

**NEW ISSUE**

**Rating: Moody's Aaa / VMIG1**

*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 net 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 and corporations. 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.")*

**\$24,625,000**

**Minnesota Higher Education Facilities Authority  
Variable Rate Demand Revenue Bonds, Series Five-N2  
(The College of Saint Catherine)  
(DTC Book Entry Only)**

**Dated Date: Date of Issue**

**Maturity Date: October 1, 2032**

**This Official Statement contains information relating to the Bonds prior to the Conversion Date. Holders or purchasers of the Bonds are not to rely on the information herein with respect to the terms or conditions of the Bonds after the Conversion Date or with respect to other information herein after the initial offering.**

The Bonds are special obligations of the Minnesota Higher Education Facilities Authority (the "Authority"), an agency of the State of Minnesota, payable solely from Loan Repayments made by or on behalf of The COLLEGE of Saint Catherine, a Minnesota non-profit corporation (the "College") and, during the Variable Rate Period, drawings on the Letter of Credit.

The Bonds will be issued as fully registered bonds without coupons in minimum denominations of \$100,000 and any larger amount which is an integral multiple of \$5,000, and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"). DTC will act as securities depository of the Bonds. Individual purchases may be made in book-entry form only and Purchasers will not receive certificates representing their interest in the Bonds purchased. (See "Book Entry Only System" herein.)

During the Variable Rate Period, payment of principal of and 46 days of interest on the Bonds at the Maximum Rate will be secured by an irrevocable, direct-pay Letter of Credit issued by

**Allied Irish Banks, p.l.c., New York Branch**

or by any provider of an Alternate Letter of Credit. During the Variable Rate Period, if the COLLEGE provides an Alternate Letter of Credit as more fully described herein, then the Bonds shall be subject to mandatory tender on the effective date of substitution of the Alternate Letter of Credit.

The Bonds are subject to redemption prior to maturity as described herein, including upon a FAILURE to provide an Alternate Letter of Credit as more fully provided herein. See "THE BONDS – Redemption." THE SERIES FIVE-N1 BONDS ARE NOT OFFERED BY THIS OFFICIAL STATEMENT.

The Authority expects to issue for delivery on or about August 22, 2002 its Minnesota Higher Education Facility Revenue Bonds, Series Five-N1 (The College of Saint Catherine) in the principal amount of \$28,265,000 (the "Series Five-N1 Bonds"). See "USE OF PROCEEDS" and "ESTIMATED SOURCES AND USES OF FUNDS" herein and the Official Statement for the Series Five-N1 Bonds, dated August 13, 2002.

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

The Bonds will bear interest at an initial rate to be determined by the Remarketing Agent from their date of issue to and including August 28, 2002. Thereafter, until the Conversion Date, the Bonds will bear interest at a Variable Rate that is determined weekly by the Remarketing Agent. Interest on the Bonds shall be payable on the first Business Day of each month commencing September 3, 2002. Interest shall be computed on the basis of a 365- or 366-day year and actual days elapsed. At the option of the College and upon the conditions set forth in the Indenture, the interest rate on the Bonds may be converted to the Fixed Rate. Prior to the Conversion Date and the establishment of a Fixed Rate, Owners of the Bonds have the right to tender their Bonds for purchase by presentation to Wells Fargo Bank Minnesota, NATIONAL Association (the "Trustee" and the "Tender Agent") at certain times upon prior written notice as described herein at a purchase price equal to 100% of the principal amount thereof plus (unless the purchase date is an Interest Payment Date) accrued interest thereon, as more fully described herein. The initial co-Remarketing Agents are RBC Dain Rauscher Inc. and Wells Fargo Brokerage Services, LLC (jointly, the "Remarketing Agent").

BONDHOLDERS ARE REQUIRED TO TENDER AND SELL THEIR BONDS ON A MANDATORY TENDER DATE AT A PRICE EQUAL TO THE PRINCIPAL AMOUNT THEREOF PLUS ACCRUED INTEREST THEREON, OR, IF THE MANDATORY TENDER RELATES TO THE PROVISION OF AN ALTERNATE LETTER OF CREDIT, MAY ELECT NOT TO TENDER OR SELL, ALL AS MORE FULLY DESCRIBED HEREIN. A Mandatory Tender Date occurs on the effective date of the substitution of any Alternate Letter of Credit or the Conversion Date. Any Bond to be purchased which is not timely delivered to the Tender Agent on the Mandatory Tender Date or the Optional Tender Date and as to which there has been irrevocably deposited with the Trustee an amount sufficient to pay the purchase price thereof shall be "deemed tendered" for purposes of the Indenture and shall be deemed no longer outstanding and shall cease to accrue interest on such Tender Date.

The Bonds are being offered when, as and if issued and received by the Underwriters, subject to prior sale, to withdrawal or modification of the offer without any notice, and to the opinion as to validity and tax exemption of the Bonds by Best & Flanagan LLP, Minneapolis, Minnesota, Bond Counsel. Certain legal matters will be passed upon for the College by Briggs and Morgan, Professional Association, of Saint Paul and Minneapolis, Minnesota; and for the Underwriters by Faegre & Benson LLP, Minneapolis, Minnesota. It is expected that the Bonds in definitive form will be available for delivery to the Underwriters at DTC on or about August 22, 2002.

**RBC Dain Rauscher Inc.**

**Wells Fargo Brokerage Services, LLC**

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 or the Underwriters. The information contained herein, except as it relates to the Authority, DTC, the Bank and the Trustee, has been obtained from the College and is not guaranteed as to accuracy or completeness. Information relating to DTC, the Bank and the Trustee has been obtained from such persons and is not guaranteed as to accuracy or completeness. Information regarding the tax-exempt status of the Bonds has been provided by Bond Counsel. Except for information concerning the Authority contained in this Official Statement, such information is not to be construed as a representation by the Authority. Information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the Authority, the Bank 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 of such documents have not been included as appendices hereto, they will be furnished on request.

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

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

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

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

## **MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY**

### **MEMBERS**

Christopher A. Nelson, Chair	Attorney, Northland Insurance Company, St. Louis Park, Minnesota
Gary D. Benson, Vice Chair	Vice President, Kraus-Anderson Construction Company, Midwest Division, New Brighton, Minnesota
Dr. Gary Langer, Secretary	Associate Vice Chancellor for Academic Programs, Minnesota State Colleges and Universities, Falcon Heights, Minnesota
Carol A. Blomberg	Retired, former Market Administration Manager, Norwest Bank Minnesota, N. A., Nashwauk, Minnesota
Dr. Kathryn Balstad Brewer	Researcher and Consultant, New Brighton, Minnesota
Dr. David B. Laird, Jr. (Ex Officio)	President, Minnesota Private College Council, Saint Paul, Minnesota
Dr. Gary Langer	Interim Associate Vice Chancellor for Academic Programs, Minnesota State Colleges and Universities, Falcon Heights, Minnesota
Timothy M. Medd (Ex Officio)	Audit Manager, Minnesota Higher Education Services Office, Saint Paul, Minnesota
David D. Rowland	Senior Vice President, The St. Paul Companies, Inc., Edina, Minnesota
Mollie N. Thibodeau	CFRE, Fund Raising Consultant, Duluth, Minnesota

There is one vacancy on the Board of the Minnesota Higher Education Facilities Authority as of the date of this Official Statement.

Marianne T. Remedios, Executive Director

Financial Advisor  
Springsted Incorporated

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## **OFFICIAL STATEMENT**

**\$24,625,000**

**MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY  
VARIABLE RATE DEMAND REVENUE BONDS, SERIES FIVE-N2  
(THE COLLEGE OF SAINT CATHERINE)  
(DTC BOOK ENTRY ONLY)**

### **INTRODUCTORY STATEMENT**

This Official Statement provides information concerning the Minnesota Higher Education Facilities Authority (the "Authority"), an agency of the State of Minnesota, and The College of Saint Catherine, a Minnesota non-profit corporation, a 501(c)(3) organization and the owner and operator of an institution of higher education with campuses located in Saint Paul and Minneapolis, Minnesota (the "College"), in connection with the issuance of the Authority's \$24,625,000 Variable Rate Demand Revenue Bonds, Series Five-N2 (The College of Saint Catherine) (the "Bonds").

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

The Bonds are also being issued pursuant to the Trust Indenture (the "Indenture") dated as of August 1, 2002 between the Authority and Wells Fargo Bank Minnesota, National Association, Minneapolis, Minnesota, as trustee (the "Trustee"). The Trustee will initially also act as Tender Agent for the Bonds.

Pursuant to a Loan Agreement (the "Loan Agreement") dated as of August 1, 2002 between the College and the Authority relating to the Bonds, the Authority is loaning the proceeds of the Bonds to the College, and the College will covenant as a general obligation of the College to make payments and deposits in amounts sufficient to pay the principal of and interest on the Bonds as the same shall become due and to pay the Purchase Price of the Bonds on any Tender Date. The Bond proceeds, along with available College funds and the proceeds of the Minnesota Higher Education Facilities Authority \$28,265,000 Revenue Bonds, Series Five-N1 (The College of Saint Catherine) (the "Series Five-N1 Bonds"), will be used to:

- (1) construct, equip and furnish a joined Student Center and Learning Commons, including renovating the former St. Joseph Hall and the former Saint Catherine Library,
- (2) renovate and upgrade Whitby Hall and Mendel Hall,
- (3) relocate, equip and furnish the Food Consumer and Nutritional Sciences program space located in Fontbonne Hall,
- (4) relocate, furnish and equip the Health and Wellness Center space located in Butler Center,
- (5) fund a portion of the conversion of the steam plant from high pressure to low pressure, and
- (6) pay certain issuance costs.

The improvements described herein are collectively referred to as the "Project" and are to be owned and operated by the College and located on the College campus in Saint Paul, Minnesota. See "USE OF PROCEEDS" herein.

The Bonds are secured by a pledge of the Loan Repayments, the payment of which is a general obligation of the College and, prior to the Conversion Date, draws under a Letter of Credit, as further described herein.

At the time of the issuance of the Bonds, an irrevocable, transferable, direct pay letter of credit (the "Original Letter of Credit," which term includes any extensions or renewals thereof or, together with an alternate letter of credit delivered in accordance with the provisions of the Indenture and the Loan Agreement, the "Letter of Credit") will be delivered by Allied Irish Bank, p.l.c., New York Branch (the "Bank"), to the Trustee, which will be authorized to draw an amount equal to the aggregate principal amount of the Bonds plus 46 days of interest to accrue thereon (assuming a maximum interest rate (the "Maximum Rate") on the Bonds during the Variable Rate Period of 12% per annum). If the Original Letter of Credit is not renewed or replaced prior to its stated expiration date (August 7, 2007), unless terminated earlier pursuant to the terms thereof, the Bonds are required to be redeemed unless converted to bear interest at a Fixed Rate. The College has agreed in the Loan Agreement to maintain with the Trustee at all times during the Variable Rate Period, as hereinafter defined, a Letter of Credit in an amount at least equal to the aggregate principal amount of Bonds then outstanding, plus interest thereon, calculated at the Maximum Rate, for a period equal to 46 days (or such other period as the rating agency then rating the Bonds may require).

The Original Letter of Credit is to be issued pursuant to a Letter of Credit and Reimbursement Agreement dated as of August 1, 2002 (the "Reimbursement Agreement"), between the College and the Bank. See "THE ORIGINAL LETTER OF CREDIT AND THE REIMBURSEMENT AGREEMENT."

For information concerning the Bank, including certain financial information, see Appendix VI hereto. In addition, copies of the Bank's Annual Report for the year ended December 31, 2001 and any more recent Condensed Interim Statements of Condition may be obtained in the manner described in Appendix VI.

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

#### **THE SERIES FIVE-N1 BONDS ARE NOT OFFERED BY THIS OFFICIAL STATEMENT.**

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

EXCEPT AS EXPRESSLY PROVIDED HEREIN, THIS OFFICIAL STATEMENT PROVIDES INFORMATION RELEVANT TO THE BONDS ONLY AS OF THE DATE OF THIS OFFICIAL STATEMENT AND, WITH RESPECT TO THE TERM OF THE ORIGINAL LETTER OF CREDIT, INVESTORS ARE CAUTIONED THAT IT BEARS A STATED EXPIRATION DATE OF AUGUST 7, 2007, THOUGH BY ITS TERMS IT MAY BE TERMINATED SOONER OR EXTENDED. SEE "THE ORIGINAL LETTER OF CREDIT AND REIMBURSEMENT AGREEMENT" HEREIN.

