,999 | 37,455,381 | 33,361,715 | 140,514,775 |

As of May 31, 2018 (unaudited), the University had cash and investments of $193 million.

**Long-Term Debt of the University**

The University's long-term debt outstanding as of August 1, 2018, adjusted for a Series Eight-B principal payment on June 3, 2018, is as follows:

1. $24,625,000 Minnesota Higher Education Facilities Authority Variable Rate Demand Revenue Bonds, Series Five-N2, dated August 22, 2002 (the "Series Five-N2 Bonds"). The Series Five-N2 Bonds are secured by a general, unsecured obligation of the University and an irrevocable direct pay letter of credit from U.S. Bank National Association which expires in April 2019, unless terminated or extended. Interest on the Series Five-N2 Bonds is calculated at variable rates and averaged 1.143% during Fiscal Year 2018. The Series Five-N2 final maturity is October 1, 2032. The outstanding principal balance is $24,625,000. **The Series Five-N2 Bonds will be refunded in full with proceeds from the Series 2018A Bonds**.

2. $25,630,000 Minnesota Higher Education Facilities Authority Bonds, Series Seven-Q, dated September 25, 2012 (the "Series Seven-Q Bonds"). The Series Seven-Q Bonds are secured by a general obligation of the University. The Series Seven-Q Bonds pay principal annually on October 1 and interest semiannually on April 1 and October 1 with a final maturity of October 1, 2032. The rates on the remaining maturities of the Series Seven-Q Bonds is 5.00%. The outstanding principal balance is $20,695,000. **The Series Seven-Q Bonds will be refunded in full with proceeds from the Series 2018B Bonds**.

3. $15,867,000 Minnesota Higher Education Facilities Authority Revenue Note, Series Eight-B, dated June 3, 2014 (the "Series Eight-B Note"). The Series Eight-B Note is secured by a general obligation of the University. The Series Eight-B Note pays principal annually on June 3 and interest semiannually on June 3 and December 3 with a final maturity of June 3, 2042. The rate on the remaining maturities of the Series Eight-B Note is 3.50%. The outstanding principal balance is $15,424,000. **The Series Eight-B Note will be refunded in full with proceeds from the Series 2018A Bonds**.

Upon the issuance of the Bonds, the only long term debt of the University will be the Bonds.

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PROPOSED FORM OF LEGAL OPINION

## MCGRANN SHEA CARNIVAL STRAUGHN & LAMB, CHARTERED

**ATTORNEYS AT LAW**

WILLIAM R. MCGRANN
DOUGLAS M. CARNIVAL
KATHLEEN M. LAMB
JOHN R. SCHULZ
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CARLA J. PEDERSEN
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JEFFREY C. URBAN
KATHLEEN MICHAELA BRENNAN
CARL S. WOSMEK
AMY L. COURT
~~~~~~

CHRISTY E. LAWRIE
MATTHEW W. BUCKLEY

OF COUNSEL
ROBERT O. STRAUGHN
PETER L. COOPER

ANDREW J. SHEA
(1938-2018)

$49,770,000
Minnesota Higher Education Facilities Authority
Revenue and Refunding Bonds, Series 2018A
(St. Catherine University)

and

$20,765,000
Minnesota Higher Education Facilities Authority
Taxable Revenue Refunding Bonds, Series 2018B
(St. Catherine University)

We have acted as bond counsel in connection with the issuance by the Minnesota Higher Education Facilities Authority (the "Authority") of its fully registered Revenue and Refunding Bonds, Series 2018A (St. Catherine University), in the aggregate principal amount of $49,770,000 (the "Series 2018A Bonds"), and its Taxable Revenue Refunding Bonds, Series 2018B (St. Catherine University), in the aggregate principal amount of $20,765,000 (the "Series 2018B Bonds," and together with the Series 2018A Bonds, the "Bonds"), dated as of their date of delivery, more fully described in and issued pursuant to the Indenture (defined below).

The Bonds are issued for the purpose of funding a loan from the Authority to St. Catherine University, formerly known as The College of Saint Catherine, a Minnesota nonprofit corporation and institution of higher education (the "University"), in order to finance or refinance educational facilities owned or to be owned and operated by the University and located on its campus in the city of St. Paul, Minnesota. We have examined executed counterparts of the Loan Agreement (the "Loan Agreement") between the Authority and the University, and the Trust Indenture (the "Indenture") between the Authority and U.S. Bank National Association, in St. Paul, Minnesota, as Trustee (the "Trustee"), each dated as of September 1, 2018; one or more opinions of Kutak Rock LLP, as counsel to the University; 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 University without undertaking to verify such facts by independent investigation. We have also relied upon the opinion of Kutak Rock LLP, as to the Loan Agreement having been duly authorized and executed and being binding upon the University and as to the corporate organization, tax-exempt
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status and unrelated trade or business activities, good standing, and powers of the University. As to title to the Project Site (as defined in the Loan Agreement and Indenture), we have relied on information contained in owner and encumbrances reports, title insurance policies or commitments, or title opinions, provided to us by the University or by counsel engaged by it, and have not undertaken any examination of the records of the University 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 duly organized and existing under the laws 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 University 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 valid and binding limited obligations of the Authority payable from the loan repayments payable by the University under the Loan Agreement which have been assigned 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 are further secured by the pledge of the funds and investments held by the Trustee under the Indenture and by the pledge of funds and rights to payments held by the Trustee, as assignee, under the Loan Agreement. The Bonds are not a general obligation or indebtedness of the Authority within the meaning of any constitutional or statutory limitation, and do not constitute or give rise to a pecuniary liability of the Authority or charge against its general credit, but are payable solely from amounts pledged thereto in accordance with the provisions of the Indenture.

4. Assuming compliance with the covenants in the Loan Agreement and Indenture, the interest on the Series 2018A Bonds is excludable from gross income for purposes of federal income taxation and is excludable, to the same extent, from net taxable income of individuals, estates and trusts for purposes of Minnesota income taxation under present laws and rulings. Interest on the Series 2018A 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 or corporations under Section 55 of the Internal Revenue Code of 1986, as amended (the "Code"), or Minnesota alternative minimum tax applicable to individuals, estates or trusts. However, for taxable years that began before January 1, 2018, interest on the Series 2018A 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. The corporate alternative minimum tax has been repealed for taxable years beginning on or after January 1, 2018. Interest on the Series 2018A Bonds is subject to the Minnesota franchise tax imposed upon corporations, including financial institutions, measured by taxable income and the alternative minimum tax base. The Series 2018A Bonds are not arbitrage bonds within the meaning of Section 148 of the Code. The Series 2018A 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 Series 2018A 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. The Authority has not designated the Series 2018A Bonds as "qualified tax-exempt obligations" within the meaning of Section 265 of the Code. The opinion set forth in this paragraph is subject to the conditions that the Authority, the Trustee and the University comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Series 2018A Bonds in order that interest thereon be (or continue to be) excluded from gross income for federal income tax purposes. Failure to comply with such requirements could cause the interest on the Series 2018A Bonds to be included in federal gross income or Minnesota taxable net income retroactive to the date of issuance of the Series 2018A Bonds. The Authority, the Trustee and the University have covenanted to comply with such requirements.

5. Interest on the Series 2018B Bonds is included in gross income for federal income tax purposes, and in taxable net income of individuals, estates and trusts for Minnesota income tax purposes, and in taxable income for purposes of the Minnesota franchise tax on corporations and financial institutions.

We express no opinion regarding other state or federal tax consequences caused by the receipt or accrual of interest on the Bonds or arising with respect to ownership or disposition of the Bonds.

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, receivership proceedings 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, September ___, 2018.

McGrann Shea Carnival
Straughn & Lamb, Chartered

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**FORM OF CONTINUING DISCLOSURE CERTIFICATE**

$49,770,000
MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY
REVENUE AND REFUNDING BONDS, SERIES 2018A
(ST. CATHERINE UNIVERSITY)

$20,765,000
MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY
TAXABLE REVENUE REFUNDING BONDS, SERIES 2018B
(ST. CATHERINE UNIVERSITY)

CONTINUING DISCLOSURE CERTIFICATE

SEPTEMBER 1, 2018

This Continuing Disclosure Certificate (the "Certificate") is executed and delivered by St. Catherine University, a Minnesota nonprofit corporation (the "Corporation"), in connection with the issuance by the Minnesota Higher Education Facilities Authority, an agency of the State of Minnesota (the "Issuer"), of its of $49,770,000 Revenue and Refunding Bonds, Series 2018A (St. Catherine University) (the "Series 2018A Bonds") and its $20,765,000 Taxable Revenue Refunding Bonds, Series 2018B (St. Catherine University) (the "Series 2018B Taxable Bonds"; together with the Series 2018A Bonds, the "Obligations"). The Obligations are being issued pursuant to a Trust Indenture (the "Indenture") dated as of September 1, 2018, between the Issuer and U.S. Bank National Association, as trustee (the "Trustee"). Proceeds of the Obligations are being loaned by the Issuer to the Corporation pursuant to a Loan Agreement, dated as of September 1, 2018 (the "Loan Agreement"), between the Issuer and the Corporation.

The Corporation covenants and agrees as follows:

SECTION 1. (a) Purpose. This Certificate is being executed and delivered by the Corporation, the only obligated person with respect to the Obligations within the meaning of the Rule (defined below), for the benefit of the holders and beneficial owners of the Obligations and in order to assist the Participating Underwriter in complying with the Rule. References in this Certificate to holders of the Obligations shall include the beneficial owners of the Obligations. This Certificate constitutes the written undertaking of the Corporation under the Rule.

(b) Filing Requirements. Any filing under this Certificate must be made solely by transmitting such filing to the MSRB (defined below) through the Electronic Municipal Market Access ("EMMA") System at www.emma.msrb.org in the format prescribed by the MSRB. All documents provided to the MSRB shall be accompanied by the identifying information prescribed by the MSRB.

SECTION 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Certificate unless otherwise defined in this Section or the introductory paragraph above, the following capitalized terms shall have the following meanings:

"Annual Report" means, with respect to the Reporting Party, a document or set of documents that contains (or includes by reference as provided in Section 3 hereof) the financial and operating data of the Reporting Party described in Exhibit A hereto.

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

"Audited Financial Statements" means the Reporting Party's annual financial statements audited and prepared in accordance with generally accepted accounting principles, as in effect from time to time.

"Code" means the Internal Revenue Code of 1986, as amended.

"Dissemination Agent" means such person from time to time appointed or engaged in writing by the Reporting Party and that has filed with the Reporting Party a written acceptance of such designation and the duties of the Dissemination Agent hereunder.

"Final Official Statement" means the Official Statement dated as of August 22, 2018, delivered in connection with the original issuance and sale of the Obligations, together with any preliminary official statement, amendments thereto or supplements thereof.

"IRS" means the Internal Revenue Service of the Department of the Treasury of the United States.

"Listed Events" means any of the events listed in Section 4(a) of this Certificate.

"MSRB" means the Municipal Securities Rulemaking Board, whose current address is 1300 I Street NW, Suite 1000 Washington, DC 20005.

"Participating Underwriter" means Morgan Stanley & Co. LLC.

"Reporting Party" means, subject to release as provided in Section 5 hereof, the Corporation; together with any successors or assigns as provided in Section 5 hereof.

"Rule" means Rule 15c2-12(b)(5) adopted by the SEC under the Securities Exchange Act of 1934, as in effect on the date hereof.

"SEC" means the U.S. Securities and Exchange Commission or any successor to its functions governing state and municipal securities.

SECTION 3. Provision of Annual Report.

(a) On or before the Annual Report Date, the Reporting Party shall, or shall cause the Dissemination Agent to, provide an Annual Report to the MSRB in accordance with Section 1(b) of this Certificate. In each case, the Annual Report may be submitted as a single document or as separate documents comprising a package or by specific reference to documents previously provided to the MSRB or filed with the SEC; provided, however, that if any document so referenced is a final official statement within the meaning of the Rule, such final official statement must be available from the MSRB.

(b) If the Reporting Party is unable or fails to provide an Annual Report by the Annual Report Date as required in Section 3(a), the Reporting Party shall send in a timely manner a notice of such fact to the MSRB in the format prescribed by the MSRB, as described in Section 1(b) of this Certificate.

(c) If the Reporting Party has appointed a Dissemination Agent, the Reporting Party shall provide the Annual Report to the Dissemination Agent not later than 15 days prior to the Annual Report Date and the Dissemination Agent shall provide the Annual Report to the MSRB by the Annual Report Date as required in Section 3(a). If the Dissemination Agent has not received the Annual Report by such date, the Dissemination Agent shall promptly request the Annual Report from the Reporting Party. If the Dissemination Agent does not receive and provide the Annual Report to the MSRB by the Annual Report Date and is unable to verify that the Reporting Party provided the Annual Report by the Annual Report Date, the Dissemination Agent, at the expense of the Reporting Party, shall promptly notify the MSRB of the failure of the Reporting Party to provide the Annual Report (consistent with the notice requirement in Section 3(b)). The Reporting Party or the Dissemination Agent shall, as soon as the Annual Report is available after such reporting failure, deliver the Annual Report to the MSRB as required in Section 3(a).

(d) Concurrent with the filing of the Annual Report with the MSRB, the Reporting Party or the Dissemination Agent shall deliver a copy of the Annual Report to the Issuer.

SECTION 4. Reporting of Listed Events.

(a) The Dissemination Agent, if any, shall promptly notify the Reporting Party of any of the Listed Events, 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 Dissemination Agent, if any, in writing of the Listed Event. The following are Listed Events:

(i) principal and interest payment delinquencies;

(ii) non-payment related defaults, if material;

(iii) unscheduled draws on debt service reserves reflecting financial difficulties;

(iv) unscheduled draws on credit enhancements reflecting financial difficulties;

(v) substitution of credit or liquidity providers, or their failure to perform;

(vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax exempt status of the security;

(vii) modifications to rights of the security holders, if material;

(viii) bond calls, if material, and tender offers;

(ix) defeasances;

(x) release, substitution or sale of property securing repayment of the securities, if material;

(xi) rating changes;

(xii) bankruptcy, insolvency, receivership or similar event of the Corporation (as such event is described in the Rule);

(xiii) consummation of a merger, consolidation, or acquisition involving the Corporation or sale of all or substantially all of the assets of the Corporation, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

(xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) Promptly, but no later than ten business days after the occurrence of a Listed Event, the Reporting Party shall give, or cause the Dissemination Agent, if any, to give, notice to the MSRB of the occurrence of the Listed Event.

