

NEW ISSUE

Rating: Standard & Poor's: AAA
See "Rating" herein

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

Minnesota Higher Education Facilities Authority
Mortgage Revenue Bonds
\$5,725,000 Series Three-M1 and
\$3,480,000 Series Three-M2
(The College of Saint Catherine)
(Book Entry Only)



THE COLLEGE OF
ST. CATHERINE

Dated Date: January 1, 1993

**Interest Due: April 1 and October 1,
commencing October 1, 1993**

The **Series Three-M1 Bonds** and the **Series Three-M2 Bonds** will mature semiannually on April 1 and October 1 as shown on the inside cover.

Both series of Bonds will be issued as fully registered Bonds without coupons and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"). DTC will act as securities depository of the Bonds. Individual purchases may be made in book entry form only, in the principal amount of \$5,000 and integral multiples thereof. Purchasers will not receive certificates representing their interest in the Bonds purchased. (See "Book Entry Only System" herein). Norwest Bank Minnesota, National Association, Minneapolis, Minnesota will act as Trustee.

Both series of Bonds are subject to redemption prior to maturity as described herein.

The Bonds are special obligations of the Authority payable solely from Loan Repayments made by or on behalf of The College of Saint Catherine, St. Paul, Minnesota (the "College") pursuant to a Loan Agreement between the Authority and the College, or out of other amounts pledged pursuant to the Indenture or realized from the Mortgage as described herein. The Loan Repayments will be a general obligation of the College. In addition, payment of the principal of and interest on the Bonds when due will be guaranteed by a municipal bond insurance policy to be issued simultaneously with the delivery of the Bonds by **Connie Lee Insurance Company ("Connie Lee")**.

ConnieLee

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

The Bonds are offered when, as and if issued by the Authority and accepted by the Underwriter named below subject to the approval of legality by Faegre & Benson, Minneapolis, Minnesota, Bond Counsel. Certain legal matters will be passed upon by Briggs and Morgan, Professional Association, St. Paul, Minnesota, counsel to the College. The Underwriter intends to make a secondary market in the Bonds; however, neither the Underwriter, the College nor the Authority is obligated to repurchase any of the Bonds. For details of the Underwriter's compensation, see "Underwriting". Bonds are expected to be available for delivery on or about January 28, 1993.

Series Three-M1 Maturity Schedule

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price</u>	<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price</u>
10-1-1993	\$ 65,000	2.80%	100	4-1-2001	\$160,000	5.20%	100
4-1-1994	65,000	3.50%	100	10-1-2001	165,000	5.20%	100
10-1-1994	65,000	3.80%	100	4-1-2002	170,000	5.40%	100
4-1-1995	70,000	4.20%	100	10-1-2002	170,000	5.40%	100
10-1-1995	70,000	4.20%	100	4-1-2003	175,000	5.60%	100
4-1-1996	70,000	4.40%	100	10-1-2003	180,000	5.60%	100
10-1-1996	70,000	4.40%	100	4-1-2004	185,000	5.70%	100
4-1-1997	75,000	4.60%	100	10-1-2004	195,000	5.70%	100
10-1-1997	75,000	4.60%	100	4-1-2005	200,000	5.80%	100
4-1-1998	135,000	4.80%	100	10-1-2005	205,000	5.80%	100
10-1-1998	140,000	4.80%	100	4-1-2006	210,000	5.85%	100
4-1-1999	145,000	4.90%	100	10-1-2006	215,000	5.85%	100
10-1-1999	145,000	4.90%	100	4-1-2007	225,000	5.90%	100
4-1-2000	150,000	5.05%	100	10-1-2007	230,000	5.90%	100
10-1-2000	155,000	5.05%	100				

\$1,545,000 6.00% Term Bonds Due October 1, 2010 at 99.75%

Series Three-M2 Maturity Schedule

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price</u>	<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price</u>
4-1-1994	\$300,000	3.50%	100	10-1-1996	\$ 300,000	4.40%	100
10-1-1994	300,000	3.80%	100	4-1-1997	300,000	4.60%	100
4-1-1995	300,000	4.20%	100	10-1-1997	300,000	4.60%	100
10-1-1995	300,000	4.20%	100	4-1-1998	80,000	4.80%	100
4-1-1996	300,000	4.40%	100	10-1-1998	1,000,000	4.80%	100

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

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

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

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

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

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

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

MEMBERS

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

Dr. Joseph E. LaBelle, Executive Director

Bond Counsel
Faegre & Benson

Financial Advisor
Springsted Incorporated

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OFFICIAL STATEMENT

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY MORTGAGE REVENUE BONDS

\$5,725,000 SERIES THREE-M1 AND

**\$3,480,000 SERIES THREE-M2
(THE COLLEGE OF SAINT CATHERINE)**

INTRODUCTORY STATEMENT

This Official Statement provides information concerning the Minnesota Higher Education Facilities Authority (the "Authority") and The College of Saint Catherine (the "College"), a Minnesota non-profit corporation which owns and operates an institution of higher education with campuses in St. Paul and Minneapolis, Minnesota, in connection with the issuance of the Authority's Mortgage Revenue Bonds \$5,725,000, Series Three-M1 and \$3,480,000, Series Three-M2 (The College of Saint Catherine), (the "Bonds" or the "Issue").

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

The Bonds are also issued pursuant to the Trust Indenture between the Authority and Norwest Bank Minnesota, National Association, Minneapolis, Minnesota as trustee (the "Trustee").

Pursuant to a Loan Agreement between the College and the Authority, the College will covenant as a general obligation of the College to make Loan Repayments and deposits in amounts sufficient to pay the principal of and interest on the Bonds as the same shall become due. The proceeds of the Issue will be loaned to the College by the Authority to be used together with available College funds to finance construction, equipping and furnishing, including appurtenant site improvements, of a new sports and fitness facility (the "Sports Facility"), renovations to St. Joseph Hall, acquisition and installation of air conditioning in the Art Building and replacement windows in Mendel Hall, all on the St. Paul campus of the College; remodeling, furnishing and equipping of the Education Building (the "Education Building") and Old Main, both located on the Minneapolis campus of the College; all as more fully described under "Purpose of the Issue," Page 8.

Payment of the principal of and interest on both series of the Bonds when due will be guaranteed by a municipal bond insurance policy to be issued simultaneously with the delivery of the Bonds by Connie Lee Insurance Company ("Connie Lee").

The Bonds are secured by a pledge of the Loan Repayments, a pledge of Tuition Fees and a mortgage on the Sports Facility. Each series of Bonds is secured by a separate subaccount of the Reserve Account. The Loan Repayments are a general obligation of the College. The College expects that the primary source of payment of the principal of the Series Three-M2 Bonds will be contributions received in connection with a fundraising campaign of the College. (See "Capital Campaign", Page I-11).

Pursuant to a Guaranty Agreement, the Sisters of St. Joseph of Carondelet, St. Paul Province (the "Province") a Minnesota non-profit corporation, will guarantee to the Trustee payment of the College's Loan Repayments sufficient to pay principal and interest on the Series Three-M2 Bonds.

Each subaccount of the Reserve Account will be funded in an initial amount equal to the lesser of maximum annual debt service or 10% of the principal amount of the corresponding series of the Bonds (the "Reserve Requirement").

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

OTHER THAN WITH RESPECT TO INFORMATION CONCERNING CONNIE LEE INSURANCE COMPANY CONTAINED UNDER THE CAPTION "BOND INSURANCE" HEREIN, NONE OF THE INFORMATION IN THIS OFFICIAL STATEMENT HAS BEEN SUPPLIED OR VERIFIED BY CONNIE LEE, AND CONNIE LEE MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO: (i) THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION; (ii) THE VALIDITY OF THE BONDS; OR (iii) THE TAX STATUS OF THE INTEREST ON THE BONDS.

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

RISK FACTORS

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

Risk of Insufficient Collateral

The Bonds are secured by (a) a pledge of amounts payable under the Loan Agreement, (b) separate subaccount of the Reserve Account which will be held by the Trustee and applied to the payment of principal and interest on the corresponding series of the Bonds, (c) a mortgage on the Sports Facility and (d) a pledge of Tuition Fees to secure Loan Repayments and Fees and Expenses. If an Event of Default occurs, there can be no assurance that such security will be sufficient to pay the principal of, premium, if any, or interest on the Bonds. In particular, the principal amount of the Bonds exceeds the estimated cost of constructing the Sports Facility. The amounts in each subaccount of the Reserve Account secure only the corresponding series of the Bonds.

Adequacy of Revenues and Gift Receipts

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

The College's ability to make Loan Repayments will be partly dependent on its ability to receive sufficient and timely gifts in connection with a fund-raising campaign of the College. Payment of principal of and interest on the Series Three-M2 Bonds is intended to be made primarily from such gift receipts. There can be no assurance the full amount of anticipated gifts will in fact be realized, or that if a shortfall occurred it could be covered from operating revenues of the College. Amounts, if any, in the Gift Receipts Account are available to pay debt service on the Series Three-M2 Bonds only.

Reliance on Tuition and Fees

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

Completion of Project

Construction costs for the Project will not be completely provided from proceeds of the Bonds. The remaining costs of construction are expected to be provided from gift receipts received in connection with the College's capital campaign, most of which are yet to be received. (See "Purpose of the Issue" Page 8.) If the expected gifts are not received on a timely basis, the College would be required to provide the additional amount from other resources.

The College intends to enter into a fixed-price contract for construction of the Sports Facility with McGough Construction Company, Inc. It does not expect to obtain a performance bond with respect to completion of the Project.

Financial Aid

In Fiscal Year 1991-92, the College's students received \$16,650,000 of federal financial aid and \$3,685,000 of state financial aid covering tuition and fees or living expenses. No assurance can be given that federal and state financial aid will continue to be funded at current levels. Curtailment of such aid may cause a decline in enrollment, which may in turn have an adverse effect on the College's revenues.

Damage or Destruction

Although the College will be required to obtain certain insurance as set forth in the Loan Agreement, there can be no assurance that the College will not suffer losses for which insurance cannot be or has not been obtained or that the amount of any such loss will not exceed the coverage of such insurance policies.

Nature of Pro Forma Debt Service Coverage

Certain historical operating revenue for the College and computed pro forma debt service coverage are provided in Appendix I under the caption "Annual Debt Service by Fiscal Year and Coverage Statement." The pro forma coverage is merely a mathematical computation, as reflected in the applicable table, and no assurance can be given that the College's future revenues and gift receipts will be sufficient to satisfy College operations and Bond and other debt service requirements.

Guaranty Agreement

Payment of the principal of and interest on the Series Three-M2 Bonds will be guaranteed by the Province. Financial information regarding the Province will not be made available to holders of the Bonds; accordingly, holders should not rely on the Guaranty as security for either series of the Bonds.

Foreclosure of the Mortgage

The Bonds are limited obligations of the Authority and are payable from Loan Repayments by the College under the Loan Agreement or from the Reserve Account. If sufficient payments are not forthcoming from these sources, it may be necessary for the Trustee to exercise its remedies under the Mortgage. The value of the Mortgaged Property upon completion of the Sports Facility will be less than the original principal amount of the Bonds and its value upon foreclosure of the Mortgage may be adversely affected by a number of factors. The Mortgaged Property is designed for use by the College and its use and marketability for other purposes may be limited. Attempts to foreclose under mortgages are frequently met with protracted litigation and/or bankruptcy proceedings, which proceedings cause delays in realizing on collateral and may otherwise limit the value of the collateral.

Bankruptcy

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

Other Possible Risk Factors

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

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

THE BONDS

Each series of Bonds will be dated January 1, 1993 and will mature semiannually on April 1 and October 1, 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 not exceeding the amount maturing in any maturity, and shall be fully registered as to principal and interest. Interest on the Bonds will be payable on each April 1 and October 1, commencing October 1, 1993.

Book Entry System

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

for each maturity of each series of the Bonds each in the aggregate principal amount of such maturity, and will be deposited with DTC.

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

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interest in the Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interest in 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 Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of Bonds with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds. DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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

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

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

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

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

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

Prior Redemption

Mandatory Redemption

Series Three-M1 Bonds maturing on October 1, 2010 shall be called for redemption on April 1 and October 1 in the years 2008 through 2010 at the principal amount thereof to be redeemed, without premium, plus accrued interest to the date fixed for redemption, from moneys in the Sinking Fund Subaccount of the Bond and Interest Sinking Fund Account, in the respective amounts set forth below.

<u>Year</u>	<u>Principal Amount</u>	<u>Year</u>	<u>Principal Amount</u>
April 1, 2008	\$240,000	October 1, 2009	\$260,000
October 1, 2008	245,000	April 1, 2010	270,000
April 1, 2009	255,000	October 1, 2010	275,000*

* *Maturity.*

The Series Three-M1 Bonds or portions thereof to be so redeemed shall be selected by the Trustee by lot or in such other random manner as the Trustee shall determine.

The Series Three-M1 Bonds maturing on October 1, 2010, to be retired pursuant to the mandatory redemption obligations set forth above, may, at the option of the College, be reduced by the principal amount of any Bonds of such maturity which at least 45 days prior to such redemption:

- (1) have been delivered to the Trustee for cancellation; or

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

Optional Redemption

Series Three-M1 Bonds maturing on or after October 1, 2003 are subject to optional redemption on April 1, 2003, in whole, on any date or, in part, on any interest payment date thereafter, and if in part, in such order of maturity as the College shall direct and by lot within a maturity, in integral multiples of \$5,000. Redemption of Bonds shall be at par, plus accrued interest.

The Bonds will also be subject to optional redemption as a whole or in part in certain cases of damage to or destruction or condemnation of the Project Facilities, if in whole on any date or if in part on any Interest Payment Date, at a price equal to par plus accrued interest, as provided in the Loan Agreement (see "SUMMARY OF DOCUMENTS - The Loan Agreement").

Partial Redemption

In the case of Bonds of denominations greater than \$5,000, if less than all of such Bonds then outstanding are to be called for redemption, then for all purposes in connection with redemption, each \$5,000 of principal amount shall be treated as though it 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. If it is determined that one or more, but not all of the \$5,000 units of principal amount represented by any such Bond is to be called for redemption, then upon notice of intention to redeem such \$5,000 unit or units, the Owner of such fully registered Bond shall forthwith surrender such Bond to the Trustee for (1) payment of the redemption price of the \$5,000 unit or units of principal amount called for redemption and (2) exchange for a new Bond or Bonds of the aggregate principal amount of the unredeemed balance of the principal amount of such Bond which shall be issued to the registered Owner thereof, without charge therefor. If the Owner of any such Bond of a denomination greater than \$5,000 shall fail to present such Bond to the Trustee for payment and exchange as aforesaid, such Bond shall nevertheless become due and payable on the date fixed for redemption to the extent of the \$5,000 unit or units of principal amount called for redemption (and to that extent only). Interest shall cease to accrue on the portion of the principal amount of such Bond represented by such \$5,000 unit or units of principal amount on and after the date fixed for redemption provided that funds sufficient for payment of the redemption price shall have been deposited with the Trustee and shall be available for the redemption of said \$5,000 unit or units on the date fixed for redemption, and in such event, such Bond shall not be entitled to the benefit or security of the Indenture, 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.

SOURCES AND USES OF FUNDS

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

Sources of Funds

Series Three-M1 Bond Principal	\$ 5,725,000
Less: Original Issue Discount	(3,863)
Series Three-M2 Bond Principal	3,480,000
Accrued Interest	34,947
Other Funds Available to the College*	<u>2,308,813</u>
Total	\$11,544,897

Uses of Funds

Construction:	
Sports/Fitness Facility	\$ 7,000,000
Art Building Air Conditioning	175,000
Minneapolis Campus Renovations	2,030,000
Reimbursement for Completed Projects:	
Mendel Hall Window Replacement	400,000
St. Joseph Hall Renovation	600,000
Debt Service Reserve:	
Series Three-M1 Subaccount	570,950
Series Three-M2 Subaccount	348,000
Bond and Interest Sinking Fund Account	34,947
Discount and Costs of Issuance	<u>386,000</u>
Total	\$11,544,897

* Most of the funds are yet to be received by the College. See "Completion of Project," page 3.

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

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

PURPOSE OF THE ISSUE

Net proceeds of the Bonds, together with other funds available to the College, will be used (i) to provide for the acquisition, construction, furnishing and equipping of a sports facility (including gym and pool) to be located on the St. Paul campus of the College, (ii) the acquisition and installation of air conditioning in the Art Building and replacement windows in Mendel Hall, each located on the St. Paul campus of the College, (iii) the remodeling, furnishing and equipping of the student lounge in St. Joseph Hall, located on the St. Paul campus of the College, and (iv) the remodeling, furnishing and equipping of the Education Building and Old

Main, both located on the Minneapolis campus of the College. Each portion of the Project described above (collectively, the "Project") includes or shall include appurtenant site improvements, and each portion is or is to be owned and operated by the College and located on the St. Paul or Minneapolis campus of the College.

The \$7,000,000 estimated total cost to construct, equip and furnish the Sports Facility, is expected to be provided from a combination of bond proceeds and gift receipts related to the College's capital campaign expected to be received prior to completion of the Sports Facility, in the following amounts:

Proceeds of Series Three-M1 Bonds	\$1,700,000
Proceeds of Series Three-M2 Bonds	3,000,000
Gift Receipts	<u>2,300,000</u>
Total	\$7,000,000

Additional gift receipts are expected to be available to the College to provide for payment of principal of and interest on the Series Three-M2 Bonds. Debt service on the Series Three-M1 Bonds is expected to be paid from operating revenues of the College. (See "Adequacy of Revenues and Gift Receipts, page 2.)

SUMMARY OF SECURITY FOR THE BONDS

Bond Insurance

Set forth below is a brief summary of certain information concerning Connie Lee Insurance Company ("Connie Lee") and the terms of the municipal bond insurance policy (defined below as the "Policy"). Information with respect to Connie Lee has been supplied to the Issuer by Connie Lee. The following discussion does not purport to be complete and is qualified in its entirety by reference to the Policy.

Connie Lee has made a commitment to issue a bond insurance policy (the "Policy") relating to the Bonds, effective as of the date of issuance of the Bonds. By the terms of the Policy, Connie Lee agrees to pay that portion of the principal of and interest on the Bonds which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

In respect of the principal amount of a Bond, the term "Due for Payment" refers to the amount due on the stated maturity date or mandatory sinking fund redemption date and does not refer to any amount of principal which is due at an earlier date by reason of a call for redemption (other than mandatory sinking fund redemption), acceleration or other advancement of maturity. In respect of the interest on a Bond, the term "Due for Payment" refers only to the amount due on the stated interest payment date. "Nonpayment" in respect of a Bond means the failure of the Issuer to have provided sufficient funds to the paying agent for payment in full of all principal and interest Due for Payment on such Bond. The term "Nonpayment" shall also include any payment of principal or interest made to a Bondowner by or on behalf of the Issuer which has been recovered from such Bondowner pursuant to any applicable bankruptcy law by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction.