**This Official Statement contains information relating to the Bonds prior to the Conversion Date. Holders or purchasers of the Bonds are not to rely on the information herein with respect to the terms or conditions of the Bonds after the Conversion Date or with respect to other information herein after the initial offering. This Official Statement must not be used or relied upon by a Holder or purchaser of Bonds in connection with the remarketing of Bonds, the optional tender of Bonds by a Holder, the provision of an Alternate Letter of Credit or conversion of the Bonds to a Fixed Rate.**

## **RISK FACTORS**

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

### **Collateral**

The Bonds are secured by (a) during the Variable Rate Period, the Letter of Credit; (b) a pledge of amounts payable by the College under the Loan Agreement; and (c) money and investments held by the Trustee under the Indenture (except any money and investments required to be paid to the United States Treasury).

The Bonds are initially secured by the Original Letter of Credit issued by the Bank, and the purchasers of the Bonds are expected to rely thereon in deciding whether to purchase, hold or sell the Bonds. See "RATING" herein. See "THE ORIGINAL LETTER OF CREDIT AND THE REIMBURSEMENT AGREEMENT."

The Bonds are not secured by a mortgage or lien on, or a security interest in, any property of the College.

### **Letter of Credit**

The ability of the Bank to honor drawings on the Letter of Credit will depend solely on the Bank's general credit. There can be no assurance that the Bank will be able to meet its obligations under the Original Letter of Credit. Certain information with respect to the Bank is set forth in Appendix VI. Such information was provided by the Bank and no representation is made as to the adequacy, accuracy or completeness thereof.

The Original Letter of Credit expires August 7, 2007 subject to extension, at the option of the Bank, as provided in the Reimbursement Agreement, but in no event beyond October 7, 2032. No assurances can be given that the College will be able to obtain an extension of the Original Letter of Credit or to obtain an Alternate Letter of Credit to secure the Bonds at their stated interest rates and original terms until and including the final stated maturity of the Bonds. In the event of a failure to obtain an extension of the Original Letter of Credit or to obtain an Alternate Letter of Credit, the Bonds will be subject to redemption in whole unless the Bonds are converted to a Fixed Rate. Interest owing on the Bonds as of such date will be paid as on any other Interest Payment Date.

### **Redemption, Acceleration, or Purchase Prior to Maturity**

In considering whether the Bonds might be redeemed prior to maturity, Bondholders should consider the information included in this Official Statement under the heading "THE BONDS –

Redemption." The Bonds may be called for redemption prior to maturity on any Interest Payment Date at the option of the College or in certain instances of damage or destruction or condemnation of the Project Facilities.

The Bonds shall be called for redemption if the College fails to replace the Letter of Credit prior to its Termination Date or the Bank fails to extend the Letter of Credit. The Bonds are subject to mandatory tender for purchase upon the substitution of a Letter of Credit or proposed conversion to Fixed Rates (see "THE BONDS – Mandatory Tender"). The effect on Bondholders of such an acceleration or purchase would be similar to that of early redemption at par. See "THE ORIGINAL LETTER OF CREDIT AND THE REIMBURSEMENT AGREEMENT – The Reimbursement Agreement" herein and "THE LOAN AGREEMENT – Events of Default" and "THE INDENTURE – Events of Default" in APPENDIX IV – SUMMARY OF DOCUMENTS. The Reimbursement Agreement requires the College to reimburse the Bank for drawings on the Letter of Credit, with the failure to make timely reimbursement (and certain other events of default) resulting in an acceleration of the Bonds at the option of the Bank.

If for any reason the Bank fails to honor a drawing on the Original Letter of Credit and the College fails to make Loan Payments when due on the Bonds, the Bonds will be accelerated. In addition, failure of the College to comply with or otherwise satisfy certain terms, covenants, and conditions contained in the Reimbursement Agreement (including the incorporation by reference therein of the Events of Default under the Pledge Agreement, the Loan Agreement and the Indenture), including the failure of the College to reimburse the Bank for drawings under the Original Letter of Credit, would entitle the Bank in its discretion to cause the Trustee to accelerate the Bonds and draw on the Letter of Credit.

The Bonds are also subject to acceleration and early redemption upon an Event of Default with respect to the Series Five-N1 Bonds. A default on the Series Five-N1 Bonds constitutes an Event of Default under the Reimbursement Agreement. Upon the occurrence of such an Event of Default, the Bank can declare all obligations of the College under the Reimbursement Agreement to be payable immediately and can notify the Trustee that it is terminating the Letter of Credit. A termination of the Letter of Credit constitutes an Event of Default under the Indenture for which the Trustee shall accelerate all payments to be due on the Bonds and shall prepay such Bonds.

### **Limited Obligation**

No entity or person other than the College is, or shall be, in any way liable or responsible for any payments to be made under the Loan Agreement, the Indenture, the Reimbursement Agreement or the other obligations of the College. During the Variable Rate Period, the Bonds are payable solely from drawings under the Original Letter of Credit or any Alternate Letter of Credit and from payments made by the College pursuant to the Loan Agreement in amounts sufficient to pay, when due, the principal of and interest on and the purchase price of the Bonds.

### **Nature of Pro Forma Debt Service Coverage**

Although the Bonds are payable during the Variable Rate Period from draws under the Letter of Credit, and in assessing the security of an investment in the Bonds, investors should rely primarily upon the Letter of Credit and the information contained herein and in Appendix VI hereto regarding the Bank, certain historical operating revenue for the College and computed pro forma debt service coverage are provided in Appendix I under the caption "THE COLLEGE - Annual Debt Service by Fiscal Year and Pro Forma Coverage Statement." The pro forma coverage is merely a mathematical computation as reflected in the applicable table. The computation of pro forma debt service coverage contains certain assumptions, such as the application of the College's Board-approved Endowment Spending Policy to all of the College's



cash and cash equivalents, unrestricted, temporarily restricted and permanently restricted cash and investments (as used in this paragraph, the "Assets"). In any given year, the College applies its Endowment Spending Policy to only a portion of its Assets and spends only that percentage of such Assets and the investment earnings thereon. Any or all of the remaining Assets not subject to the College's Endowment Spending Policy may be spent by the College. For purposes of calculating Net Income Available for Debt Service, the College believes the assumption of applying its spending rate to all of its cash and investments is reasonable because (i) the assumption results in less Net Income Available for Debt Service than would be available under the College's actual Endowment Spending Policy, and (ii) the College understands that rating agencies perform similar calculations when rating obligations issued for institutions of higher education, including the College. The pro forma coverage constitutes no assurance as to the future sufficiency of College revenues to satisfy College operations and Bond and other debt service requirements. See "APPENDIX I – Endowment and Endowment Spending Policy."

### **Bankruptcy and Receivership**

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

## **CONTINUING DISCLOSURE**

The Bonds are exempt from continuing disclosure requirements of Rule 15c2-12 (the "Rule") of the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended. Consequently, the College has not agreed and is not required to provide annual financial information, notices of certain material events or any other disclosure which might otherwise be required by the Rule. However, certain continuing disclosure information may be available from national repositories pursuant to a continuing disclosure agreement relating to the Series Five-N1 Bonds that are expected to be issued concurrently with the Bonds. The College has not been subject to any previous undertaking and therefore has never failed to comply with any previous undertakings under the Rule to provide annual reports or notices of material events. The College will enter into an undertaking for continuing disclosure following a conversion of the Bonds to a Fixed Rate.

## **THE BONDS**

**The sole purpose of this section is to describe terms and provisions of the Bonds before the Conversion Date, while the Bonds bear interest at the Variable Rate, and must not be relied upon following the Conversion Date.**

### **General**

The Bonds will be dated the date of initial delivery thereof and will mature October 1, 2032. Interest will be payable on the first Business Day of each month ("Interest Payment Date") commencing September 3, 2002.

The Bonds are issuable only as fully-registered bonds without coupons (initially in Book Entry Form), in denominations of \$100,000 and any integral multiple of \$5,000 in excess thereof.

The Bonds will bear interest at a Variable Rate established by the Remarketing Agent. From the Issue Date to and including August 28, 2002, the Bonds will bear interest at a rate to be determined by the Remarketing Agent prior to the Issue Date. Thereafter, the Remarketing Agent will determine the interest rate weekly as described below. See "THE BONDS – Setting of Interest Rates." Interest will be computed on the basis of a 365- or 366-day year, as applicable, for the number of days actually elapsed. The Bonds are subject to optional and mandatory tender and optional and mandatory redemption. See the captions "THE BONDS – Optional and Mandatory Tender" and "THE BONDS – Redemption" herein. The Bonds may be converted to a Fixed Rate as described herein under the caption "THE BONDS – Conversion to a Fixed Rate."

### **Setting of Interest Rates**

The College has appointed RBC Dain Rauscher Inc. and Wells Fargo Brokerage Services, LLP to serve as co-Remarketing Agents (jointly, the "Remarketing Agent") who will determine the interest rate on the Bonds pursuant to the Remarketing Agreement for each Weekly Period ending prior to the Conversion Date. The College or the Remarketing Agent may terminate the Remarketing Agreement effective upon the later of 30 days' notice or the effective date of appointment of a successor Remarketing Agent. The Weekly Interest Rate will be determined by the Remarketing Agent on the Wednesday of each week or the succeeding Business Day if such Wednesday is not a Business Day.

The Weekly Interest Rate will be the minimum interest rate which, in the sole judgment of the Remarketing Agent, would enable the Remarketing Agent to sell outstanding Bonds on the first day of the applicable Weekly Period at a price equal to the principal amount thereof (plus accrued interest, if any). If, for any reason, the Remarketing Agent fails to determine the Weekly Interest Rate, or if a Weekly Interest Rate cannot legally be determined, the Weekly Interest Rate for such period will be equal to (a) 105% of the VariFact™ Rate published by The Bond Buyer for such period, or (b) if the VariFact™ Rate is not published, 80% of the bond equivalent yields (calculated in accordance with standard practice in the banking industry) for the 13-week United States Treasury bills sold at the last United States Treasury auction of such bills prior to the date of determination. Interest during a Weekly Period shall be computed on the basis of the actual number of days in a year of 365 or 366 days, as appropriate.

The Remarketing Agent shall give notice to the Trustee, the College, the Tender Agent, and the Bank of the determination of each Weekly Interest Rate. The interest rate determination by the Remarketing Agent shall be conclusive and binding on the Holders, the College, the Authority, the Bank, the Tender Agent and the Trustee.

The interest rate on any Bond before the Conversion Date may not exceed 12% per annum (the "Maximum Rate").

### **Optional and Mandatory Tender**

#### **Optional Tender**

Prior to the Conversion Date, a Holder may tender Bonds to the Tender Agent for purchase at the principal amount thereof plus accrued interest (the "Purchase Price") on any Business Day at least seven days after the Optional Tender Notice is deemed to be given by the Holder.

An Optional Tender Notice that is delivered to the Tender Agent at its principal office at or before 4:00 P.M., New York City time, on any Business Day shall be deemed delivered on such Business Day, and if such Notice is delivered after 4:00 P.M., New York City time, it shall be deemed to be delivered on the next succeeding Business Day. Optional Tender Notices are

irrevocable upon receipt by the Tender Agent. The Optional Tender Notice shall state the principal amount of each Bond to be purchased, its number, the name of the Holder and the date on which such Bond is to be purchased, which date shall be a Business Day not less than seven days after the date the Optional Tender Notice is deemed delivered. During any period in which the Bonds are in Book-Entry Form, no further deliveries are required to effect the Optional Tender. During any period in which the Bonds are not in Book-Entry Form, such Bond must be delivered (together with an appropriate instrument of transfer executed in blank in form satisfactory to the Tender Agent) to the Tender Agent, at its principal office, by 9:00 A.M., New York City time, on the Optional Tender Date.