SECTION 5. Termination of Reporting Obligation. The Reporting Party's obligations under this Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the

Obligations. 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 6. Dissemination Agent. The Reporting Party may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Reporting Party pursuant to this Certificate. If at any time there is not any other designated Dissemination Agent, the Reporting Party shall serve the role of the Dissemination Agent.

SECTION 7. Amendment. Notwithstanding any other provision of this Certificate, the Reporting Party may amend any provision of this Certificate and any provision of this Certificate may be waived if such amendment or waiver is supported by an opinion of nationally recognized bond counsel to the effect that such amendment or waiver would not, in and of itself, cause the undertaking herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule.

SECTION 8. Additional Information. Nothing in this Certificate may be deemed to prevent the Reporting Party from disseminating any other information, using the means of dissemination set forth in this Certificate 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 Certificate. If in any Annual Report the Reporting Party chooses to include any information or a notice of the occurrence of a Listed Event in addition to that which is specifically required by this Certificate, the Reporting Party will have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 9. Default. In the event of a failure of the Reporting Party to comply with any provision of this Certificate, any holder or beneficial owner of the Obligations 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 comply with its obligations under this Certificate. A default under this Certificate will not be deemed an Event of Default under the Obligations, the Loan Agreement or the Indenture, and the sole remedy under this Certificate in the event of any failure of a Reporting Party to comply with this Certificate shall be an action to compel performance.

SECTION 10. Beneficiaries. This Certificate shall inure solely to the benefit of the Reporting Party, the Issuer, the Dissemination Agent, if any, the Participating Underwriter, and holders and beneficial owners from time to time of the Obligations, and shall create no rights in any other person or entity.

SECTION 11. Reserved Rights. The Corporation reserves the right to discontinue providing any information required under this Certificate or the Rule, if a final determination should be made by a court of competent jurisdiction that the Rule is invalid or otherwise unlawful or, subject to the provisions of Section 7 hereof, to modify the undertaking under this Certificate if a court of competent jurisdiction or the Corporation determines that such modification is required by the Rule.

SECTION 12. Electronic Signatures. An electronic signature of the Corporation to this Certificate shall be as valid as an original signature and shall be effective to bind the Corporation to this Certificate. For purposes hereof: (i) “electronic signature” means a manually signed original signature that is then transmitted by electronic means; and (ii) “transmitted by electronic means” means sent in the form of a facsimile or sent via the internet as a portable document format (“pdf”) or other replicating image attached to an electronic mail or internet message.

IN WITNESS WHEREOF, the undersigned has caused this Certificate to be executed as of the date first above written.

ST. CATHERINE UNIVERSITY

By:____________________________________________
Chief Financial Officer

By:____________________________________________
Its:_______________________

## EXHIBIT A

## ANNUAL REPORT INFORMATION

The Annual Report Date will be the date that is 270 days after the fiscal year-end, commencing with the fiscal year ended May 31, 2018.

(a) Audited Financial Statements for the most recent complete fiscal year and if audited financial statements are not available by the Annual Report Date then the Annual Report shall contain unaudited financial statements prepared by the Corporation in accordance with generally accepted accounting principles, as in effect from time to time, and the Audited Financial Statements of the Corporation shall be filed in the same manner as the Annual Report when they become available.

(b) To the extent not included in the Audited Financial Statements for the most recently complete fiscal year, updates to the financial and operating data contained in the tables presented under each of the following headings in Appendix I to the Final Official Statement:

(i) Faculty and Staff

(ii) Student Body

(iii) Enrollments

(iv) Freshman Applications, Acceptances, and Enrollments

(v) New Transfer Student Enrollment - Fall Semester - Undergraduate Program

(vi) Student Retention

(vii) Tuition

(viii) Financial Aid

(ix) Gifts and Grants

## DEFINITIONS OF CERTAIN TERMS

Following are definitions of certain words and terms as used in the Indenture and Loan Agreement related to the Bonds. Definitions of some of the words and terms below may also appear elsewhere in this Official Statement.

*Account* or *Accounts:* One or more of the Accounts created under the Indenture.

*Act*: Sections 136A.25 through and including 136A.42, Minnesota Statutes, as amended.

*Arbitrage Regulations:* All regulations and proposed regulations from time to time issued and in effect under Section 148 of the Internal Revenue Code (and former Section 103(c) of the Internal Revenue Code of 1954), including without limitation Treasury Regulations Sections 1.148-1 to 1.150-1.

*Authority:* The Minnesota Higher Education Facilities Authority, an agency of the State of Minnesota, in Saint Paul, Minnesota.

*Authorized Authority Representative*: The person at the time designated to act on behalf of the Authority by written certificate furnished to the Corporation 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 any officer authorized to act on behalf of the foregoing officers. Such certificate may designate an alternate or alternates, and in that case specimen signatures for the alternates will be provided as well.

*Authorized Institution Representative*: The President, the Executive Vice President and Chief Financial Officer, or the Treasurer of the Corporation, or any other person at the time designated to act on behalf of the Corporation by written certificate furnished to the Authority, containing the specimen signature of such person and signed on behalf of the Corporation by the Chair, any Vice-Chair, or the Secretary of its Board of Trustees or the President or a Vice President of the Corporation. Such certificate may designate an alternate or alternates.

*Authorized Investments*: The investments authorized for moneys in the Accounts created under and described in the Indenture.

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

*Board of Trustees:* The Board of Trustees of the Corporation, and includes any Executive Committee or other committee authorized to act for such board.

*Bond Closing:* The original issuance, sale and delivery of the Bonds.

*Bond Counsel:* Any firm of nationally recognized bond counsel experienced in matters relating to tax-exempt state and municipal bonds acceptable to the Authority.

*Bond Purchase Agreement:* The Bond Purchase Agreement dated August 22, 2018, among the Authority, the Underwriter and the Corporation, relating to the Bonds.

*Bond Resolution*: The Series Resolution of the Authority adopted on August 15, 2018, authorizing the Bonds, as the same may be amended, modified or supplemented by any amendments or modifications thereof.

*Bond Year*: With respect to the Bonds, (a) the period from the Issue Date to the close of business on October 1, 2018, and (b) each succeeding 12-month period ending at the close of business on October 1 of each year in which the outstanding Bonds, if paid at their stated maturity dates, will be outstanding.

*Bonds*: The Minnesota Higher Education Facilities Authority Revenue and Refunding Bonds, Series 2018A (St. Catherine University) and the Minnesota Higher Education Facilities Authority Taxable Revenue Refunding Bonds, Series 2018B (St. Catherine University), described in the Indenture.

*Building Equipment*: Those items of goods, equipment, furnishings, furniture, inventory, machinery or other tangible personal property now or hereafter owned by the Corporation and located on the Project site acquired from funds other than the proceeds of the Bonds, the Prior Bonds, or bonds or notes refunded by the Prior Bonds.

*Business Day*: Any day other than Saturday, Sunday, a legal holiday in the State or any other day that the Depository or banks in the State are not open for business.

*Certificate*: A certification in writing required or permitted by the provisions of the Loan Agreement or the Indenture to be signed and delivered to the Trustee or other proper person or persons. If and to the extent required by the provisions of the Indenture or the Loan Agreement, each Certificate will include the statements provided for in the Indenture or the Loan Agreement.

*Conditional Redemption:* Conditional Redemption has the meaning ascribed to such term in the Indenture.

*Construction Account:* The Construction Account established under the Indenture.

*Continuing Disclosure Certificate:* The Continuing Disclosure Certificate delivered by the Corporation, dated as of September 1, 2018, relating to the Bonds.

*Corporation* or *University:* St. Catherine University, a Minnesota nonprofit corporation, formerly known as The College of Saint Catherine, its successors and assigns, as owner and operator of the Institution.

*Date of Taxability:* The date as of which the interest on the Series 2018A Bonds shall be so determined to be includable in the gross income of the Owners thereof; provided, that no Series 2018A 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 Series 2018A Bond.

*Default*: A default on the part of the Corporation in performance of any covenant or condition of the Loan Agreement which, with notice or passage of time or both, would or has become an Event of Default.

*Depository*: DTC or any other person who will be a Holder of all the Bonds directly or indirectly for the benefit of Beneficial Owners and approved by the Authority, Corporation and Trustee to act as the Depository; provided any Depository will be registered or qualified as a "clearing agency" within the meaning of Section 17A of the Securities Exchange Act of 1934, as amended.

*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 on the Series 2018A Bonds is includable in gross income of the recipient under Section 103 of the Internal Revenue Code, related sections and regulations thereunder, as in effect on the date of issuance of the Series 2018A Bonds, as more fully provided in the Loan Agreement. A determination that interest on the Series 2018A Bonds is includable in the computation of any alternative minimum tax is not a Determination of Taxability.

*DTC:* The Depository Trust Company in New York, New York, its successors or assigns.

*EMMA*: The Electronic Municipal Market Access System maintained by the Municipal Securities Rulemaking Board or such successor municipal finance electronic filing system.

*Escrow Account:* The Escrow Account established under the Escrow Agreement.

*Escrow Agent*: Wells Fargo Bank, National Association, in its capacity as escrow agent under the Escrow Agreement.

*Escrow Agreement*: The Escrow Agreement by and among the Corporation, the Authority and Wells Fargo Bank, National Association, in its capacity as Escrow Agent and the Series Seven-Q Trustee, dated as of September 1, 2018, relating to the defeasance and redemption of the Series Seven-Q Bonds.

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

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

*Fiscal Year*: The Corporation's fiscal year, and will initially mean the 12-month period commencing on June 1 in each year.

*Holder, Bondholder or Owner:* The person in whose name a Bond will be registered except if any Bond is in book-entry form, with respect to any consent or approval of a Holder of the Bonds, the terms mean the Beneficial Owner.

*Indenture*: The Trust Indenture between the Authority and U.S. Bank National Association, as Trustee, dated as of September 1, 2018, under which the Bonds are authorized to be issued, and including any indenture supplemental thereto.

*Independent*: When used with reference to an attorney, engineer, architect, certified public accountant, consultant, insurance consultant or other professional person, means a person who (i) is in fact independent, (ii) does not have any material financial interest in the Corporation or the Institution or the transaction to which such Certificate or opinion relates (other than the payment to be received for professional services rendered), and (iii) is not connected with the Authority or the Corporation or the Institution as an officer, employee or member of the Authority, the Corporation or the Institution or the Board of Trustees of the Corporation.

*Independent Counsel*: An Independent attorney duly admitted to practice law before the highest court of any state.

*Indirect Participant:* Any person who is not a Participant, who clears securities through or maintains a custodial relationship with a Participant, either directly or indirectly, and who has access to the book-entry system.

*Institution*: St. Catherine University, a Minnesota institution of higher education with its main campus located in the city of Saint Paul, Minnesota, owned and operated by the Corporation. The Institution is also referred to as the "University" elsewhere in the Official Statement.

*Interest Payment Date:* April 1 and October 1 of each year, commencing April 1, 2019, and any other date on which the principal of or interest on the Bonds will be due and payable.

*Interest Rate:* With respect to the Bonds, the interest rate per annum specified in the column entitled "Interest Rate" for the Bonds of the respective year of maturity in the Indenture.

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

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

*Loan Agreement*: The Loan Agreement between the Authority and the Corporation, dated as of September 1, 2018, as from time to time amended or supplemented.

*Loan Repayments*: Payments required to be made by the Corporation 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 Corporation as owner or lessee and 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.

*Opinion of Counsel:* A written opinion of counsel (who need not be Independent Counsel unless so specified) appointed by the Corporation or Authority, and acceptable to the Trustee, and to the extent required by the Indenture or the Loan Agreement, each Opinion of Counsel will include the statements provided for in the Indenture or the Loan Agreement.

*Participant:* Any securities broker or dealer, bank, trust company, clearing corporation or other organization entitled to directly record, clear and settle the transfers of beneficial ownership interest of the Bonds directly through the Depository and the book-entry system.

*Participating Underwriter:* Participating Underwriter has the meaning ascribed to such term in the Continuing Disclosure Certificate.

*Principal Trust Office:* For the Trustee originally appointed under the Indenture, the designated corporate trust office of the Trustee which at the date of the Indenture is that specified in the Loan Agreement, and for any successor Trustee, means its designated corporate trust office.

*Prior Bonds:* The Series Five-N2 Bonds, the Series Seven-Q Bonds and the Series Eight-B Note.

*Project:* The Project consists of the acquisition, design, construction, renovation, improvement and equipping of various facilities, including (i) renovation of buildings and facilities (approximately 33,000 square feet of classroom, lab, office and common space) on the Institution's Saint Paul campus to accommodate the relocation and integration of the Institution's Minneapolis campus onto the Saint Paul campus, (ii) installation of a comprehensive campus-wide safety and security system including access controls, monitoring and surveillance on the Institution's Saint Paul campus, and (iii) infrastructure replacement/enhancement on the Institution's Saint Paul campus, including heating and cooling systems, residential housing hot water system, tunnel reconstruction and related water abatement.

*Project Buildings:* The buildings, facilities, and other improvements described in the Indenture and acquired, improved or constructed, or refinanced, with proceeds of the Bonds, including investment earnings, and any other buildings, facilities or improvements constructed or improved, or refinanced, with the proceeds of the Prior Bonds (except any such buildings, facilities or other improvements or portions thereof to be deconstructed, demolished or removed in furtherance of the Project), including investment earnings.

*Project Costs:* The costs of renovation, expansion, improvement, acquisition, construction and equipping of the Project.

*Project Equipment*: All fixtures, equipment, and other personal property of a capital nature acquired, or refinanced, with proceeds of the Prior Bonds or the Bonds (except for any such fixtures, equipment, or other personal property of a capital nature to be removed in furtherance of the Project), including investment earnings and, with respect to such personal property acquired, or refinanced, with proceeds of the Prior Bonds or the Bonds, generally described in the prior bond documents and the Loan Agreement and described in any Certificate of the Project Supervisor furnished pursuant to the prior bond documents.