In the event that interest on or principal of a Bond is Due for Payment but is unpaid by reason of Nonpayment by the Issuer thereof, Connie Lee will make payments to the Trustee or Paying Agent for the Bonds, for the benefit of the Bondowners, or, at the election of Connie Lee, will make payments directly to the Bondowners, in amounts equal to such unpaid amounts of

principal and interest not later than one business day after Connie Lee has received notice from the Trustee, Paying Agent or Bondowner that such Nonpayment has occurred (but in no event earlier than the date such payment is due). Connie Lee will disburse to or for the benefit of the Bondowner the amount of principal and interest which is then Due for Payment but is unpaid upon receipt by Connie Lee of evidence of the Bondowner's right to receive payment of such principal and interest, including any appropriate instruments of assignment, whereupon all of the rights to payment of such principal or interest then Due for Payment shall vest in Connie Lee.

In the event that payment of the Bonds is accelerated pursuant to the terms of the documentation providing for the issuance of and securing the Bonds or pursuant to applicable law, Connie Lee may, at any time and at its sole option, pay to any Bondowners all or a portion of amounts due on the Bonds prior to the stated maturity dates thereof.

Connie Lee may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of the Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, copies of all notices required to be delivered to Connie Lee pursuant to the Policy must be simultaneously delivered to the Insurer's Fiscal Agent and to Connie Lee and shall not be deemed received until received by both, and all payments required to be made by Connie Lee under the Policy may be made directly by Connie Lee or by the Insurer's Fiscal Agent on behalf of Connie Lee.

The Policy is unconditional and non-cancellable and will remain in force so long as the Bonds insured by such Policy remain outstanding. See Appendix VI, "Specimen Bond Insurance Policy."

Connie Lee, a stock insurance company incorporated in Wisconsin, is a wholly-owned subsidiary of College Construction Loan Insurance Association ("CCLIA"), a District of Columbia insurance holding company. CCLIA is owned by a group of investors which includes the United States Department of Education, Student Loan Marketing Association (SallieMae), the Public School Employees' Retirement System of the Commonwealth of Pennsylvania, Kemper Financial Services, Metropolitan Life Insurance Company, Northwestern University, Stanford University, The Common Fund, certain trusts and funds administered by Rockefeller & Co., Inc., and certain Johnson family trusts and funds. The investors of CCLIA are not obligated to pay the debts of, or the claims against, Connie Lee. As of September 30, 1992, the total policyholders' surplus of Connie Lee was \$101,704,476 (unaudited) and total admitted assets were \$153,042,263 (unaudited), as reported to the Commissioner of Insurance of the State of Wisconsin.

Standard & Poor's Corporation has rated the claims-paying ability of Connie Lee "AAA."

The address of Connie Lee's administrative offices and its telephone number are 2445 M Street, NW, Washington, DC 20037 and (202) 835-0090.

Security Provided by the College

The Bonds will be special obligations of the Authority payable solely from Loan Repayments made by the College as required by the Loan Agreement or out of other amounts pledged therefor under the Indenture including moneys and investments in the Reserve Account. The Reserve Account will contain a Series Three-M1 Reserve Subaccount and a Series Three-M2 Reserve Subaccount, each of which will secure only the corresponding series of the Bonds. Each subaccount of the Reserve Account will be fully funded from proceeds of the Bonds in the amount of the Reserve Requirement.

The Bonds are secured by the pledge of the College of its full faith and credit. The College 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 College agrees to make such payments out of its operating funds or any other moneys legally available. (See "Prior Liens" below.)

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

Pursuant to the Combination Mortgage, Security Agreement and Fixture Financing Statement (the "Mortgage"), the College will mortgage the Sports Facility to the Authority to secure its obligations to make timely Loan Repayments (see "SUMMARY OF DOCUMENTS - The Mortgage"). The Authority will, in turn, assign its interest in the Mortgage to the Trustee to be held by the Trustee of the Trust Estate. The College also pledges to the Trustee Tuition Fees to secure Loan Repayments and Fees and Expenses.

As further security for the payments required to be made under the Loan Agreement, the College will agree not to encumber certain of its real property.

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

The College will agree pursuant to the terms of the Loan Agreement and the Indenture to make payments directly to the Trustee in such amounts and at such times as to assure that the Trustee has sufficient funds with which to pay the principal of and interest on the Bonds.

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

Prior Liens

In connection with the issuance of certain other debt of the College and mortgages securing the debt, the College has pledged revenues of the facilities financed thereby. (See Long-Term Debt of the College, page I-14.) Because of such prior liens, which secure that debt, it should be assumed that those pledged revenues will not be available to pay debt service on the Bonds to the extent those sources of revenue are required to pay debt service on the prior debt. Debt service payable from these sources is expected to be \$223,369 in fiscal year 1992-93.

Financial Covenants

The College will covenant that:

- a. For so long as the Bonds remain outstanding except as approved in writing by the Bond Insurer, the College will, for each fiscal year, set tuition and fees at levels which will produce a Debt Service Coverage Ratio based on Net Income Available for Debt Service (including, for this purpose only, all funds then on deposit in the Gift Receipts Account plus the sum of all unrestricted gifts received by the College in such fiscal year and all scheduled gift receipts, based on written pledges, expected to be received in such Fiscal Year, multiplied by the lesser of (i) 90% or (ii) the percentage of all scheduled gift receipts based on written pledges actually received in the immediately

preceding six-month period) of at least 1.10:1 for that fiscal year. If such Debt Service Coverage Ratio is less than 1.10:1 at the end of any Fiscal Year, the College covenants to retain an independent consultant, unless otherwise agreed to in writing by the Bond Insurer to issue a report to be delivered to the Bond Insurer, the College, the Authority and the Trustee explaining why the Debt Service Coverage Ratio was not maintained at 1.10:1 and recommending changes with respect to the operation and management of the College to be implemented by the College to increase the Debt Service Coverage Ratio for subsequent Fiscal Years to at least 1.10:1. The College agrees that it will, to the extent feasible, follow the recommendations of the independent consultant and shall deliver to the Trustee, the Authority and the Bond Insurer within 30 days of receipt of such independent consultant's report (i) a certified copy of a resolution adopted by the Board of Trustees accepting such report and (ii) a report setting forth in reasonable detail the steps proposed to be taken to implement the recommendations of such independent consultant and thereafter will deliver quarterly reports showing the progress made by the College in implementing the recommendation of such independent consultant. So long as the College shall retain an independent consultant and the College shall follow such independent consultant's recommendations to the extent feasible, and so long as the Debt Service Coverage Ratio for each Fiscal Year is not less than 1:1, this provision of the Loan Agreement shall be deemed to have been complied with for such Fiscal Year even if the Debt Service Coverage Ratio is below 1.10:1 and will not constitute an Event of Default thereunder.

- b. For so long as the Bonds remain outstanding, except as approved in writing by the Bond Insurer, the College shall maintain Liquid Fund Balances in an amount not less than 25% of then outstanding Funded Debt, provided that so long as any Series Three-M2 Bonds remain outstanding the requirement for Liquid Fund Balances shall be 18% of then outstanding Funded Debt.
- c. For so long as the Bonds remain outstanding, except as approved in writing by the Bond Insurer, the College shall incur no Funded Debt with a maturity in excess of two years (except for a refunding or refinancing of Funded Debt outstanding which does not increase Maximum Annual Debt Service or if such Funded Debt does not exceed 15% of the sum of plant, property and equipment fund balances, is nonrecourse to the College and the security for such Funded Debt is limited to non-essential properties of the College) unless the Debt Service Coverage Ratio for the two most recent Fiscal Years for which audited financial statements are available was at least 120% of Maximum Annual Debt Service of (A) then outstanding Funded Debt and (B) Funded Debt thereafter issued or proposed to be issued.
- d. For so long as the Bonds remain outstanding, except as approved in writing by the Bond Insurer, the College shall incur no Current Debt unless (a) the total of all Current Debt then outstanding plus Current Debt proposed to be incurred does not exceed 10% of Unrestricted Current Fund Revenues for the most recent Fiscal Year for which audited financial reports are available and (b) unless there shall have been a period of at least 20 consecutive days during the immediately preceding Fiscal Year when the College shall have been free from such Current Debt.

For purposes of (a), (b), (c) and (d) above, all capitalized terms used but not otherwise defined in Appendix III, "DEFINITION OF CERTAIN TERMS" shall have the meanings provided for audits of colleges and universities, as applied in the College's audited financial statements for the Fiscal Year ended May 31, 1992.

Guaranty Provisions Relating Only to Series Three-M2 Bonds

In connection with issuance of the Series Three-M2 Bonds, the Sisters of St. Joseph of Carondelet, Saint Paul Province, a Minnesota non-profit corporation, will enter into a Guaranty Agreement in favor of the Trustee. Pursuant to the Guaranty Agreement, the Province will unconditionally guarantee to the Trustee the College's Loan Repayments sufficient to pay the principal of and interest on the Series Three-M2 Bonds when due. Connie Lee's commitment to issue its municipal bond insurance policy is conditioned upon delivery by the Province of the Guaranty. However, no financial information with respect to the Province will be provided to Owners of the Bonds, who should therefore not rely on the Guaranty as security for either series of Bonds.

Annual Debt Service by Fiscal Year and Coverage Statement

The table on page 14 sets forth the estimated debt service on the Bonds and debt service on the College's currently outstanding long-term debt for each fiscal year during the term of the Bonds. Actual long-term debt service of the College may increase in the future. Also shown is a calculation of coverage of such annual debt service by the amount of College revenues that was available for debt service in the Unrestricted Current Fund as of May 31, 1992, as further detailed in footnote (b) of the table.

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

ANNUAL DEBT SERVICE BY FISCAL YEAR AND COVERAGE STATEMENT

FISCAL YEAR ENDING MAY 31	DEBT SERVICE ON SERIES THREE-M1 BONDS (a)	EXISTING LONG TERM DEBT SERVICE	EXISTING PLUS SERIES THREE-M1 DEBT SERVICE	AMOUNT AVAILABLE FOR DEBT SERVICE(b)	COVERAGE (times)	EXISTING PLUS		
						DEBT SERVICE ON SERIES THREE-M2 BONDS (c)	SERIES THREE-M1 AND THREE-M2 DEBT SERVICE	COVERAGE (d) (times)
1993	0	223,369	223,369	1,089,473	4.88	\$0	\$223,369	4.88
1994	520,359	178,600	698,959	1,089,473	1.56	491,175	1,190,134	0.92
1995	442,685	185,131	627,816	1,089,473	1.74	736,740	1,364,556	0.80
1996	442,040	180,906	622,946	1,089,473	1.75	712,140	1,335,086	0.82
1997	440,950	229,150	670,100	1,089,473	1.63	686,040	1,356,140	0.80
1998	499,235	44,063	543,298	1,089,473	2.01	438,740	982,038	1.11
1999	562,670	47,813	610,483	1,089,473	1.78	1,024,000	1,634,483	0.67
2000	558,653	46,406	605,059	1,089,473	1.80	0	605,059	1.80
2001	563,611	0	563,611	1,089,473	1.93	0	563,611	1.93
2002	567,088	0	567,088	1,089,473	1.92	0	567,088	1.92
2003	559,028	0	559,028	1,089,473	1.95	0	559,028	1.95
2004	559,598	0	559,598	1,089,473	1.95	0	559,598	1.95
2005	568,455	0	568,455	1,089,473	1.92	0	568,455	1.92
2006	565,353	0	565,353	1,089,473	1.93	0	565,353	1.93
2007	565,834	0	565,834	1,089,473	1.93	0	565,834	1.93
2008	569,485	0	569,485	1,089,473	1.91	0	569,485	1.91
2009	570,950	0	570,950	1,089,473	1.91	0	570,950	1.91
2010	570,500	0	570,500	1,089,473	1.91	0	570,500	1.91
2011	283,250	0	283,250	1,089,473	3.85	0	283,250	3.85
2012	0	0	0	1,089,473		0	0	
2013	0	0	0	1,089,473		0	0	
Totals	\$9,409,741	\$1,135,438	\$10,545,179			\$4,088,835	\$14,634,014	

(a) Actual.

(b) Amount available for Debt Service (Unrestricted Current Fund), based on fiscal year 1991-92 audited financial report of the College:

Unrestricted Current Fund ("UCF") Revenues:	\$29,740,959
Less UCF Expenditures & Mandatory Transfers:	29,064,505
Excess of UCF Revenues over UCF Expenditures and Mandatory Transfers:	\$676,454
Add: Mandatory Transfers for Debt Service:	413,019
Amount Available for Debt Service:	\$1,089,473

(c) Actual.

(d) Debt Service on the Series Three-M2 Bonds is expected to be paid from gift receipts, not from Unrestricted Current Fund operating revenues.

ACCOUNTS

Summary

The Indenture will provide for the creation of certain trust accounts into which certain proceeds from the sale of the Bonds and revenues received as Loan Repayments under the Loan Agreement are to be deposited. These accounts include a Construction Account; a Bond and Interest Sinking Fund Account containing a Series Three-M1 Bond and Interest Sinking Fund Subaccount and a Series Three-M2 Bond and Interest Sinking Fund Subaccount; a Reserve Account containing a Series Three-M1 Reserve Subaccount and a Series Three-M2 Reserve Subaccount; a Gift Receipts Account; and a Redemption Account. The net proceeds of original issue and sale of the Bonds are to be deposited into the Construction Account, the amount of the Reserve Requirement (initially \$918,950) will be deposited into the appropriate subaccounts of the Reserve Account and accrued interest will be deposited in the appropriate subaccounts of the Bond and Interest Sinking Fund Account. Following Bond Closing, amounts received by the Trustee from the College as Loan Repayments are to be deposited into the Bond and Interest Sinking Fund Account, the Reserve Account, and the Redemption Account, as required by the Loan Agreement and used, to the extent needed, to redeem or pay the principal of and interest on the Bonds.

Construction Account

There shall be deposited initially into the Construction Account the balance of the proceeds received from the sale of the Bonds, exclusive of accrued interest and the initial Reserve Requirement, less the amount of the underwriter's discount. In addition, the College will agree in the Loan Agreement to provide for payment of all Project Costs in excess of the proceeds of the Bonds available therefor and to pay out of available general funds (other than Bond proceeds) all costs of issuance of the Bonds (including underwriting discount but excluding the bond insurance premium) in excess of 2.00% of the proceeds of the Bonds (par value minus original issue discount according to the reoffering scale). Upon receipt of proper documentation, the Trustee will reimburse or pay for the account of the College costs incurred in connection with the construction, furnishing and equipping of 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 Construction Account shall be deposited (i) pro rata into the Series Three-M1 Bond and Interest Sinking Fund Subaccount and the Series Three-M2 Bond and Interest Sinking Fund Subaccount or (ii) the Redemption Account.

Bond and Interest Sinking Fund Account; Sinking Fund Subaccount

Initially there shall be deposited into each subaccount of the Bond and Interest Sinking Fund Account any amount of Bond proceeds representing accrued interest, which is to be used to pay interest on the corresponding series of the Bonds. Deposits shall be made (after giving effect to any amounts already deposited therein) to the Bond and Interest Sinking Fund Subaccounts from earnings on other accounts established under the Indenture and from Loan Repayments made by the College. At least ten business days prior to each payment date on the Bonds, the College shall deposit into each of the Series Three-M1 and Series Three-M2 Subaccounts of the Bond and Interest Sinking Fund Account an amount equal to the principal and/or interest payment due on the appropriate series of Bonds on such date, net of any credits permitted by the Indenture for investment earnings and other amounts available in accounts held by the Trustee. A separate Sinking Fund Subaccount will be maintained within the Bond and Interest Sinking Fund Account for the retirement of Series Three-M1 Term Bonds on each Sinking Fund redemption date. Deposits into the Sinking Fund Subaccount shall be

made at least 10 Business Days prior to each date on which a sinking payment is due in amounts equal to the redemption price of the principal specified for mandatory redemption. The moneys and investments in the Bond and Interest Sinking Fund Account will be irrevocably pledged to and shall be used by the Trustee, from time to time, to the extent required, for the payment of principal of and interest on the Bonds as and when such principal and interest shall become due and payable and for that purpose only.

Reserve Account

There shall be initially deposited into each subaccount of the Reserve Account from Bond proceeds the amount of the Reserve Requirement irrevocably pledged to the payment of principal of and interest on the corresponding series of the Bonds, as may be required from time to time. All amounts paid by the College as Loan Repayments not deposited or required to be deposited into the Bond and Interest Sinking Fund Account or the Redemption Account will be deposited into the Reserve Account in order to maintain each subaccount of the Reserve Account in an amount not less than the Reserve Requirement.

Investments in the Reserve Account shall be valued by the Trustee as frequently as deemed necessary by the Bond Insurer, but not less often than quarterly. All investments shall be valued at market value. In the event that a withdrawal of funds from either subaccount of the Reserve Account reduces the balance therein to a sum less than the Reserve Requirement, the College shall restore the deficiency within the next twelve months in twelve substantially equal payments. If upon any valuation date, the amount on deposit in either subaccount of the Reserve Account (exclusive of earned or accrued interest on moneys or investments therein) is more than the amount of the Reserve Requirement, or more than the amount allowed for a reasonably required reserve fund under the Arbitrage Regulations, the Trustee shall forthwith transfer such excess to the corresponding subaccount of the Bond and Interest Sinking Fund Account. If on any valuation date the amount on deposit in either subaccount of the Reserve Account is less than the amount of the applicable Reserve Requirement, then (unless the value of the amount on deposit exceeds the amount allowed for a reasonably required reserve fund under the Arbitrage Regulations) such deficiency shall be restored to an amount equal to the amount of such Reserve Requirement by the next quarterly valuation date.

Interest and income in each subaccount of the Reserve Account shall be transferred first, to the Construction Account until the Completion Date and thereafter to the corresponding subaccount of the Bond and Interest Sinking Fund Account.

Redemption Account

Any amounts received which are not otherwise committed will be paid into the Redemption Account. Funds in this Account will be available to maintain required balances in other accounts and to purchase or redeem Bonds. Any funds used to redeem Bonds must be in Available Monies. No specific amounts are required. Notwithstanding the foregoing, the Trustee, in its discretion, is authorized to use funds and investments in the Redemption Account to pay the amount of any rebate due the United States in respect of the Bonds under Section 148 of the Internal Revenue Code if the College or the Authority shall have failed to pay or provide for the payment thereof under the Loan Agreement.