Interest on any Bond which the Holder thereof has elected to tender for purchase and which is not delivered on the Optional Tender Date (when delivery is required during any period in which the Bonds are not in Book-Entry Form), but for which there has been deposited with the Trustee an amount sufficient to pay the Purchase Price thereof, shall cease to accrue on the Optional Tender Date, and shall no longer be outstanding and entitled to the benefits of the Indenture, except for the payment of the Purchase Price of such Bond from moneys held by the Trustee for such payment.

#### Mandatory Tender

The Bonds are required to be tendered to the Tender Agent for purchase at the Purchase Price on (i) the effective date of the substitution of any Alternate Letter of Credit and (ii) the Conversion Date.

The Trustee shall give notice by mail to the College, the Bank, the Tender Agent, the Remarketing Agent and the Holders of the Bonds subject to such mandatory tender not less than thirty (30) days prior to the Mandatory Tender Date.

In the case of a mandatory tender relating to the substitution of any Alternate Letter of Credit, the Holders may elect not to tender or sell their Bonds, in whole or in part (in Authorized Denominations), by delivery of a Non-Tender Notice not less than ten (10) days prior to the Mandatory Tender Date to the Tender Agent. Such notice shall be irrevocable and shall state the principal amount subject to tender, the number of the Bond, the name of the Holder and the principal amount the Holder elects not to tender. The notice shall also state that the Holder acknowledges that the ratings on such Bonds may be modified, reduced, suspended or withdrawn.

During any period in which Bonds are in Book-Entry Form, the Tender Agent shall purchase any Bond subject to mandatory tender for which a Non-Tender Notice has not been received without further action by the Holder. During any period in which the Bonds are not in Book-Entry Form, each Bond which is not to be retained by the Holder must be tendered to the Tender Agent for purchase on behalf of the College at or before 9:00 A.M., New York City time, on the Mandatory Tender Date, by delivering such Bond to the Tender Agent (together with an appropriate instrument of transfer executed in blank in form satisfactory to the Tender Agent). On the Mandatory Tender Date the Tender Agent will purchase such Bond or cause such Bond to be purchased for the account of the College at the Purchase Price.

Interest on any Bond which is not to be retained by the Holder and for which there has been irrevocably deposited with the Trustee an amount sufficient to pay the Purchase Price thereof, shall cease to accrue on the Mandatory Tender Date, whether or not actually tendered on the Mandatory Tender Date and the Holder of such Bond shall not be entitled to any payment other than the Purchase Price for such Bond, and such Bond shall no longer be outstanding and entitled to the benefits of the Indenture, except for the payment of the Purchase Price of such Bond from funds held by the Tender Agent or the Trustee for such payment.

#### Tenders Under Book-Entry System

While any Bond is in Book-Entry Form, the term "Tendered Bond" refers to the beneficial ownership interest of the Beneficial Owner. On a Tender Date or upon remarketing, each Bond will be deemed delivered or transferred to a person upon transfer to such person of the beneficial ownership interest therein pursuant to the Book-Entry System.

If any Holder is entitled to receive notice of a Mandatory Tender Date, the notice shall be given by the Trustee to DTC. No Bond in Book-Entry Form (other than a Bond which is to be converted to a Fixed Rate Bond) will be required to be delivered for an exchange, purchase or transfer in connection with such Mandatory Tender Date, and any transfer of beneficial interest in any Tendered Bonds shall be effected through the Book-Entry System. Unless waived by the Tender Agent, beneficial interest in any Tendered Bonds in Book-Entry Form shall be transferred to the Tender Agent on or before the applicable Mandatory Tender Date.

So long as the book-entry system is in effect, the procedures for tender of Bonds by Beneficial Owners are governed by DTC procedures. See "BOOK ENTRY SYSTEM" herein. The delivery of certificates evidencing the Tendered Bonds shall not be required to effect any optional tender pursuant to the Indenture, and the beneficial ownership interest of the Beneficial Owner in such Bond shall be transferred through the Book-Entry System to the Tender Agent on the Optional Tender Date against credit for the Purchase Price.

### **Remarketing and Purchase**

On each Optional Tender Date and on each Mandatory Tender Date, the Tender Agent is required to purchase tendered Bonds with funds either derived from the remarketing of tendered Bonds or funds drawn under the Letter of Credit. Funds supplied by the College will not be used to purchase Bonds unless the Bank dishonors a draft for payment under the Letter of Credit. Subject to the availability of any required offering materials and satisfaction of other conditions precedent, the Remarketing Agent has agreed to use its best efforts to remarket tendered Bonds.

### **Conversion to a Fixed Rate**

The Indenture provides that the College has the one-time right, to be exercised at any time, to direct the Authority to convert the interest rate on all of the Bonds to a Fixed Rate, effective on any Variable Rate Interest Payment Date. To exercise its option, the College must deliver to the Authority, the Trustee, the Bank, the Tender Agent and the Remarketing Agent written notice thereof at least thirty-five (35) days prior to the Variable Rate Interest Payment Date on which the Fixed Rate is to become effective (the "Conversion Date") and an opinion of nationally recognized bond counsel to the effect that the conversion to a Fixed Rate is authorized by the Indenture and will not adversely affect the exemption of interest on any Bonds from federal income taxation. See "Tax Exemption" herein.

The Trustee shall give notice by mail to the Holders of the conversion to a Fixed Rate not less than thirty (30) days prior to the Conversion Date, specifying, among other things, the Proposed Conversion Date, the Computation Date, which is the date on which the Fixed Rate shall be determined and announced, which shall be not less than fifteen (15) days prior to the Proposed Conversion Date, and stating that the Bonds shall be subject to mandatory tender for purchase on the Proposed Conversion Date.

Notwithstanding the foregoing, the College may cancel the conversion to a Fixed Rate at any time on or prior to the last Business Day preceding the Proposed Conversion Date by giving notice to the Trustee, the Authority, the Remarketing Agent, the Tender Agent and the Bank, but only if a Letter of Credit then secures the Bonds.

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

## **Redemption**

### Optional Redemption Prior to Conversion to Fixed Rate

The Bonds are subject to optional redemption by the Authority at the direction of the College, in whole or in part on any Interest Payment Date, at a redemption price equal to the principal amount of Bonds to be so redeemed, plus accrued interest to the redemption date.

### Extraordinary Optional Redemption

The Bonds are also subject to optional redemption at par plus accrued interest, in whole or in part, in certain cases of damage to or destruction or condemnation of the Project Facilities (see "SUMMARY OF DOCUMENTS – The Loan Agreement").

### Mandatory Redemption

The Bonds are subject to mandatory redemption in whole but not in part (i) on the last regularly scheduled Interest Payment Date preceding the Termination Date of the Letter of Credit, if the College has failed to deliver to the Trustee at least thirty-five (35) days prior to such Interest Payment Date an extension of the Letter of Credit or an irrevocable commitment of a bank to issue an Alternate Letter of Credit or (ii), on the Business Day following such Interest Payment Date, if the College has failed to deliver to the Trustee by 10:00 A.M. New York City time on such Interest Payment Date an Alternate Letter of Credit, in either case at a redemption price equal to the principal amount of the Bonds to be redeemed, without premium, plus accrued interest thereon to the Redemption Date, provided that this provision shall not preclude the College from establishing a Conversion Date at any time on or prior to such Interest Payment Date, in which event Bonds will not be redeemed and will be purchased and remarketed as Fixed Rate Bonds.

### Partial Redemption

If fewer than all of the Bonds at the time outstanding are to be called for optional redemption, the College shall designate to the Trustee the amount of the Bonds to be redeemed, and the particular Bonds or portions thereof to be redeemed shall be selected randomly, unless otherwise provided in the Indenture, by the Trustee in units of Authorized Denominations. In no event shall such redemption result in less than \$100,000 of Bonds remaining outstanding. The College may direct the Trustee to select randomly from among all the Holders and thereafter select randomly the particular Bonds or portions thereof held by the Holders so selected in order to call for redemption as many Bonds or portions thereof from among the fewest number of Holders. Pledged Bonds shall be selected for redemption prior to any other Bonds except Bonds which have been properly tendered for purchase on optional tender dates occurring on or after the redemption date.

Notwithstanding the foregoing, while the Bonds are in Book Entry Form, DTC shall select Bonds for redemption within particular maturities according to its stated procedures. In no event shall

the portion of Bonds to be redeemed and the portion of Bonds not to be redeemed be less than the minimum Authorized Denomination.

### Notice of Redemption

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

### **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) or such other name as may be requested by an authorized representative of DTC. One fully registered certificate will be issued for each maturity of the Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

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 and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction.

Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Bonds, such as redemptions, defaults, and proposed amendments to the Bond documents. Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Registrar and request that copies of the notices be provided directly to them.

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. 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 Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (or its nominee), the Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee, disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners is the responsibility of Direct and Indirect Participants.

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

the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Bonds to the Tender Agent's or Remarketing Agent's DTC account.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Authority or 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, at the College's direction, may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book entry system has been obtained from DTC, which is solely responsible for such information. Neither the Authority nor the College takes any responsibility for the accuracy thereof.

## **THE ORIGINAL LETTER OF CREDIT AND THE REIMBURSEMENT AGREEMENT**

The Loan Agreement requires the College at all times during the Variable Rate Period to maintain with the Trustee a Letter of Credit in an amount at least equal to the aggregate principal amount of Bonds then outstanding, plus interest thereon, computed at the Maximum Rate, for a period of 46 days.

### **The Bank**

The Original Letter of Credit will be issued by Allied Irish Bank, p.l.c., New York Branch (together with the issuer of any Alternate Letter of Credit, the "Bank"). For information concerning the Bank, see Appendix VI to this Official Statement. The information contained in Appendix VI was furnished by the Bank which is solely responsible for such information.

THE ABILITY OF THE BANK TO HONOR DRAWINGS ON THE LETTER OF CREDIT WILL BE BASED SOLELY ON THE BANK'S GENERAL CREDIT. INFORMATION AS TO THE FINANCIAL CONDITION OF THE BANK IS SET FORTH IN APPENDIX VI HERETO.

### **The Original Letter of Credit**

At the time of issuance of the Bonds, the College will cause the Bank to issue the Original Letter of Credit to the Trustee in an original stated amount of \$24,997,411 (the "Original Stated Amount"). The Original Letter of Credit will be an irrevocable, unsecured obligation of the Bank, which will have a stated expiration date of August 7, 2007, unless terminated earlier or extended. So long as the Original Letter of Credit is effective (i.e., prior to the Termination Date, as hereinafter defined), the Trustee will be required to draw under the Original Letter of Credit, in accordance with the terms thereof, amounts sufficient to pay (i) accrued interest on the Bonds on an Interest Payment Date (an "Interest Drawing"), (ii) principal of and accrued interest on the Bonds in respect of any optional or mandatory redemption (a "Redemption Drawing"), provided that, in the event the date of redemption coincides with an Interest Payment Date, the Redemption Drawing shall not include any accrued interest on the Bonds (which interest is payable pursuant to an Interest Drawing), (iii) the Purchase Price of Bonds tendered pursuant to the terms of the Indenture for purchase on a Tender Date to the extent such Bonds have not been successfully remarketed or for which the Purchase Price has not been received by the Remarketing Agent or the Tender Agent, as appropriate, by 10:00 A.M., New York City time, on



the Tender Date (a "Liquidity Drawing"), provided that in the event the Tender Date coincides with an Interest Payment Date, the Liquidity Drawing shall not include any accrued interest on the Bonds (which interest is payable pursuant to an Interest Drawing), (iv) principal of and accrued interest in respect of Bonds the payment of which has been accelerated pursuant to the Indenture (an "Acceleration Drawing"), and (v) if the Original Letter of Credit has been extended and is in effect on such date, the principal amount of Bonds outstanding on October 1, 2032 (a "Stated Maturity Drawing"); provided, however, none of the foregoing drawings shall be made under the Original Letter of Credit for payment of the principal or Purchase Price of or interest on Pledged Bonds or Corporation Bonds.