*Project Facilities*: The Project site, the Project Buildings and the Project Equipment, as the same may at any time exist.

*Reference Rate:* The interest rate per annum announced from time to time by U.S. Bank National Association as its prime or reference rate, regardless of whether that interest rate is actually charged to any customer of said bank.

*Refunded Note:* The Series Eight-B Note, the remaining scheduled principal of which is payable on June 3 in the years 2019 through 2042, inclusive.

*Refunded Series Seven-Q Bonds:* The Series Seven-Q Bonds maturing on October 1 in the years 2018 through 2032, inclusive.

*Series 2018A Bond and Interest Sinking Fund Account:* The Series 2018A Bond and Interest Sinking Fund Account established under the Indenture.

*Series 2018A Bonds:* The Minnesota Higher Education Facilities Authority Revenue and Refunding Bonds, Series 2018A (St. Catherine University), as described in the Indenture.

*Series 2018A Costs of Issuance Account:* The Series 2018A Costs of Issuance Account established under the Indenture.

*Series 2018A Redemption Account:* The Series 2018A Redemption Account established under the Indenture.

*Series 2018A Refunding Account:* The Series 2018A Refunding Account established under the Indenture.

*Series 2018B Bond and Interest Sinking Fund Account:* The Bond and Interest Sinking Fund Account for the Series 2018B Bonds established under the Indenture.

*Series 2018B Bonds:* The Minnesota Higher Education Facilities Authority Taxable Revenue Refunding Bonds, Series 2018B (St. Catherine University), as described in the Indenture.

*Series 2018B Redemption Account:* The Series 2018B Redemption Account established under the Indenture.

*Series 2018B Refunding Account:* The Series 2018B Refunding Account established under the Indenture.

*Series Eight-B Loan Agreement:* The Loan and Note Purchase Agreement between the Authority, the Corporation, and the Series Eight-B Note Purchaser dated as of June 1, 2014.

*Series Eight-B Note:* The Minnesota Higher Education Facilities Authority Revenue Note, Series Eight-B (St. Catherine University), dated June 3, 2014, issued in the original principal amount of $15,867,000.

*Series Eight-B Note Purchaser:* U.S. Bank National Association.

*Series Eight-B Prepayment Date:* October 1, 2018.

*Series Five-N1 Bonds:* The Minnesota Higher Education Facilities Authority Revenue Bonds, Series Five-N1 (The College of Saint Catherine), dated August 1, 2002, issued in the original principal amount of $28,265,000, the proceeds of which were loaned by the Authority to the Corporation to finance the Series Five-N1 project.

*Series Five-N2 Bond Account:* The Bond and Interest Sinking Fund Account created under the Series Five-N2 Indenture.

*Series Five-N2 Bonds:* The Minnesota Higher Education Facilities Authority Variable Rate Demand Revenue Bonds, Series Five-N2 (The College of Saint Catherine), dated August 22, 2002, issued in the original principal amount of $24,625,000, the proceeds of which were loaned by the Authority to the Corporation to finance the Series Five-N2 project.

*Series Five-N2 Indenture:* The Trust Indenture between the Authority and the Series Five-N2 trustee, dated as of August 1, 2002.

*Series Five-N2 Redemption Account:* The Redemption Account created under the Series Five-N2 Indenture.

*Series Five-N2 Redemption Date:* November 1, 2018.

*Series Seven-Q Bond Account:* The Bond and Interest Sinking Fund Account created under the Series Seven-Q Indenture.

*Series Seven-Q Bonds:* The Minnesota Higher Education Facilities Authority Revenue Bonds, Series Seven-Q (St. Catherine University), dated September 25, 2012, issued in the original principal amount of $25,630,000, the proceeds of which were loaned by the Authority to the Corporation to finance the Series Seven-Q project.

*Series Seven-Q Indenture:* The Trust Indenture between the Authority and the Series Seven-Q Trustee, dated as of September 1, 2012.

*Series Seven-Q Redemption Account:* The Redemption Account created under the Series Seven-Q Indenture.

*Series Seven-Q Redemption Date:* October 1, 2022.

*Series Seven-Q Reserve Account:* The Reserve Account created under the Series Seven-Q Indenture.

*Series Seven-Q Trustee:* Wells Fargo Bank, National Association, in its capacity as trustee under the Series Seven-Q Indenture.

*State:* The State of Minnesota.

*Term Bonds*: The Series 2018A Term Bonds and the Series 2018B Term Bonds as defined in the Indenture.

*Trust Estate:* The interest of the Authority in the Loan Agreement assigned under the Indenture; the revenues, moneys, investments, contract rights, general intangibles and instruments and proceeds and products and accessions thereof as set forth in the Indenture; and additional property held by the Trustee pursuant to the Indenture.

*Trustee*: The trustee at the time serving as such under the Indenture, and initially the Trustee will be U.S. Bank National Association.

*Underwriter:* Morgan Stanley & Co. LLC, as original purchaser of the Bonds.

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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 Corporation represents that construction, acquisition and installation of the Project will be substantially completed by no later than December 31, 2020, and all amounts in the Construction Account will be expended in any event not later than 36 months after the Issue Date, subject only to "force majeure," as provided in the Loan Agreement. The Corporation may apply to the Authority at any time to delete from the Project any building, system or equipment proposed to be renovated, expanded, 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 will accordingly be amended by a supplement to the Loan Agreement executed by the Authority and the Corporation, a copy of which will be furnished to the Trustee, provided that no such amendment of the description of the Project will 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 Series 2018A Bonds and an Opinion of Counsel who is Bond Counsel to the Authority to such effect is furnished to the Corporation, the Authority and the Trustee. The Corporation has agreed that it has previously paid or will itself pay all costs relating to the acquisition, construction, furnishing 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.

**Redemption of Series Five-N2 Bonds; Prepayment of Series Eight-B Note; Defeasance, Payment and Redemption of Series Seven-Q Bonds**

The Corporation represents that it will cause the interest on the Series Five-N2 Bonds to be paid through and including the Series Five-N2 Redemption Date and will cause the principal of the Series Five-N2 Bonds to be paid on the Series Five-N2 Redemption Date, at a price of par plus accrued interest without a redemption premium. The Corporation represents that it will cause the principal of and interest on the Series Eight-B Note to be paid through the Series Eight-B Prepayment Date, and will prepay and redeem the Series Eight-B Note on the Series Eight-B Prepayment Date. The Corporation represents that it will cause the principal of and interest on the Series Seven-Q Bonds to be paid through the Series Seven-Q Redemption Date, and will prepay and redeem the Series Seven-Q Bonds on the Series Seven-Q Redemption Date.

**The Loan**

The Authority agrees, upon the terms and conditions of the Loan Agreement, to lend to the Corporation the proceeds received by the Authority from the sale of the Bonds exclusive of any accrued interest received on the Issue Date (the "Loan") but including the underwriter's discount and original issue premium or original issue discount (if any), to be deposited in the applicable Accounts established with the Trustee, as provided in the Loan Agreement and in the Indenture. Such proceeds will thereafter be invested and disbursed by the Trustee in accordance with the provisions of the Loan Agreement and the Indenture.

**Loan Repayments**

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

(a) At least two (2) Business Days prior to each April 1 and October 1, commencing April 1, 2019, the Corporation will deposit into the applicable Bond and Interest Sinking Fund Account, a sum which will be equal to the amount payable as interest on the applicable Bonds on such Interest Payment Date, and, at least two (2) Business Days prior to each October 1, commencing on October 1, 2024, a sum equal to the amount payable as principal (whether at maturity or mandatory sinking fund redemption) of the applicable Bonds on such principal payment date; provided however, that there will be credited against such obligations (1) the net amount of funds and investments then on deposit to the credit of the applicable Bond and Interest Sinking Fund Account, and (2) any credits permitted by the Indenture; and

(b) On or prior to a date established for the optional redemption or mandatory redemption and prepayment of any Bonds pursuant to the terms set forth in the Loan Agreement, the Corporation will deposit into the applicable Redemption Account such amount, if any, as will be necessary and sufficient to provide for the redemption of any Bonds called for redemption from such Redemption Account; and

(c) The Corporation will deposit forthwith into the applicable Bond and Interest Sinking Fund Account or the applicable Redemption Account, as appropriate, the amount of any deficiency in the event the funds on deposit in such 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 of, premium, if any and interest on the Bonds then due or then to become due (whether at maturity, or by call for redemption, or by acceleration of maturity); and

(d) The Corporation will deposit into any fund or account designated by the Trustee such amount as may be determined by the Trustee to be necessary to comply with the provisions of the Indenture.

Each payment under this "Repayment of Loan" section will be made directly to the Trustee at its Principal Trust Office for the account of the Authority for deposit as provided in the Indenture. The Corporation will furnish to the Authority, if the Authority so requests, advice of the transmittal of such payments at the time of transmittal of payment.

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

As additional payments, the Corporation agrees to pay the annual fee of the Authority, reasonable 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 Corporation will own, use and operate the Project Facilities at all times 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 any part of a program of a school or department of divinity for any religious denomination. The Corporation agrees not to use or 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 Series 2018A Bonds under the Internal Revenue Code or loss of its status as an exempt organization under Section 501(c)(3) of the Code.

**Maintenance and Possession of Project Facilities by Corporation**

The Corporation agrees that so long as there are Bonds outstanding, and subject to certain exceptions, the Corporation will keep the Project Facilities in good repair and good operating condition at its own cost. The Corporation will make such repairs, modifications and replacements as are necessary so that the Project Facilities will remain a "project" under the Act and interest on the Series 2018A Bonds will be exempt from federal income taxation, and may make such repairs, modifications and replacements as in the Corporation's judgment are desirable, subject to the same conditions. The Corporation may sell, transfer, convey, lease or sublease or enter into agreements in the ordinary course of business for the use of the Project Facilities so long as (i) the tax-exempt status of the Series 2018A Bonds will not be affected thereby, and an opinion of Bond Counsel to such effect is provided to the Trustee (ii) no such transaction or agreement will be inconsistent with the Loan Agreement, the Indenture, or the Act, and (iii) the Corporation will remain fully obligated under the Loan Agreement as if such transaction or agreement had not been made. The Corporation may demolish any of the Project Facilities which in the Corporation's judgment are worn out, obsolete or require replacement, are no longer used, or the Corporation, by resolution of the Board of Trustees, has determined in its judgment are no longer useful.

**Operating Expenses and Liens**

The Corporation will pay all utility charges and other charges arising from the operations of the Project Facilities which, if unpaid, would become a lien on the Project Facilities, and will not permit to be established or to remain unsatisfied any mechanics' lien for labor or materials furnished in connection with any remodeling, additions, modifications, improvements, repairs, renewals or replacements of the Project Facilities; provided, that the Corporation may in good faith contest such utility and other charges and any mechanics' or other liens filed or established against the Project Facilities, and in such event may permit the items so contested to remain undischarged and unsatisfied during the period of such contest and any appeal therefrom unless the Authority or Trustee notify the Corporation that, in the opinion of Independent Counsel, by nonpayment of any such items the Project Facilities or any part thereof will be subject to loss or forfeiture, in which event the Corporation will promptly pay and cause to be satisfied and discharged all such unpaid items.

**Taxes and Other Governmental Charges**

The Corporation will pay, as the same respectively become due, any taxes, special assessments, license fees and governmental charges of any kind whatsoever that may at any time be lawfully assessed or levied against or with respect to the operations of the Corporation, or the Project Facilities, or any improvements, equipment or related property installed or brought by the Corporation therein or thereon, or the Bonds, the Loan Agreement, the Indenture, or the interest of the Authority, the Trustee, or the Bondholders therein. The Corporation may, at its expense, in good faith contest any such taxes, assessments, license fees and other governmental charges and, in the event of any such contest, may permit the taxes, assessments, license fees or other charges so contested to remain unpaid during the period of such contest and any appeal therefrom unless the Authority or the Trustee notify the Corporation 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 taxes, assessments, license fees or charges will be paid promptly.

**Insurance**

The Corporation is required to maintain, or cause to be maintained, at its cost and expense, insurance as follows:

(a) Insurance against loss and/or damage to the Project Facilities and contents under a policy or policies covering such risks as are ordinarily insured against by similar institutions, including (without limiting the generality of the foregoing) fire and extended coverage in an amount not less than 80% of the full insurable replacement value of the Project Facilities and content, but any such policy may have a deductible amount of not more than $500,000. No policy of insurance will be so written that the proceeds thereof will produce less than the minimum coverage required by the preceding sentence, by reason of co-insurance provisions or otherwise, without the prior consent thereto in writing by the Trustee. The term "full insurable replacement value" means the actual replacement cost of the Project Buildings (excluding foundation, excavation costs and costs of underground flues, pipes, drains and other uninsurable items) and contents and the Project Equipment. All policies evidencing insurance required by this paragraph (a) with respect to the Project Facilities will be carried in the names of the Corporation and the Trustee as their respective interests may appear and include a lender's loss payable endorsement with the Trustee named as loss payee.

(b) Comprehensive general public liability insurance, including blanket contractual liability and personal injury liability and automobile insurance, including owned, non-owned and hired automobiles, against liability for injuries to persons 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 $500,000 per occurrence, and against liability for injury to property in the minimum amount for each occurrence of $500,000.

(c) Workers' compensation insurance respecting all employees of the Corporation in such amount as is customarily carried by like organizations engaged in like activities of comparable size and liability exposure; provided that the Corporation may be self-insured with respect to all or any part of its liability for workers' compensation.

All insurance required under the Loan Agreement shall be taken out and maintained in responsible insurance companies selected by the Corporation. In the event any of the above-described policies are canceled before the expiration date thereof, notice will be delivered in accordance with the policy provisions. The Corporation may maintain a single policy, blanket or umbrella policies, or a combination thereof, having the coverage required. The Corporation will annually provide the Trustee a Certificate of insurance compliance on or before November 1 of each year.