Gift Receipts Account

The College shall deposit into the Gift Receipts Account all contributions and payments on pledges restricted or designated by the donor or allocated to the Project pursuant to a resolution of the Board of Trustees of the College received after the date when such

contributions and payments on pledges received after the date of issuance of the Bonds exceeds \$2,300,000 (representing the estimated amount needed to complete the Sports Facility) promptly when received but not less often than every thirty days; provided that any contributions or pledge receipts not so designated, restricted or allocated to the Project to finance the Project are not required to be deposited in the Gift Receipts Account and shall not be available for the payment of principal and interest on the Bonds. All moneys and investments in the Gift Receipts Account shall be used to pay (i) Project Costs, upon request of the College, and transferred to the Construction Account, or (ii) debt service on the Series Three-M2 Bonds when due or at the redemption date if Series Three-M2 Bonds are called for redemption in whole or in part. The Trustee shall transfer from time to time amounts to the Series Three-M2 Bond and Interest Sinking Fund Subaccount to the extent moneys and investments credited to such subaccount of the Bond and Interest Sinking Fund Account do not at least equal the total amount of principal and interest due or to become due on the Series Three-M2 Bonds within the succeeding 13 months, after adjusting for interest to be received on Authorized Investments in such account and for the redemption price of Series Three-M2 Bonds to be met from amounts on deposit in the Redemption Account. If the amount in the Series Three-M2 Bond and Interest Sinking Fund Subaccount (as adjusted) is sufficient to meet debt service on the Series Three-M2 Bonds due or to become due during the succeeding 13 months, except to the extent that the College has requested that such amounts be used for Project Costs, the Trustee shall forthwith transfer amounts from the Gift Receipts Account to the Series Three-M2 Subaccount of the Reserve Account if the moneys and investments in the Reserve Account do not at least equal the Reserve Requirement.

The Trustee is authorized, in its discretion, to use funds and investments in the Gift Receipts Account to pay the amount of any rebate due the United States in respect of the Bonds under Section 148 of the Internal Revenue Code if the College shall have failed to pay or provide for the payment thereof under the Loan Agreement.

General Bond Reserve Account

Pursuant to its General Bond Resolution adopted October 31, 1972, the Authority has established and maintains a General Bond Reserve Account. In general, the General Bond Reserve Account secures certain Bonds of the Authority for which a deposit is made into the General Bond Reserve Account in compliance with the General Bond Resolution. In connection with the Bonds, the Authority will not require that the College deposit funds into the General Bond Reserve Account. **The Bonds will not be secured by the General Bond Reserve Account, and Bondholders will have no right to require the Authority to apply moneys or investments in the General Bond Reserve Account to the payment of the Bonds or interest thereon.**

Authorized Investments

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

certain types of repurchase agreements; and certain commercial paper maturing in 270 days or less. Section 5.04 of the Indenture sets forth further restrictions as to type and maturity of investments.

THE AUTHORITY

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

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

The Authority is authorized and empowered to issue revenue bonds whose aggregate outstanding principal amount at any time shall not exceed \$350 million. The Authority has had 71 issues (including refunded and retired issues) totaling \$306,085,000 of which \$193,440,525 (excluding the Bonds) is outstanding as of December 2, 1992. Bonds issued by the Authority are payable only from the rentals, revenues and other income, charges and moneys pledged for their payment. The bonds of the Authority do not represent or constitute a debt or pledge of the faith or credit or moral obligation of the State of Minnesota.

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

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

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

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

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

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

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

FINANCIAL ADVISOR

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

UNDERWRITING

The Bonds are being purchased by Norwest Investment Services, Inc. and Piper Jaffray Inc. (the "Underwriters"). The Underwriters have agreed to purchase the Bonds at a purchase price of \$9,109,640.25, plus accrued interest from January 1, 1993. The initial public offering prices set forth on the cover page may be changed by the Underwriters and the Underwriters may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into investment trusts) and others at prices lower than the offering prices set forth on the cover page.

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

RATING

As noted on the cover page hereof, Standard & Poor's Corporation has given the Bonds a rating of AAA, based on the municipal bond insurance policy on the Bonds to be issued by Connie Lee Insurance Company. The rating reflects only the view of such rating agency. There is no assurance that such 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 College are unaware of any pending or threatened litigation which would affect the validity of the Bonds or materially affect the ability of the College to pay the principal of or interest on the Bonds as the same become due.

LEGALITY

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

Certain legal matters will be passed upon for the College by Briggs and Morgan, Professional Association, St. Paul, Minnesota.

TAX EXEMPTION

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

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

Under present provisions of the Code, interest on the Bonds is exempt from federal income taxes, including the alternative minimum tax imposed with respect to individuals and corporations and the environmental tax imposed with respect to corporations, except that

interest on the Bonds will be included in the computation of "adjusted current earnings", which may be an item of tax preference includable in alternative minimum taxable income used in calculating the alternative minimum tax that may be imposed with respect to corporations.

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

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

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

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

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

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

The dollar amount of the initial offering price to the public of the Bonds with stated maturities in 2010 (the "Discount Bonds") is less than the principal amount of Bonds of such maturity. The difference between the initial public offering price of each such Discount Bond (assuming a substantial amount of the Discount Bonds is sold at such price) and its principal amount represents original issue discount. Under existing laws, regulations, rulings and decisions, Bond Counsel is of the opinion with respect to the Discount Bonds that the amount of original issue discount constitutes tax-exempt interest to the extent that it is deemed to accrue to an owner for federal and State of Minnesota income tax purposes (other than Minnesota corporate

franchise taxes measured by taxable income and the alternative minimum tax base). Original issue discount is deemed to accrue for such purposes on the basis of a constant yield to maturity taking into account semiannual compounding. The amount of original issue discount that accrues during any accrual period to a holder of a Discount Bond who acquires the Discount Bond in this offering generally equals (i) the issue price of such Discount Bond plus the amount of original issue discount accrued in all prior accrual periods, multiplied by (ii) the yield to maturity of such Discount Bond (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period), less (iii) any interest payable on such Discount Bond during such accrual period. The amount of original issue discount so accrued in a particular accrual period will be considered to be received ratably on each day of the accrual period, will be excluded from gross income for federal income tax purposes to the same extent as stated interest and will increase the holder's tax basis in such Discount Bond. Any gain realized by a holder from a sale, exchange, payment or redemption of a Discount Bond would be treated as gain from the sale or exchange of such Discount Bond.

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

NOT QUALIFIED TAX-EXEMPT OBLIGATIONS

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

THE COLLEGE

The College of Saint Catherine is a comprehensive college comprised of a Catholic liberal arts college for women, located in St. Paul, Minnesota; a Weekend College on the St. Paul campus which offers women the opportunity to earn a college degree by attending classes every other weekend; coeducational Master's degree programs in Physical Therapy, Organizational Leadership, Theology, and Nursing; and St. Mary's Campus located in Minneapolis offering certificates and associate degrees in health and human service fields to both men and women.

U.S. News and World Report magazine in its 1992-93 report has listed the College as one of the best colleges in the Midwest. The St. Paul campus is often described as one of the most beautiful, appearing in the Minnesota Horticulture Magazine, Flower and Garden and the Saint Paul Pioneer Press. The College has grown into one of the largest Catholic private colleges for women in the country according to 1991-92 enrollment statistics prepared by Women's College Coalition.

The Mission of The College

The College educates students at the associate, baccalaureate and graduate degree levels, and offers certificate and continuing education programs. The College's Catholic heritage provides the foundation for its educational programs and for a campus community of faith. The College maintains its conviction that religious and ethical values build a framework for living. It is committed to the liberal arts as the broad base of all learning, and continues its pursuit of excellence for all students.

The College encourages and stimulates students to make their lives full and meaningful. It provides students with opportunities, both intellectual and personal, to develop leadership abilities, spiritual values and responsible commitments to society.

The College offers its programs on two campuses, the St. Catherine campus in St. Paul and the St. Mary's campus in Minneapolis. The combined resources of the two campuses allow for development of cooperative programs, yet each campus maintains its institutional integrity.

History of St. Paul Campus

Founded in 1905 by the Sisters of St. Joseph of Carondelet, it is named after St. Catherine of Alexandria, a fourth-century Egyptian philosopher who was martyred for her Christian faith.

The College was founded under the guidance of Mother Seraphine Ireland, who had long been encouraged by her brother, Archbishop John Ireland, to consider an institution for the higher education of women in St. Paul. She chose the site for the College on St. Paul's second-highest hill, in the area now known as Highland Park. At that time, however, the area was a farming community on the outskirts of Minnesota's capital city.

The College's first benefactor was Hugh Derham, a farmer in Rosemont, Minnesota, and a friend of Archbishop Ireland. His gift of \$20,000 helped to build the first building on the campus; in gratitude it was named Derham Hall.

The first Sisters of St. Joseph came from St. Joseph's Academy to the new college in December 1904, to get Derham Hall ready for the January 1905 scheduled opening. The first students were high school boarders some of whom stayed on to complete two years of college work.

In the spring of 1913 the first two students to complete four years of college work received bachelor of arts degrees. With this milestone achieved it seemed time to consider a separation of high school and college students and their classrooms. In 1914 Sister Antonia McHugh began in earnest to guide and direct the new college. A second building was built that year, first called "The Other Building," then "College Hall" and finally "Whitby Hall" in honor of St. Hilda, a great woman scholar in England where she had been abbess of Whitby Abbey.

Building after building appeared as Sister Antonia established and maintained a distinguished faculty and an academic program of the highest quality. Students multiplied as the reputation of St. Catherine's as a superior women's college was early acknowledged by accrediting agencies and scholastic honor societies: The North Central Association of Colleges and Secondary Schools in 1917; Kappa Gamma Pi, the most prestigious Catholic honor society in 1924; and Phi Beta Kappa, the most prestigious of liberal arts academic honor societies in 1937. With that honor St. Catherine's became the first Catholic college or university to be awarded a chapter by the Phi Beta Kappa Council.

In tribute to the work of Sister Antonia the latest buildings, music and speech, visual arts (including the Catherine G. Murphy Galleries) and the I.A. O'Shaughnessy Auditorium, all together have been named in her honor and are called the Mother Antonia McHugh Fine Arts Complex.

Today there are no high school students on the campus and Derham Hall houses the major administrative offices of the College. With a total enrollment of about 3,400 students, the College serves college age students, and in the Weekend College adult women who, for one reason or another, are now completing their college work.

History of St. Mary's Campus, Minneapolis

In 1986, the College acquired St. Mary's Junior College in Minneapolis. Also established by the Sisters of St. Joseph of Carondelet, this institution was founded originally as the St. Mary's Hospital School of Nursing in 1887. In 1945, control of the Nursing School was shifted from the hospital to the College, where it operated as a unit within the St. Catherine's Nursing Department. In 1957, the St. Mary's School of Nursing became an independent body operating under its own board. Anne Joachim Moore, CSJ, became the director of the independent St. Mary's School of Nursing in 1958. At that time, the nursing profession was beginning to move away from hospital control and into postsecondary settings. Influenced by these directions and by her own experience with nursing education, Sister Anne Joachim conceived the idea of a two-year college to prepare workers for nursing and other allied health fields. Undaunted by the fiscal limitations, inspired by the enthusiastic encouragement which she had received all around, Sister Anne Joachim announced the formation of St. Mary's Junior College in the spring of 1963, with classes scheduled to begin in the fall of 1964. St. Mary's enjoyed 23 years of growth under Sister Anne Joachim's presidency.

Now known as the St. Mary's Campus of the College, this institution offers career opportunities through associate degrees and certificate programs; innovative, high quality educational programs responding to the everchanging needs and technological advances in the health and human service fields. Still true to its founding purpose, this campus has made a strong effort to extend opportunities to students who are working to overcome such barriers to higher education as economic disadvantage, a physical, perceptual or other form of disability, or deficiencies in educational background. The St. Mary's community benefits from the experience of the range of human diversity among its students and has gained an appreciation of those with a variety of abilities and backgrounds.

Sister Antonia's high aspirations for academic quality have stood the test of time. The College continues to earn national recognition.

Governance

The College is governed by a Board of Trustees, at least one-third of whom shall at all times be members of the congregation known as Sisters of St. Joseph of Carondelet, St. Paul Province. The current Board has 34 members, each of whom (except for the President, Province Director, Archbishop and President of the Alumnae Association) is elected for a term of three years. The trustees are elected by the members. The members are those sisters of the St. Paul Province who comprise its Provincial Council. The Council is presently comprised of nine members. The trustees may not mortgage, lease or sell any real estate and may not contract for major construction without the consent of the members.

Board of Trustees

Officers:

ReBecca Koenig Roloff, Chair
M. Joseph Lapensky, Vice Chair
Michael P. Sullivan, Vice Chair
Marie Herbert Seiter, CSJ, Secretary

M. George Allen	Senior Vice President, Research and Development, 3M
Mary Madonna Ashton, CSJ	President and CEO, Carondelet LifeCare Ministries
Margaret Belanger, CSJ	Province Leadership Team, Sisters of St. Joseph of Carondelet
Mary Knopp Brainerd	Chief Operating Officer, MedCenters Health Plan
Jacqueline Gibis Breher	Mendota Heights, Minnesota
John H. Dasburg	President and CEO, NWA, Inc. and Northwest Airlines, Inc.
Charles M. Denny, Jr.	Chair of Board, ADC Telecommunications Inc.
William B. Faulkner	President, William Faulkner and Associates, Inc.
Laura Lee M. Geraghty	Director of Community Services WCCO Radio
Margaret Gillespie, CSJ	Principal Librarian, Maple Grove Library
Katherine Hanley, CSJ	Assistant General Superior, Sisters of St. Joseph of Carondelet
Mary Heinen, CSJ	Minneapolis, Minnesota
Harriet Hentges	Executive Vice President, Clifton Investment Group
Anne Dolan Kelly	Chartered Financial Consultant, Penn Mutual Life Insurance Company

Kathleen Kelly, CSJ	Dean and Vice President, Doheny Campus, Mount St. Mary's College
M. Joseph Lapensky	CEO, retired, Northwest Airlines, Inc.
Marian Louwagie, CSJ St. Joseph	Director, Pastoral Services and Mission, HealthEast Hospital
Lawrence J. McGough	President, McGough Construction Company
Anne Ward Miller	Edina, Minnesota
Barbara Moore, CSJ	Coordinator, Perinatal Care Program, Samuel U. Rodgers Community Health Center, Inc.
Al H. Nathe	President, Nathe Associates
Charles S. Neerland	President, Neerland Consulting, Inc.
Andre Nilles, CSJ	Chair, Social Studies Department, Cretin-Derham Hall High School
Susan Oeffling, CSJ	Province Leadership Team, Sisters of St. Joseph of Carondelet
Anne Schmidt Otterson	La Jolla, California
Anita M. Pampusch	President, The College of Saint Catherine
The Reverend Kenneth J. Pierre	Pastor, Church of the Annunciation
Rebecca Christen Pohlad	Edina, Minnesota
The Most Reverend John R. Roach	Archbishop of St. Paul and Minneapolis
Rebecca Koenig Roloff	Executive Vice President of Operations, IDS Life Insurance Company
Marie Herbert Seiter, CSJ	Coordinator, Center for Economic Education, University of St. Thomas
Michael P. Sullivan	President and CEO, International Dairy Queen, Inc.
Patrick Thiele	Executive Vice President and CEO, St. Paul Companies
Carol Bissell Truesdell	Executive Director, Minneapolis Youth Trust

President

Dr. Anita Pampusch received her Bachelor of Arts degree in 1962 from the College with a major in mathematics and a minor in chemistry and, in 1971, her Ph.D. degree from the University of Notre Dame. While at Notre Dame she pursued studies in the history and philosophy of science and spent a year in Cambridge, England researching the papers of Sir Isaac Newton for her dissertation, "Isaac Newton's Notion of Scientific Explanation." She subsequently became a faculty member in the Philosophy Department at the College. In 1976/77 she was named an ACE Fellow in Academic Administration and spent a year at Goucher College, Towson, Maryland as Assistant to the President. Returning to the College, she was successively named Associate Academic Dean, Academic Dean, and, since 1984, President. Nationally, she is the current chair of the Executive Committee of the Council of Independent Colleges and serves on the Boards of several other education associations and advisory bodies. Locally and regionally, in addition to her membership on several corporate and nonprofit Boards, Dr. Pampusch chairs the Rhodes Scholarship Selection Committee for her six-state district. Her publications and presentations focus on philosophy of science, values in education, and education for women.

Vice President and Treasurer

Mr. William S. Halloran serves the College as Vice President of Business and Financial Affairs, a position he has held since 1988. His background includes extensive experience in the nonprofit and profit sectors in highlevel financial positions. He is responsible for the overall financial affairs of the College, including planning, budget preparation and monitoring, as well as day to day business activities. Mr. Halloran is a Certified Public Accountant, received his undergraduate accounting and economic degree from Northeastern University located in Boston, Massachusetts, and was later awarded an MBA from the University of Minnesota.

Other officers of the College include:

Marilou Eldred, Vice President
Eleanor Lincoln, CSJ, Secretary

Campus

The St. Paul campus is located on 110 wooded acres in the heart of the Twin Cities. It houses a fine arts complex containing educational facilities for the visual and performing arts, classrooms, art galleries, a "little theater," audiovisual areas and O'Shaughnessy Auditorium, a 1,800-seat performance hall. Community use of O'Shaughnessy Auditorium for music, dance and theater performances, as well as for lectures and workshops, enhances the vitality of the campus.

St. Mary's campus is located in Minneapolis. Its two buildings are adjacent to Fairview Riverside Medical Center. The College leases Old Main from Carondelet LifeCare Corporation under a 30-year lease expiring in 2022 at a nominal rent. The College leases the Education Building (originally financed with the Authority's Series L Bonds) from the Authority but the College will exercise its option to purchase the building within the next few months.

Major Buildings

St. Paul Campus

Visual Arts. Consists of three and one-half floors, 40,000 square feet, and was built in 1969. It serves a variety of functions including galleries, classrooms, offices, laboratory, and storage.

Bookstore. An 8,000 square foot two-story building, it was constructed in 1904 and originally served as the power plant. The present use is primarily bookstore and office space.

Lady of Victory Chapel. Consists of 31,000 square feet, and serves a variety of functions including the learning center, meeting rooms and offices, and as the campus chapel. The east wing has two floors. The building was constructed in 1924 and is listed in the National Register of Historical Buildings.