The Available Amount (as hereinafter defined) of the Original Letter of Credit will be reduced automatically by the amount of any drawing thereunder; provided, however, that the amount of any Interest Drawing, less the amount of the reduction in the Available Amount of the Original Letter of Credit attributable to interest as specified in a certificate of the Trustee (because of a reduction in the outstanding principal amount of Bonds) shall be automatically reinstated effective the 7th calendar day from the date of such drawing unless the Trustee receives notice prior to the close of business on the 6th calendar day following the date of any Interest Drawing that the Bank has not been reimbursed in full for any such drawing or any other Event of Default has occurred and is continuing under the Reimbursement Agreement and as a consequence thereof the Available Amount attributable to such Interest Drawing will not be so reinstated, in which case, the Trustee is required to accelerate the Bonds. After payment by the Bank of a Liquidity Drawing, the Available Amount will be automatically reduced by an amount equal to the Original Purchase Price (as hereinafter defined) of any Bonds (or portions thereof) purchased pursuant to said drawing. Prior to the Conversion Date, in the event of the remarketing of any Bonds (or portions thereof) previously purchased with the proceeds of a Liquidity Drawing, the Available Amount under the Letter of Credit will be automatically reinstated upon receipt of the Original Purchase Price thereof by the Trustee, on behalf of the Bank, in an amount equal to the Original Purchase Price of any Pledged Bonds or portions thereof so remarketed, except that the Bank, in its sole discretion, may by notice to the Trustee, the College and the Remarketing Agent (as defined in the Indenture) refuse to permit the remarketing of any Pledged Bonds and reinstatement of the Letter of Credit if there shall have occurred and be continuing an Event of Default or Potential Default under the Reimbursement Agreement. A "Potential Default" means an event or condition which, but for the lapse of time or the giving of notice, or both, would constitute an Event of Default under Sections 6.1 (f), (g) or (h) of the Reimbursement Agreement. Prior to the Conversion Date, in the event of a repayment of any amount relating to a Liquidity Drawing, the Available Amount under the Letter of Credit shall be automatically reinstated in an amount equal to the amount of the repayment, except that the Bank, in its sole discretion may by notice to the College, the Trustee and the Remarketing Agent refuse to so reinstate the Available Amount under the Letter of Credit if there shall have occurred and be continuing an Event of Default or Potential Default under the Reimbursement Agreement. The Bank will provide confirmation to the Trustee of any such reinstatement.

The "Original Purchase Price" of Bonds shall mean the principal amount of any Bonds purchased with the proceeds of a Liquidity Drawing plus the amount of accrued interest on such Bonds paid with the proceeds of a Liquidity Drawing (and not pursuant to an Interest Drawing) upon such purchase. The "Available Amount" of the Original Letter of Credit shall mean the Original Stated Amount (i) less the amount of all prior reductions pursuant to Interest, Redemption, Liquidity, Acceleration or Stated Maturity Drawings, (ii) less the amount of any reduction in the Available Amount of the Letter of Credit pursuant to a certificate of the Trustee to the extent such reduction is not already accounted for by a reduction in the Available Amount pursuant to (i) above, (iii) plus the amount of all reinstatements as above described.

The "Termination Date" of the Original Letter of Credit is defined as the earliest to occur of the close of business of the Bank on: (i) August 7, 2007 (this being the end of the Original Letter of Credit's five year term; the Original Letter of Credit shall, however, be renewable annually on the anniversary of its issuance at the College's request and the Bank's sole discretion), (ii) the

date which is fifteen (15) days following the Conversion Date, as such date is specified in a certificate of the Trustee; (iii) the date which is fifteen (15) days following the receipt by the Bank of a certificate of the Trustee in the form prescribed in the Original Letter of Credit to the effect that either (a) no Bonds remain outstanding, (b) all drawings required to be made under the Indenture and available under the Original Letter of Credit have been made and honored or (c) an Alternate Letter of Credit has been issued and is in effect in accordance with the Indenture and Reimbursement Agreement; (iv) the date on which an Acceleration Drawing is honored and (v) the date which is twenty (20) days following receipt by the Trustee of a written notice from the Bank notifying the Trustee that an Event of Default has occurred under the Reimbursement Agreement and that the Bank is terminating the Letter of Credit.

### **Alternate Letter of Credit**

The Indenture and the Loan Agreement provide that during the Variable Rate Period the Bonds will be redeemed if the College fails to deliver to the Trustee (i) at least thirty-five (35) days before the last regularly scheduled Interest Payment Date preceding the Termination Date of a Letter of Credit, an irrevocable commitment from a bank to issue an Alternate Letter of Credit and (ii) on such Interest Payment Date an Alternate Letter of Credit and an opinion of counsel for the bank issuing such Alternate Letter of Credit. An Alternate Letter of Credit shall be an irrevocable, direct-pay letter of credit, having a term of at least one year, issued by a commercial bank organized under the laws of the United States or a foreign nation and authorized to do business in the United States, the terms of which are required by the Indenture to be in all material respects the same as the Original Letter of Credit. If at any time there shall have been delivered to the Trustee (i) an Alternate Letter of Credit pursuant to, and meeting the requirements of, the Loan Agreement and in an available amount meeting the requirements specified in the Indenture, and (ii) an opinion of counsel for the bank which is the issuer of the Alternate Letter of Credit to the effect that the Alternate Letter of Credit has been duly authorized, executed and delivered by the issuer thereof and is a valid and binding obligation of the issuer thereof and enforceable against the issuer, subject to bankruptcy and similar laws affecting creditors' rights generally, then the Trustee shall accept such Alternate Letter of Credit and upon the date the Trustee is permitted to draw under such Alternate Letter of Credit promptly terminate and surrender the previously held Letter of Credit to the issuer thereof for cancellation.

The effective date of substitution of any Alternate Letter of Credit shall be a Variable Rate Interest Payment Date and shall also be a Mandatory Tender Date; provided that any Bondholder may elect to retain its Bonds by filing a Non-Tender Notice in accordance with the Indenture.

### **The Reimbursement Agreement**

The Original Letter of Credit will be issued by the Bank pursuant to a Letter of Credit and Reimbursement Agreement, dated as of August 1, 2002 (the "Reimbursement Agreement"), between the Bank and the College, under which the College will agree, among other things, to reimburse the Bank (i) for a drawing under the Letter of Credit to purchase Bonds on the earlier of the date of the remarketing of the Bonds purchased with such a drawing or the 60th day following the date of such a drawing, for the amount of the drawing under the Original Letter of Credit plus interest thereon at the rate specified in the Reimbursement Agreement and (ii) for any other drawing on the day the drawing is made. Pursuant to the Reimbursement Agreement, the College will also agree to pay certain fees for issuance and maintenance of the Original Letter of Credit. The Reimbursement Agreement, and the terms, conditions and agreements contained therein, are solely for the benefit of the Bank and must not be relied upon by the Holders of Bonds or the Trustee. **The Reimbursement Agreement may be amended by the**

**Bank and the College without the consent of or notice to the Trustee or the Holders of Bonds.**

Each of the following events constitutes an "Event of Default" under the Reimbursement Agreement:

- a) any representation or warranty made by the College in the Reimbursement Agreement, the Pledge Agreement, as defined in the Reimbursement Agreement, the Original Letter of Credit, the Indenture, the Bonds, the Loan Agreement, the Remarketing Agreement, the Bond Purchase Agreement or the Official Statement (the "Related Documents") or in any certificate, document, instrument or financial or other statement contemplated by or made or delivered pursuant to or in connection therewith, shall prove to have been incorrect, incomplete or misleading in any material respect when made;
- b) any breach, default or event of default shall have occurred under the Related Documents or any other agreement between the College and the Bank and any cure periods available shall have expired without cure of the default or event of default;
- c) failure of the College to pay to the Bank any obligations of the College to the Bank under the Reimbursement Agreement when and as due;
- d) the Reimbursement Agreement or any of the other Related Documents to which the College is a party cease for any reason (other than release by the Bank) to be valid and binding obligations of the College and in full force and effect, or if the College shall assert that it is not liable under the Reimbursement Agreement or any other Related Documents to which it is a party;
- e) default by the College in the due observance or performance of any other term, covenant or agreement set forth in the Reimbursement Agreement and continuation of such default for thirty (30) days after written notice thereof by the Bank to the College;
- f) the College shall (i) not pay, or admit in writing its inability to pay, its debts generally as they become due or suspend payment of its obligations, (ii) make an assignment for the benefit of creditors, (iii) apply for, seek, consent to, or acquiesce in, the appointment of a receiver, custodian, trustee, conservator, liquidator or similar official for it or any substantial part of its property, (iv) institute any voluntary proceeding seeking to have entered against it an order for relief under the Bankruptcy Code of 1978, as amended, to adjudicate it insolvent, or seeking dissolution, winding up, liquidation, reorganization, arrangement, marshaling of assets, adjustment or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors or fail to file an answer or other pleading denying the material allegations of any such proceeding filed against it, or (v) take any action in furtherance or any of the foregoing purposes;
- g) a custodian, receiver, trustee, conservator, liquidator or similar official shall be appointed for the College or any substantial part of the property of the College, and such appointment continues undischarged or any such proceeding continues undismissed or unstayed for a period of sixty (60) or more days;
- h) a proceeding shall be instituted in any court of competent jurisdiction, under any law relating to bankruptcy, insolvency, reorganization or relief of debtors seeking in respect of the College an order for relief or an adjudication in bankruptcy, reorganization, dissolution, winding up, liquidation, a composition or arrangement with creditors, a readjustment of debts, or the like of the College or of all or any substantial part of its assets, or other like relief in respect thereof under any bankruptcy or insolvency law, and, if such proceeding is being contested by the College in good faith, the same shall (i) nevertheless result in the entry of an order for relief or in any such adjudication or

appointment or (ii) continue undismissed, or pending and unstayed, for any period of sixty (60) consecutive days;

- i) the College, without the Bank's prior written consent, shall sell, convey or transfer any interest (including any leasehold interest) in all or any material part of its property or permit any such sale, conveyance or transfer to occur;
- j) a material adverse change shall occur in the College's condition (financial or otherwise), operations or prospects;
- k) default by the College shall occur under any evidence of indebtedness of the College for borrowed money in an aggregate outstanding principal amount in excess of \$500,000 or under any indenture, agreement or other instrument under which the same may be issued, and such default shall continue for a period of time sufficient to permit the acceleration of the maturity of any such indebtedness (whether or not such maturity is in fact accelerated), or any such indebtedness shall (subject to any period of any grace provided for the payment thereof) not be paid when and as due (whether by lapse of time, acceleration or otherwise) and any applicable grace periods have lapsed;
- l) any judgment or judgments, writ or writs or warrant or warrants of attachment, or any similar process or processes in an aggregate amount in excess of \$500,000 shall be entered or filed against the College or against any of the property of the College and remain unpaid, unvacated, unbonded or unstayed for a period of thirty (30) days; and
- m) the College shall cease, for any reason, to be affiliated with the Sisters of St. Joseph of Carondelet (or another Person satisfactory to the Bank in its sole discretion) to the extent it is on the date of the Reimbursement Agreement.

Upon the occurrence and during the continuance of any Event of Default the Bank may exercise any one or more of the following rights and remedies in addition to any other remedies under the Reimbursement Agreement or by law provided:

- a) by notice to the College, declare all Letter of Credit Obligations to be, and such amounts shall thereupon become, immediately due and payable without presentment, demand, protest or other notice of any kind, provided that upon the occurrence of an event of Default under paragraphs (f), (g), and (h) above, such acceleration shall automatically occur (unless such automatic acceleration is waived by the Bank in writing);
- b) give notice of the occurrence of an Event of Default to the Trustee, thereby causing the Letter of Credit to terminate twenty (20) days after receipt of such notice by the Trustee;
- c) pursue any rights and remedies it may have under the Related Documents; or
- d) pursue any other action available at law or in equity.

## **USE OF PROCEEDS**

### **The Project**

Proceeds of the Bonds will be loaned to the College along with proceeds of the Series Five-N1 Bonds. Proceeds of the Bonds and the Series Five-N1 Bonds along with available College funds will be used to:

- (1) construct, equip, and furnish a joined Student Center and Learning Commons, including renovating the former St. Joseph Hall and the former Saint Catherine Library,
- (2) renovate and upgrade Whitby Hall and Mendel Hall,
- (3) relocate, equip and furnish the Food Consumer and Nutritional Sciences program space located in Fontbonne Hall,
- (4) relocate, furnish and equip the Health and Wellness Center space located in Butler Center,
- (5) fund a portion of the conversion of the steam plant from high pressure to low pressure, and
- (6) pay certain issuance costs.