Upon the written request of the Corporation, the Trustee will permit modifications to the insurance requirements and deductible amounts, including permission for the Corporation to be self-insured in whole or in part for any comprehensive general public liability, if consistent with recommendations of an Independent insurance consultant or the Corporation's insurance broker.

**Damage or Destruction of Project Facilities**

If the Project Facilities are damaged or partially or totally destroyed, there will be no abatement or reduction 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 Corporation (A) 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 may be desired by the Corporation and as will not impair the character or significance of the Project Facilities as educational facilities, and (B) will apply for such purpose so much as may be necessary of any Net Proceeds of insurance policies resulting from claims for such losses not in excess of $1,000,000, or any additional moneys of the Corporation necessary therefor. All Net Proceeds of insurance resulting from claims for losses up to such amounts will be paid to the Corporation. To the extent that the claim for loss resulting from such damage or destruction exceeds $1,000,000, the Corporation will 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.

The Bonds may be redeemed in whole if all or substantially all of the Project Facilities are damaged or destroyed to such extent that (i) they cannot be reasonably restored within six months or (ii) normal use and operation of the Project Facilities are interrupted for a six-month period or (iii) the cost of restoration exceeds the available Net Proceeds by an amount described in the Loan Agreement.

The Bonds may be redeemed in part if (i) all or a portion of the Project Facilities have been damaged or destroyed, (ii) the Corporation determines that the Project Facilities so damaged or destroyed are not needed in its operations, (iii) the Corporation has elected not to repair, rebuild, restore or replace such Project Facilities, and (iv) the Corporation elects that available Net Proceeds will be deposited in the Redemption Account and used for the redemption or purchase of outstanding Bonds on the next date for which due notice of redemption can be given (*See also* "THE BONDS – Redemption – Extraordinary Optional Redemption" in the body of this Official Statement).

**Condemnation of Project Facilities**

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 part of the Project Facilities will be taken in any proceeding involving the exercise of the right of eminent domain, there will be no abatement or reduction in the Loan Repayments payable by the Corporation under the Loan Agreement. All Net Proceeds of awards not in excess of $1,000,000 will be paid to the Corporation. All Net Proceeds of awards over $1,000,000 will be paid and held by the Trustee and the Corporation will either redeem and prepay the Bonds in whole or in part or rebuild or restore such facilities, as more fully provided in the Loan Agreement.

If the Bonds are to be redeemed in whole or in part, such redemption will be as described in the second and third paragraphs under the "Damage or Destruction of Project Facilities" section above.

**Removal of Project Equipment and Building Equipment**

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

(a) the Corporation may substitute equipment and related property for any Project Equipment and Building Equipment, provided that such substitution will not materially impair the character or revenue producing significance or value of the Project Facilities;

(b) the Corporation may release any equipment from the definition of Project Equipment (with or without the physical removal thereof) without substitution therefor, provided that the Corporation pays a sum equal to the then value of such Project Equipment as determined by an Independent engineer selected by the Corporation, to the Trustee for deposit in the Redemption Account for the redemption and prepayment of the Bonds; provided that if the depreciated book value of the equipment so released was less than $250,000, such release and such deposit to the Redemption Account may be effected without such determination of value and Certificate by an Independent engineer; and

(c) the Corporation may remove any Building Equipment without substitution therefor provided that such removal will not materially impair the character or revenue producing significance or value 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, the depreciated value of Building Equipment to be substituted, released or removed equals or exceeds $250,000 the Corporation will deliver to the Trustee a certificate signed by the Authorized Institution Representative stating that the substitution, release or removal of such equipment will not materially impair the character or revenue producing significance or value of the Project Facilities.

**Indemnification**

The Corporation agrees to hold the Authority and the Trustee, their respective members, directors, officers 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 (but not of the Trustee) or anyone acting on its behalf, provided that the indemnity will be effective only to the extent of any loss that may be sustained by the Authority or the Trustee in excess of the Net Proceeds received by the Authority or the Trustee from any insurance carried with respect to the loss sustained.

The Corporation 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 Corporation in connection with the sale of the Bonds.

**Corporation to Maintain its Existence and Accreditation**

The Corporation agrees that, so long as the Bonds are outstanding, it will maintain its existence as a nonprofit corporation and maintain the Institution's existence as a nonprofit institution of higher education under the laws of Minnesota, accredited as such by recognized accrediting agencies and that it will not dissolve or otherwise dispose of all or substantially all of its assets and will not consolidate with or merge into another corporation, or permit one or more other corporations to consolidate with or merge into it, except upon the conditions provided in the Loan Agreement. The conditions are the following: (a) if the surviving, resulting or transferee corporation or institution, as the case may be, is other than the Corporation, such surviving, resulting or transferee corporation will assume in writing all of the obligations of the Corporation in the Loan Agreement, and be either a state university or college or a nonprofit corporation operating or authorized to operate an institution of higher education under the laws of Minnesota, eligible to be a participating nonprofit institution under the Act, and complies and will comply with the provisions of the Loan Agreement against unlawful discrimination and requiring that the institution be nonsectarian; and (b) the Corporation will furnish to the Trustee an opinion of bond counsel that such consolidation, merger or transfer will have no effect upon the tax-exempt nature of the interest on the Series 2018A Bonds under the Internal Revenue Code and regulations thereunder.

**Federal Income Tax Status**

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

**Institution to be Nonsectarian**

The Corporation 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. All courses of study at the Institution, including any religion or theology courses, will be taught according to the academic requirements of the subject matter and professional standards.

**Determination of Taxability**

In the event a Determination of Taxability is made at any time that interest on the Series 2018A Bonds is includable in gross income of the recipient 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 Series 2018A Bonds, the Series 2018A Bonds will bear additional interest at the rate of two percent per annum from the Date of Taxability until the respective dates on which the principal of the Series 2018A Bonds is paid. In addition, in the event of such Determination of Taxability, the Series 2018A Bonds will be subject to optional redemption, as a whole or in part on the next date for which due notice can be given and any date thereafter at a redemption price equal to par plus accrued interest plus additional interest from the Date of Taxability (*See also* "THE BONDS – Redemption – Extraordinary Optional Redemption" and "THE BONDS – Determination of Taxability – Series 2018A Bonds" in the body of the Official Statement). If a Determination of Taxability should occur, any monetary damage or loss resulting from or incident thereto will be limited to the additional interest rate on the Bonds, as more fully set forth in the Loan Agreement.

**Other Covenants**

The Corporation further agrees to comply with all applicable laws and regulations against unlawful discrimination, and not to discriminate as prohibited by Minnesota Statutes, Section 363A.13; to provide and file such financing statements and other instruments of further assurance as the Authority or 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 Series 2018A 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, the Department of Education and the Minnesota Office of Higher Education, subject to the right of contest. The Corporation agrees to indemnify the Authority and the Trustee from losses arising from certain representations made by the Corporation 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 Corporation to the Authority as the Authority's annual fee under the Loan Agreement and any income earned or imputed therefrom.

**Events of Default**

The following are "Events of Default" under the Loan Agreement and the term "Event of Default" will mean, whenever used in the Loan Agreement, any one or more of the following events:

(a) If the Corporation fails to make any Loan Repayment when due, and either (i) on a Bond principal or interest payment date or redemption date (established or required to be established), the available moneys on deposit in the applicable Bond and Interest Sinking Fund Account and applicable Redemption Account are insufficient to pay when due principal of and interest on the applicable Bonds, or (ii) such failure continues for five Business Days after notice from the Trustee or the Authority to the Corporation that such payment has not been made; or

(b) If the Corporation fails to comply with the provisions of the Loan Agreement relating to arbitrage calculation and rebate requirements; or

(c) If the Corporation fails to observe and perform for reasons other than force majeure, any other covenant, condition or agreement on its part under the Loan Agreement for a period of 30 days after written notice, specifying such default and requesting that it be remedied, is given to the Corporation by the Authority or the Trustee; or

(d) If the Corporation 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 Corporation; or

(e) If a court of competent jurisdiction enters an order, judgment or decree against the Corporation in any insolvency, bankruptcy, or reorganization proceeding, or appointing a trustee or receiver of the Corporation or of the whole or any substantial part of the property of the Corporation, and such order, judgment or decree will not be vacated or set aside or stayed within 90 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 assumes custody or control of the Corporation or of the whole or any substantial part of the property of the Corporation, and such custody or control will not be terminated within 90 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 Corporation. 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 30 days after notice and if the Corporation has taken all action reasonably possible to remedy such default within such 30-day period, the Default will not become an Event of Default for so long as the Corporation diligently proceeds to remedy such default and in accordance with any directions or limitations of time made by the Trustee. The Corporation agrees, however, to use its best efforts to remedy with all reasonable dispatch any cause or causes preventing the Corporation from carrying out its agreements.

**Remedies on Default**

Whenever any Event of Default has 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 under the caption "Loan Repayments" above for the remainder of the term of the Loan Agreement to be immediately due and payable, whereupon the same will become immediately due and payable.

(b) The Trustee (or the Authority with respect to certain Sections of the Loan Agreement) may take whatever action at law or in equity which may appear necessary or desirable to collect the payments then due and thereafter to become due under the Loan Agreement.

(c) The Trustee may take whatever action in law or equity which appears necessary or desirable to enforce the security provided by or enforce any provision or covenant of the Loan Agreement or the Indenture.

Any amounts collected by the Trustee pursuant to action taken will be applied first to advances, fees and expenses, and then to payment of the Bonds (interest, principal and premium, if any), as provided in the Indenture, and any excess to the Corporation.

**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.

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## 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:

(a) all right, title and interest of the Authority under the Loan Agreement, and all Loan Repayments and all other sums due under the Loan Agreement, except the rights of the Authority relating to fees, expenses, indemnity and advances;

(b) a first lien on and pledge of (i) the moneys and investments in the Accounts covenanted to be paid and maintained under the Indenture; provided, however, the funds deposited in the applicable Refunding Accounts will be held for the exclusive benefit of the holders of the Series Five-N2 Bonds and the Series Eight-B Note, or the holders of the Series Seven-Q Bonds, as the case may be; (ii) the moneys and investments in the Construction Account not paid out for Project Costs; and all accounts, contract rights, general intangibles, moneys and instruments arising therefrom or relating thereto and all proceeds and products of and accessions to any thereof; and

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

### Accounts

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

### Authorized Investments

Moneys on deposit to the credit of Series 2018A Bond and Interest Sinking Fund Account, the Series 2018B Bond and Interest Sinking Fund Account, the Series 2018A Redemption Account, the Series 2018B Redemption Account and the Construction Account will be invested by the Trustee as directed in writing by the Authorized Institution Representative only in investments as authorized by the Act, as amended from time to time, and subject to the additional restrictions generally described as follows: (i) direct obligations of the United States government and certain obligations issued or guaranteed by certain of its agencies; (ii) general obligations of states or local governments with taxing powers rated "A" or better by a national bond rating service, or revenue obligations of any state or local government rated "AA" or better by a national bond rating service; (iii) certain commercial paper maturing in 270 days or less; (iv) time deposits fully insured by the Federal Deposit Insurance Corporation or bankers' acceptances of United States banks; (v) certain types of repurchase agreements; (vi) units of certain short-term investment funds and shares of certain money market funds and certain other investment companies; and (vii) certain guaranteed investment contracts issued by a bank or insurance company rated at least in one of the two highest rating categories of a nationally recognized rating agency.

**Trustee's Right to Payment**

The Trustee shall have a first lien, with right of payment prior to payment on account 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 and exercise and performance of the powers and duties of the Trustee under the Indenture, and the cost and expense incurred in defending against any liability in the premises of any character whatsoever (unless such liability is adjudicated to have resulted from the negligence or willful misconduct of the Trustee).

**Covenants of the Authority**

Under the Indenture the Authority covenants, among other things, to perform its various undertakings and agreements; to take such action or cause and permit the Trustee to take such action as may be necessary or advisable to enforce the covenants, terms and conditions of the Loan Agreement, if such action will, 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 of the Code and regulations thereunder; to keep proper books, accounts and records; and not to issue or permit to be issued any Bonds under the Indenture in any manner other than in accordance with the provisions of the Indenture and not to suffer or permit any default to occur under the Indenture. Under the Act, and it is expressly agreed that, the Authority has no obligation to make any advance or payment or incur any expense or liability from its general funds for performing any of the conditions, covenants or requirements of the Indenture or from any funds other than Loan Repayments or moneys in the Accounts.

**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 becomes due and payable (whether at maturity or by proceedings for redemption or by declaration of acceleration or otherwise), is not made; or

(b) If payment of any interest on the Bonds when the same becomes due and payable (in which case interest will 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) is not made; or

(c) If the Authority defaults 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 has continued for a period of 60 days after written notice, specifying such default and requiring the same to be remedied, has been given to the Authority and to the Corporation (giving the Corporation 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 will 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 Corporation, as that term is defined in the Loan Agreement, occurs and is continuing.

**Remedies**

If an Event of Default exists, the Trustee may, and upon written request of the Holders of a majority in aggregate principal amount of the Bonds outstanding and upon being indemnified as described below will, 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 will thereupon become and be immediately due and payable subject, however, to the right of the Holders of a majority in aggregate principal amount of the 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 has been made will 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) will be paid, or the amount thereof will 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), will be obligated to take such action or actions as are necessary for the enforcement of its rights and the rights of the Bondholders and the rights of the Authority under the Loan Agreement.

Upon the happening and continuance of an Event of Default, the Trustee may, and the written request of the Holders of not less than a majority in aggregate principal amount of the 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 the Loan Agreement and to enforce any such other appropriate legal or equitable remedy as the Trustee, being advised by counsel, deems 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 have offered to the Trustee security and indemnity satisfactory to the Trustee against the costs, expenses and liabilities to be incurred therein or thereby.

**Concerning the Trustee**

The Trustee has no responsibility to use its own funds under the Indenture, but it may make advances at a rate equal to the Reference Rate, which advances are given priority of payment. The Trustee also has a first lien with right of payment prior to payment on account 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 will 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 under the Indenture unless indemnified to its satisfaction against all costs and expenses. The Trustee and its affiliates, officers and directors are authorized to acquire and hold Bonds and otherwise deal with the Authority or the Corporation 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 combined capital, surplus and undivided profits of $10,000,000 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. Provision is also made for removal of the Trustee by Bondholders or the Authority, at the request of the Corporation, provided that the Authority may, but is not required to remove the Trustee with or without the request of the Corporation if an Event of Default has occurred and is continuing or a default which with the passage of time or the giving of notice will become an Event of Default has occurred and is continuing. The Authority may not remove a successor Trustee properly appointed by the Bondholders.