Derham Hall. Functions as the central administration building, and on its highest fourth floor includes a sisters' residence. The building occupies 55,000 square feet and was built in 1904, originally as a high school. It is listed in the National Register of Historical Buildings.

Fontbonne Hall. A three-story 49,000 square foot building constructed in 1932. It has served principally as a sports facility (swimming pool, gymnasium, locker rooms), but also consists of office and lounge space. It is this building the College intends to replace with the new sports facility, although some of the older functions can still be satisfied with Fontbonne.

Jeanne d'Arc Auditorium/Whitby Hall. Constructed in 1914, this four-story 74,000 square foot building provides office, classroom, auditorium, lounge, and residential space on the third and fourth floors.

Library. This two-story 50,000 square foot building houses the library and computer center. It provides limited meeting, classroom, and office space and was built in 1960.

Mendel Hall. Our largest classroom building, consisting of 62,000 square feet, was constructed in 1927 and partly renovated in 1991. The building has four plus floors, comprised primarily of classrooms, science laboratories, and offices.

Music Building. A 25,000 square foot structure constructed in 1969. It provides practice and performance space, as well as classrooms and offices.

O'Shaughnessy Auditorium. Constructed in 1969, this two-story 1,800-seating capacity auditorium also includes costume shops, dressing rooms, classrooms, offices, and storage facilities.

Mabel Frey Theater. A one-story 9,900 square foot theater has a 162 seating capacity. It was constructed in 1969.

Residential Buildings

	<u>Year Built</u>	<u>Square Feet</u>	<u>Floors</u>	<u>Occupancy</u>
Caecilian Hall	1921	27,000	4	102
Crandall Hall	1969	12,000	3	52
Stanton Hall	1969	12,000	3	52
Georgia Apartments	1975	34,000	3	36 Units*
Alberta Apartments	1976	34,000	3	36 Units*
St. Mary Hall	1961	54,000	4	190

* Apartment units may be occupied by more than one person.

There are also 175 additional residential living spaces provided within some of the classroom/office buildings.

St. Mary's Campus

Old Main. Has five stories and houses the central administration as well as rooms for 100 students, an auditorium, laboratories, bookstore, classrooms, and student lounges. It was built in 1924 and provides 83,000 square feet of space.

Education Building. This is an eight-story 62,000 square foot building built in 1972. It provides classrooms, laboratories, and office space.

Academic Information

Accreditation. The College is accredited by: North Central Association of Colleges and Schools, National Council for the Accreditation of Teacher Education, National League for Nursing, Minnesota Board of Nursing, Council on Medical Education of the American Medical Association, American Occupational Therapy Association, National Association of Schools of Music, Council on Social Work Education, American Chemical Society, and Program approval by the American Dietetics Association.

Degrees Offered

Undergraduate Degrees. The College (St. Paul campus) offers to women, weekday students, the baccalaureate degree in more than 30 major fields of study including more than 70 areas of concentration. Through the combined resources of the Associated Colleges of the Twin Cities, an additional 30 majors are available. The academic year for weekday students is divided into two semesters: Fall (September through December) and Winter: (February through May).

Weekend College. Weekend College offers women the opportunity to earn a college degree in four years by attending classes every other weekend, with three trimesters during the academic year: September-December, January-March, April-June. Weekend College requires a significant degree of independent study. Nine majors are offered: business administration, communication, economics, elementary education, information management, nursing, occupational therapy, philosophy, applied ethics, and social work.

Graduate Degrees. The College offers graduate degree programs to men and women in: Nursing, Occupational Therapy, Organizational Leadership, Physical Therapy, and Theology. It participates in a cooperative program through which students may earn a Masters degree in Library Science from Rosary College (Illinois); and offers a joint degree with the University of St. Thomas in Social Work.

Associate Degrees and Certificates. The St. Mary's campus offers associate degree and certificate programs in 15 health care and human service fields to a diverse, coeducational student body. The campus atmosphere and educational philosophy stress student development, frequent opportunities for success, and individualized academic, personal and financial support. The mission of St. Mary's campus is to educate competent, technical-level health care and human service workers, who have a regard for the whole person.

St. Mary's associate degree programs combine general education with the basic knowledge, skills and values of specific health care and human service fields. Certificate programs emphasize specialized knowledge and skills necessary to meet additional educational needs in particular fields. Innovative programming and quick response to the changing demands of health care and human service delivery systems characterize the programs offered on the St. Mary's campus.

Student Body

The 5-year actual and estimated full time equivalent (FTE) is provided below:

<u>Year Actual</u>	<u>Weekday Program</u>	<u>Graduate Program</u>	<u>Weekend College</u>	<u>St. Paul Total</u>	<u>SMC*</u> <u>Total</u>	<u>Grand Total</u>
Fall 1988	1660	96	376	2132	687	2,819
Fall 1989	1625	96	358	2079	758	2,837
Fall 1990	1614	102	362	2078	839	2,917
Fall 1991	1543	135	335	2013	940	2,953
Fall 1992	1526	209	490	2225	979	3,204

* St. Mary's campus.

<u>Estimate*</u>	<u>St. Paul Total</u>	<u>SMC Total</u>
Fall 1993	2,125	1,103
Fall 1994	2,070	1,150
Fall 1995	2,086	1,167
Fall 1996	2,088	1,170
Fall 1997	2,103	1,175

* Estimates are those of the College management. However, events and circumstances frequently do not occur as expected, and actual enrollment levels may vary materially from those estimated. If the estimated enrollment levels are not met, the College adjusts operations so that it can meet its long-term financial obligations.

Applications, Acceptances and Enrollments

<u>Year</u>	<u>Applications</u>				<u>Acceptances</u>				<u>Enrolled</u>			
	<u>Day</u>	<u>Grad</u>	<u>WEC</u>	<u>SMC</u>	<u>Day</u>	<u>Grad</u>	<u>WEC</u>	<u>SMC</u>	<u>Day</u>	<u>Grad</u>	<u>WEC</u>	<u>SMC</u>
Fall 1988	1,208	38	278	629	1,042	35	239	536	600	28	173	420
Fall 1989	1,055	29	250	591	917	25	221	477	509	20	154	395
Fall 1990	1,050	181	259	656	944	104	230	568	518	94	161	381
Fall 1991	1,087	302	255	742	959	144	229	584	534	103	149	425
Fall 1992	1,169	364	273	906	1,006	191	239	712	536	147	173	495

	<u>Total Applications</u>	<u>Total Acceptances</u>	<u>Total Enrolled</u>	<u>Acceptance Ratio</u>	<u>Enrollment Ratio</u>
Fall 1988	2,153	1,852	1,221	86.0	65.9
Fall 1989	1,925	1,640	1,078	85.2	65.7
Fall 1990	2,146	1,846	1,154	86.0	62.5
Fall 1991	2,386	1,916	1,211	80.3	63.2
Fall 1992	2,712	2,148	1,351	79.2	62.9

Tuition and Fees

<u>St. Paul Campus (Day Program)</u>	<u>1988/89</u>	<u>1989/90</u>	<u>1990/91</u>	<u>1991/92</u>	<u>1992/93</u>
Tuition and Fees*	\$ 7,756	\$ 8,622	\$ 9,248	\$10,140	\$10,794
Room and Board	<u>2,930</u>	<u>3,140</u>	<u>3,350</u>	<u>3,593</u>	<u>3,850</u>
Total	\$10,686	\$11,762	\$12,598	\$13,733	\$14,644

St. Mary's Campus

Tuition and Fees (Per Credit)	\$ 199	\$ 219	\$ 236	\$ 250	\$ 265
Room	980	1,060	1,124	1,200	1,260
Other*	--	--	--	--	30
Average Credit Load (Semester)	9.6	9.5	9.2	9.0	9.0

* Certain other fees may be charged depending on activity or course of study.

Average SAT Scores For All St. Paul Campus Freshman Matriculants

	<u>1987/88</u>	<u>1988/89</u>	<u>1989/90</u>	<u>1990/91</u>	<u>1991/92</u>
Verbal/Math	460/490	467/489	473/489	449/483	464/492

Outcomes (For Undergraduate Programs)

	<u>1987/88</u>	<u>1988/89</u>	<u>1989/90</u>	<u>1990/91</u>	<u>1991/92</u>
Graduation Rate*	56%	47%	52%	56%	58%

* The graduation rate is measured on the basis of a five-year academic calendar.

1992/93 Undergraduate Rate Comparison of Minnesota Private Colleges (Ranked by Total Fees)

<u>College</u>	<u>Tuition & Fees</u>	<u>Room & Board</u>	<u>Comprehensive Fees</u>
Carleton College	\$17,360	\$3,540	\$20,900
Macalester College	14,125	4,208	18,333
Hamline University	12,365	3,895	16,260
St. Olaf College	12,750	3,500	16,250
Gustavus Adolphus College	12,600	3,225	15,825
University of St. Thomas	11,204	3,850	15,054
Augsburg College	10,853	4,022	14,875
College of Saint Catherine	10,794	3,850	14,644
Minneapolis College of Art & Design	11,130	3,400	14,530
College of St. Benedict	10,578	3,887	14,465
St. John's University	10,578	3,783	14,361
Bethel College	10,540	3,790	14,330
College of St. Scholastica	10,659	3,498	14,157
St. Mary's College of Minnesota	9,730	3,250	12,980
Concordia College (St. Paul)	9,000	3,180	12,180
Concordia College (Moorhead)	<u>9,200</u>	<u>2,900</u>	<u>12,100</u>
Average	\$11,467	\$3,611	\$15,078

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

Source: Minnesota Private College Council.

Faculty

The teaching student-faculty ratio for 1991/92 for each campus was 14 to 1. There are no religious or denominational prerequisites or any participatory religious requirements for faculty membership. The College subscribes to the 1940 Statement of Principles on Academic Freedom of the American Association of University Professors and the Association of American Colleges.

Salaries of Full-Time Instructional Faculty

<u>Academic Rank</u>	<u>St. Paul Campus</u>		<u>St. Mary's Campus</u>	
	<u>Number of Faculty</u>	<u>Average Total Compensation</u>	<u>Number of Faculty</u>	<u>Average Total Compensation</u>
Professor	27	\$41,672	2	\$38,133
Associate Professor	63	34,353	3	33,737
Assistant Professor	65	29,608	25	27,477
Instructor	<u>13</u>	23,662	<u>7</u>	22,000
Total	<u>168</u>		<u>37</u>	

Of the full-time faculty, 90 hold Ph.D.'s in their fields and 105 hold Master's degrees. Approximately 54% and 25% of the St. Paul and St. Mary's campus faculty are tenured, respectively.

Retirement Plans

The College has a defined benefit retirement plan covering substantially all of its fulltime hourly employees. The funding policy is to make annual contributions of not less than the minimum required by applicable regulations. The plan assets consist of investment in various common trust funds managed by the Plan's trustee.

The College also participates in a discretionary individual retirement plan administered by Teachers Insurance and Annuity Association and College Retirement Equities Fund which covers substantially all faculty and administrative personnel. The College matches an employee's contribution up to 6% of his/her salary. Retirement fund expense was \$379,000 and \$287,000 for the years ended May 31, 1992 and 1991, respectively.

Collective Bargaining Units

The International Union of Operating Engineers, Local 70 of the AFL-CIO is the exclusive representative of all full-time and regular part-time engineers, custodians, grounds keepers, housekeepers, gardeners, and painters employed by the College in St. Paul. The agreement expires on May 31, 1995. The Engineers' contract is separately negotiated and expires on May 31, 1994. The bargaining unit represents approximately 26 custodians, 6 trades, and 9 engineers.

Financial Aid

Approximately 72% of the College's students at the St. Paul campus and 75% at the St. Mary's campus receive some form of financial aid. Some of the federal and state financial aid

programs apply to tuition and fees, whereas others provide for living expenses such as transportation, housing and personal expenses.

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

	<u>1987/88</u>	<u>1988/89</u>	<u>1989/90</u>	<u>1990/91</u>	<u>(Pre-Audit) 1991/92</u>
State Funds	\$ 2,965,000	\$ 3,023,000	\$ 3,331,000	\$ 3,383,000	\$ 3,685,000
Federal Funds	5,719,000	7,169,000	8,163,000	8,780,000	9,839,000
College Funds	2,593,000	2,596,000	3,140,000	3,207,000	3,312,000
GSL and SLS	<u>3,312,000</u>	<u>4,206,000</u>	<u>5,108,000</u>	<u>6,106,000</u>	<u>6,811,000</u>
Total	<u>\$14,589,000</u>	<u>\$16,994,000</u>	<u>\$19,742,000</u>	<u>\$21,476,000</u>	<u>\$23,647,000</u>

Capital Campaign

In 1989 the College adopted a plan to foster creative thinking and constructive change for the 1990's. Its vision for the future calls for maintaining the traditions of excellence the College has come to be known by, but seeks new initiatives as well. The 1986 acquisition of the St. Mary's campus, for example, has positioned the College to move forward with added strength and diversity.

The financial goals of the campaign are:

	<u>Goal</u>	<u>Pledges to Date</u>	<u>Paid Pledges To Date</u>
Facilities	\$ 8,580,000	\$ 7,500,000	\$3,000,000
Endowment	5,490,000	5,500,000	2,200,000
Special Projects	<u>1,430,000</u>	<u>800,000</u>	<u>1,000,000</u>
Total	<u>\$15,500,000</u>	<u>\$13,800,000</u>	<u>\$6,200,000</u>

NOTE: The campaign is scheduled for completion on May 31, 1993.

Endowment and Similar Fund Investments

Following is a five-year history of the ending fund balances of the College's Endowment and Deferred Gifts Funds, as reported in the annual financial statements of the College for each year.

<u>Year Ended May 31</u>	<u>Market Value</u>
1988	\$ 8,498,000
1989	10,557,000
1990	11,287,000
1991	13,359,000
1992	15,066,000

As of May 31, 1992 endowment and similar funds were invested in Common and Preferred Stocks (47%), U.S. Government Obligations (30%), Corporate Bonds (8%), and cash and other investments (15%).

Gifts and Grants

Gifts and grants revenues received by fund for the past five years as reported in the annual financial statements of the College have been:

	<u>Current Funds</u>		<u>Student</u>			
	<u>Unrestricted</u>	<u>Restricted</u>	<u>Loans</u>	<u>Endowment</u>	<u>Plant Fund</u>	<u>Total</u>
1987/88	\$686,000	\$4,525,000	\$350,000	\$ 873,000	\$ -0-	\$ 6,434,000
1988/89	644,000	4,419,000	329,000	511,000	118,000	6,021,000
1989/90	713,000	5,180,000	282,000	596,000	289,000	7,060,000
1990/91	883,000	5,938,000	68,000	646,000	881,000	8,416,000
1991/92	718,000	6,929,000	289,000	1,081,000	1,238,000	10,255,000

Financial Statements

The College's Fiscal Year ends May 31 of each year. Financial records are maintained on the fund accounting system and financial statements have been prepared on the accrual basis of accounting. It is the policy of the Board that the financial statements be audited annually by an independent public accounting firm. The financial statements for the fiscal year ended May 31, 1992, included herein as Appendix V have been audited by Ernst & Young. Ernst & Young, has not participated in the preparation of this Official Statement and expresses no opinion of its contents.

Summary of Current Funds Revenues, Expenditures, and Transfers

The accompanying table sets forth summaries of revenue, expenditures, and other changes for the College's Unrestricted Current Fund for the past five Fiscal years from the College's audited financial statements.

COLLEGE OF SAINT CATHERINE
SUMMARY OF OPERATING RESULTS - UNRESTRICTED CURRENT FUND
Summarized from Audited Financial Reports of the College
ALL AMOUNTS \$000

	Fiscal Years Ended May 31,					Budget
	1988	1989	1990	1991	1992	1993
REVENUES						
Educational & General						
Student Tuition & Fees	\$16,385	\$18,736	\$20,562	\$22,030	\$23,490	\$25,105
Private Gifts	685	643	713	883	718	1,340
Endowment Income	191	118	248	243	199	250
Sisters' Support	379	407	240	158	50	--
Other Sources	378	504	501	555	520	287
Auxiliary Enterprises	<u>3,770</u>	<u>4,268</u>	<u>4,430</u>	<u>4,781</u>	<u>4,764</u>	<u>4,335</u>
TOTAL	\$21,788	\$24,676	\$26,694	\$28,650	\$29,741	\$31,317
EXPENDITURES						
Educational & General						
Instruction	\$ 7,606	\$ 7,925	\$ 8,567	\$ 9,626	\$10,337	\$10,654
Academic Support	1,697	1,659	1,723	1,837	1,807	2,127
Student Service	1,864	1,757	1,983	2,292	2,432	2,389
Institutional Support	3,417	3,950	4,198	4,670	4,834	5,650
Physical Plant O & M	1,868	1,924	2,472	2,930	2,567	2,817
Student Aid	1,748	1,707	2,039	2,003	2,069	2,186
Auxiliary Enterprises	<u>3,357</u>	<u>3,920</u>	<u>4,048</u>	<u>4,226</u>	<u>4,574</u>	<u>4,484</u>
TOTAL	\$21,557	\$22,842	\$25,030	\$27,584	\$28,620	\$30,307
GROSS OPERATING SURPLUS	\$ 231	\$ 1,834	\$ 1,664	\$ 1,066	\$ 1,121	\$ 1,010
MANDATORY TRANSFERS						
Debt Service	\$ 361	\$ 384	\$ 389	\$ 400	\$ 413	\$ 400
Other	39	31	54	10	32	25
	<u>\$ 400</u>	<u>\$ 415</u>	<u>\$ 443</u>	<u>\$ 410</u>	<u>\$ 445</u>	<u>\$ 425</u>
Total Expenditures and Mandatory Transfers	\$21,957	\$23,257	\$25,473	\$27,994	\$29,065	\$30,732
Excess of Revenues Over Expenditures & Mandatory Transfers	\$ (169)	\$ 1,419	\$ 1,221	\$ 656	\$ 676	\$ 585
NON-MANDATORY TRANSFERS						
Endowment Income Reinvested	\$ 0	\$ 0	\$ 165	\$ 160	\$ 124	\$ 175
To Plant Fund	718	912	400	0	60	0
Other	0	0	188	0	0	0
	<u>\$ 718</u>	<u>\$ 912</u>	<u>\$ 753</u>	<u>\$ 160</u>	<u>\$ 184</u>	<u>\$ 175</u>
TOTAL INCREASE/(DECREASE) IN FUND BALANCE FROM OPERATIONS	\$ (887)	\$ 507	\$ 468	\$ 496	\$ 492	\$ 410
Ending Unrestricted Current Fund Balance:	\$(2,766)	\$(2,258)	\$(1,791)	\$(1,294)	\$ (802)	\$ (392)
UCF NET REVENUES AVAILABLE FOR DEBT SERVICE (Gross Operational Surplus Less Mandatory Transfers Other Than Debt Service)	\$ 192	\$ 1,803	\$ 1,610	\$ 1,056	\$ 1,089	\$ 985
MANDATORY TRANSFERS FOR DEBT SERVICE:	\$ 361	\$ 384	\$ 389	\$ 400	\$ 413	\$ 410
COVERAGE (times):	0.53	4.70	4.14	2.64	2.64	2.40

Five-Year Financial Plan

During fiscal 1986/88, the College experienced substantial operating deficits accumulating to \$2,766,000. The Board took several actions intended to correct the problem. Among them was the establishment of a financial vice president position reporting directly to the president of the college. A five-year financial plan was prepared and one of its goals was to eliminate the deficit by fiscal 1993/94. In each of the years since the plan was prepared, the College has consistently achieved an increase in the fund balance from operations, and intends to continue the practice. Based on estimates for fiscal 1991/92 results, the College continues to meet its bottom line targets, and expects to achieve the goal of deficit elimination by 1993/94.