Opus Northwest ("Opus"), a member of the Opus Group, is the Construction Manager and Opus Architects and Engineers, another member of the Opus Group, is the architect for the new Student Center and Learning Commons portion of the Project. McGough Construction is the Construction Manager and Hammel, Green and Abrahamson, Inc. is the architect for the balance of the Project. The College has entered into guaranteed maximum price contracts with Opus Northwest and McGough Construction.

Construction of the Student Center and Learning Commons began in September 2001. The College expects to complete this portion of the Project by July 2004. Work on the Food Consumer and Nutritional Sciences space and the Health and Wellness Center space is complete. The upgrades to Whitby Hall and Mendel Hall are scheduled to begin July 2002 with a projected completion date of August 2005. The steam plant conversion began April 2002 with a projected completion date of October 2002.

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

The Authority is also issuing the Series Five-N1 Bonds concurrently with the Bonds. The proceeds of both the Bonds and the Series Five-N1 Bonds will be used to finance the construction portions of the Project and to pay issuance costs. Proceeds of the Series Five-N1 Bonds will be used to fund the Reserve Account securing the Series Five-N1 Bonds and to refund and redeem the Prior Bonds.

Estimated sources and uses of funds, allocated between the Bonds and the Series Five-N1 Bonds, are as follows:

#### Sources of Funds

Series Five-N1 Bond Proceeds	\$28,265,000
Series Five-N1 Accrued Interest	82,290
Series Five-N2 Bond Proceeds	24,625,000
Series Three-M1 Bonds Trustee-Held Funds	961,703
College funds	278,811
Investment earnings <sup>(1)</sup>	<u>360,000</u>

Total Sources: \$54,572,804

#### Uses of Funds

Student Center and Learning Commons	\$40,674,910
Food Consumer and Nutritional Sciences program	1,380,000
Health and Wellness Center	288,000
Whitby Hall and Mendel Hall	4,718,000
Steam Plant conversion	700,000
Deposit to Series Five-N1 Bond and Interest Sinking Fund Account	82,290
Deposit to Escrow Fund <sup>(2)</sup>	3,914,257
Reserve Account <sup>(3)</sup>	1,907,319
Letter of Credit Fee <sup>(4)</sup>	23,609
Costs of Issuance <sup>(5)</sup>	546,954
Original Issue Discount <sup>(6)</sup>	<u>337,465</u>

Total Uses \$54,272,804

<sup>(1)</sup> Assumes an investment rate of 1.70% on funds in the Construction Account and the College's projected draw schedule

<sup>(2)</sup> From Series Five-N1 Bond proceeds, Series Three-M1 Bonds Trustee-Held Funds and College funds

<sup>(3)</sup> From Series Five-N1 Bond proceeds

<sup>(4)</sup> From Series Five-N2 Bond proceeds

<sup>(5)</sup> Includes costs of issuance, Underwriters' discount and Letter of Credit legal fees

<sup>(6)</sup> From Series Five-N1

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

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

### **General**

The Bonds will be special obligations of the Authority payable solely from Loan Repayments made by or on behalf of the College as required by the Loan Agreement or out of other amounts pledged therefor under the Indenture including, during the Variable Rate Period, drawings under the Letter of Credit.

The Bonds are secured by the pledge of the Loan Repayments, which are a general obligation of the College. The College will agree pursuant to the terms of the Loan Agreement to make such payments out of its operating funds or any other moneys legally available. The College covenants and agrees: to charge tuition fees, other fees, rentals and charges which, together with the College's general funds or any other moneys legally available, will be sufficient at all times to make the Loan Repayments and other payments required under the Loan Agreement; to meet current operation and maintenance expenses of the Project Facilities; and to pay all other obligations of the College as they become due.

During the Variable Rate Period, the Bonds will be secured by draws under the Original Letter of Credit or Alternate Letter of Credit, as discussed under "THE ORIGINAL LETTER OF CREDIT AND THE REIMBURSEMENT AGREEMENT."

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

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

## **ACCOUNTS**

### **Summary**

The Indenture will provide for the creation of certain trust accounts into which the proceeds of the sale of the Bonds and revenues received as Loan Repayments under the Loan Agreement and moneys from draws under the Letter of Credit are to be deposited. These accounts include a Construction Account, a Bond Purchase Fund, a Bond and Interest Sinking Fund Account, a Reserve Account, and a Redemption Account. Each account or fund (except the Construction Account and the Reserve Account) includes a General Account and a Letter of Credit Account. The net proceeds of original issue and sale of the Bonds are to be deposited into the Construction Account. Following Bond Closing, amounts received by the Trustee from the College as Loan Repayments, proceeds of remarketing or proceeds of draws under the Letter of Credit are to be deposited into the Bond and Interest Sinking Fund Account, the Bond Purchase Account or 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 or the Purchase Price of the Bonds when due.

### **Construction Account**

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

## **Bond Purchase Fund**

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

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

If there remains any balance (other than moneys held by the Trustee for the purchase of Untendered Bonds) in either the Letter of Credit Account or the General Account of the Bond Purchase Fund, the Trustee shall, prior to the close of business on the Optional Tender Date or the Mandatory Tender Date, authorize the payment of such balance first to the Bank, but only to the extent of amounts due under the Reimbursement Agreement, and then to the College.

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

There shall be deposited into the General Account of the Bond and Interest Sinking Fund Account transfers of amounts in other accounts, as permitted by the Indenture, and from Loan Repayments made by the College. There shall be deposited to the Letter of Credit Account of the Bond and Interest Sinking Fund Account all moneys drawn by the Trustee under the Letter of Credit to pay interest on any Bond (except Corporation Bonds) on any Interest Payment Date and principal on any Bond (except Corporation Bonds) on the Stated Maturity or acceleration thereof.

Funds for the payment of principal of and interest on the Bonds (other than Corporation Bonds) on a Stated Maturity, acceleration or Interest Payment Date are to be derived from the following sources in the order of priority indicated: (i) amounts in the Letter of Credit Account of the Bond and Interest Sinking Fund Account derived from the Letter of Credit for such purpose; and (ii) amounts in the General Account of the Bond and Interest Sinking Fund Account.

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**

While the Bonds bear interest at the Variable Rate, the Reserve Requirement is zero and there shall be no deposit into the Reserve Account prior to the Conversion Date.

## **Redemption Account**

All deposits to the Redemption Account will be made to the General Account unless specified to be deposited in the Letter of Credit Account by the Indenture, the Loan Agreement or the Letter of Credit. There shall be deposited into (a) the Letter of Credit Account of the Redemption Account, all moneys drawn by the Trustee under the Letter of Credit for optional or mandatory redemption during the Variable Rate Period and all income derived from the investment of such moneys, and (b) the General Account of the Redemption Account all other amounts required to be deposited therein pursuant to any provision of the Loan Agreement or the Indenture.

Amounts on deposit to the credit of the General Account of the Redemption Account shall be used, first, to make up deficiencies in the Bond and Interest Sinking Fund Account, the Bond Purchase Fund and the Reserve Account (after the Conversion Date), in the order listed, and, second, for the redemption of outstanding Bonds at the request or direction of the College or for the purchase of outstanding Bonds on the market at the request of the College at prices not exceeding the redemption price on the next available date for redemption or to pay any unpaid obligations under the Reimbursement Agreement. Notwithstanding the foregoing, the Trustee is authorized in its discretion to use funds and investments in the General Account of 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.

Funds for the payment of the principal on the Bonds upon redemption shall be disbursed by the Trustee in the following order of priority: (i) amounts in the Letter of Credit Account of the Redemption Account derived from the Letter of Credit for such purpose, and (ii) amounts in the General Account of the Redemption Account.

## **General Bond Reserve Account**

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

## **Authorized Investments**

Moneys on deposit to the credit of the Construction Account, Bond and Interest Sinking Fund Account, the Reserve Account, the Bond Purchase Fund and the Redemption Account shall be invested by the Trustee as the College directs only in investments as authorized by law from time to time which are generally as follows currently: Direct obligations of the United States government and certain obligations issued or guaranteed by certain of its agencies; direct and general obligations of states and local governments, rated at least in the rating category of "AA" or "Aa"; revenue bond obligations of states and local governments insured by municipal bond

insurance and rated "AAA" or "Aaa"; money market funds, 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 fully collateralized by such obligations; time deposits and other accounts fully insured by the Federal Deposit Insurance Corporation; certain guaranteed investment contracts issued by a bank or insurance company rated at least in the highest two rating categories of a nationally recognized rating agency; certain types of repurchase agreements; and certain commercial paper maturing in 270 days or less. Section 8.05 of the Indenture sets forth further restrictions as to type and maturity of investments.

## **FUTURE FINANCING**

The College regularly improves and expands its physical plant and incurs long-term financing as needed for those purposes. The College does not anticipate financing any such projects with debt within the next twelve months.

## **THE AUTHORITY**

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

Marianne T. Remedios has been the Executive Director of the Authority since May 1, 2000. Ms. Remedios was the partner in charge of bond counsel services to the Authority at Faegre & Benson LLP, Minneapolis, Minnesota from 1991 to 2000. She was an associate and partner at Faegre & Benson LLP for almost 20 years.

Elaine J. Yunkerberg has been Assistant Executive Director of the Authority since 1993.

The Authority is authorized and empowered to issue revenue bonds whose aggregate outstanding principal amount at any time shall not exceed \$650 million. The Authority has had 128 issues (including refunded and retired issues) totaling \$860,668,307, of which \$488,990,517 is outstanding as of July 1, 2002. Bonds issued by the Authority are payable only from the loan repayments, rentals, and other revenues and moneys pledged for their payment. The bonds of the Authority do not represent or constitute a debt or pledge of the faith or credit or moral obligation of the State.

Educational institutions eligible for assistance by the Authority are generally private nonprofit educational institutions authorized to provide a program of education beyond the high school level. Under current statutory authority, public community and technical colleges in the State are also eligible for assistance, but only in financing of child-care and parking facilities. In addition, pursuant to special legislation, the Authority has twice issued bonds on behalf of a public community college for housing purposes. Sectarian institutions are not eligible for assistance; however, the fact that an institution is sponsored by a religious denomination does not of itself make the institution sectarian. Application to the Authority is voluntary.

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

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

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

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

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

### **FINANCIAL ADVISOR**

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

### **UNDERWRITING**

The Bonds are being purchased by RBC Dain Rauscher Inc. and Wells Fargo Brokerage Services, LLC as Underwriters. The Underwriters have agreed to purchase the Bonds at a purchase price of \$24,514,187.50.

The Underwriters intend to offer the Bonds to the public initially at the offering price set forth on the front cover of this Official Statement, which may subsequently change without any requirement of prior notice. The Underwriters reserve the right to join with dealers and other underwriters in offering the Bonds to the public. The Underwriters may offer and sell the Bonds to certain dealers (including dealers depositing the Bonds into investment trusts) at prices lower than the public offering prices.

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

Wells Fargo Brokerage Services, LLC is a separate subsidiary of Wells Fargo and Company and is not a bank. It is a registered broker/dealer, a member of the National Association of Security Dealers, and a member of the Security Investors Protection Corporation. Wells Fargo Brokerage Services, LLC is an affiliate of banks owned by Wells Fargo and Company. No affiliate is responsible for the securities sold by Wells Fargo Brokerage Services, LLC. Unless so indicated, any investments recommended, offered or sold by Wells Fargo Brokerage Services, LLC are not insured by the Federal Deposit Insurance Corporation.

## **RATING**

As noted on the cover hereof, Moody's Investors Service ("Moody's") has assigned a long-term rating of "Aaa" and a short-term rating of "VMIG1" to the Bonds, conditioned on the issuance of the Letter of Credit by the Bank. Moody's has also assigned an underlying rating of "Baa1" based on the stand-alone credit strength of the College. Moody's has based the Aaa long term rating on the Bonds on its analysis of the credit strength of both the College and the Bank using its "Two-Party-Pay" rating approach. This approach examines both the College and the Bank and evaluates the likelihood that both parties will be unable to make payments on the Bonds when due. The short term rating on the Bonds is based solely on the credit strength of the Bank. The ratings reflect only the view of such rating agency. Further information concerning the ratings is available from Moody's.