**Concerning the Bondholders**

No Bondholder has any right to institute any suit, action or proceeding in equity or at law for the enforcement of the Indenture or for the execution of any trust 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 has become an Event of Default and the Holders of a majority in aggregate principal amount of Bonds outstanding have made written request to the Trustee and 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 have offered to the Trustee indemnity as provided in the

Indenture; and no one or more Bondholders of the Bonds 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 will be instituted, had 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 not less than a majority in aggregate principal amount of the Bonds at the time outstanding, will 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 will not be waived unless, prior to such waiver, all arrears of interest, and all expenses of the Trustee have been paid or 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 will 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, will extend to or will affect any subsequent default or Event of Default or will 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 Corporation and their respective successors or assigns:

(a) pay or cause to be paid the principal of and premium, if any, and interest on the outstanding Bonds at the time and in the manner stipulated therein and in the Indenture, or

(b) provide for the payment of principal and premium, if any, of the outstanding Bonds and interest thereon by depositing with the Trustee at or at any time before maturity an amount of (i) government obligations described in the Indenture in such aggregate face amount, bearing interest at such rates and maturing at such dates as are sufficient in the opinion of a verification agent, upon which the Trustee may conclusively rely, and/or (ii) cash, to pay the entire amount due or to become due thereon for principal and premium, if any, and interest to maturity of all said Bonds outstanding, or

(c) deliver to the Trustee (1) proof satisfactory to the Trustee 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 as provided in the Indenture, or that arrangements satisfactory to the Trustee have been made insuring that such notice will be given or waived, or (2) a written instrument executed by the Corporation 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 of such outstanding Bonds, and in any such case, deposit with the Trustee before the date on which such Bonds are to be redeemed, as provided in the Indenture, the entire amount of the redemption price, including interest accrued and to accrue, and premium, if any, of (i) government obligations described in the Indenture in such aggregate face amount, bearing interest at such rates and maturing at such dates as are sufficient in the opinion of a verification agent, upon which the Trustee may conclusively rely, and/or (ii) in cash, 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 will also pay or provide for the payment of the unpaid fees and expenses of the Trustee (and its counsel) and the rebate of all amounts due or to become due to the United States under Section 148(f) of the Internal Revenue Code and the Arbitrage Regulations, then and in that case, at the request of the Authority or the Corporation all the Trust Estate will revert to the Authority and the Corporation as their interests appear, and the entire estate, right, title and interest of the Trustee, and of the Owners of the Bonds in respect thereof, will thereupon cease, determine and become void; unless otherwise expressly stated, rights granted by provisions relating to optional redemption of Bonds will thereupon terminate; and the Trustee in such case, upon the cancellation of all Bonds for the payment of which cash or government obligations will not have been deposited in accordance with the provisions of the Indenture, will, 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 will then be held thereunder.

When the Authority or the Corporation has deposited at any time with the Trustee in trust for the purpose, in the manner provided above, or left with it if previously so deposited, cash or government obligations 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 will 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 will be deemed not to be outstanding thereunder; and it will be the duty of the Trustee to hold the funds so deposited for the benefit of the Holders of such Bonds, as the case may be, and from and after such redemption date or maturity, interest on such Bonds so called for redemption will cease to accrue.

**Supplemental Indentures**

The Authority and the Trustee may enter into such supplemental indentures as are 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 unto the Trustee, subject to such liens or other encumbrances as will be therein specifically described, additional property or properties of the Authority or the Corporation for the equal and proportional benefit and security of the Holders of all Bonds at any time issued and outstanding under the Indenture;

(b) To add to the covenants and agreements of the Authority in the Indenture contained other covenants and agreements thereafter to be observed, or to surrender any right or power reserved to or conferred upon the Authority or to or upon any successor;

(c) To evidence the succession of any other department, agency, body or Corporation to the Authority and the assumption by such successor of the covenants, agreements and obligations of the Authority;

(d) To cure any ambiguity or to correct or supplement any provision contained in the Indenture or in any supplemental indentures which may be defective or inconsistent with any other provision contained in the Indenture or in any supplemental indenture, 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 could have been contained in the Indenture or any supplemental indenture and which will not impair the security of the same; and

(e) To modify the Indenture as authorized by the Bondholders.

In addition and subject to the provisions set forth below, the Holders of not less than a majority in aggregate principal amount of the Bonds under the Indenture then outstanding will have the right to consent to and approve such supplemental indentures as will 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 will not be construed as permitting without the consent of the Holders of all Bonds outstanding (a) an extension of the maturity of any Bond, or (b) a reduction in the principal amount of any Bond or the redemption premium or the rate of interest thereon, or (c) the creation of a lien upon or a pledge of revenues ranking prior to or on a parity with the lien or pledge created by the Indenture, or (d) a preference or priority of any Bond over any other, or (e) a reduction in the aggregate principal amount of the Bonds the Holders of which are required to consent to such supplemental indenture or to amendments to the Loan Agreement.

**Amendments to the Loan Agreement**

The Authority and the Trustee will without the consent of or notice to the Bondholders consent to and (if requested) execute any amendment, change or modification of the Loan Agreement as may be required (i) by the provisions of the Loan Agreement, or the Indenture, (ii) for the purpose of curing any ambiguity or formal defect or omission, (iii) so as to add additional rights acquired in accordance with the provisions of the Loan Agreement, or (iv) 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 will consent to or execute any other amendment, change or modification of the Loan Agreement without the written approval or consent of the Holders of not less than a majority 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 Bonds then outstanding.

**Registration**

The Bonds shall be fully registered as to principal and interest at the Principal Trust Office of the Trustee, which shall also perform the functions of registrar and paying agent. Bonds may be transferred and exchanged by surrender to the Trustee with a written authorization by the registered Holder or his authorized attorney satisfactory to the Trustee subject to such reasonable regulations as the Trustee may prescribe and shall be without expense to the Holder, except as to any taxes or other governmental charges required to be paid. If the Bonds are no longer in book entry form, Bonds may be exchanged for a new Bond or Bonds, aggregate principal amount, maturity and interest rate of any authorized denominations. Payment of principal will be at the Principal 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 an account within the United States) to the registered Owner at the address as shown on the registration books of the Trustee, subject to applicable procedures while in book entry form.

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## THE DEPOSITORY TRUST COMPANY

DTC, the world's largest securities depository, 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 and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, 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 Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the 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 Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any 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 Direct and Indirect 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. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Board 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).

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Board or its agent on the payable date in accordance with their respective holdings shown on DTC's records. 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, its agent, or the Board, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Board or its agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

The Authority, at the University's direction, 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 the Authority believes to be reliable. The Authority, the University, and the Underwriter take no responsibility for the accuracy thereof.

# FINANCIAL STATEMENTS
# YEARS ENDED MAY 31, 2017 AND 2016

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CliftonLarsonAllen
CliftonLarsonAllen LLP
CLAconnect.com

# INDEPENDENT AUDITORS' REPORT

Board of Trustees
St. Catherine University
St. Paul, Minnesota

We have audited the accompanying financial statements of St. Catherine University, which comprise the statements of financial position as of May 31, 2017 and 2016, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the College's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of St. Catherine University as of May 31, 2017 and 2016, and the change in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As discussed in Note 1 to the financial statements, the University adopted a recently issued accounting standard related to the accounting for debt issuance costs. The new standard requires entities to present debt issuance costs as a direct deduction from the face amount of the related borrowings, amortize debt issuance costs using the effective interest method over the life of the debt, and record the amortization as a component of interest expense. Our opinion is not modified with respect to this matter.

CliftonLarsonAllen LLP

**CliftonLarsonAllen LLP**

Minneapolis, Minnesota
September 28, 2017

# ST. CATHERINE UNIVERSITY
# STATEMENTS OF FINANCIAL POSITION
# MAY 31, 2017 AND 2016

| | 2017 | | | | 2016 |
|---|---|---|---|---|---|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total | Total |
| **ASSETS** | | | | | |
| Cash and Cash Equivalents | $ 10,543,484 | $ - | $ - | $ 10,543,484 | $ 7,600,112 |
| Receivables, Net of Allowance for Doubtful Accounts of $1,150,000 in 2017 and $1,200,000 in 2016 | 1,904,275 | 305,593 | - | 2,209,868 | 2,111,797 |
| Bookstore Inventories | 565,118 | - | - | 565,118 | 460,037 |
| Prepaid Expenses | 596,610 | 25,923 | - | 622,533 | 756,934 |
| Deposits with Bond Trustee | 2,137,194 | - | - | 2,137,194 | 2,136,324 |
| Contributions Receivable, Net | 2,545 | 5,029,026 | 130,312 | 5,161,883 | 1,732,221 |
| Loans to Students, Net of Allowance for Doubtful Accounts of $450,000 in 2017 and 2016 | 9,625,829 | - | - | 9,625,829 | 9,801,842 |
| Investments | 80,292,978 | 55,379,505 | 41,552,095 | 177,224,578 | 156,602,788 |
| Beneficial Interest in Perpetual Trusts | - | 839,859 | 2,163,381 | 3,003,240 | 2,945,009 |
| Property, Plant, and Equipment, Net | 72,459,982 | - | - | 72,459,982 | 75,837,857 |
| Total Assets | $ 178,128,015 | $ 61,579,906 | $ 43,845,788 | $ 283,553,709 | $ 259,984,921 |
| **LIABILITIES AND NET ASSETS** | | | | | |
| **LIABILITIES** | | | | | |
| Accounts Payable | $ 2,726,021 | $ 129,610 | $ - | $ 2,855,631 | 2,922,700 |
| Accrued Expenses | 9,894,969 | 159,239 | - | 10,054,208 | 10,449,659 |
| Deferred Revenue and Deposits | 2,818,633 | - | - | 2,818,633 | 2,190,232 |
| Funds Held for Others | 445,207 | - | - | 445,207 | 535,747 |
| Liability Under Split-Interest Agreements | - | 100,228 | 31,172 | 131,400 | 164,739 |
| Notes Payable | 15,755,067 | - | - | 15,755,067 | 15,747,718 |
| Bonds Payable | 48,570,868 | - | - | 48,570,868 | 49,712,466 |
| U.S. Government Grants Refundable | 8,983,685 | - | - | 8,983,685 | 8,902,585 |
| Total Liabilities | 89,194,450 | 389,077 | 31,172 | 89,614,699 | 90,625,846 |
| **NET ASSETS** | | | | | |
| Unrestricted | 88,933,565 | - | - | 88,933,565 | 81,958,393 |
| Temporarily Restricted | - | 61,190,829 | - | 61,190,829 | 46,509,288 |
| Permanently Restricted | - | - | 43,814,616 | 43,814,616 | 40,891,394 |
| Total Net Assets | 88,933,565 | 61,190,829 | 43,814,616 | 193,939,010 | 169,359,075 |
| Total Liabilities and Net Assets | $ 178,128,015 | $ 61,579,906 | $ 43,845,788 | $ 283,553,709 | $ 259,984,921 |

*See accompanying Notes to Financial Statements.*

# ST. CATHERINE UNIVERSITY
# STATEMENT OF ACTIVITIES
# YEAR ENDED MAY 31, 2017
# (WITH SUMMARIZED COMPARATIVE TOTALS FOR YEAR ENDED MAY 31, 2016)

| | 2017 | | | | 2016 |
|---|---|---|---|---|---|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total | Total |
| **OPERATING REVENUE** | | | | | |
| Tuition and Fees | $ 103,787,473 | $ - | $ - | $ 103,787,473 | $ 101,633,239 |
| Less: Scholarships Funded by Gifts and Endowment Income | (2,721,453) | - | - | (2,721,453) | (2,434,778) |
| Less: Institutionally Funded Aid | (31,031,684) | - | - | (31,031,684) | (29,458,735) |
| Net Tuition and Fees | 70,034,336 | - | - | 70,034,336 | 69,739,726 |
| Grants | 665,191 | 7,682,252 | - | 8,347,443 | 6,673,151 |
| Contributions | 2,316,568 | 8,799,323 | - | 11,115,891 | 4,155,686 |
| Auxiliary Services | 10,565,973 | - | - | 10,565,973 | 11,227,418 |
| Investment Income, Net | 519,668 | - | - | 519,668 | 534,701 |
| Net Gain (Loss) on Investments | 3,320,478 | - | - | 3,320,478 | (1,301,129) |
| Interest on Student Loans | 75,762 | - | - | 75,762 | 44,343 |
| Other | 1,917,956 | 178,378 | - | 2,096,334 | 1,690,258 |
| Net Assets Released from Restrictions | 11,570,936 | (11,570,936) | - | - | - |
| Total Revenue | 100,986,868 | 5,089,017 | - | 106,075,885 | 92,764,154 |
| **OPERATING EXPENDITURES** | | | | | |
| **Instruction and Other Services** | | | | | |
| Instructional | 46,087,956 | - | - | 46,087,956 | 42,573,215 |
| Library | 3,647,087 | - | - | 3,647,087 | 3,527,786 |
| Academic Support | 4,303,450 | - | - | 4,303,450 | 4,171,679 |
| Student Services | 14,030,103 | - | - | 14,030,103 | 14,358,904 |
| Auxiliary Enterprises | 11,608,130 | - | - | 11,608,130 | 11,766,093 |