Long-Term Debt of the College

As of January 4, 1993, the College's total long-term debt outstanding, adjusted to include the Series Three-M Bonds, but excluding the Minnesota Higher Education Facilities Authority First Mortgage Revenue Bonds, Series L, redeemed January 1, 1993, is \$10,075,000.

1. \$1,000,000 College of Saint Catherine Dormitory Bonds, Series 1960, with a final maturity of April 1, 2000, purchased by the U.S. Department of Housing and Urban Development at a 3.125% interest rate. Proceeds were used to construct St. Mary Hall dormitory. The Bonds are secured by the full faith and credit of the Sisters of St. Joseph of Carondelet, St. Paul, Minnesota, and by a mortgage on and pledge of related gross revenues from St. Mary Hall dormitory.

\$320,000 principal is outstanding.

2. \$690,000 Minnesota Higher Education Facilities Authority First Mortgage Revenue Bonds, Series M, dated April 1, 1975; final maturity is November 1, 1996. The Series M Bonds are secured by the full faith and credit of the College; a mortgage on and pledge of gross revenues from the project building, a dormitory on the St. Paul campus at 559 Fairview Avenue; a debt service reserve of \$48,000; and the Authority's General Bond Reserve.

\$250,000 principal is outstanding.

3. \$795,000 Minnesota Higher Education Facilities Authority First Mortgage Revenue Bonds, Series R, dated August 1, 1976; final maturity is May 1, 1997. The Series R Bonds are secured by the full faith and credit of the College; a mortgage on and pledge of gross revenues from the project building, a student apartment building on the St. Paul campus at 569 Fairview Avenue; a debt service reserve of \$60,000; and the Authority's General Bond Reserve.

\$300,000 principal is outstanding.

4. The Series Three-M Bonds.

PROPOSED FORM OF LEGAL OPINION

FAEGRE & BENSON

2200 NORWEST CENTER

90 SOUTH SEVENTH STREET

MINNEAPOLIS, MINNESOTA 55402-3901

612/336-3000

FACSIMILE 336-3026

\$5,725,000

Minnesota Higher Education Facilities Authority
Mortgage Revenue Bonds Series Three-M1
(The College of Saint Catherine)

\$3,480,000

Minnesota Higher Education Facilities Authority
Mortgage Revenue Bonds Series Three-M2
(The College of Saint Catherine)

We have acted as bond counsel in connection with the issuance by the Minnesota Higher Education Facilities Authority (the "Authority") of its fully registered (initially book entry system) Mortgage Revenue Bonds, Series Three-M1 and Series Three-M2 (The College of Saint Catherine) dated as of January 1, 1993 (collectively, the "Bonds"). The Bonds are issued for the purpose of funding a loan from the Authority to The College of Saint Catherine, a Minnesota nonprofit corporation (the "College"), as owner and operator of The College of Saint Catherine, a Minnesota nonprofit institution of higher education having its main campuses in the Cities of St. Paul and Minneapolis, Minnesota (the "Institution"), in order to finance the costs of a project consisting of the acquisition, construction, improving, furnishing and equipping, including appurtenant site improvements, of certain existing and new facilities on the campus of the Institution (as further described in the Loan Agreement and Indenture, the "Project"). We have examined executed counterparts of the Loan Agreement (the "Loan Agreement") between the Authority and the College and the Trust Indenture (the "Indenture") between the Authority and Norwest Bank Minnesota, National Association, in Minneapolis, Minnesota, as Trustee, both dated as of January 1, 1993, the form of the Bonds prepared for execution, and such other documents as we deemed necessary for the purpose of the following opinion.

As to questions of fact material to our opinion, we have relied upon certified proceedings, documents and certifications furnished to us by public officials and officials of the College without undertaking to verify such facts by independent investigation. We have also relied upon the opinion of Briggs and Morgan, Professional Association, as to the Loan Agreement and the Mortgage (as defined in the Loan Agreement) having been duly authorized and executed and being binding upon the College, as to the corporate organization, good standing and

powers of the College, and upon its opinion and that certain title insurance commitment, as to the title to the Project Site (as defined in the Loan Agreement and Indenture) without examining the records of the College or original title records or abstracts of title. We have also relied upon the opinion of Hawkins, Delafield & Wood as special tax counsel to the College as to certain matters relating to the College.

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

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

1. The Authority is an agency of the State of Minnesota with authority under Sections 136A.25 to 136A.42, Minnesota Statutes, as amended, to issue the Bonds, to loan the proceeds thereof to the College and to execute and deliver the Loan Agreement and the Indenture to secure the Bonds.
2. The Loan Agreement and the Indenture are valid and binding instruments of the parties thereto, enforceable in accordance with their terms.
3. The Bonds are secured by the assignment of the loan repayments payable by the College under the Loan Agreement to the Trustee, in amounts and at times sufficient (if timely paid in full) to pay the principal of and interest on the Bonds when due, and by the pledge of the funds and investments held by the Trustee under the Indenture.
4. Assuming compliance with the covenants in the Loan Agreement and Indenture, the interest on the Bonds is not includable in gross income for purposes of Federal income taxation or in taxable income of individuals, estates and trusts for purposes of Minnesota income taxation under present laws and rulings. Interest on the Bonds is not an item of tax preference required to be included in the computation of "alternative minimum taxable income" for purposes of the federal alternative minimum tax applicable to individuals under Section 55 of the Internal Revenue Code of 1986, as amended (the "Code"), or Minnesota alternative minimum tax applicable to individuals, trusts and estates. Interest on the Bonds is includable in "adjusted current earnings" for the purpose of determining the "alternative minimum taxable income" of corporations under Section 55 of the Code and is subject to the Minnesota franchise tax imposed upon corporations, including financial institutions, measured by taxable income and the alternative minimum tax base.

The Bonds are not arbitrage bonds within the meaning of Section 148 of the Code. The Bonds are "private activity bonds" within the meaning of Section 141(a) and "qualified 501(c)(3) bonds" within the meaning of Section 145 of the Code. Ownership of the Bonds will result in disallowance of a deduction for a portion of the interest expense of a "financial institution" under Section 265(b) of the Code. Reference is made to the caption "Tax Exemption" in the Official Statement for a description of the effect of certain provisions of the Code relating to, among other things, the environmental tax imposed on corporations, the branch profits tax imposed on foreign corporations, losses incurred by property and casualty insurance companies, Subchapter C earnings of S corporations, net investment income of foreign corporations, and the taxability of Social Security and railroad retirement benefits.

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

Dated at Minneapolis, Minnesota, January __, 1993.

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DEFINITION OF CERTAIN TERMS

Act: Sections 136A.25 to 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 Regulation Sections 1.103-13 to 1.103-15 and Sections 1.148-0 to 1.150-1.

Authority: The Minnesota Higher Education Facilities Authority, its successors and assigns.

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

Authorized Denomination: \$5,000 and any integral multiple thereof.

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

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

Available Monies: Any monies on deposit with the Trustee for the benefit of Bondholders which are (i) proceeds of the Series Three-M Bonds, (ii) amounts on deposit for a period of 90 consecutive days during which no petition in bankruptcy under the U.S. Bankruptcy Code has been filed by or against the College, instituted under state insolvency or other laws affecting creditor's rights generally, or (iii) any monies with respect to which an unqualified opinion from nationally recognized counsel has been received stating that such payments to bondholders would not constitute voidable preferences under Section 547 of the U.S. Bankruptcy Code, or similar state or federal laws with voidable preference provisions in the event of the filing of a petition for relief under the U.S. Bankruptcy Code, or similar state or federal laws with voidable preference provisions by or against the College from whom the money is received.

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

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

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

Bonds or Series Three-M Bonds: \$9,205,000 Minnesota Higher Education Facilities Authority Mortgage Revenue Bonds, Series Three-M1 and Series Three-M2 (The College of Saint Catherine).

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

Bond Documents: The Indenture, the Loan Agreement and the Mortgage, collectively.

Bond Insurance Policy: The bond insurance policy issued by the Bond Insurer that guarantees scheduled payments of principal and interest on the Series Three-M Bonds.

Bond Insurer: Connie Lee Insurance Company, a Wisconsin stock insurance company, or any successor thereto.

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

Bond Resolution: The Series Resolution of the Authority adopted on November 18, 1992, authorizing the Bonds, as the same may be amended, modified or supplemented by any amendments or modifications thereof.

Bond Year: (a) The period from the Issue Date to the close of business on October 1, 1993 and (b) each succeeding 12-month period ending at the close of business on October 1 of each year in which the outstanding Series Three-M Bonds, if paid at their stated maturity dates, shall be outstanding.

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

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

College: The College of Saint Catherine, a Minnesota nonprofit corporation, its successors and assigns.

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

Contributions and Pledge Receipts: Contributions to the College and payments on Pledges specifically designated or restricted by the donor to be used to finance the Project, or allocated to the Project pursuant to a resolution of the Board of Trustees of the College.

Debt Service Coverage Ratio: For any particular period, the ratio (expressed as a percentage) determined by dividing Net Income Available for Debt Service during the period by the total amount of principal and interest payable on Funded Debt during the period.

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

Event of Default: An Event of Default described in the Indenture or Loan Agreement and summarized in Appendix IV - SUMMARY OF DOCUMENTS under the headings "The Indenture - Events of Default" and "The Loan Agreement - Events of Default."

Fees and Expenses: All fees and expenses payable by the College pursuant to the Loan Agreement or any other Bond Document.

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

Fiscal Year: The College's fiscal year, currently the 12-month period ending on May 31 in each year.

Funded Debt: Indebtedness (including a guarantee of indebtedness) for borrowed money having a maturity date of more than one year and as defined in Section 6.13 of the Loan Agreement.

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

Gift Receipts: Contributions and Pledge Receipts.

Gift Receipts Account: The account established pursuant to the Indenture into which certain Contributions and Pledge Receipts shall be deposited from time to time by the College.

Guaranty Agreement: The Guaranty Agreement dated as of January 1, 1993, from the Province to the Trustee.

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

Indenture: The Trust Indenture between the Authority and Norwest Bank Minnesota, National Association, Minneapolis, Minnesota, as Trustee, dated as of January 1, 1993, under which the Bonds are authorized to be issued, and including any indenture supplemental thereto.

Institution: The College of Saint Catherine, an institution of higher education owned and operated by the College.

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

Issue: The Bonds.

Issue Date: The date on which the Series Three-M Bonds are delivered to the purchasers thereof upon original issuance.

Issuer: The Authority.

Lease: The Lease from Carondelet LifeCare Corporation to the College of the building and land described as Old Main on the St. Mary's campus.

Liquid Fund Balances: Unrestricted, unencumbered fund balances of the College's Current Unrestricted Fund, Board-designated Endowment Fund, and Plant Fund.

Loan Agreement: The Loan Agreement between the Authority and the College dated as of January 1, 1993, as amended or supplemented from time to time.

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

Maximum Annual Debt Service: The largest total amount of principal of and interest on Funded Debt payable by the College in any future Fiscal Year during which Bonds will (if paid at their stated maturity dates or redeemed in accordance with a mandatory sinking fund schedule) be outstanding, and as further defined in Section 6.13 of the Loan Agreement.

Mortgage: The Combination Mortgage, Security Agreement and Fixture Financing Statement, dated as of January 1, 1993 from the College to the Authority, and assigned by the Authority to the Trustee, as amended or supplemented from time to time.

Mortgaged Property: The sports facility and the land on which it is located, as the same may at any time exist.

Net Income Available for Debt Service: The excess of Unrestricted Current Fund revenues over Unrestricted Current Fund expenditures but excluding depreciation, amortization and interest from Unrestricted Current Fund expenditures, plus income from investments of Accounts held by the Trustee under the Indenture, all as determined by generally accepted accounting principles in effect from time to time. For purposes of the covenant set forth on page 11 hereof Unrestricted Current Fund revenues shall include the sum of (a) all funds then on deposit in the Gift Receipts Account, (b) all unrestricted gifts received by the College in such Fiscal Year and (c) all scheduled gift receipts based on written pledges expected to be received in such Fiscal Year multiplied by the lesser of (i) 90% or (ii) the percentage of all scheduled gift receipts based on written pledges actually received in the immediately preceding six-month period.

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

Permitted Encumbrances: As of any particular time, (i) liens for ad valorem taxes and special assessments not then delinquent, (ii) utility, access and other easements and rights-of-way, mineral rights, restrictions and exceptions that an independent engineer certifies will not interfere with or impair the use of or operations being conducted in the Project Facilities, (iii) such minor defects, irregularities, encumbrances, easements, rights-of-way and clouds on title as normally exist with respect to properties similar in character to the Project Facilities (including, with respect to Project Equipment, purchase money security interests and equipment leases) and as do not in the aggregate, in the opinion of independent counsel, materially impair the property affected thereby for the purposes for which it was acquired or is held by the College, (iv) the Mortgage and (v) those additional encumbrances set forth in Exhibit C to the Loan Agreement.

Pledges: Written pledges or donors' expressions of the intent of the donors to pay to the College or the Institution, contributions in a lump sum or in installments from time to time.

Project: Except as the description of the Project may be amended in accordance with the Loan Agreement, the Project consists of: (i) the acquisition, construction, furnishing and equipping of a sports facility (including gym and pool) to be located on the St. Paul campus of the College, (ii) the acquisition and installation of air conditioning in the Art Building and replacement windows in Mendel Hall, each located on the St. Paul campus of the College, (iii) the remodeling, furnishing and equipping of the student lounge in St. Joseph Hall, located on the St. Paul campus of the College, (iv) the remodeling, furnishing and equipping of the Education Building, and Old Main, both located on the Minneapolis campus of the College, and (v) including all appurtenant site improvements to the items listed in clauses (i) through (iv) above, all to be owned or operated by the College and located on the Minneapolis or St. Paul campus of the College as set forth above.

Project Buildings: (i) the sports facility to be constructed as part of the Project and located on the St. Paul campus of the College, (ii) the Art Building located on the St. Paul campus of the College, (iii) Mendel Hall located on the St. Paul campus of the College, (iv) St. Joseph Hall located on the St. Paul campus of the College, (v) the Education Building located on the Minneapolis campus of the College, and (vi) Old Main located on the Minneapolis campus of the College.

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

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

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

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

Province: Sisters of St. Joseph of Carondelet, St. Paul Province, a Minnesota non-profit corporation.

Redemption Account: The Redemption Account created under the Indenture for deposit of any moneys received which are not otherwise committed. Moneys in the Redemption Account shall be used (i) to create and maintain the required balance in the Bond and Interest Sinking Fund Account, (ii) to create and maintain the required balance in the Reserve Account, and (iii) to redeem or prepay outstanding Bonds to the extent permitted or required by the Loan Agreement. Moneys in the Redemption Account may be used in the discretion of the Trustee to pay rebate due to the United States under Section 148 of the Internal Revenue Code if the College or the Authority fails to provide for payment of any rebate.

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

Reserve Account: The Reserve Account established under the Indenture containing a Series Three-M1 Reserve Subaccount and a Series Three-M2 Reserve Subaccount into which at Bond Closing will be placed Bond proceeds in the amount of the Reserve Requirement (approximately \$918,950). Moneys in each subaccount of the Reserve Account shall be used to pay principal of and interest on the corresponding series of the Bonds if moneys in the corresponding subaccount of the Bond and Interest Sinking Fund Account or the Redemption Account are not sufficient therefor.

Reserve Requirement: For each subaccount of the Reserve Account the maximum amount of principal of and interest on the related series of the Bonds payable in any remaining Bond Year or (if less) 10% of the proceeds (par value less original issue discount, if any, according to the reoffering scale) received from the issuance and sale of the Bonds.

Sinking Fund Subaccount: The Sinking Fund Subaccount of the Bond and Interest Sinking Fund Account created under the Indenture into which the Authority shall deposit certain moneys for mandatory redemption prior to maturity of Bonds as specified in the Indenture.

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

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

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

Tuition Fees: All rights of the College to receive tuition for educational purposes (but not including moneys received with respect to room and board charges, mandatory student fees charged to students by the College, book store receipts and other non-tuition charges), including, without limitation, accounts, accounts receivable, contract rights, documents, instruments, chattel paper, money and general intangibles to the extent the same relate to tuition, together with all proceeds from any of the foregoing whether cash or non-cash, existing when the Loan Agreement is executed or thereafter coming into being.

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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 III, contained herein.

Completion of Project

The College represents that the acquisition, construction and improvement of the Project are to be substantially completed by no later than December 1, 1994 subject only to "force majeure," as provided in the Loan Agreement, provided that the College may apply to the Authority at any time to delete from the Project any building, system or equipment proposed to be acquired, constructed or improved as part of the Project, or to add any building, system or equipment to the Project, and upon approval of the Authority, the description of the Project shall accordingly be amended by a supplement to the Loan Agreement executed by the Authority and the Institution, a copy of which shall be furnished to the Trustee, provided that no such amendment of the description of the Project shall be approved if the Project, as so amended, will not constitute an authorized "project" under the Act or will adversely affect the tax exempt status of interest on the Bonds or if the College does not represent that it has sufficient funds on hand to complete the Project as amended. The College agrees that it has previously paid or will itself pay all costs relating to the acquisition, construction, improving and equipping of the Project, including costs of issuance of the Bonds, to the extent such payments and costs are not met from proceeds of the Bonds in the Construction Account.