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

## **LITIGATION**

The Authority and the College are unaware of any pending or overtly threatened in writing litigation which would affect the validity of or the tax-exempt nature of the interest on the Bonds, the authority of either party to enter into the Bond-related documents or the ability of either party to perform as described therein, or 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 Best & Flanagan LLP, 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, Saint Paul and Minneapolis, Minnesota; and for the Underwriters by Faegre & Benson LLP, Minneapolis, Minnesota. Michael Galvin, a partner with Briggs and Morgan, Professional Association, is also a member of the College's Board of Trustees.

Although the Underwriter, the College and the Authority are represented in connection with the issuance and sale of the Bonds by Faegre & Benson LLP, Briggs and Morgan, Professional Association and Best & Flanagan LLP, respectively, Faegre & Benson LLP and Briggs and

Morgan, Professional Association have previously acted as bond counsel for the Authority on other bond issues. In the future, any of these law firms may perform services for the Authority, the Underwriter, other Underwriters, or the College, and no limits are imposed as a result of the issuance of the Bonds on the ability of any of these law firms to act as bond counsel or represent any of these or other parties in any future transactions.

## **TAX EXEMPTION**

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met subsequent to the issuance and delivery of the Bonds in order that interest on the Bonds be and remain excludable from gross income under Section 103 of the Code. These requirements include, but are not limited to, (1) provisions relating to the expenditure of Bond proceeds, (2) provisions which prescribe yield and other limits relative to the investment of the proceeds of the Bonds and other amounts, (3) provisions which require that certain investment earnings be rebated periodically to the Federal government and (4) provisions relating to the ownership and operation of the facilities financed by the Bonds. Noncompliance with such requirements may cause interest on the Bonds to become includable in gross income for purposes of Federal and State 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 the Indenture contain provisions (the "Tax Covenants") including covenants of the Authority and the College, pursuant to which, in the opinion of Bond Counsel, such requirements can be satisfied. The Tax Covenants do not relate to all the continuing requirements referred to in the preceding paragraph.

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, 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.

Assuming compliance with the Tax Covenants and on the basis of the certifications to be furnished at Bond Closing, in the opinion of Best & Flanagan LLP, Bond Counsel, under present laws and rulings: interest on the Bonds is not includable in gross income for federal income tax purposes or in the taxable net 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 Code imposes a branch profits tax equal to 30% of the "dividend equivalent amount" which is measured by "earnings and profits" effectively connected to the United States, net of certain adjustments. Included in the earnings and profits of a United States branch of a foreign corporation is income that would be effectively connected with a United States trade or business if such income were taxable, such as the interest on the Bonds.

In addition, interest on the Bonds is includable in the net investment income of foreign insurance companies for purposes of Section 842(b) of the Code. In the case of a property, casualty or other insurance company subject to the tax imposed by Section 831 of the Code, the amount

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

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

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

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

The Bonds will not be "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code 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 the largest Catholic college for women in the United States. The College is a four-year liberal arts college and, through a diversity of programs, offers the opportunity to complete baccalaureate, associate and master's degrees in a variety of health-care specialties, liberal arts and professional programs. Committed to meeting the educational needs of women of all ages, the College offers many of its bachelor's and master's degree programs in both traditional day and weekend formats. With campuses in Saint Paul and Minneapolis, the College has a total enrollment of 4,622.

The College's mission is to educate women to lead and influence. Founded by the Sisters of St. Joseph of Carondelet in 1905, the College integrates liberal arts and professional education with the Catholic traditions of intellectual inquiry and social teaching. Committed to excellence and opportunity, the College engages students from diverse backgrounds in a learning environment uniquely suited to women. The College prepares graduates to demonstrate ethical leadership grounded in social responsibility.

The College's Saint Paul campus comprises the traditional baccalaureate women's college and several certificate and graduate programs offered to both women and men. The Minneapolis campus provides educational opportunities in health-care and human-service fields to a diverse coeducational student body. Both campuses offer graduate degree programs for both women and men.

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

### Governance

The College is governed by a Board of Trustees, currently composed of 35 elected members and three ex-officio members. The maximum number of trustees is 40. The President of the College, the Archbishop of Saint Paul and Minneapolis and the President of the Alumnae Association are ex officio members of the Board of Trustees, with all the rights, privileges, and responsibilities of other trustees. Trustees serve three year terms and may serve up to three consecutive terms. At least one-third of Board members must be members of the Sisters of St. Joseph of Carondelet ("CSJ").

Following is a list of the members of the Board of Trustees of the College and their business or professional affiliation, as of March 2002:

<u>Trustee</u>	<u>Principal Activity</u>
Maureen Hooley Bausch	Vice President of Business Development, Mall of America
William Britt	Vice President, Cargill Incorporated
Pamela Clark	President, St. Paul Academy
Mary Lou Dasburg	Attorney at Law

TrusteePrincipal Activity

The Most Reverend Harry J. Flynn, D.D.	Archbishop of Saint Paul and Minneapolis
Michael Galvin	Attorney at Law, Briggs and Morgan, Professional Association
Sara Hietpas Gavin '77	Managing Director, Weber Shandwick Worldwide
Roseann Giguere, CSJ '61	Retreat Director
Patricia Simms Gries '69 '89	Consultant
Marva Livingston Hammons '69	Executive Director, Department of Human Services, State of Colorado
Marialice Harwood, Chair	Vice President of Development, The St. Paul Foundation
Harriet Hentges '63	Executive Vice President, United States Institute of Peace
Karen Hilgers, CSJ '63	Licensed Psychologist, private practice
Sharon Howell, CSJ	Assistant Dean for Student Life, University of St. Thomas
Frieda Kalenze, CSJ '66	Treasurer, Planning Coordinator, Sisters of St. Joseph of Carondelet
Judith Kavanaugh, CSJ '65	Spanish and Latin Teacher, Cretin-Derham Hall High School
Andrea Lee, IHM	President, College of Saint Catherine
Christine Ludwig, CSJ '71	Province Leadership Team, Sisters of St. Joseph of Carondelet
Virginia 'Gini' McCain	Director, Human Resources Communications, Retired, 3M
Joan McGinty, CSJ '59	Director, Sarah's – An Oasis for Women, Sisters of St. Joseph of Carondelet
Mary M. McGlone, CSJ	Theologian
Burton McGlynn	Chairman, McGlynn Bakeries, Inc.
Lawrence J. McGough	Principal, McGough Construction
Susan Schmid Morrison '60	Community Leader, Naples, Florida and Minneapolis and Saint Paul, Minnesota
Mary Alice Muellerleile '60	Attorney at Law, Special Assistant to the President, Heritage College



<u>Trustee</u>	<u>Principal Activity</u>
Joanne Jirik Mullen '83	Attorney at Law (Alumnae President)
Catherine Murray '81	Securities Analyst, JP Morgan Chase
Lorraine Majerus Nadler '53	Community Leader, Orange County, California
Susan Oeffling, CSJ '65 '87	Province Leadership Team, Sisters of St. Joseph of Carondelet
Anne Otterson '55	Community Leader, San Diego, California
David Page	President and CEO, Fairview Health Services
Carolyn Puccio, CSJ '65	Employee Assistance Counselor/Therapist, Hutchinson Area Health Care
Stephen Roszell	Senior Vice President, Institutional Business, American Express Financial Advisors
Therese Sherlock, CSJ '62	Editor, Good Ground Press
Virginia Webb, CSJ '64	Member, Sisters of St. Joseph of Carondelet
Pamela Wheelock '81	Commissioner of Finance, State of Minnesota
Jean Wincek, CSJ '62	Adjunct Graduate Instructor, St. Mary's University of Minnesota, Consultant.
Brenda Grandstrand Woodson '80	Attorney at Law

Lawrence J. McGough, Chairman of McGough Construction, a company with which the College has a construction contract for the Project financed by the Bonds, was a member of the Board of Trustees from 1991 to 2000. Mr. McGough was not a member of the Board of Trustees as of the time the College entered into the construction contract for the Project with McGough Construction. Mr. McGough was elected to a new term on the Board of Trustees in May 2002.

## **Administration**

The principal officers of the College are as follows:

### *President*

Andrea J. Lee, IHM, has been the College president since 1998. Sister Andrea holds a M.Ed. and a Ph.D. in educational administration from the Pennsylvania State University and received the Pennsylvania State University's Outstanding Alumna Award in 1989. She also holds a B.A. in Music and Elementary Education from Northeastern Illinois University and an A.A. in Italian from Villa Walsh College, Morristown, New Jersey. In 1990, she attended Harvard University's Institute for Educational Management. Sister Andrea's previous positions were at Marygrove College as dean of continuing education and community services (1981-84), as executive vice president and chief operating officer (1984-1997), and as interim president (1998).

### *Vice President for Academic Affairs and Dean of Faculty*

Mary Margaret Smith, Ph.D., was named Vice President for Academic Affairs in 1998. Smith holds an A.B. (bachelor of arts) degree from Lindenwood College, a master's degree in political science and a Ph.D. in policy analysis and administration from Saint Louis University. In 1997 Smith attended Harvard University's Institute for Educational Management. She has been honored with a fellowship from the American Council on Education, spending a year at Gettysburg College. Smith also has received the Achievement Distinction Award from the College of St. Francis and the Excellence in Teaching Award from St. Joseph's College. She is a mentor with the American Council on Education Fellows Program.

### *Vice President for Student Affairs*

Colleen Hegranes, M.S.Ed., has been at the College since 1977. She holds a M.S.Ed. in Counseling and a Bachelor of Arts in English from Moorhead State University in Minnesota. She received the Moorhead State University Distinguished Alumna Award in 1988 and the Minnesota College Personnel Association Linda Schremp Alberg Award for Outstanding Contribution to Minnesota Higher Education in 1997. Positions she has held at the College include Director of Housing, Dean of Students, Vice President for Enrollment Management and Vice President for Student Affairs.

### *Vice President for Finance and Business Operations*

Mary DesRoches, M.A., M.P.A., has been with the College since 1999. She holds a Master of Public Administration from the Kennedy School of Government at Harvard University and a Masters of Arts from Saint Louis University. She has been the Director of Central Services for Catholic Charities of the Archdiocese of Saint Paul and Minneapolis, the Chief Operating Officer of the law firm of Leonard, Street and Deinard, Professional Association, the President of HEMAR Finance Corporation of America and the Associate Vice President for Finance and Business Operations of the University of Minnesota. She served three terms as the elected Comptroller-Treasurer of the City of Minneapolis. She served a three-year term as a public representative to the Municipal Securities Rulemaking Board.

### *Vice President for Development and External Relations*

Patricia A. Hvidston, Vice President for Development and External Relations, holds a B.A. degree in Elementary Education from the College of Saint Catherine. After teaching in elementary schools in Saint Paul, Rochester and Chicago (1967-1976) she served as Director of Development for Derham Hall High School in Saint Paul (1976-1979). She was named as officer of First Trust Company of Saint Paul in 1979 and advanced in a number of positions until being named Senior Vice President for Personal Trust in 1990. She joined Firststar Trust Company of Minnesota in 1991 and was named President in 1995. She left the firm in 1996 to establish her own consulting firm. She has extensive experience on the boards of several not-for-profit organizations, including the Board of Trustees of the College of Saint Catherine and was named Vice President in 2000.

## **Facilities**

The College has two campuses. The main campus is located in Saint Paul and the other campus is in Minneapolis. The College's physical facilities in Saint Paul consist of 18 buildings located on 110 acres. The Saint Paul campus has classrooms, office facilities, student

residence halls and apartments, O'Shaughnessy Auditorium, and the Butler Sports and Fitness Center. The College has five residence halls with a capacity of 522 students and owns two apartment buildings with a total capacity of 228 students.

The Minneapolis campus consists of one acre with two multi-purpose buildings. The College has leased one building on the Minneapolis campus from Carondelet Life Care Corporation for a 30-year period that terminates on December 31, 2022.

As of May 31, 2001, the book value of all property and equipment, net of depreciation, was \$26,357,720; buildings and contents have an insured value of \$105,116,056.

## **Libraries**

Three campus libraries serve student and faculty information needs: the College main library in Saint Paul (which will be renovated and made part of the Learning Commons), the Performing Arts Library and the Minneapolis campus library. Together the collections include more than 260,000 books and 1,400 journal subscriptions. The College is a member of the Cooperating Libraries in Consortium, Inc. ("CLIC"), a Saint Paul-Minneapolis private college inter-library consortium, with access to more than one million volumes and 5,000 periodicals. The College also participates in MINITEX and Interlibrary Loan systems, which provide access to the holdings of the libraries statewide and nationally.