| Sponsored Research | 4,904,239 | - | - | 4,904,239 | 5,034,776 |
| Total Instruction and Other Services | 84,580,965 | - | - | 84,580,965 | 81,432,453 |
| **Management and General** | | | | | |
| Institutional Support | 12,056,442 | - | - | 12,056,442 | 12,493,167 |
| Development | 2,385,022 | - | - | 2,385,022 | 2,287,997 |
| Total Management and General | 14,441,464 | - | - | 14,441,464 | 14,781,164 |
| Total Expenses | 99,022,429 | - | - | 99,022,429 | 96,213,617 |
| **CHANGE IN OPERATING NET ASSETS** | 1,964,439 | 5,089,017 | - | 7,053,456 | (3,449,463) |
| **NONOPERATING ACTIVITIES** | | | | | |
| Contributions | - | - | 2,641,169 | 2,641,169 | 400,558 |
| Investment Income, Net | - | 1,363,435 | 136,553 | 1,499,988 | 1,417,717 |
| Net Gain (Loss) on Investments | - | 13,261,400 | 55,603 | 13,317,003 | (4,020,875) |
| Change in Value of Split-Interest Agreements | - | (21,578) | 28,319 | 6,741 | (89,591) |
| Change in Fair Value of Beneficial Interest in Perpetual Trusts | - | - | 61,578 | 61,578 | (109,996) |
| **CHANGE IN NONOPERATING NET ASSETS** | - | 14,603,257 | 2,923,222 | 17,526,479 | (2,402,187) |
| **CHANGE IN NET ASSETS BEFORE RECLASSIFICATIONS** | 1,964,439 | 19,692,274 | 2,923,222 | 24,579,935 | (5,851,650) |
| Reclassification | 5,010,733 | (5,010,733) | - | - | - |
| **CHANGE IN NET ASSETS** | 6,975,172 | 14,681,541 | 2,923,222 | 24,579,935 | (5,851,650) |
| Net Assets - Beginning of Year | 81,958,393 | 46,509,288 | 40,891,394 | 169,359,075 | 175,210,725 |
| **NET ASSETS - END OF YEAR** | $ 88,933,565 | $ 61,190,829 | $ 43,814,616 | $ 193,939,010 | $ 169,359,075 |

*See accompanying Notes to Financial Statements.*

# ST. CATHERINE UNIVERSITY
# STATEMENT OF ACTIVITIES
# YEAR ENDED MAY 31, 2016

| | 2016 | | | |
|---|---|---|---|---|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
| **OPERATING REVENUE** | | | | |
| Tuition and Instructional Fees | $ 101,633,239 | $ - | $ - | $ 101,633,239 |
| Less: Scholarships Funded by Gifts and Endowment Income | (2,434,778) | - | - | (2,434,778) |
| Less: Institutionally Funded Aid | (29,458,735) | - | - | (29,458,735) |
| Net tuition and fees | 69,739,726 | - | - | 69,739,726 |
| Grants | 306,491 | 6,366,660 | - | 6,673,151 |
| Contributions | 2,103,986 | 2,051,700 | - | 4,155,686 |
| Auxiliary Services | 11,227,418 | - | - | 11,227,418 |
| Investment Income, Net | 534,701 | - | - | 534,701 |
| Net Gain on Investments | (1,301,129) | - | - | (1,301,129) |
| Interest on Student Loans | 44,343 | - | - | 44,343 |
| Other | 1,539,284 | 150,974 | - | 1,690,258 |
| Net Assets Released from Restrictions | 10,583,919 | (10,583,919) | - | - |
| Total Revenue | 94,778,739 | (2,014,585) | - | 92,764,154 |
| **OPERATING EXPENDITURES** | | | | |
| **Instruction and Other Services** | | | | |
| Instructional | 42,573,215 | - | - | 42,573,215 |
| Library | 3,527,786 | - | - | 3,527,786 |
| Academic Support | 4,171,679 | - | - | 4,171,679 |
| Student Services | 14,358,904 | - | - | 14,358,904 |
| Auxiliary Enterprises | 11,766,093 | - | - | 11,766,093 |
| Sponsored Research | 5,034,776 | - | - | 5,034,776 |
| Total Instruction and Other Services | 81,432,453 | - | - | 81,432,453 |
| **Management and General** | | | | |
| Institutional Support | 12,493,167 | - | - | 12,493,167 |
| Development | 2,287,997 | - | - | 2,287,997 |
| Total Management and General | 14,781,164 | - | - | 14,781,164 |
| Total Expenses | 96,213,617 | - | - | 96,213,617 |
| **CHANGE IN OPERATING NET ASSETS** | (1,434,878) | (2,014,585) | - | (3,449,463) |
| **NONOPERATING ACTIVITIES** | | | | |
| Contributions | - | - | 400,558 | 400,558 |
| Investment Income, Net | - | 1,400,944 | 16,773 | 1,417,717 |
| Net Gain on Investments | - | (4,006,311) | (14,564) | (4,020,875) |
| Change in Value of Split-Interest Agreements | - | (37,702) | (51,889) | (89,591) |
| Change in Fair Value of Beneficial Interest in Perpetual Trusts | - | - | (109,996) | (109,996) |
| **CHANGE IN NONOPERATING NET ASSETS** | - | (2,643,069) | 240,882 | (2,402,187) |
| **CHANGE IN NET ASSETS BEFORE RECLASSIFICATION** | (1,434,878) | (4,657,654) | 240,882 | (5,851,650) |
| Donor Designation Reclassification | 57,075 | - | (57,075) | - |
| **CHANGE IN NET ASSETS** | (1,377,803) | (4,657,654) | 183,807 | (5,851,650) |
| Net Assets - Beginning of Year | 83,336,196 | 51,166,942 | 40,707,587 | 175,210,725 |
| **NET ASSETS - END OF YEAR** | $ 81,958,393 | $ 46,509,288 | $ 40,891,394 | $ 169,359,075 |

*See accompanying Notes to Financial Statements.*

# ST. CATHERINE UNIVERSITY
# STATEMENTS OF CASH FLOWS
# YEARS ENDED MAY 31, 2017 AND 2016

| | 2017 | 2016 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Change in Net Assets | $ 24,579,935 | $ (5,851,650) |
| Adjustments to Reconcile Change in Net Assets to Net | | |
| Cash Provided by Operating Activities: | | |
| Depreciation and Amortization | 3,813,293 | 3,814,162 |
| Allowance for Doubtful Accounts and Loans | (50,000) | 25,000 |
| Unrealized Gain on Investments | (14,153,651) | 6,777,414 |
| Realized Gain on Investments | (2,483,830) | (1,455,410) |
| Private Gifts for Long-Term Investments | (3,577,173) | (3,203,932) |
| Change in Fair Value of Beneficial Interest in Perpetual Trusts | (61,578) | 109,996 |
| Adjustment of Actuarial Liability for Split-Interest Agreements | (6,741) | 89,591 |
| Gain (Loss) on Disposal of Fixed Assets | (178,701) | - |
| Change in Assets and Liabilities: | | |
| Receivables | (48,071) | (320,957) |
| Bookstore Inventories | (105,081) | (17,202) |
| Prepaids | 134,401 | 70,664 |
| Loans to Students | 176,013 | (307,010) |
| Contributions Receivable | (3,429,662) | 407,884 |
| Accounts Payable and Accrued Expenses | (652,169) | 1,133,126 |
| Deferred Revenue, Deposits, and Fund Held for Others | 537,861 | 362,932 |
| Net Cash Provided by Operating Activities | 4,494,846 | 1,634,608 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Purchase of Investments | (63,616,701) | (43,389,753) |
| Proceeds from Sale of Investments | 59,632,392 | 38,828,599 |
| Purchase of Property, Plant, and Equipment | (606,317) | (997,686) |
| Proceeds from Sale of Property, Plant, and Equipment | 425,000 | - |
| Change in Beneficial Interest in Perpetual Trust | 3,347 | 74,151 |
| Net Cash Used by Investing Activities | (4,162,279) | (5,484,689) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Change in Deposits with Bond Trustee | (870) | - |
| Proceeds from Private Gifts for Long-Term Investment for Endowment | 3,577,173 | 3,203,932 |
| Payments on Bonds Payable | (1,020,000) | (980,000) |
| Payments on Split-Interest Agreements | (32,151) | (27,534) |
| Change in Annuity and Unitrust Liability | 5,553 | (96,864) |
| U.S. Government Grants Repayable | 81,100 | 355,561 |
| Net Cash Provided by Financing Activities | 2,610,805 | 2,455,095 |
| **NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** | 2,943,372 | (1,394,986) |
| Cash and Cash Equivalents - Beginning of Year | 7,600,112 | 8,995,098 |
| **CASH AND CASH EQUIVALENTS - END OF YEAR** | $ 10,543,484 | $ 7,600,112 |

*See accompanying Notes to Financial Statements.*

# ST. CATHERINE UNIVERSITY
# STATEMENTS OF CASH FLOWS (CONTINUED)
# YEARS ENDED MAY 31, 2017 AND 2016

| | 2017 | 2016 |
|---|---|---|
| **NONCASH TRANSACTIONS** | | |
| Noncash Transactions Related to Note Refinance: | | |
| Property, Plant and Equipment Purchased through Accounts Payable | $ 189,649 | $ 4,436 |
| **SUPPLEMENTAL CASH FLOWS INFORMATION** | | |
| Cash Paid During the Year for Interest, Net of Amounts Capitalized | $ 2,034,329 | $ 1,947,914 |

*See accompanying Notes to Financial Statements.*

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Organization

St. Catherine University (the University) is one of the largest and most comprehensive Catholic universities for women in the nation. The University offers traditional four-year liberal arts programs as well as nontraditional opportunities to pursue weekend baccalaureate, associate and master's degrees in the liberal arts, healthcare and other professional programs. Committed to meeting the educational needs of all women with campuses in St. Paul and Minneapolis, the University had a total enrollment of 4,786 for 2016-2017.

St. Catherine University's mission is to educate women to lead and influence. The University educates at all degree levels through valuing and integrating the liberal arts and professional education within the Catholic intellectual tradition, emphasizing scholarly inquiry and social justice teaching as lived by the Sisters of St. Joseph of Carondelet. The University welcomes a rich diversity of students, with a baccalaureate college for women at the heart of the university and graduate and adult colleges for women and men. Committed to excellence and opportunity, St. Catherine University develops leaders who act with integrity.

The University is an independent non-profit 501(c)(3) corporation organized under the laws of the State of Minnesota. The University is sponsored by the Sisters of St. Joseph of Carondelet, also a nonprofit 501(c)(3) corporation. The Sisters of St. Joseph of Carondelet is a pontifical religious institute with headquarters in Saint Louis, Missouri.

### Basis of Presentation

The financial statements of the University have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

The University maintains its accounts in accordance with the principles of fund accounting. Resources for various purposes are classified into funds that are in accordance with activities or objectives specified by donors. Separate accounts are maintained for each fund.

For financial reporting purposes, resources are classified into net asset categories according to the existence or absence of donor-imposed restrictions. Accordingly, net assets of the University 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.

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Basis of Presentation (Continued)

Temporarily Restricted – Net assets whose use by the University is subject to donor-imposed stipulations that can be fulfilled by actions of the University 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 University. Generally, the donors of these assets permit the University to use all, 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. Temporarily restricted net assets for which donor-imposed restrictions are met in subsequent reporting periods, contributions and return on endowment investments for which donors have stipulated restrictions but which are met within the same reporting period, are reclassified to unrestricted net assets and reported as net assets released from restrictions. Net assets that have no donor-stipulated restrictions are reported as unrestricted support.

Contributions, including unconditional promises to give, are recognized as revenues in the period pledged. Conditional promises to give are not recognized until 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.

### Cash and Cash Equivalents

All highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents. Cash and cash equivalents designated for long-term investment purposes are included as investments. At times, cash may be in excess of the FDIC insurance limit.

### Bookstore Inventories

Inventories consisting of books, clothing, and other bookstore merchandise held for resale are carried at the lower of cost (first-in, first-out) or market.

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Accounts Receivable

Receivables are stated at net realizable value and are unsecured. The University provides an allowance for bad debts using the allowance method, which is based on management judgment considering historical information. Accounts past due more than 90 days are individually analyzed for collectability. When all collection efforts have been exhausted and no payments have been received, accounts are individually assessed for collectability and are written off against the related allowance. Amounts over 90 days were $1,952,631 and $2,090,314 at May 31, 2017 and 2016, respectively. All accounts, notes, and other receivables are collectible within one year.

### Contributions Receivable

Promises to give that are expected to be collected within one year are recorded at their net realizable value. Promises that are expected to be collected in future years are recorded at the present value of the amounts expected to be collected. The discounts on those amounts are computed using an imputed interest rate applicable to the year in which the pledge is received. Conditional promises are not included as revenue until such times as the conditions are substantially met. Management writes off any uncollectible pledges at year-end, therefore, no allowance is needed.

### Student Loans

Student loans receivable consist of loans made to students under U.S. government loan programs.

### Investments

Investments are carried at fair value, based upon quoted market prices. In general, investments are exposed to various risks, such as interest rate, credit, and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur due to market fluctuation and that such changes could materially affect the amounts reported in the statements of financial position. Changes in quoted market value are recorded as unrealized gains or losses in the period of change. Realized gains and losses on sales of securities are determined using the average cost method and are recorded on a trade-date basis.

### Change in Accounting Principle

The University has adopted the accounting guidance in FASB Accounting Standards Update (ASU) No. 2015-03, *Interest – Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs*. ASU 2015-03 requires organizations to present debt issuance costs as a direct deduction from the face amount of the related borrowings, amortize debt issuance costs using the effective interest method over the life of the debt, and record the amortization as a component of interest expense. The effect of adopting the new standard decreased the debt issuance costs asset to zero and decreased the debt liability by $577,170 as of June 1, 2015. The adoption of the standard had no effect on previously reported net assets/equity. The ASU is effective for fiscal years beginning after December 15, 2015, with early adoption permitted. The ASU is retrospectively applied. The University has elected to adopt this change in accounting principle as of June 1, 2017.

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Fair Value Hierarchy

In accordance with accounting standards, the University has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for the identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Financial assets and liabilities recorded on the statement of financial position are categorized based on the inputs to the valuation techniques as follows:

*Level 1* – Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the University has the ability to access. Valuation adjustments and block discounts are not applied to Level 1 securities. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these securities does not entail a significant degree of judgment.

*Level 2* – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

*Level 3* – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

### Beneficial Interest in Perpetual Trusts

The University is the beneficiary of perpetual trusts held by third parties. Under the terms of the trusts, the University has the irrevocable right to receive the income generated by the trust in perpetuity, but never receive the corpus of the trust. The beneficial interest in the perpetual trusts is recorded at the University's proportional share of the fair value of the underlying trust assets.