Loan Repayments

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

- (a) At least ten Business Days prior to each October 1 and April 1, commencing October 1, 1993, the College shall deposit into each of the Series Three-M1 Bond and Interest Fund Subaccount and Series Three-M2 Bond and Interest Sinking Fund Subaccount, a sum which will be equal to the amount payable as interest on the Series Three-M1 Bonds or Series Three-M2 Bonds, as the case may be, on such interest payment date, and at least ten Business Days prior to each October 1 and April 1, commencing October 1, 1993, a sum equal to the amount payable as principal of the Series Three-M1 Bonds or Series Three-M2 Bonds, as the case may be, on such principal payment date, provided however, that there shall be credited against such obligations (i) the net amount of funds and investments then on deposit to the credit of the corresponding subaccount of the Bond and Interest Sinking Fund, and (ii) any credits permitted by Sections 5.02, 5.03 or 5.04 of the Indenture (relating to the transfer to the Bond and Interest Sinking Fund of certain investment earnings and certain excess funds) and Section 6.16 of the Loan Agreement (relating to the transfer to the Bond and Interest Sinking Fund of Gift Receipts); and

- (b) Prior to a date established for the optional redemption and prepayment of the Bonds, into the Redemption Account such amount, if any, as shall be necessary and sufficient to provide for the redemption of any Series Three-M Bonds called for redemption from the Redemption Account; and
- (c) Forthwith into the Series Three-M1 Bond and Interest Fund Subaccount or Series Three-M2 Bond and Interest Fund Subaccount or Redemption Account, as appropriate, the amount of any deficiency in the event that the funds on deposit in such subaccounts of the Bond and Interest Sinking Fund Account or Redemption Account on any Bond principal or interest payment date are for any reason insufficient to pay principal and interest on the Series Three-M Bonds then due or then to become due (whether at maturity, or by call for redemption, or by acceleration of maturity); and
- (d) Into the Reserve Account forthwith any amounts then required to be deposited therein by Section 5.02 of the Indenture; and
- (e) Into any fund or account designated by the Trustee funds in the amount determined by the Trustee to be necessary to comply with the provisions of Section 6.09(b) of the Loan Agreement and Section 5.05 of the Indenture (relating to arbitrage rebate); and
- (f) At least ten Business Days prior to each April 1 and October 1, commencing April 1, 2008, into the Sinking Fund Subaccount, a sum which will be equal to the amount, if any, as shall be necessary and sufficient to redeem on the next succeeding April 1 and October 1, at par plus accrued interest, the amount of the Series Three-M Bonds specified in the Indenture for mandatory redemption.

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

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

Use of Project Facilities

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

Maintenance of Project Facilities

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

Loan Agreement, the Mortgage and, as if such lease, sublease or use agreement had not been made.

Title to Property and Liens

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

Taxes and Other Governmental Charges

The College will pay all taxes, special assessments, license fees and governmental charges of any kind that may at any time be lawfully assessed or levied against, or with respect to the operations of the College, or the Project Facilities or any improvements, equipment or related property installed or bought by the College therein or thereon, or the Bonds, the Loan Agreement, the Mortgage, the Indenture, or the interest of the Authority, the Trustee, or the Bondholders therein.

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

Insurance

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

- (a) Insurance against loss and/or damage to the Project Facilities and contents, including fire and extended coverage in an amount not less than the lesser of (i) the full insurable replacement value of the Project Buildings or (ii) the principal amount of the outstanding Bonds or (if greater) 80% of the full insurable replacement value of the Project Buildings, with a deductible amount of up to \$50,000.
- (b) Comprehensive general public liability insurance against liability for personal injury in the minimum amount for each occurrence of \$5,000,000 and aggregate for each year of \$5,000,000, with a deductible amount of not more than \$50,000 per occurrence, and against liability for property damage in the minimum amount for each occurrence of \$100,000.
- (c) Workers' compensation insurance in such amount as is customarily carried by organizations in like activities of comparable size and liability exposure to the College.

Upon the written request of the College, the Trustee (i) may permit modifications to such insurance requirements and deductible amounts, including permission for the College to be self-insured in whole or in part for any comprehensive general public liability coverage, upon

such terms and conditions as the Trustee may require, and (ii) shall permit modifications to such insurance requirements and deductible amounts, including permission for self-insurance for comprehensive general public liability, in accordance with the recommendation of an independent insurance consultant employed by the College and satisfactory to the Trustee.

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

Damage or Destruction

If the Project Facilities shall be damaged or partially or totally destroyed there shall be no abatement in the Loan Repayments, and the College shall either repair, rebuild or restore the damaged facilities, or redeem and prepay the Bonds, or both, as more fully provided in the Loan Agreement. The Bonds may be redeemed in whole, at the College's option, if the Project Buildings are damaged or destroyed to such extent that they cannot be reasonably restored within six months or the College is prevented from carrying on its normal use and operation for six months or the cost of restoration would exceed by more than \$100,000 the Net Proceeds of the insurance. If one or more of the Project Buildings is damaged or destroyed and is not needed for the effective and economic operations of the Institution, the Bonds may be redeemed in part and the available Net Proceeds (or, if less, the pro rata portion) in respect of any Project Building or site thereof which the Institution elects not to repair, rebuild or restore shall be used for redemption or purchase of outstanding Bonds. For purposes of this provision, "pro rata portion" shall mean 35% of the principal amount of outstanding Series Three-M1 Bonds in the case of the Sports Facility located on the St. Paul campus of the College; 100% of the principal amount of outstanding Series Three-M2 Bonds in the case of the Sports Facility located on the St. Paul campus of the College; 20% of the principal amount of outstanding Series Three-M1 Bonds in the case of Old Main located on the Minneapolis campus of the College; and 20% of the principal amount of outstanding Series Three-M1 Bonds in the case of the Education Building located on the Minneapolis campus of the College.

Condemnation

If at any time before the Bonds have been fully paid (or provision for payment thereof has been made in accordance with the Indenture), title to one or more of the Project Buildings and site thereof shall be taken in any proceeding involving the exercise of the right of eminent domain, the College shall either redeem the Bonds in whole or in part or rebuild or restore such facilities, in whole or in part, or both, as more fully provided in the Loan Agreement. If the Bonds are redeemed in part, the available Net Proceeds (or, if less, the pro rata portion) in respect of any Project Building and site thereof which the College elects not to repair, rebuild, restore or replace shall be used for the redemption or purchase of outstanding Bonds. For purpose of this provision, "pro rata portion" shall be defined as set forth above under "Damage or Destruction."

Indemnification

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

any loss that may be sustained by the Authority in excess of the net proceeds received by the Authority from any insurance carried with respect to the loss sustained.

The College agrees to indemnify and hold harmless the Authority against any and all losses, claims, damages or liability to which the Authority may become subject under law, and to reimburse the Authority for any out-of-pocket legal and other expenses (including reasonable counsel fees) incurred by the Authority in connection with investigating any such losses, claims, damages, or liabilities or in connection with defending any actions, insofar as the same relate to information furnished to the Authority by the College in connection with the sale of the Bonds.

College to Maintain its Existence and Accreditation

The College agrees that during the term of the Loan Agreement it will maintain its existence as a nonprofit corporation institution of higher education under the laws of Minnesota and its accreditation as an institution of higher education by recognized accrediting agencies and that it will not consolidate with or merge into another corporation, or permit one or more other corporations to consolidate with or merge into it, or transfer all or substantially all of its assets to another institution except upon the conditions provided in the Loan Agreement. The conditions are the following: (a) if the surviving, resulting or transferee corporation, as the case may be, is other than the College, such surviving, resulting or transferee corporation shall assume in writing all of the obligations of the College in the Loan Agreement and the Mortgage, and be either a state university or college or a nonprofit corporation and a nonprofit Institution of higher education under the laws of Minnesota, eligible to be a participating nonprofit institution under the Act, and complies and will comply with the provisions of the Loan Agreement against discrimination and requiring that the Institution be nonsectarian; (b) the College shall furnish to the Trustee an opinion of bond counsel that such consolidation, merger or transfer shall not cause interest on the Bonds to be includable in gross income of the recipient for federal income tax purposes; and (c) after giving effect to such consolidation or merger: (i) there would be no event of default under the Loan Agreement; (ii) the surviving, resulting or transferred corporation could incur additional funded debt under Section 6.13(c) of the Loan Agreement, in an amount at least equal to \$1.00; and (iii) the unrestricted balance of the Current Unrestricted Funds of the surviving, resulting or transferred corporation would be at least equal to 90% of each balance prior to such consolidation or merger.

\$150,000,000 Limitation on Outstanding Nonhospital Bonds

The College has represented that the sum of the principal amount of the Bonds, plus the respective outstanding aggregate principal amounts of all tax-exempt nonhospital bonds issued on behalf of or for the benefit of the College and all organizations under common management or control with the College (other than qualified hospital bonds), within the meaning of Section 145 of the Internal Revenue Code, does not exceed \$150,000,000.

Federal Income Tax Status

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

College To Be Nonsectarian

The College agrees that it 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.

Financial Covenants

The College covenants and agrees, so long as the Bonds shall remain outstanding, to comply with the financial covenants described under the heading "Financial Covenants" in this Official Statement. In addition, the Loan Agreement includes provisions governing the calculation of Maximum Annual Debt Service covering, among other things, variable rate indebtedness, guarantees, balloon indebtedness, put indebtedness, refunded debt, subordinated debt, and capital appreciation bonds and notes.

Other Covenants

The College agrees to establish and maintain, according to the terms of Section 6.16 of the Loan Agreement, a Gift Receipts Account, into which shall be deposited promptly upon receipt but not less often than every 30 days all Contributions and Pledge Receipts received when the total Contributions and Pledge Receipts received after the Issue Date exceeds \$2,300,000 (representing the estimated amount of funds needed to complete the Sports Facility).

To secure Loan Repayments and Fees and Expenses, the College pledges and assigns to the Trustee a security interest in Tuition Fees. If an Event of Default specified in paragraphs (a) or (c) under "Events of Default" on page IV-7 hereof occurs and is continuing, the College will deposit all Tuition Fees in a special account established with the Trustee for such purpose. Any amounts in such account in excess of Loan Repayments and Fees and Expenses may be used by the College for operating expenses.

As further security for the payments required to be made under the Loan Agreement, the College agrees not to encumber certain of its real property.

The College further agrees to provide financial statements and other information to the Authority and the Trustee; to comply with all applicable laws and regulations against discrimination, and not to discriminate on account of religion, race, color or creed in the use of the Project Facilities; to provide and file such financing statements and other instruments of further assurance as the Trustee may request; to perform all obligations imposed by the Internal Revenue Code and regulations thereunder with respect to the non-arbitrage status of the Bonds and to comply with the applicable rebate requirements under Section 148 of the Code and regulations thereunder; and to observe all applicable State laws and regulations, including those of the Authority and the Minnesota Higher Education Coordinating Board, subject to the right of contest. The College agrees to indemnify the Authority from losses arising from certain representations made by the College regarding the absence of hazardous waste on the Project Facilities.

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

Events of Default

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

- (a) If the College shall fail to make any Loan Repayment when due and either (i) the moneys on deposit in the Bond and Interest Sinking Fund Account, Reserve Account or Redemption Account, as the case may be, on a Bond principal or interest payment date or redemption date are insufficient to pay when due principal, premium, if any, and interest on the Bonds, or (ii) such failure shall continue for 5 Business Days after notice from the Trustee or the Authority to the College that such payment has not been made; or
- (b) If the College shall fail to comply with the provisions of Section 6.09(b) of the Loan Agreement (relating to arbitrage calculation and rebate requirements); or
- (c) If the College shall default in the observance of any of the covenants set forth in Section 6.13 of the Loan Agreement (relating to financial covenants), provided that failure to comply with Section 6.13(b) (relating to the unrestricted funds functioning as endowment fund balance) shall not become an Event of Default unless the College fails to restore the deficiency thereunder within a period of 180 days, from the close of the Fiscal Year in which such deficiency has occurred; and provided further that the Event of Default arising from a failure to comply with Section 6.13(b) and failure to restore the deficiency thereunder within 180 days shall cease to be an Event of Default if in any subsequent Fiscal Year the College shall be in compliance with such covenants; or
- (d) If the College shall fail to maintain the balance in either subaccount of the Reserve Account in the amount of the Reserve Requirement, provided failure to comply with such requirement shall not become an Event of Default unless the College fails to restore such deficiency within a period of thirty (30) days after written notice specifying such deficiency and requesting that it be remedied is given to the College by the Authority or the Trustee; or
- (e) If the College sells or otherwise disposes of any interest in the Gift Receipts Account or creates or permits to exist any lien, security interest or other charge or encumbrance upon or with respect to the Gift Receipts Account, in violation of the provisions of Section 6.16 of the Loan Agreement, except as provided in or contemplated by the Loan Agreement.
- (f) If the College shall fail to observe and perform for reasons other than force majeure any other covenant, condition or agreement on its part under this Loan Agreement for a period of thirty (30) days after written notice, specifying such default and requesting that it be remedied, is given to the College by the Authority or the Trustee; or
- (g) If there shall occur an event of default under the Lease or if the Lease shall be terminated by either party thereto, except in connection with a redemption of the Series Three-M Bonds pursuant to the Indenture; or
- (h) If there shall occur an event of default (as defined therein) under the Mortgage; or
- (i) If the College defaults in any payment of principal of or interest on any other obligation the outstanding principal amount of which equals or exceeds \$1,000,000 beyond any period of grace provided with respect thereto or in the performance of any other agreement, term or condition contained in any agreement under which any such obligation is created if as a result of such default such obligation becomes due prior to its stated maturity or the holder thereof is exercising remedies; or

- (j) If the College files a petition in voluntary bankruptcy, or for the composition of its affairs or for its corporate reorganization under any state or Federal bankruptcy or insolvency law, or makes an assignment for the benefit of creditors, or consents in writing to the appointment of a trustee or receiver for itself or for the whole or any substantial part of the property of the College; or
- (k) If a court of competent jurisdiction shall enter an order, judgment or decree against the College in any insolvency, bankruptcy, or reorganization proceeding, or appointing a trustee or receiver of the College or of the whole or any substantial part of the property of the College, and such order, judgment or decree shall not be vacated or set aside or stayed within ninety days from the date of the entry thereof; or
- (l) If, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the College or of the whole or any substantial part of its property, and such custody or control shall not be terminated within ninety days from the date of assumption of such custody or control.

The term "force majeure" as used above includes the following: acts of God; strikes, lockouts or other employee disturbances; acts of public enemies; orders, regulations or laws of any kind of the government of the United States of America or of the State of Minnesota or any of their departments, agencies, political subdivisions or officials, or any civil or military authority; insurrections; riots; epidemics; landslides; lightning; earthquakes; fires; hurricanes; tornadoes; storms; floods; washouts; droughts; arrests; restraint of government and people; civil disturbances; explosions, breakage or accident to machinery, transmission pipes or canals; partial or entire failure of utilities; or any other cause or event not reasonably within the control of the College. The provisions of paragraph (e) above, are subject to the further limitation that if the Default can be remedied but not within a period of thirty days after notice and if the College has taken all action reasonably possible to remedy such default within such thirty-day period, the default shall not become an Event of Default for so long as the College shall diligently proceed to remedy such default and in accordance with any directions or limitations of time made by the Trustee. The College agrees, however, to use its best efforts to remedy with all reasonable dispatch any cause or causes preventing the College from carrying out its agreements.

Remedies on Default

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

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

Notwithstanding the foregoing, no remedy set forth above may be exercised by the Trustee or notice of acceleration given by the Trustee unless the Bond Insurer has given the Trustee its written consent to the exercise of such remedy or the giving of the notice of acceleration.

Any amounts collected by the Trustee pursuant to the actions set forth above shall be applied first to advances and expenses, and then to payment of interest, principal and premium, if any, on the Bonds as provided in Section 7.04 of the Indenture, and any excess to the College.

Amendments

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

THE INDENTURE

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

Granting Clauses

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

- (a) All right, title and interest of the Authority under the Loan Agreement and all Loan Repayments and other sums due under the Loan Agreement, except the Authority's annual fee and rights to indemnity and reimbursement;
- (b) A first lien on and pledge of (i) the moneys and investments in the Accounts covenanted to be paid and maintained under the Indenture, (ii) moneys and investments in the Construction Account not paid out for Project Costs, and (iii) all accounts, contract rights, general intangibles, moneys and instruments arising therefrom or relating thereto and all proceeds and products of and accessions to any thereof; and
- (c) Any and all other property of every name and nature from time to time conveyed, mortgaged, assigned or transferred, or in which a security interest is granted, by the Authority or the College or by anyone in behalf of them or with their written consent, to the Trustee, including, but not limited to, the Mortgage and the Guaranty Agreement.

Accounts

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

Trustee's Right to Payment

The Trustee shall have a lien, with right of payment prior to payment of interest on or principal of the Bonds for reasonable compensation, expenses, advances and counsel fees incurred in and about the execution of the trusts created by the Indenture and exercise and performance of the powers and duties of the Trustee under the Indenture, and the cost and expenses incurred in defending against any liability in the premises of any character whatsoever (unless such liability is adjudicated to have resulted from the negligence, breach of contract, breach of fiduciary duty, willful misconduct, or willful default of the Trustee).

Covenants of the Authority

Under the Indenture the Authority covenants, among other things, to perform its various undertakings and agreements; not to extend the maturity of any of the Bonds or the time of payment of any claims for interest; to take such action or cause and permit the Trustee to take such action as may be necessary and advisable to enforce the covenants, terms and conditions of the Loan Agreement, if such action shall, in the discretion of the Trustee, be deemed to be in the best interests of the Authority or the Bondholders; to comply with the applicable rebate requirements under Section 148 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 Bond proceeds.

Events of Default

The following are Events of Default under the Indenture:

- (a) If payment of the principal of any of the Bonds, when the same shall become due and payable (whether at maturity or by proceedings for redemption or by declaration of acceleration or otherwise), shall not be made by the Authority, provided that no effect shall be given to payments made under the Bond Insurance Policy; or
- (b) If payment of any interest on the Bonds when the same shall become due and payable (in which case interest shall be payable to the extent permitted by law on any overdue installments of interest, in each case at the interest rate borne by the Bonds in respect of which such interest is overdue) shall not be made by the Authority, provided that no effect shall be given to payments made under the Bond Insurance Policy; or
- (c) If the Authority shall default in the due and punctual performance of any of the covenants, conditions, agreements and provisions contained in the Bonds or in the Indenture, or in any supplemental indenture on the part of the Authority to be performed, and such default shall have continued for a period of sixty days after written notice, specifying such default and requiring the same to be remedied, shall have been given to the Authority and to the College giving the College the privilege of curing such default in the name of the Authority, if permitted by law) by the Trustee, which may give such notice in its discretion and shall give such notice upon written request of the Holders of not less than a majority in principal amount of the Bonds then outstanding; or

- (d) If any "event of default" on the part of the College, as that term is defined in the Loan Agreement or the Mortgage shall occur and be continuing.