## **Academic Information**

The College's day program follows a two-semester approach with a fall semester from September through December and a winter semester from February through May. The month of January presents students with various opportunities, such as independent study or an internship, taking a course at another institution, or studying abroad. The College's Weekend College offers women the opportunity to earn a degree by attending classes every other weekend, with three trimesters during the academic year: September-December, January-March, and April-June. Approximately 80 academic credit courses are offered each summer in two sessions, each five to six weeks long; the first summer session begins in late May and the second in early July.

The College awards Bachelor of Arts and Bachelor of Science degrees in the following major concentrations or programs of study:

Accounting	Exercise Science	Mathematics
American Sign Language/Interpreting	Exercise Science/Nutrition	Music
Art	Family Consumer and Nutritional Science	Nursing
Biology	Family Education	Occupational Science
Business Administration	Fashion and Apparel	Occupational Science/Pre-Occupational Therapy
Chemical Dep. Counseling	Foods and Nutrition	Philosophy
Chemistry	French	Political Science
Communication	Health Information Management	Psychology
Communication: Interdepartmental Major	History	Sales
Critical Studies in Race and Ethnicity	Information Management	Social Studies
Economics	Information Systems	Social Work
Education	International Business and Economics	Sociology
Elementary Education	International Relations	Spanish
English	Management Information Systems	Theater
Exercise & Sport Science		Theology

In addition to the Bachelor's major degrees described above, the College awards 41 Bachelors minor degrees.

The College awards Associate of Arts degrees in: Health Information Specialist; Liberal Arts and Sciences; Nursing; Occupational Therapy Assistant; Physical Therapy Assistant; Radiographer; Respiratory Care Practitioner; and Sonography.

The College awards Master of Arts degrees in: Education; Library and Information Science (degree granted by Dominican University); Nursing; Occupational Therapy; Organizational Leadership; Physical Therapy; Social Work (joint degree with the University of Saint Thomas); and Theology.

The College also confers certificates in 13 areas.

## Faculty and Staff

The College's faculty-student ratio in the baccalaureate programs is approximately 1 to 10 and in associate degree programs approximately 1 to 6. The College's average class size is 18. There is no religious or denominational prerequisite or any participatory religious requirement for faculty or staff 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.

As of fall 2001, the College employed 443 faculty, including adjuncts. Total employees number approximately 866. The total payroll for the Fiscal Year ended May 31, 2001 was \$27,051,879 (salaries and wages only).

The following table lists the average salary of the lay members of the full-time College faculty for the 2001/2002 academic year.

<u>Title</u>	<u>Average Salary</u>
Professor	\$59,712
Associate Professor	48,756
Assistant Professor	41,870
Instructor	35,146

The following table lists the degrees and professional designations held by the full-time faculty members for the 2001/2002 academic year.

	<u>Number</u>
Doctorate, professional or other terminal degree	230
Bachelor of Arts or Science	11
Associate Degree	<u>3</u>
Total	244

## **Student Body**

There is no religious or denominational prerequisite or any participating religious requirement for students of the College. The fall term undergraduate enrollment at the College for the 2001/2002 academic year is 3,600 with a full-time equivalent ("FTE") of 3,095, and the College's total enrollment is 4,622 with an FTE of 3952. Approximately 84% of the 2001/2002 undergraduate freshman class is from the State of Minnesota. The students are from 28 states and 28 countries.

Women comprise 97.5% of the total undergraduate student body. Associate degrees and some certificates are available to men. Graduate programs at the College have been coeducational since their inception. Women comprise 89% of the graduate student body.

## **Enrollments**

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

	<u>1997/98</u>	<u>1998/99</u>	<u>1999/00</u>	<u>2000/01</u>	<u>2001/02</u>
<u>Headcount</u>					
Undergraduate	3,370	3,424	3,474	3,555	3,600
Graduate and Professional	<u>659</u>	<u>775</u>	<u>898</u>	<u>932</u>	<u>1,022</u>
Total	4,029	4,199	4,372	4,487	4,622
<u>FTEs</u>					
Undergraduate	2,800	2,919	2,972	3,051	3,095
Graduate and Professional	<u>541</u>	<u>654</u>	<u>768</u>	<u>804</u>	<u>857</u>
Total	3,341	3,573	3,740	3,855	3,952

## Freshman Applications, Acceptances and Enrollments

	<u>1997/98</u>	<u>1998/99</u>	<u>1999/00</u>	<u>2000/01</u>	<u>2001/02</u>
Applications	456	547	657	575	706
Acceptances	406	482	569	470	584
Percent Accepted	89%	88%	87%	82%	83%
Fall Enrolled	197	242	254	245	272
Percent Enrolled to Accepted	49%	50%	45%	52%	47%
Mean ACT Scores	23	23	22	22	22

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

<u>1997/98</u>	<u>1998/99</u>	<u>1999/00</u>	<u>2000/01</u>	<u>2001/02</u>
934	913	897	901	859

## Geographic Distribution of Entering First-Year Students

For the fall of 2001, the geographic distribution of entering first-year students was as follows:

Minnesota	256
Wisconsin	13
Montana	3
Michigan	2
Other States	11
Other Countries	<u>9</u>
Total	294*

\*Includes Weekend College first-term freshman

## Student Retention based on incoming Fall first-time, full-time baccalaureate seeking students

<u>Fall Semester</u>	<u>Percent of Students Returning</u>			<u>Graduates after 4 years or returning for 5<sup>th</sup> year</u>
	<u>2<sup>nd</sup> Year</u>	<u>3<sup>rd</sup> Year</u>	<u>4<sup>th</sup> Year</u>	
1996	83.1	65.2	60.7	58.2
1997	81.2	68.7	64.1	59.7
1998	78.5	65.5	57.9	n/a
1999	79.6	65.9	n/a	n/a
2000	75.8	n/a	n/a	n/a
2001	n/a	n/a	n/a	n/a

The College has made a deliberate effort to increase its enrollment of “at-risk” students (for example, first generation college students and students with English as a second language). As a result, the retention rate of first year students has declined. The College has implemented programs to respond to the decline. The challenge is being further addressed through the College's strategic plan for strengthening key academic and student affairs programs.

## Housing

Students may live either off campus or in a residence hall or apartment on the Saint Paul or the Minneapolis campus. As of fall 2001 the College has on the Saint Paul campus five student residences with a capacity of 522 and two apartment buildings with a capacity of 228, and on the Minneapolis campus one student residence with a capacity of 78. All of the student residences and apartments are fully occupied. Approximately 1/3 of the undergraduate day students are housed on campus.

## Tuition

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

	<u>1997/98</u>	<u>1998/99</u>	<u>1999/00</u>	<u>2000/01</u>	<u>2001/02</u>
Day Program (full-time) per academic year	\$14,258	\$14,834	\$15,578	\$16,442	\$17,402
Weekend College (full-time) per academic year	\$ 7,080	\$ 7,080	\$ 7,368	\$ 7,560	\$ 7,920
Minneapolis Campus Programs per credit	\$ 340	\$ 350	\$ 364	\$ 375	\$ 390
Graduate Programs per credit	\$ 456	\$ 460	\$ 460	\$ 475	\$ 495

The following table lists total revenue derived from tuition and fees, before deducting College funded financial aid, for the Fiscal Years ended May 31, 1997 through 2001.

<u>Year</u>	<u>Tuition and Fees</u>
1997	\$ 33,589,874
1998	34,267,055
1999	37,269,501
2000	39,339,559
2001	41,826,580

**2001/2002 Undergraduate Rate Comparison of Minnesota Private Colleges  
(Ranked by Comprehensive Fees)**

**COMPREHENSIVE CHARGES FOR 2001-2002  
AT MINNESOTA'S PRIVATE COLLEGES**

<u>COLLEGE/UNIVERSITY</u>	<u>Tuition and Required Fees</u>	<u>Room and Board</u>	<u>Comprehensive Charges*</u>
Carleton College	\$25,530	\$5,250	\$30,780
Macalester College	\$22,608	\$6,206	\$28,814
St. Olaf College	\$21,280	\$4,600	\$25,880
Minneapolis College of Art & Design	\$20,490	\$4,850	\$25,340
Gustavus Adolphus College	\$19,240	\$4,900	\$24,140
University of St. Thomas	\$18,421	\$5,623	\$24,044
College of Saint Benedict	\$18,315	\$5,606	\$23,921
Saint John's University	\$18,325	\$5,315	\$23,640
Hamline University	\$17,713	\$5,569	\$23,282
Augsburg College	\$17,438	\$5,540	\$22,978
Bethel College	\$16,825	\$5,960	\$22,785
College of St. Scholastica	\$17,180	\$5,198	\$22,378
<b>College of St. Catherine</b>	<b>\$17,402</b>	<b>\$4,922</b>	<b>\$22,324</b>
Concordia University (Saint Paul)	\$15,786	\$5,266	\$21,052
Saint Mary's University of Minnesota	\$15,175	\$4,800	\$19,975
Concordia College (Moorhead)	\$14,725	\$4,110	\$18,835
Bethany Lutheran College	\$11,392	\$4,688	\$16,080

\* These are "standard," fulltime, academic year charges for new entering students. Several colleges have differential tuition for upper-level students or other policies that result in some variation across class levels and students.

**NOTE:** Comprehensive charges are reduced for many students through financial assistance. Approximately three out of four private college students apply for and receive financial assistance, with the amounts and types of aid determined in relation to family resources, calculated need, government formulas and financial aid funding, and other factors. Typical assistance provided to students includes federal and state grants (if applicant qualifies), institutional grants, loans and work-study determined in relation to the student's needs and other factors.

Source: The Minnesota Private College Council

## **Financial Aid**

Approximately 81% of the College's eligible undergraduate students currently receive some form of financial aid through grants, loans and work-study funds from federal, state, College or private sources. Some of the federal and state financial aid programs apply to tuition and fees, whereas others provide aid for living expenses such as transportation, housing (on or off campus) and personal expenses.

Awards of financial aid, excluding competitive scholarships, are granted on the basis of need up to the maximum allowed by the various programs and can be substituted for each other in the establishment of a student's financial aid package.



## **Pensions**

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.

Selected financial information for the defined benefit retirement plan for fiscal year 2001 is as follows:

Benefit obligation at May 31	\$ 1,504,736
Fair value of plan assets at May 31	1,328,622
Funded status	18,607
Accrued benefit cost recognized in the balance sheet	\$ (184,048)

The College also participates in a discretionary individual retirement plan administered by Teachers Insurance and Annuity Association ("TIAA"), College Retirement Equities Fund, which covers substantially all faculty and administrative personnel. Employees of the plan contributed 5% and the College contributes up to 8% of the employee's salary. Retirement plan expense was \$1,046,819 for the year ended May 31, 2001.

## **Presentation of Financial Statements**

Appendix V sets forth the audited Financial Statements of the College with Independent Auditors' Report for the Fiscal Year ended May 31, 2001. The Financial Statements were prepared in accordance with generally accepted accounting principles (GAAP) and were audited by KPMG LLP, independent auditors, as indicated in their report which also appears in Appendix V.

## **Statement of Financial Activity for Fiscal Years 1997 through 2001**

The following table summarizes the College's statements of unrestricted activities for the Fiscal Years ended May 31, 1997 through 2001. For more complete information of the College for the Fiscal Year ended May 31, 2001, see Appendix V of this Official Statement.