### Property, Plant, and Equipment

Property, plant, and equipment are stated at cost at the date of acquisition or fair value at the date of donation less accumulated depreciation. Contributed items are recorded at fair market value at date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulation, contributions of property and equipment are recorded as unrestricted. Depreciation is computed using the straight-line method over the estimated useful life of the asset. Buildings are estimated to have 50-year lives. All other assets are depreciated over lives ranging up to 20 years. All expenses that extend useful life, are greater than $5,000, and meet University criteria by category are capitalized. Items purchased which do not meet the defined criteria are expensed. When applicable, interest is capitalized in connection with the construction of facilities. If capitalized interest is recorded, it is classified as part of the asset to which it relates and is amortized over the asset's useful life. There was no capitalized interest related to construction projects for the years ended May 31, 2017 and 2016, respectively.

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### U.S. Government Grants Refundable

Funds provided by the United States government under the Federal Perkins Loan and Health Professions Student Loan programs are loaned to qualified students and may be re-loaned after collections. These funds are ultimately refundable to the United States government and are included as liability in the financial statements.

### Split-Interest Agreements

The University's split-interest agreements include charitable remainder trusts and charitable gift annuities. The University recognizes the contribution from charitable trusts when the irrevocable trust is established and recognizes the contribution from the charitable annuity gifts when the agreement is executed. The contribution amount when the University is the trustee is the difference between the fair value of assets received and the present value of the future cash flows expected to be paid to the designated beneficiaries. The contribution amount when the University is not the trustee is the present value of expected future cash flows from the trust. The significant assumptions used to estimate the present value of the future cash flows include a discount rate of 6%, life expectancy information from the 2015 IRS mortality tables, and for charitable remainder unitrusts, an assumed rate of return on investments of 6%.

### Tuition and Fees

Tuition and fees are presented net of student-funded aid, which consists of gifts, and endowment income used for scholarships of $2,721,453 and $2,434,778 for the years ended May 31, 2017 and 2016, respectively, and institutionally funded aid of $31,031,684 and $29,458,735 for the years ended May 31, 2017 and 2016, respectively.

### Allocation of Expense

The University allocates certain facilities related expenses for reporting purposes based on internally developed methodology as follows:

| | 2017 | 2016 |
|---|---|---|
| Interest | $ 1,921,383 | $ 1,782,434 |
| Depreciation | 3,927,542 | 3,949,358 |
| Facilities | 6,728,152 | 6,415,407 |

### Deferred Revenue

Deferred revenue results primarily from recognizing registration and tuition revenue in the period in which related educational instruction is performed. Accordingly, registration and tuition fees received for the next academic year are deferred until the instruction commences.

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Income Taxes

The University has received a determination letter from the Internal Revenue Service indicating it is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and is subject to federal and state income tax only on net unrelated business income. The University engages in activities that are considered unrelated to its exempt purpose. These activities are subject to federal and state income taxes. However, such activities generated a loss in fiscal year 2017 and 2016. Further, the University has a net operating loss carry-forward of $616,785 available to offset any taxable income from these unrelated activities for fiscal years 2017 and 2016, respectively. Accordingly, no federal or state tax provision is required. The net operating losses begin to expire in 2021.

The University adopted accounting standards for contingencies in evaluating uncertain tax positions and files as a tax-exempt organization. No adjustments to the financial statements were required as a result of the implementation of this standard. The University has no current obligation for unrelated business income tax.

The University tax returns are subject to review and examination by federal authorities.

### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

### Reclassifications

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements. Such reclassifications have no effect on the change in net assets or net assets in total as previously reported.

### Subsequent Events

In preparing the financial statements, the University has evaluated events and transactions for potential recognition or disclosure through September 28, 2017, the date the financial statements were issued.

## NOTE 2 INVESTMENTS

The fair value of investments as of May 31 is as follows:

| | 2017 | 2016 |
|---|---|---|
| Common Stock - Domestic | $ 86,282,788 | $ 52,920,626 |
| Common Stock - International | 4,408,888 | 27,160,503 |
| Corporate Bonds | 57,459,917 | 50,901,417 |
| Cash and Equivalents | 27,569,985 | 24,154,220 |
| Cash Surrender Value, Life Insurance Policies | 1,503,000 | 1,466,022 |
| Total | $ 177,224,578 | $ 156,602,788 |

The University uses the total return method of accounting for income from its investments of endowment funds. Under this method, a rate of return is established which is considered to be a prudent return on investment, consisting of both yield (dividend and interest) and realized and unrealized gains.

Investment expenses, including custodial and management fees, totaled $322,306 and $322,197 for the years ended May 31, 2017 and 2016, respectively.

**Endowments**

The University endowment consists of approximately 325 individual endowments established for a variety of operating and scholarship purposes. The endowment includes both donor-restricted endowments and Board designated endowments (quasi). The University records the original value of the gifts, subsequent gifts, and any accumulated earnings as directed by donor agreement which are donor-restricted to the permanently restricted endowment.

Accumulated earnings which are not appropriated for expenditure are recorded as temporarily restricted. The University considers the following factors in making a determination to appropriate or accumulate donor restricted endowments funds:

1) The duration and preservation of the funds
2) The purposes of the University and the donor-restricted endowment fund
3) General economic conditions
4) The possible effect of inflation and deflation
5) The expected total return from income and the appreciation of investments
6) Other resources of the organization
7) The investment policies of the University

## NOTE 2 INVESTMENTS (CONTINUED)

Endowment funds are managed primarily by outside fund managers selected by the University. The University retains an investment consultant who works with the University on selecting outside fund managers. The University currently utilizes five fund types in diversifying its endowment portfolio. The University uses an asset allocation model, with target allocations approximating 60% of the endowment to equity investments and 40% of the endowment to fixed rate income investments. Income earned and appreciation, both realized and unrealized, are measured to calculate a total return. The investment subcommittee is charged with reviewing the allocation of endowment funds between equity investments and fixed rate income investments.

Because of the risk associated with its stated investment objective, the University's Board of Trustees has adopted a set of investment policies and guidelines to which it adheres to in order to minimize the investment risks. To this end, the investment policies and guidelines mandate a diversified investment portfolio, and the investment subcommittee reviews and evaluates the investment objectives and performance periodically.

The University uses the total return concept to manage its permanently restricted endowment investments and certain other investments designated by the University as endowment. Under this concept, a spending rate is established which is considered to be prudent and is drawn from both yield (dividends and interest) and realized and unrealized gains. For the years ended May 31, 2017 and 2016, the maximum spending rate was 5.5% of the 36-month moving average fair value of such investments. For fiscal years May 31, 2017 and 2016, the effective payout percentage was 5% and the book entry appropriating endowment net assets for expenditure was $3,577,173 and $3,203,932, respectively. Accordingly, over the long term, the University expects the current spending policy to allow its endowment to grow and maintain the purchasing power of the endowment assets held in perpetuity as well as provide real growth through new gifts and investment return.

During 2008, the Uniform Prudent Management of Institutional Funds Act (UPMIFA) became effective in the State of Minnesota. In August 2008, the FASB guidance on the classification of endowment funds net assets for states that have enacted versions of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), and enhances disclosures for endowment funds. Under UPMIFA all unappropriated donor-restricted endowment fund assets are considered restricted.

The University holds multiple types of investments of which the endowment net asset composition by type of fund as of May 31, 2017:

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| Donor-Restricted Endowment Funds | $ - | $ 38,894,017 | $ 41,073,380 | $ 79,967,397 |
| Board-Designated Endowment Funds | 8,405,315 | - | - | 8,405,315 |
| Total Funds | $ 8,405,315 | $ 38,894,017 | $ 41,073,380 | $ 88,372,712 |

## NOTE 2 INVESTMENTS (CONTINUED)

Endowment related activities for the year ended May 31, 2017:

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| Endowment Net Assets, June 1, 2016 | $ 3,394,582 | $ 33,040,837 | $ 38,332,049 | $ 74,767,468 |
| Investment Return: | | | | |
| Investment Income | - | 1,534,884 | - | 1,534,884 |
| Net Realized and Unrealized Loss | - | 12,906,202 | - | 12,906,202 |
| Total Investment Return | - | 14,441,086 | - | 14,441,086 |
| Contributions | - | - | 2,735,591 | 2,735,591 |
| Reclassification | 5,010,733 | (5,010,733) | - | - |
| Appropriations of Endowment Assets for Expenditure | - | (3,577,173) | 5,740 | (3,571,433) |
| Endowment Net Assets, May 31, 2017 | $ 8,405,315 | $ 38,894,017 | $ 41,073,380 | $ 88,372,712 |

Endowment net asset composition by type of fund as of May 31, 2016:

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| Donor-Restricted Endowment Funds | $ - | $ 28,973,309 | $ 38,332,049 | $ 67,305,358 |
| Board-Designated Endowment Funds | 3,394,582 | 4,067,528 | - | 7,462,110 |
| Total Funds | $ 3,394,582 | $ 33,040,837 | $ 38,332,049 | $ 74,767,468 |

Endowment related activities for the year ended May 31, 2016:

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| Endowment Net Assets, June 1, 2015 | $ 3,394,582 | $ 39,152,954 | $ 37,785,757 | $ 80,333,293 |
| Investment Return: | | | | |
| Investment Income | - | 1,567,736 | - | 1,567,736 |
| Net Realized and Unrealized Gain | - | (4,475,921) | - | (4,475,921) |
| Total Investment Return | - | (2,908,185) | - | (2,908,185) |
| Contributions | - | - | 538,022 | 538,022 |
| Appropriations of Endowment Assets for Expenditure | - | (3,203,932) | 8,270 | (3,195,662) |
| Endowment Net Assets, May 31, 2016 | $ 3,394,582 | $ 33,040,837 | $ 38,332,049 | $ 74,767,468 |

## NOTE 3 PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment consisted of the following at May 31:

| | 2017 | 2016 |
|---|---|---|
| Land | $ 2,298,917 | $ 2,298,917 |
| Building and Improvements | 114,758,827 | 114,782,540 |
| Furniture and Equipment | 26,818,295 | 26,398,787 |
| Construction in Progress | 165,731 | 165,731 |
| Total | 144,041,770 | 143,645,975 |
| Less: Accumulated Depreciation | (71,581,788) | (67,808,118) |
| Total Property, Plant, and Equipment | $ 72,459,982 | $ 75,837,857 |

## NOTE 4 CONTRIBUTIONS RECEIVABLE

Contributions receivable are discounted at rates ranging from 0.51% to 3.86% and are summarized as follows at May 31:

| | 2017 | 2016 |
|---|---|---|
| Less Than One Year | $ 4,349,160 | $ 752,379 |
| One Year to Five Years | 875,462 | 1,042,450 |
| Total | 5,224,622 | 1,794,829 |
| Discount | (62,739) | (62,608) |
| Contributions Receivable, Net | $ 5,161,883 | $ 1,732,221 |

## NOTE 5 CREDIT QUALITY OF STUDENT LOANS RECEIVABLE

The University issues uncollateralized loans to students based on financial need. Student loans are funded through Federal government loan programs. At May 31, 2017 and 2016, student loans represented 3.39% and 3.37% of total assets, respectively. At May 31, student loans consisted of the following:

| | 2017 | 2016 |
|---|---|---|
| Federal Government Programs | $ 10,075,829 | $ 10,251,842 |
| Less: Allowance | (450,000) | (450,000) |
| Loans to Students | $ 9,625,829 | $ 9,801,842 |

## NOTE 5 CREDIT QUALITY OF STUDENT LOANS RECEIVABLE (CONTINUED)

Outstanding loans cancelled under the program result in a reduction of the funds available for loan. At May 31, 2017 and 2016, the following amounts were past due as defined by federal student loan programs:

| | 2017 | 2016 |
|---|---|---|
| 30-90 Days Past Due | $ 17,644 | $ 21,339 |
| 91-180 Days Past Due | 12,222 | 7,804 |
| 181-364 Days Past Due | 129,506 | 125,750 |
| 1-2 Years Past Due | 272,760 | 264,481 |
| 2 or More Years Past Due | 1,233,248 | 1,121,292 |
| Total | $ 1,665,380 | $ 1,540,666 |

The University participates in the Perkins federal revolving loan program. The availability of funds for loans under the program is dependent on reimbursements, plus interest, to the loan pool from repayments on outstanding loans. Funds advanced by the Federal government of $5,754,526 and $5,529,014 at May 31, 2017 and 2016, respectively, are ultimately refundable to the government and are classified as liabilities in the statements of financial position.

Allowances for doubtful accounts are established based on prior collection experience and current economic factors which, in management's judgment, could influence the ability of loan recipients to repay the amounts per the loan terms. Amounts due under the Perkins loan program are guaranteed by the government and, therefore, no reserves are placed on any past due balances under the program.

The University does not authorize or disburse faculty and staff loans.

## NOTE 6 FAIR VALUE MEASUREMENTS

The University uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. For additional information on how the University measures fair value refer to Note 1 – Summary of Significant Accounting Policies.

## NOTE 6 FAIR VALUE MEASUREMENTS (CONTINUED)

The following table presents the University's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of May 31.