Remedies

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

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

Upon the happening and continuance of an Event of Default, the Trustee may, and shall upon the written request of the Holders of not less than a majority in aggregate principal amount of outstanding Bonds, subject to the prior written consent of the Bond Insurer, 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 foreclose the Mortgage and to enforce any such other appropriate legal or equitable remedy as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce any of its rights or any of the rights of the Bondholders. Notwithstanding the foregoing, the Trustee need not proceed upon any such written request of the Bondholders, as aforesaid, unless such Bondholders shall have offered to the Trustee security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby, and the Bond Insurer acting alone, shall have the right to direct all remedies authorized under the Indenture (including the right to direct acceleration of the Bonds) upon the happening of an Event of Default (notwithstanding the contrary desires of some or all of the Bondholders).

Concerning the Trustee

The Trustee has no responsibility to use its own funds under the Indenture, but it may make advances at a rate equal to its reference or prime rate, which advances are given priority of payment. The Trustee also has a lien with right of payment prior to payment of Bond interest or principal for reasonable compensation, expenses, advances and counsel fees. The responsibilities of the Trustee prior to an Event of Default are limited to express provisions of the Indenture, and at all times the Trustee shall not be liable unless it acts negligently or in bad

faith. The Trustee is not required to institute suit or take other steps to enforce its rights and powers unless indemnified to its satisfaction against all costs and expenses. The Trustee and its officers and directors are authorized to acquire and hold Bonds and otherwise deal with the Authority or the College to the same extent as if it were not Trustee. Provision is made for the succession or replacement of the Trustee by another corporate Trustee with a minimum capital, surplus and undivided profits of \$50 million in event of merger, resignation, or removal by Holders of a majority in principal amount of outstanding Bonds, or in the event of disability, by the Authority or a court.

Concerning the Bondholders

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

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

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

Defeasance

If the Authority and the College shall:

- (a) pay or cause to be paid the principal of, and premium, if any, and interest on the Bonds at the time and in the manner stipulated therein and in the Indenture, or
- (b) provide for the payment of principal and interest on the outstanding Bonds by depositing with the Trustee at or at any time before maturity an amount either in cash constituting available monies or direct obligations of or obligations fully and

unconditionally guaranteed by the United States constituting Available Monies in such aggregate face amount, bearing interest at such rates, and maturing on such dates sufficient to pay the entire amount due or to become due for principal and premium, if any, and interest to maturity of all Bonds outstanding, or

- (c) deliver to the Trustee (1) proof that notice of redemption of all of the outstanding Bonds not surrendered or to be surrendered to it for cancellation has been given or waived, or that arrangements have been made insuring that such notice will be given or waived, or (2) a written instrument executed by the Institution for the Authority under its official seal and expressed to be irrevocable, authorizing the Trustee to give such notice for and on behalf of the Authority, or (3) file with the Trustee a waiver of such notice of redemption signed by the Holders of all such outstanding Bonds, and in any case, deposit with the Trustee before the date on which such Bonds are to be redeemed, the entire amount of the redemption price, including interest accrued and to accrue, and premium, if any, either in cash constituting Available Monies or direct obligations or obligations fully and unconditionally guaranteed by of the United States of America constituting Available Monies in such aggregate face amount, bearing interest at such rates and maturing at such dates as shall be sufficient to provide for the payment of the redemption price on the date such Bonds are to be redeemed and on any interest payment dates, or
- (d) surrender to the Trustee for cancellation all Bonds for which payment is not so provided,

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

When the Authority or the College shall have deposited at any time with the Trustee in trust for the purpose, in the manner provided, or left with it if previously so deposited, cash or direct obligations of the United States of America sufficient to pay the principal of any Bonds (and premium, if any) when the same become due, either at maturity or otherwise, or at the date fixed for the redemption thereof and to pay all interest with respect thereto at the due date of such interest or to the date fixed for redemption, for the use and benefit of the Holders thereof, then upon such deposit all such Bonds shall cease to be entitled to any lien, benefit or security of the Indenture except the right to receive the funds so deposited, and such Bonds shall be deemed not to be outstanding thereunder; and from and after such redemption date or maturity, interest on such Bonds so called for redemption shall cease to accrue.

Supplemental Indentures

Subject to the prior written consent of the Bond Insurer, the Authority and the Trustee may enter into such supplemental indentures as shall by them be deemed necessary or desirable for any one or more of the following purposes, among others:

- (a) To correct the description of any property conveyed or pledged by the Indenture or intended so to be, or to assign, convey, pledge or transfer and set over to the Trustee additional property for the benefit and security of the Holders and owners of all Bonds under the Indenture;
- (b) To add to the covenants and agreements of the Authority or to surrender any right or power reserved to or conferred upon the Authority or any successor;
- (c) To evidence the succession of any other department, agency, body or corporation to the Authority;
- (d) To cure any ambiguity or to correct or supplement any defective or inconsistent provision contained in the Indenture or in any supplemental indentures or to make such other provisions in regard to matters or questions arising under the Indenture or any supplemental indenture as the Authority may deem necessary or desirable and which shall not be inconsistent with the provisions of the Indenture or any supplemental indenture and which shall not impair the security of the same; and
- (e) To modify the Indenture as authorized by the Bondholders pursuant to Section 11.04 of the Indenture.

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

Amendments to the Loan Agreement and the Mortgage

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

Except for amendments, changes or modifications provided for in the preceding paragraph, neither the Authority nor the Trustee may consent to any amendment, change or modification

of the Loan Agreement, or the Mortgage without the written approval or consent of the Bond Insurer and the Holders of not less than 65% in aggregate principal amount of the Bonds at the time outstanding, given and procured as provided in the Indenture. However, the Indenture does not permit a reduction in, or a postponement of, the loan repayments under the Loan Agreement without the consent of the Bond Insurer and the Holders of all the Bonds then outstanding.

Registration

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

Limitations on Bond Insurer's Right to Consent or Approve

Any provisions of the Indenture or the Loan Agreement requiring the necessity to obtain the approval or the consent of the Bond Insurer, and the provisions of the Indenture or the Loan Agreement providing that certain actions shall be taken at the direction of the Bond Insurer, shall be of no force or effect with respect to the Bond Insurer during any time in which: (a) the Bond Insurer is in default in its obligation to make payments under the Bond Insurance Policy; (b) the Bond Insurance Policy for any reason ceases to be valid and binding on the Bond Insurer or is declared to be null and void, or the validity or enforceability of any provision of the Bond Insurance Policy is denied by the Bond Insurer or any governmental agency or authority having jurisdiction over the Bond Insurer or the Bond Insurance Policy, or both, or the Bond Insurer is denying further liability or obligation under the Bond Insurance Policy; (c) a petition has been filed and is pending against the Bond Insurer under any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation law of any jurisdiction, whether now or hereafter in effect, and has not been dismissed within thirty days after such filing; or (d) the Bond Insurer has filed a petition, which is pending, under any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation law, of any jurisdiction, whether now or hereafter in effect, or has consented to the filing of any petition against it under such law.

THE MORTGAGE

At or prior to the closing, the College will execute and deliver to the Authority, and the Authority will assign to the Trustee, a Combination Mortgage, Security Agreement and Fixture Financing Statement (the "Mortgage"), to be dated as of January 1, 1993, to secure the Bonds. The following is a summary of certain provisions of the Mortgage.

Under the Mortgage, in order to secure its obligations under the Loan Agreement, including payment of Loan Repayments in amounts and at times sufficient to pay the principal of, premium, if any, and interest on the Bonds, the College grants to the Authority a security

interest in the equipment described therein and a first mortgage lien on its right, title and interest in and to the Sports Facility which is described in Exhibit A to the Mortgage (the "Mortgaged Land"), and any buildings now standing or hereafter constructed or placed upon the Mortgaged Land (collectively, the "Mortgaged Property"). The Authority is also granted a security interest in all of the general intangibles, rents, issues, condemnation awards, insurance proceeds and similar revenues and income (the "Revenues and Income") arising from the ownership of the Mortgaged Property, net of any taxes, operating expenses, utility charges, special assessments, license fees, other governmental charges or any other costs of collection or recovery thereof, including attorney's fees.

The Loan Agreement provides that the College may remove Project Equipment and Building Equipment from the Mortgaged Property, and release such equipment from the lien of the Mortgage, where applicable, upon the following conditions:

- (a) the College may substitute equipment and related property for any Project Equipment and Building Equipment, provided that such property so substituted shall not materially impair the character or revenue producing significance of the Project Facilities, and such substituted property shall be subject to the lien of the Mortgage in place of the replaced equipment if such replaced equipment was subject to the lien of the Mortgage prior to the substitution;
- (b) the College may remove any Project Equipment without substitution therefor provided that the College pay into the Redemption Account a sum equal to the then value of such Project Equipment;
- (c) the College shall have the privilege of removing any Building Equipment without substitution therefor, provided that such removal does not impair the character or revenue producing significance of the Project Facilities.

Events of Default

The following are Events of Default under the Mortgage:

- (a) If an event of default (as defined therein) under the Loan Agreement has occurred and is continuing; or
- (b) If an event of default (as defined therein) under the Indenture has occurred and is continuing; or
- (c) If the College violates or fails to perform any covenant under the Mortgage for a reason other than force majeure (as defined in the Loan Agreement) for a period of thirty days after written notice from the Authority or the Trustee specifying the default and requesting that it be remedied or for such further period of time as the Trustee shall permit; or
- (d) If any representation of the College in the Mortgage is incorrect in any material respect.

THE GUARANTY AGREEMENT

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

Guaranty to Trustee By the Province

Pursuant to the Guaranty Agreement, the Province unconditionally guarantees to the Trustee for the benefit of the holders of the Bonds the full and prompt payment of the College's Loan Repayments sufficient to pay principal of and interest on the Series Three-M2 Bonds when due.

As required by the articles of incorporation and bylaws of the College, the Sisters who comprise the provincial council of the Province are the members of the College. The members elect trustees to the Board of Trustees of the College, one-third of whom must be selected from individuals who are sisters of the congregation known as the Sisters of St. Joseph of Carondelet, St. Paul Province.

Unconditional Agreement

The obligations of the College under the Guaranty Agreement are absolute and unconditional and are to remain in full force and effect until the entire principal of and interest on the Bonds has been paid or funds sufficient for payment shall have been deposited with the Trustee in trust for such purpose.

No Set-Offs

The Guaranty Agreement states that no set-off, counterclaim, reduction, or diminution of any obligation, or any defense of any kind or nature which the Guarantor has or may have against the Authority, the Trustee or the Bond Insurer shall be available under the Guaranty Agreement to the Guarantor against the Trustee.

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**COLLEGE OF SAINT CATHERINE
FINANCIAL REPORTS
May 31, 1992**

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Financial Statements

The College of St. Catherine

*Years ended May 31, 1992 and 1991
with Report of Independent Auditors*

The College of St. Catherine

Financial Statements

Years ended May 31, 1992 and 1991

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Report of Independent Auditors

Board of Trustees
The College of St. Catherine

We have audited the accompanying balance sheets of The College of St. Catherine (a Minnesota non-profit corporation sponsored by the Sisters of St. Joseph of Carondelet, Province of St. Paul) as of May 31, 1992 and 1991, and the related statements of changes in fund balances and current funds revenues, expenditures and other changes for the years then ended. These financial statements are the responsibility of the Institution's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The College of St. Catherine at May 31, 1992 and 1991, and the changes in fund balances and the current funds revenues, expenditures and other changes for the years then ended, in conformity with generally accepted accounting principles.



August 7, 1992

The College of St. Catherine

Balance Sheets

	May 31	
	1992	1991
Assets		
Current unrestricted fund:		
Cash and short-term investments	\$ 2,485,212	\$ 2,403,355
Student and other receivables, net of allowance for doubtful accounts of \$310,000 at May 31, 1992 and \$280,000 at May 31, 1991	703,371	600,023
Interest and dividends receivable	116,791	122,884
Inventories, net	324,184	338,223
Prepaid expenses	53,745	46,347
Interinstitutional accounts receivable	7,365	—
Other assets	153,826	152,432
Total current unrestricted fund	<u>\$ 3,844,494</u>	<u>\$ 3,663,264</u>
Current restricted funds:		
Cash and short-term investments	\$ 800,000	\$ —
U.S. government and state agency grants receivable	60,564	792
Due from other funds	1,335,761	1,832,812
Total current restricted funds	<u>\$ 2,196,325</u>	<u>\$ 1,833,604</u>
Student loan funds:		
Due from other funds	\$ 302,785	\$ —
Notes receivable from students, net of allowance for doubtful accounts of \$112,000 at May 31, 1992 and 1991	5,260,479	4,986,639
Total student loan funds	<u>\$ 5,563,264</u>	<u>\$ 4,986,639</u>
Endowment and similar funds:		
Investments, at cost	\$13,899,628	\$12,308,495
Due from other funds	—	31,484
Total endowment and similar funds	<u>\$13,899,628</u>	<u>\$12,339,979</u>

	May 31	
	1992	1991
Liabilities and fund balances		
Current unrestricted fund:		
Student deposits and deferred revenue	\$ 644,921	\$ 623,510
Accounts payable	611,792	672,169
Accrued salaries, wages and vacations	1,748,061	1,605,032
Accrued interest payable	24,600	31,373
Due to other funds	1,617,111	2,014,453
Interinstitutional accounts payable	-	11,172
Total liabilities	4,646,485	4,957,709
Fund balance (deficit)	(801,991)	(1,294,445)
Total current unrestricted fund	<u>\$ 3,844,494</u>	<u>\$ 3,663,264</u>
Current restricted funds:		
U.S. government and state agency grants refundable	\$ 94,000	\$ 144,998
Fund balance	2,102,325	1,688,606
Total current restricted funds	<u>\$ 2,196,325</u>	<u>\$ 1,833,604</u>
Student loan funds:		
Due to other funds	\$ -	\$ 14,981
Fund balances:		
U.S. government	4,460,405	4,183,520
College and other	1,102,859	788,138
Total student loan funds	<u>\$ 5,563,264</u>	<u>\$ 4,986,639</u>
Endowment and similar funds:		
Due to other funds	\$ 19,252	\$ -
Fund balances:		
Endowment	12,446,882	10,720,237
Board-designated	1,433,494	1,619,742
Total endowment and similar funds	<u>\$13,899,628</u>	<u>\$12,339,979</u>

The College of St. Catherine

Balance Sheets (continued)

		May 31	
		1992	1991
Assets (continued)			
Plant funds:			
Unexpended:			
Cash and short-term investments		\$ 1,963,094	\$ 2,906,042
Due from other funds		-	38,633
Total unexpended		<u>1,963,094</u>	<u>2,944,675</u>
Debt service:			
Cash and short-term investments		<u>676,129</u>	659,161
Total debt service		<u>676,129</u>	659,161
Investment in plant:			
Plant assets:			
Land and land improvements		739,216	645,752
Buildings		22,435,894	19,898,177
Furniture and equipment		9,017,416	8,370,284
Construction in process		436,158	341,922
Less accumulated depreciation		(14,984,222)	(14,136,087)
Total investment in plant		<u>17,644,462</u>	<u>15,120,048</u>
Total plant funds		<u>\$20,283,685</u>	<u>\$18,723,884</u>
Agency funds:			
Due from other funds		\$ 121,334	\$ 126,504
Total agency funds		<u>\$ 121,334</u>	<u>\$ 126,504</u>

		May 31	
		1992	1991
Liabilities and fund balances (continued)			
Plant funds:			
Unexpended:			
Due to other funds	\$	123,519	\$ -
Fund balances:			
Designated		(169,060)	748,247
Undesignated		2,008,635	2,196,428
Total unexpended		<u>1,963,094</u>	<u>2,944,675</u>
Debt service:			
Fund balance		<u>676,129</u>	<u>659,161</u>
Total debt service		<u>676,129</u>	<u>659,161</u>
Investment in plant:			
Bonds payable		1,480,000	1,780,000
Fund balance		<u>16,164,462</u>	<u>13,340,048</u>
Total investment in plant		<u>17,644,462</u>	<u>15,120,048</u>
Total plant funds		<u>\$20,283,685</u>	<u>\$18,723,884</u>
Agency funds:			
Deposits held in custody for others	\$	121,334	\$ 126,504
Total agency funds	\$	<u>121,334</u>	<u>\$ 126,504</u>

See accompanying notes.

The College of St. Catherine

Statements of Current Funds Revenues, Expenditures and Other Changes

	Year ended May 31, 1992		
	Unrestricted	Restricted	Total
Revenues:			
Educational and general:			
Tuition and fees	\$23,489,904	\$ -	\$23,489,904
Gifts and private grants	717,857	721,877	1,439,734
Federal government grants	-	2,329,934	2,329,934
State government grants	-	3,563,932	3,563,932
Endowment income	199,044	345,171	544,215
Sisters' support	49,865	-	49,865
Other	520,637	326,962	847,599
	<u>24,977,307</u>	<u>7,287,876</u>	<u>32,265,183</u>
Auxiliary enterprises	4,763,652	-	4,763,652
Total revenues	<u>29,740,959</u>	<u>7,287,876</u>	<u>37,028,835</u>
Expenditures, mandatory and non-mandatory transfers:			
Educational and general:			
Instructional	10,336,538	664,457	11,000,995
Academic support	1,807,103	89,506	1,896,609
Student services	2,432,338	220,895	2,653,233
Plant operations and maintenance	2,566,742	135,480	2,702,222
Institutional support	4,833,890	88,459	4,922,349
Scholarships and grants	2,069,161	6,091,279	8,160,440
	<u>24,045,772</u>	<u>7,290,076</u>	<u>31,335,848</u>
Mandatory transfers for:			
Loan funds matching grants	32,149	-	32,149
Principal and interest	229,870	-	229,870
Total educational and general	<u>24,307,791</u>	<u>7,290,076</u>	<u>31,597,867</u>
Auxiliary enterprises:			
Expenditures	4,573,565	-	4,573,565
Mandatory transfers for principal and interest	183,149	-	183,149
Total auxiliary enterprises	<u>4,756,714</u>	<u>-</u>	<u>4,756,714</u>
Non-mandatory transfers:			
Endowment income reinvested	124,000	-	124,000
Establish loan fund	60,000	-	60,000
Other	-	(2,200)	(2,200)
Total non-mandatory transfers	<u>184,000</u>	<u>(2,200)</u>	<u>181,800</u>
Total expenditures, mandatory and non-mandatory transfers	<u>29,248,505</u>	<u>7,287,876</u>	<u>36,536,381</u>
Excess of revenues over expenditures, mandatory and non-mandatory transfers	<u>\$ 492,454</u>	<u>\$ -</u>	<u>\$ 492,454</u>

See accompanying notes.