| | 2017 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Deposits with Bond Trustee | $ 2,137,194 | $ - | $ - | $ 2,137,194 |
| Investments: | | | | |
| Cash | 27,569,985 | - | - | 27,569,985 |
| Bonds | 31,048,004 | 26,411,913 | - | 57,459,917 |
| Stocks - Domestic | 30,098,493 | 56,184,295 | - | 86,282,788 |
| Stocks - International | 830,792 | 3,578,096 | - | 4,408,888 |
| Beneficial Interest in Perpetual Trusts (Not Trustee) | - | - | 3,003,240 | 3,003,240 |
| Total Assets | $ 91,684,468 | $ 86,174,304 | $ 3,003,240 | $ 180,862,012 |

| | 2016 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Deposits with Bond Trustee | $ 2,136,324 | $ - | $ - | $ 2,136,324 |
| Investments: | | | | |
| Cash | 24,154,220 | - | - | 24,154,220 |
| Bonds | 27,037,756 | 23,863,661 | - | 50,901,417 |
| Stocks - Domestic | 3,179,611 | 49,741,015 | - | 52,920,626 |
| Stocks - International | 23,513,429 | 3,647,074 | - | 27,160,503 |
| Beneficial Interest in Perpetual Trusts (Not Trustee) | - | - | 2,945,009 | 2,945,009 |
| Total Assets | $ 80,021,340 | $ 77,251,750 | $ 2,945,009 | $ 160,218,099 |

The following tables present the University's activity for assets measured at fair value and a recurring basis using significant unobservable inputs (Level 3) as defined in Note 1 – Summary of Significant Accounting Policies for the years ended May 31:

| | Split-Interest Agreements |
|---|---|
| Balance June 1, 2016 | $ 2,945,009 |
| Unrealized Loss | 58,231 |
| Additions | - |
| Balance May 31, 2017 | $ 3,003,240 |

| | Split-Interest Agreements |
|---|---|
| Balance June 1, 2015 | $ 3,120,191 |
| Unrealized Loss | (195,804) |
| Additions | 20,622 |
| Balance May 31, 2016 | $ 2,945,009 |

## NOTE 6 FAIR VALUE MEASUREMENTS (CONTINUED)

In situations where an investment mutual fund does not have a readily determinable fair value and meets other eligibility criteria, the University measures fair value based on the net asset value per share or its equivalent. The adoption of authoritative guidance on fair value measurements and disclosure did not have a material impact on the accompanying financial statements. The following table lists investment mutual funds by major category at net asset value as of:

**May 31, 2017**

| Strategy | Asset Category | Market Value | Redemption Frequency | Redemption Notice |
|---|---|---|---|---|
| SSgA | Stock Domestic | $ 48,913,344 | Daily | 2 Days |
| Vulcan | Stock Domestic | 11,508,967 | Daily | 3 Days |
| Vulcan | Stock International | 3,578,096 | Daily | 3 Days |
| CBIS | Bond | 26,411,913 | Daily | 1 Day |
| | | $ 90,412,320 | | |

**May 31, 2016**

| Strategy | Asset Category | Market Value | Redemption Frequency | Redemption Notice |
|---|---|---|---|---|
| SSgA | Stock Domestic | $ 42,510,248 | Daily | 2 Days |
| Vulcan | Stock Domestic | 9,543,983 | Daily | 3 Days |
| Vulcan | Stock International | 3,647,075 | Daily | 3 Days |
| CBIS | Bond | 23,863,662 | Daily | 1 Day |
| | | $ 79,564,968 | | |

For the years ended May 31, 2017 and 2016, the socially screened index investment mutual fund strategy (SSgA) is a privately offered commingled vehicle managed under socially responsible guidelines. The funds invest in the stocks of the S&P 500 Index which consists of domestic large capitalization stocks. The funds offer daily liquidity with varying redemption notice periods.

## NOTE 7 NOTES PAYABLE

Notes payable at May 31 consist of the following:

| Description | 2017 | 2016 |
|---|---|---|
| Minnesota Higher Education Facilities Authority Revenue Notes, Series Eight-B (St. Catherine University), bearing interest at 2.88%; matures in 2042. General obligation note, no security interest granted. | $ 15,867,000 | $ 15,867,000 |
| Less: Unamortized Deferred Financing Cost | (111,933) | (119,282) |
| Total Notes Payable | $ 15,755,067 | $ 15,747,718 |

Below are the scheduled maturities of notes payable for each of the next five years and thereafter:

| Year Ending May 31, | Amount |
|---|---|
| 2018 | $ - |
| 2019 | 443,000 |
| 2020 | 454,000 |
| 2021 | 467,000 |
| 2022 | 180,000 |
| Thereafter | 14,323,000 |
| Total | $ 15,867,000 |

The University obtained financing for the construction of two residence halls in the year ended May 31, 2007. The notes were financed in September 2012 and June 2014.

In September 2012, the University refinanced the Minnesota Higher Education Facilities Authority Revenue Bonds, Series Five-N1 and Minnesota Higher Education Facilities Authority Revenue Notes, Series Six-N, see Note 8 Bonds Payable.

In May 2014, the Board of Trustee adopted a resolution authorizing debt financing up to $16,100,000 to (a) finance Fontbonne Hall and butler Center construction projects aligned with the strategic plan and (b) refund the Minnesota Higher Education Facilities Authority Revenue Note, Series Six-L dated August 28, 2006.

The Eight-B Note, in the aggregate principal amount of $15,867,000 bears interest at a fixed rate of 2.88% and closed in June 2014. Accrued interest on the principal balance of this Note shall be payable on June 3 and December 3 of each year, commencing December 3, 2014, and continuing thereafter until June 3, 2042, the final maturity. The principal balance of the Note shall be payable in annual installments commencing June 3, 2018, and continuing annually on June 3 thereafter until the final maturity.

## NOTE 8 BONDS PAYABLE

Bonds payable at May 31 consists of the following:

| Description | 2017 | 2016 |
|---|---|---|
| Minnesota Higher Education Facilities Authority Variable Rate Demand Revenue Bonds, Series Five-N2 (St. Catherine University), variable interest rates determined weekly, 0.76% as of May 31, 2017. Total principal due in 2032. | $ 24,625,000 | $ 24,625,000 |
| Minnesota Higher Education Facilities Authority Revenue Bonds, Series Seven-Q (St. Catherine University), bearing interest at rates ranging from 3.0% to 5.0%; due in varying annual installments through 2027 with term bonds due in 2028 through 2032. | 21,765,000 | 22,785,000 |
| Total | 46,390,000 | 47,410,000 |
| Plus: Unamortized Premium | 2,564,630 | 2,730,090 |
| Less: Unamortized Deferred Financing Cost | (383,762) | (427,624) |
| Total Bonds Payable | $ 48,570,868 | $ 49,712,466 |

In August 2002, the University issued $24,625,000 of Minnesota Higher Education Facilities Authority Variable Rate Demand Revenue Bonds, Series Five-N2 to finance capital improvement projects including the construction of a new Student Center and Learning Commons building.

The Series Five-N2 Bonds are secured by the full faith and credit of the University and an irrevocable direct pay letter of credit from U.S. Bank National Association which expires in January 2017, unless terminated or extended.

The University has a liability to the Trustee immediately upon a draw on the letter of credit. The balance of the Series Five-N2 bonds was $24,625,000 at May 31, 2017 and 2016.

The loan agreements and the reimbursement agreement associated with the bonds and the irrevocable letter of credit include usual and customary financial and nonfinancial covenants with which the University is required to comply. The covenants include filing of certain reports and certifications by the University within prescribed timeframes, maintenance of certain financial ratios and asset balances, and certain restrictions of the incurrence of additional long-term debt as specified in the agreements.

Due to the remarketing feature of the bonds, there is a legal obligation where the entire amount of the Series Five-N2 bond could become due immediately if remarketing is unsuccessful and therefore the bonds are considered current for financial statements purposes. If remarketing continues to be successful, the bonds would continue to be paid according to the terms of the bond agreements.

## NOTE 8 BONDS PAYABLE (CONTINUED)

In September 2012, the University refinanced the Minnesota Higher Education Facilities Authority Revenue Bonds, Series Five-N1 and Minnesota Higher Education Facilities Authority Revenue Notes, Series Six-N. The transaction consolidated debt instruments and decreased annual interest expense.

Below are the legal and practical scheduled maturities of bonds payable for each of the next five years and thereafter:

| Year Ending May 31, | Legal Maturities | Scheduled Maturities |
|---|---|---|
| 2018 | $ 25,695,000 | $ 1,070,000 |
| 2019 | 1,120,000 | 1,120,000 |
| 2020 | 1,180,000 | 1,180,000 |
| 2021 | 1,240,000 | 1,240,000 |
| 2022 | 1,305,000 | 1,305,000 |
| Thereafter | 15,850,000 | 40,475,000 |
| Total | $ 46,390,000 | $ 46,390,000 |

## NOTE 9 ENVIRONMENTAL REMEDIATION

The University owns several buildings on campus that contain environment contaminants in various forms. At this time, the University plans to renovate or demolish certain buildings over their estimated remaining useful lives of 50-150 years. In addition to potential project work, in accordance with applicable standards, management has estimated the cost of any potential obligation to remove contaminants and annually undertakes abatement measures. The University used a future value rate assumption of 2.7% and brought that estimate back to present value using a risk-free rate of return of 5.0% in making this determination. The potential environmental remediation liability of $312,000 and $305,000 at May 31, 2017 and 2016, respectively, is recorded as an accrued liability on the statements of financial position.

## NOTE 10 TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes at May 31:

| | 2017 | 2016 |
|---|---|---|
| Operations | $ 47,857,067 | $ 35,446,405 |
| Capital Expenditures | 2,564,636 | 2,498,245 |
| Scholarships | 2,094,246 | 2,011,933 |
| Faculty Chairs | 1,048,171 | 871,276 |
| Faculty and Staff Development | 484,843 | 496,789 |
| Special Programs | 7,141,866 | 5,184,640 |
| Total | $ 61,190,829 | $ 46,509,288 |

## NOTE 10 TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS (CONTINUED)

Net assets released for time and purpose restrictions were $11,570,936 and $10,583,919 for the years ended May 31, 2017 and 2016, respectively.

Permanently restricted net assets are restricted for endowment investments. The purposes the income is expendable to support are as follows at May 31:

| | 2017 | 2016 |
|---|---|---|
| Scholarships | $ 25,922,917 | $ 24,737,273 |
| Faculty Chairs | 5,349,048 | 5,299,457 |
| Faculty and Staff Development | 2,865,318 | 1,501,709 |
| Special Programs | 9,677,333 | 9,352,955 |
| Total | $ 43,814,616 | $ 40,891,394 |

## NOTE 11 EMPLOYEE BENEFITS

**Contributory Savings Plan**

The University also participates in a discretionary individual retirement plan administered by Teachers Insurance and Annuity Association, University Retirement Equities Fund or Fidelity which covers substantially all faculty and administrative personnel. Participants of the plan must contribute a minimum of 5% of their salary and the University contributes up to an equivalent of 8% of the participant's salary. Retirement plan expense was $2,865,451 and $2,850,943 for the years ended May 31, 2017 and 2016, respectively.

**Health Benefit Plan**

On January 1, 1997, the University adopted an Employee Health Benefits Plan (the Plan) to provide comprehensive health benefits for covered employees and their covered dependents, as defined in the Plan agreement. This plan is self-insured and, as such, the University pays the benefits as claims for benefits and associated expenses are incurred subject to stop-loss limits of $100,000 per claimant. There is also a group aggregate stop-loss limit, which is recalculated quarterly based on plan enrollment. For the years ended May 31, 2017 and 2016, the aggregate stop-loss amount was $7,392,989 and $7,402,732, respectively. The employees are required to contribute to the cost of coverage under the Plan. The liability is reported as a component of accrued expenses on the statements of financial position.

## NOTE 12 COMMITMENTS

**Operating Lease Commitments**

The University is a party to various operating lease agreements involving space and various equipment, the latest which expires in March 2020. Minimum future lease obligations in effect at May 31, 2017 are as follows:

| Year Ending May 31, | Operating |
|---|---|
| 2018 | $ 211,135 |
| 2019 | 119,471 |
| 2020 | 99,922 |
| 2021 | 10,688 |
| Total Minimum Lease Payments | $ 441,216 |

Rental expense on operating leases was $226,869 and $229,179 for the years ended May 31, 2017 and 2016, respectively.

## NOTE 13 RELATED-PARTY TRANSACTIONS

The University entered into a leasing agreement for the Old Main building on the Minneapolis campus from the Province (through Carondelet Lifecare Corporation). The lease agreement is for 30 years at an annual cost of $1. The University has entered into a second lease agreement at the Carondelet Center for St. Paul campus residence space. The one-year lease obligation is included above in Note 12. The University received contributions from the Province totaling $38,740 and $35,325 for the years ended May 31, 2017 and 2016, respectively.

The University made payments of $-0- and $30,818 for the years ended May 31, 2017 and 2016, respectively, for services performed by individual Sisters for the University.

## NOTE 14 RECLASSIFICATION OF NET ASSETS

During the year ended May 31, 2017, the University made reclassifications to the net assets between unrestricted and temporarily restricted net assets within the quasi endowment fund. Total reclassifications made for the year ended May 31, 2017 were $5,010,733 to unrestricted from temporarily restricted. The reclassification had no effect on the total net assets.

During the year ended May 31, 2016, the University made reclassifications to the net assets based on a clarification of the donor restrictions between unrestricted and permanently restricted net assets. Total reclassifications made for the year ended May 31, 2017 were $57,075 to unrestricted from permanently restricted. The reclassification had no effect on the total net assets.

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## UNAUDITED FISCAL YEAR 2018 OPERATING FUND BUDGET TO ACTUAL

### Operating Fund Budget to Actual
### 12 Months Ending May, FY 18

### PRELIMINARY

| 000's | FY17 Actual | FY18 Final Budget | FY18 Actual |
|---|---|---|---|
| **Operating Revenue** | | | |
| Tuition and Fees | $103,787 | $108,921 | $108,864 |
| Less Internally Funded Aid | (31,032) | (32,720) | (32,576) |
| Sub-Total | 72,755 | 76,201 | 76,288 |
| Grants and Gifts | 3,084 | 4,381 | 4,198 |
| Auxiliary Enterprises | 10,566 | 10,830 | 10,008 |
| Other | 1,763 | 1,715 | 1,820 |
| Sub-Total | 15,413 | 16,926 | 16,027 |
| **Net Operating Revenue** | **$ 88,168** | **$ 93,127** | **$ 92,315** |
| **Operating Expense** | | | |
| Instructional | $ 40,190 | $ 42,773 | $ 41,780 |
| Academic Support: Library | 2,380 | 2,453 | 2,316 |
| Academic Support: Other | 3,642 | 4,331 | 3,888 |
| Student Services | 11,369 | 11,426 | 11,117 |
| Institutional Support | 20,999 | 23,444 | 22,975 |
| Auxiliary Enterprises | 6,257 | 7,349 | 6,309 |
| Compensation Pool | - | 349 | - |
| | 84,836 | $ 92,125 | $ 88,385 |
| Unallocated Revenue/Expenses | (1,610) | (691) | (972) |
| **Net Position** | **$ 4,941** | **$ 1,693** | **$ 4,902** |

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