Year ended May 31, 1991		
Unrestricted	Restricted	Total
\$22,029,567		\$22,029,567
882,914	\$ 561,457	1,444,371
—	1,759,333	1,759,333
—	3,294,502	3,294,502
243,505	284,254	527,759
157,983	—	157,983
555,210	297,553	852,763
23,869,179	6,197,099	30,066,278
4,781,052	—	4,781,052
28,650,231	6,197,099	34,847,330
9,512,399	355,839	9,868,238
1,821,033	62,012	1,883,045
2,270,132	172,758	2,442,890
2,907,416	79,751	2,987,167
4,865,589	97,772	4,963,361
2,003,290	5,448,789	7,452,079
23,379,859	6,216,921	29,596,780
9,830	—	9,830
218,698	—	218,698
23,608,387	6,216,921	29,825,308
4,204,313	—	4,204,313
181,439	—	181,439
4,385,752	—	4,385,752
160,000	—	160,000
—	—	—
—	(19,822)	(19,822)
160,000	(19,822)	140,178
28,154,139	6,197,099	34,351,238
\$ 496,092	\$ —	\$ 496,092

The College of St. Catherine

Statement of Changes in Fund Balances

Year ended May 31, 1992

	Current Unrestricted Funds	Current Restricted Funds
Revenues and other additions:		
Unrestricted current fund revenues	\$29,740,959	
U.S. government and state grants		\$5,974,562
Private gifts and grants		954,650
Investment income		418,846
Realized gains on investments		
Interest on notes receivable from students		
Retirement of indebtedness		
Expenditures for plant facilities:		
From current funds		
From unexpended fund		
Other		353,537
Total revenues and other additions	29,740,959	7,701,595
Expenditures and other deductions:		
Educational and general	24,045,772	7,290,076
Auxiliary enterprises expenditures	4,573,565	
Administrative and collection costs		
Loan cancellations and write-offs		
Retirement of indebtedness		
Interest on indebtedness		
Disposal of plant facilities		
Depreciation of plant facilities		
Trust payments to donors		
Expenditures for plant facilities		
Total expenditures and other deductions	28,619,337	7,290,076
Transfers among funds:		
Mandatory:		
Principal and interest	(413,019)	
Loan fund matching grant	(32,149)	
Non-mandatory:		
Establish loan fund	(60,000)	
Endowment income reinvested	(124,000)	
Capital campaign expenses		(13,000)
Other		15,200
Total transfers among funds	(629,168)	2,200
Net increase (decrease) for the year	492,454	413,719
Fund balance (deficit) at beginning of year	(1,294,445)	1,688,606
Fund balance (deficit) at end of year	\$ (801,991)	\$2,102,325

See accompanying notes.

Student Loan Funds	Endowment and Similar Funds	Plant Funds		
		Unexpended	Debt Service	Investment in Plant
\$ 289,345	\$ 1,080,655	\$1,238,161		\$ 15,995
	68,744	95,101	\$ 39,125	
123,410	598,526			
				300,000
				895,121
22,469				2,480,637
435,224	1,747,925	1,333,262	39,125	3,691,753
61,335	3,845		14,984	
74,432			300,000	
			120,192	
				14,309
				853,030
	70,864	2,492,981		
135,767	74,709	2,492,981	435,176	867,339
32,149			413,019	
260,000	(200,000)			
	124,000	69,819		
	(56,819)	(15,200)		
292,149	(132,819)	54,619	413,019	-
591,606	1,540,397	(1,105,100)	16,968	2,824,414
4,971,658	12,339,979	2,944,675	659,161	13,340,048
\$5,563,264	\$13,880,376	\$1,839,575	\$676,129	\$16,164,462

The College of St. Catherine

Notes to Financial Statements

May 31, 1992

1. Summary of Significant Accounting and Reporting Policies

Organization and Basis of Reporting

The College of St. Catherine is a Catholic college with campuses in St. Paul and Minneapolis. The St. Paul campus offers baccalaureate degrees to women through both a traditional day school and a Weekend College. The campus also offers graduate programs open to both men and women. The Minneapolis campus offers associate of arts degrees and certificate programs primarily in health-care and human service related fields and a graduate program in physical therapy. The College is sponsored by the Sisters of St. Joseph of Carondelet, Province of St. Paul (the Province).

Description of Funds

In order to ensure observance of limitations and restrictions placed on the use of the resources available to the College, the accounts of the College are maintained in accordance with the principles of fund accounting. These are the procedures by which resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with activities or objectives specified. Separate accounts are maintained for each fund, however, in the accompanying financial statements, funds that have similar characteristics have been combined into fund groups. Accordingly all financial transactions have been recorded and reported by fund group.

Current Unrestricted Fund

The current unrestricted fund includes all current fund assets and liabilities. Income is received principally from tuition, fees, unrestricted donations and auxiliary enterprises. All operating expenses are charged to the current unrestricted fund.

Current Restricted Funds

Restricted funds include the unexpended portion of grants, contributions for scholarships, work study program funds, restricted endowment fund income and other special purpose funds. Expenditures from restricted funds are reflected as restricted income and expenses in the accompanying statements of current fund revenues, expenditures and other changes.

The College of St. Catherine

Notes to Financial Statements (continued)

1. Summary of Significant Accounting and Reporting Policies (continued)

Student Loan Funds

The College participates in the Perkins and Nursing Student Loan programs, which make funds available for loans to students at low interest rates. The College is required to match one-ninth of the federal contribution to these programs. Such loans include a forgiveness feature of up to 100% of the loan if a student enters the field of teaching or nursing upon graduation.

These funds also include restricted donor gifts and institutional money set aside by the College for the purpose of making loans to students. The income earned on these loans is retained and added to fund principal.

Endowment and Similar Funds

Endowment funds represent gifts to the College, the principal of which must remain intact as stipulated by the donor. Earnings on funds restricted by donors are recorded as additions to the restricted funds and remain restricted until the funds are expended for the specified purpose. Endowment fund income which is not restricted by the donor is recorded as income in the current unrestricted fund. Gains and losses realized on the sale of securities are added to or deducted from the principal of the endowment funds.

Included in endowment and similar funds are board-designated funds of \$1,433,494 and \$1,619,742 as of May 31, 1992 and 1991, respectively, which represent assets designated by the Board of Trustees of the College to function as endowment funds. Any portion of the board-designated funds may be expended at the discretion of the Board of Trustees. Income earned on board-designated funds is recorded as income in the current unrestricted fund.

Plant Funds

The plant funds group consists of unexpended funds to be used for the repair, replacement or acquisition of plant assets, debt service funds set aside for the retirement of indebtedness, and funds expended for and thus invested in institutional properties.

Plant assets are stated at cost, if purchased, or at fair value at date received, if donated. Depreciation is computed using the straight-line method over the estimated service lives of the property and is charged directly to the investment in plant fund balance.

The College of St. Catherine

Notes to Financial Statements (continued)

1. Summary of Significant Accounting and Reporting Policies (continued)

Agency Funds

Agency funds consists of funds held by the College as custodian or fiscal agent for others. Transactions of agency funds represent charges or credits to the individual asset and liability accounts and are not transactions of unrestricted or restricted current funds.

Interinstitutional Receivables

Amounts reflected in the accompanying balance sheets as interinstitutional receivables represent balances due from the Province.

Contributed Services

Certain personnel services are provided to the College by individual members of the Province. The College computes the fair value of services provided by the individual members of the Province by reference to lay-equivalent salaries. In an agreement between the Province and the College, the fair value of services performed is paid to the Province and recorded as operating expenses; in return, the Province contributes to the College a percentage of the fair value of services performed plus a discretionary contribution, both of which are recorded as Sisters' support in the accompanying statements of current fund revenues, expenditures and other changes. The agreement stipulates that the contribution which relates to the percentage of the fair value of services performed will decrease each year through the fiscal year 1991-92, after which there will be no such contribution required. Discretionary contributions were \$0 and \$50,000 in fiscal years 1991-92 and 1990-91, respectively.

Inventories

Inventories held for resale are carried at the lower of cost (first-in, first-out) or market.

Income Taxes

The College is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

The College of St. Catherine

Notes to Financial Statements (continued)

1. Summary of Significant Accounting and Reporting Policies (continued)

Reclassifications

Certain reclassifications have been made to the 1991 financial statements to conform with 1992 presentation. These reclassifications had no effect on total fund balances as previously reported.

2. Endowment and Similar Fund Investments

The College's spending policy is to recognize income calculated at 5% of the average market value of the investment fund, determined on a moving average basis over the preceding 36 month period. Yields in excess of this calculation are added to the endowment fund and yields under the calculation are subtracted from the fund.

Investments are recorded at cost when purchased or at quoted market at the date received if donated. Gains and losses are recognized at the time of sale. Investments as of May 31, 1992 and 1991 are as follows:

	1992		1991	
	Cost	Quoted Market	Cost	Quoted Market
Common and preferred stocks	\$ 6,172,483	\$ 7,127,123	\$ 5,025,065	\$ 5,894,712
U.S. government and governmental agency obligations	4,373,218	4,542,084	5,164,335	5,336,717
Corporate bonds	1,210,076	1,253,380	557,596	565,952
Cash and short-term investments	1,994,999	1,994,999	1,415,348	1,415,348
Other	148,852	148,852	146,151	146,151
Total	\$13,899,628	\$15,066,438	\$12,308,495	\$13,358,880

The College of St. Catherine

Notes to Financial Statements (continued)

3. Bonds Payable

Bonds payable at May 31 are as follows:

Description	Interest Rate
The College of St. Catherine Dormitory Bonds, Series 1960, requiring annual payments of principal increasing from \$35,000 in 1993 to \$45,000 in 2000, semi-annual interest payments	3.125%
Minnesota Higher Education Facilities Authority First Mortgage Revenue Bonds, Series M (The College of St. Catherine), requiring annual payments of principal increasing from \$40,000 in 1993 to \$105,000 in 1997, semi-annual interest payments	7.4% to 8.0%
Minnesota Higher Education Facilities Authority First Mortgage Revenue Bonds, Series R (The College of St. Catherine), requiring annual payments of principal increasing from \$50,000 in 1993 to \$70,000 in 1997, semi-annual interest payments	4.0% to 6.625%
Minnesota Higher Education Facilities Authority First Mortgage Revenue Bonds, 1975, Series L (St. Mary's Junior College), requiring annual payments of principal increasing from \$190,000 in 1993 to \$380,000 in 1994, semi-annual interest payments	7.0% to 8.25%
Total bonds payable	

Amounts Due		Collateral
1992	1991	
\$ 320,000	\$ 355,000	St. Mary Hall dormitory building and related gross revenues from room rentals
290,000	330,000	Land and dormitory building at 559 Fairview and related base rents and other revenue, as defined
300,000	350,000	Land and dormitory building and 569 Fairview and related base rents and other revenue, as defined
570,000	745,000	St. Mary's land, building and related base rents and other revenue, as defined
<u>\$1,480,000</u>	<u>\$1,780,000</u>	

The College of St. Catherine

Notes to Financial Statements (continued)

3. Bonds Payable (continued)

Maturities of bonds payable (excluding amounts held in reserve funds) for each of the next five years and thereafter are as follows:

1993	\$ 315,000
1994	515,000
1995	150,000
1996	155,000
1997	215,000
Thereafter	130,000
	<u>\$1,480,000</u>

4. Retirement Plans

The College has a defined benefit retirement plan covering substantially all of its full-time hourly employees. The funding policy is to make annual contributions of not less than the minimum required by applicable regulations. The plan assets consist of investments in various common trust funds managed by the Plan's trustee.

Net pension expense consists of the following for the years ended May 31:

	<u>1992</u>	<u>1991</u>
Service cost, benefits earned during the year	\$ 67,831	\$70,233
Interest cost on projected benefit obligation	69,749	62,799
Actual return on plan assets	(92,253)	(92,321)
Net amortization and deferral	(24,628)	(13,176)
Net pension expense	<u>\$ 20,699</u>	<u>\$27,535</u>

The College of St. Catherine

Notes to Financial Statements (continued)

4. Retirement Plans (continued)

Following is a summary of plan assets and obligations as of May 31, 1992, the most recent actuarial valuation date, and May 31, 1991:

	1992	1991
Actuarial present value of benefit obligations:		
Vested benefit obligation	\$ 802,664	\$ 713,394
Nonvested benefit obligation	54,158	34,731
Accrued benefit obligations	856,822	748,125
Effects of estimated future pay increases	124,035	115,577
Projected benefit obligations	980,857	863,702
Plan assets at fair value	1,117,590	1,065,360
Benefit plan assets in excess of projected benefit obligations	136,733	201,658
Unrecognized net gain	(138,863)	(176,324)
Unrecognized net transition asset	(121,966)	(132,865)
Unrecognized prior service costs	57,522	61,656
Accrued pension liability	\$ (66,574)	\$ (45,875)

Actuarial assumptions used in calculating net pension expense for the years ended May 31, 1992 and 1991 are as follows:

	1992	1991
Discount rate	8.3%	8.5%
Rates of increase in compensation levels	5.5%	5.5%
Expected long-term rate of return on assets	10.0%	10.0%

The College of St. Catherine

Notes to Financial Statements (continued)

4. Retirement Plans (continued)

The College also participates in a discretionary individual retirement plan administered by Teachers Insurance and Annuity Association and College Retirement Equities Fund which covers substantially all faculty and administrative personnel. In fiscal year 1991, the College matched an employee's contribution up to 5% of his/her salary. In fiscal year 1992, the College increased its match to 6% for an employee's contribution of 5%. Retirement fund expense was \$379,000 and \$287,000 for the years ended May 31, 1992 and 1991, respectively.

5. Capital Campaign

In fiscal year 1991, the College announced the undertaking of a major capital campaign. The goal of the campaign is to raise \$15,500,000 for facilities construction, endowment and special projects. Through May 31, 1992 pledges of \$13,100,000 have been committed, of which approximately \$5,800,000 in gifts have been received. Capital campaign costs of \$406,000 in fiscal year 1992 and \$485,000 in fiscal year 1991 were incurred and expensed in the current unrestricted fund. The College expects the costs of the campaign to be approximately 10% of the funds raised. Accordingly, 10% of endowment, restricted and plant fund campaign gifts are being set aside in the unexpended plant funds. These amounts were \$162,000 in fiscal year 1992 and \$282,000 in fiscal year 1991. Total funds in the unexpended plant fund which have been set aside, including interest thereon, are \$470,000 at May 31, 1992.

6. Related Party Transactions

A member of the College's Board of Trustees is the president of one of the College's suppliers. During the year ended May 31, 1992, the College paid \$2,145,771 to this supplier for services rendered.

SPECIMEN BOND INSURANCE POLICY



Connie Lee Insurance Company
2445 M Street, N.W.
Washington, D.C. 20037
(202) 835-0090
(800) 877-5333

BOND INSURANCE POLICY

Policy Number:

Premium:

Issuer:

Bonds:

Connie Lee Insurance Company ("Connie Lee"), a Wisconsin stock insurance company, in consideration of the payment of the premium and subject to the terms and conditions contained in this Policy (which includes each endorsement hereto), hereby unconditionally and irrevocably agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as designated in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of any Owner or, at the election of Connie Lee, directly to such Owner, that portion of the principal of and interest on the Bonds which shall become Due for Payment but shall be nonpayable by reason of Nonpayment by the Issuer.

Connie Lee will make such payments to or for the benefit of each Owner on the later of the day on which such principal or interest becomes Due for Payment or the Business Day next following the Business Day on which Connie Lee shall have received Notice of Nonpayment. Connie Lee will disburse to or for the benefit of the Owner the face amount of principal of and interest on the Bond which is then Due for Payment but is unpaid by reason of Nonpayment by the Issuer but only upon receipt by Connie Lee, in form reasonably satisfactory to it, of (i) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (ii) evidence, including any appropriate instruments of assignment, that all of the Owner's rights to payment of such principal or interest then Due for Payment shall thereupon vest in Connie Lee. Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (Washington, D.C. time) on such Business Day; otherwise, it will be deemed received on the next Business Day. Upon disbursement in respect of a Bond, Connie Lee shall become the owner of the Bond, appurtenant coupon, if any, or right to payment of principal of or interest on such Bond and shall be fully subrogated to all of the Owner's rights thereunder, including the Owner's right to payment thereof, to the extent of any payment by Connie Lee hereunder. Payment by Connie Lee to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of Connie Lee under this Policy.

This Policy is non-cancellable for any reason and the premium on this Policy is not refundable for any reason, including the payment of the Bonds prior to their maturity.

The following terms shall have the meanings specified for all purposes of this Policy. The term "Owner" means, as to a particular Bond, the person other than the Issuer or any party whose direct or indirect obligation constitutes the underlying security for the Bonds

who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof. "Due for Payment" means (a) when referring to the principal of a Bond, the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless Connie Lee shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, the stated date for payment of interest. "Nonpayment" with respect to a Bond means the failure of the Issuer to have provided sufficient funds to the Trustee or the Paying Agent for payment in full of all principal and interest Due for Payment on such Bond. "Nonpayment" shall also include any payment of principal or interest made to an Owner by or on behalf of the Issuer of such Bond which has been recovered from such Owner pursuant to any applicable bankruptcy law by a trustee in bankruptcy in accordance with a final, non-appealable order of a court having competent jurisdiction. "Notice" means telephonic or telegraphic notice, subsequently confirmed in writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to Connie Lee, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Business Day" means any day other than a Saturday, Sunday or a day on which banking institutions in the District of Columbia or the Insurer's Fiscal Agent are authorized or required by law to remain closed.

Connie Lee may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent (a) copies of all notices required to be delivered to Connie Lee pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to Connie Lee and shall not be deemed received until received by both and (b) all payments required to be made by Connie Lee under this Policy may be made directly by Connie Lee or by the Insurer's Fiscal Agent on behalf of Connie Lee. The Insurer's Fiscal Agent is the agent of Connie Lee only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or for failure of Connie Lee to deposit or cause to be deposited sufficient funds to make payment due under this Policy.

In Witness Whereof, Connie Lee has caused this Policy to be affixed with its corporate seal and to be executed on its behalf by its duly authorized representative.

CONNIE LEE INSURANCE COMPANY

[SEAL]

Date:

Authorized Representative