**THE COLLEGE OF SAINT CATHERINE**

**Statement of Unrestricted Activities  
For the years ended May 31,**

	1997	1998	1999	2000	2001
<b>Revenue:</b>					
Tuition and instructional fees, net of internally funded student aid	\$ 27,565,503	\$ 27,750,712	\$ 30,946,800	\$ 32,056,982	\$ 33,903,922
Grants	1,678,523	1,431,777	1,197,333	1,064,703	2,887,785
Contributions	2,512,403	2,536,806	3,327,994	8,445,858	3,180,614
Net change in deferred gifts	0	0	0	21,835	0
Auxiliary services	5,561,065	5,961,428	6,304,455	6,592,532	6,949,346
Investment income, net	1,648,071	1,468,251	1,832,448	2,276,549	3,471,631
Net gain (loss) on investments	3,806,865	4,177,035	167,097	(423,063)	(3,335,052)
Interest on student loans	42,602	35,640	31,394	29,442	25,966
Other	780,899	919,065	991,614	1,248,725	1,614,636
Net assets released from restrictions	20,143	777,686	1,093,985	(266,089)	10,005,635
 Total revenues and net assets released from restrictions	 43,616,074	 45,058,400	 45,893,120	 51,047,474	 58,704,483
<b>Expenses:</b>					
Instructional	17,020,054	15,432,984	16,858,582	18,606,455	20,407,634
Academic support					
Library	2,716,326	2,550,826	2,323,625	2,415,759	2,613,160
Other	1,490,874	1,401,067	1,431,082	2,249,471	2,472,722
Student services	5,887,149	6,376,026	6,780,440	7,221,330	7,299,478
Institutional support	7,981,587	7,837,804	9,096,625	8,322,105	9,055,028
Government funded grant aid to students	45,640	137,899	655,725	607,737	726,145
Auxiliary enterprises	5,709,399	5,938,299	6,275,195	6,794,965	7,621,600
Sponsored research	204,345	253,225	153,106	151,159	50,144
Public service	0	0	0	0	86,790
 Total expenses	 41,055,374	 39,928,130	 43,574,380	 46,368,981	 50,332,701
 Changes in net assets	 2,560,700	 5,130,270	 2,318,740	 4,678,493	 8,371,782
<b>Net assets at beginning of year</b>	<b>41,708,443</b>	<b>43,961,394</b>	<b>49,091,664</b>	<b>51,410,404</b>	<b>56,088,897</b>
<b>Net asset restatement</b>	<b>(307,749)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net assets at end of year</b>	<b>\$ 43,961,394</b>	<b>\$ 49,091,664</b>	<b>\$ 51,410,404</b>	<b>\$ 56,088,897</b>	<b>\$ 64,460,679</b>

Source: Audited financial statements of the College.

## Contributions Receivable

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

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

The College's contributions receivable for the past two Fiscal Years are shown below. Unconditional promises are recognized at the estimated present value of the future cash flows net of allowances.

	<u>2001</u>	<u>2000</u>
In one year or less	\$6,563,290	\$11,053,158
Between one year and five years	<u>6,004,157</u>	<u>10,029,736</u>
Total face value of pledges outstanding	12,567,447	21,082,894
Discount	<u>(383,412)</u>	<u>(922,483)</u>
Contributions receivable, net	<u>\$12,184,035</u>	<u>\$20,160,411</u>

## Capital Campaign

On November 18, 2001, the College publicly announced a five-year, \$80 million fund raising campaign to support the strategic initiatives of the College. As of May 31, 2002 gifts and pledges totaling \$50.975 million have been received, including a lead unrestricted gift of \$20 million from the Sisters of St. Joseph of Carondelet.

Campaign gifts will be solicited primarily from alumnae of the College, current students, parents and other friends of the College, as well as from corporations and other business organizations, private foundations, religious organizations and other funding consortia. In most cases, the individuals and organizations have some level of prior relationship with the College.

## Endowment and Endowment Spending Policy

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

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

Because of the risk associated with its stated investment objective, the College's Board of Trustees has adopted a set of investment guidelines to which the investment subcommittee must adhere in order to minimize the investment risks. To this end, the investment guidelines mandate a diversified investment portfolio, and the investment subcommittee reviews and evaluates the investment objectives and performance at least quarterly.

The College's Endowment Spending Policy allows for a spending rate of up to 5.5 percent of the twelve-quarter moving average of the market value of certain cash and investments as of the end of the previous year. For fiscal year 2001 the effective payout percentage was 5.5percent and for fiscal years 2002 (actual) and 2003 (approved budget), the effective payout percentage was 5 percent. The College applies its Endowment Spending Policy to only a portion, rather than all, of its cash, cash equivalents, and unrestricted, temporarily restricted and permanently restricted cash and investments. See "Annual Debt Service by Fiscal Year and Coverage Statement" below. The Endowment Spending Policy is periodically reviewed and revised by the Board of Trustees.

### Summary of Net Assets and Investments

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

Fiscal Year Ended May 31	<u>NET ASSETS</u>			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
2001	\$ 64,460,679	\$ 15,115,230	\$ 19,908,861	\$ 99,484,770
2000	\$ 56,088,897	\$ 21,504,324	\$ 19,608,167	\$ 97,201,388
1999	\$ 51,410,404	\$ 1,102,709	\$ 17,503,923	\$ 70,017,036
1998	\$ 49,091,664	\$ 2,111,422	\$ 16,650,517	\$ 67,853,603
1997	\$ 44,269,143	\$ 2,415,053	\$ 15,576,587	\$ 62,260,783

Fiscal Year Ended May 31	<u>INVESTMENTS</u>			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
2002*	\$ 42,605,217	\$ 3,539,226	\$ 21,033,403	\$ 67,177,846
2001	\$ 38,894,405	\$ 3,490,594	\$ 20,093,548	\$ 62,478,547
2000	\$ 29,519,663	\$ 1,970,154	\$ 19,715,536	\$ 51,205,353
1999	\$ 24,025,886	\$ 1,595,947	\$ 18,004,926	\$ 43,626,759
1998	\$ 24,523,609	\$ 2,468,173	\$ 17,159,460	\$ 44,151,242
1997	\$ 23,155,547	\$ 2,774,704	\$ 15,531,412	\$ 41,461,663

\* Fiscal Year 2002 numbers are unaudited.

### Long-Term Debt

The only long-term debt of the College outstanding as of June 1, 2002 is the \$5,725,000 (original amount) Minnesota Higher Education Facilities Authority Mortgage Revenue Bonds, Series Three-M1, dated January 1, 1993 and the promissory note referred to in the next paragraph. The outstanding principal of the Series Three-M1 Bonds as of June 1, 2002 is \$3,735,000. The outstanding principal balance of the Series Three-M1 Bonds will be fully refunded with a portion of the proceeds from the Series Five-N1 Bonds.

Upon the issuance of the Bonds, the only long term debt of the College will be the Bonds, the Series Five-N2 Bonds and a promissory note dated March 30, 2000, in the original principal

amount of \$316,000, bearing interest at 8.50%. The final payment on the promissory note is March 30, 2005. The promissory note was incurred to finance, and is secured by a mortgage on, a single family home located in the City of Saint Paul and used as the College President's residence.

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

**The following tables are intended 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 on the Bonds and the Series Five-N2 Bonds after giving effect to the issuance of the Bonds and the Series Five-N2 Bonds based on assumed interest rates with respect to the Bonds and the Series Five-N2 Bonds. The tables are not intended and should not be considered a projection or guarantee of future revenues, expenses, debt service or debt service coverage. The tables contain assumptions that may and do vary from actual operations of the College. There is no assurance that the future revenues, expenses, debt service and debt service coverage 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 tables.**

The following table, captioned "Calculation of Net Income Available for Debt Service," details how Net Income Available for Debt Service was derived. It begins with the change in Unrestricted Net Assets from the Statement of Activities for the fiscal year ended May 31, 2001. A number of adjustments and assumptions are made to arrive at a figure showing Net Income Available for Debt Service. One assumption includes the application of the College's Endowment Spending Policy Rate to all of its cash, cash equivalents, and unrestricted, temporarily restricted and permanently restricted cash and investments. The College historically has applied its Endowment Spending Policy to only a portion of its cash and investments, and the may spend any or all of the remaining cash and investments on other needs of the College. For purposes of calculating Net Income Available for Debt Services, the College believes the assumption of applying its spending rate to all of its cash and investments is reasonable because (i) the assumption results in less Net Income Available for Debt Service than would be available under the College's actual Endowment Spending Policy, and (ii) the College understands that rating agencies perform similar calculations when rating obligations issued for institutions of higher education, including the College.

The second following table, captioned "Annual Debt Service by Fiscal Year and Pro Forma Coverage Statement," sets forth the estimated debt service on the Bonds and the Series Five-N2 Bonds for each fiscal year during the term of the Bonds and the Series Five-N2 Bonds. Columns 4 and 6 show coverage of such annual debt service by Net Income Available for Debt Service for the year ended May 31, 2001. Although the College does not expect to make payments of principal on the Series Five-N2 Bonds until maturity, under the Loan Agreement the College may incur additional Funded Debt only if Maximum Annual Debt Service does not increase or if certain historical debt service coverage ratios are present. When calculating Maximum Annual Debt Service, the College is required to calculate any "balloon" indebtedness on a level debt service basis. The Series Five-N2 Bonds would be considered balloon indebtedness as defined therein. Column 4, then, presents debt service coverage assuming no amortization of the Series Five-N2 Bonds, and Column 6 presents debt service coverage assuming level amortization of the Series Five-N2 Bonds.

### Calculation of Net Income Available for Debt Service

	<u>Fiscal Year 2001</u>
Change in Unrestricted Net Assets	8,371,782
Adjustments to Investments:	
Less: Investment Income, Net	(3,471,631)
Less: Net (Gains) Losses on Investments	3,335,052
Add: Investment Income Available for Operations <sup>(1)</sup>	3,500,779
Add: Estimated Net Investment Income on Additional Gifts <sup>(2)</sup>	750,000
Net Assets Released from Restrictions:	
Net Assets Released related to Capital Projects/Gifts <sup>(3)</sup>	(10,005,635)
Other Adjustments	
Add Back:	
Depreciation	1,427,171
Amortization	-
Interest Expense	<u>248,611</u>
Net Income Available for Debt Service	4,156,129

<sup>(1)</sup> Calculated as 5% of the total of cash, cash equivalents and investments of the College's Unrestricted, Temporarily Restricted, and Permanently Restricted assets.

<sup>(2)</sup> Reflects estimated 5% earnings on \$10 million balance of a lead gift of \$20 million given by the Sisters of St. Joseph of Carondelet. \$5 million of the \$10 million balance was received in July 2001 (FY 2002), with the balance expected in July 2002 (FY 2003). Also reflects 5% earnings on an additional \$5 million of pledges in-hand, expected to be collected in FY 2003 and FY 2004.

<sup>(3)</sup> Adjusts Net Assets Released for non-cash items or non-recurring campaign collections.

**The College of Saint Catherine**  
**Annual Debt Service by Fiscal Year and Pro-Forma Coverage Statement**

Assumes Series Five-N2 pays  
level debt service including  
annual principal payments

Assumes Series Five-N2 pays  
interest only until final maturity

1	2	3	4	5	6
Fiscal Year Ending May 31,	Net Income Available for Debt Service <sup>(a)</sup>	Pro Forma Debt Service on the Series Five-N1 (actual) and Five-N2 (estimated) Bonds <sup>(b)</sup>	Pro-Forma Coverage <sup>(c)</sup>	Pro Forma Debt Service on the Series Five-N1 (actual) and Five-N2 (estimated) Bonds <sup>(d)</sup>	Pro-Forma Coverage <sup>(e)</sup>
2003	4,156,129	1,636,135	2.54	1,636,135	2.54
2004	4,156,129	3,270,487	1.27	2,890,920	1.44
2005	4,156,129	3,265,263	1.27	2,884,013	1.44
2006	4,156,129	3,267,797	1.27	2,885,842	1.44
2007	4,156,129	3,266,625	1.27	2,889,729	1.44
2008	4,156,129	3,268,673	1.27	2,887,945	1.44
2009	4,156,129	3,268,267	1.27	2,884,438	1.44
2010	4,156,129	3,264,189	1.27	2,888,492	1.44
2011	4,156,129	3,266,515	1.27	2,889,802	1.44
2012	4,156,129	3,267,268	1.27	2,890,993	1.44
2013	4,156,129	3,266,108	1.27	2,885,733	1.44
2014	4,156,129	3,268,450	1.27	2,886,057	1.44
2015	4,156,129	3,265,055	1.27	2,886,682	1.44
2016	4,156,129	3,264,943	1.27	2,887,360	1.44
2017	4,156,129	3,267,998	1.27	2,886,403	1.44
2018	4,156,129	3,270,430	1.27	2,887,557	1.44
2019	4,156,129	3,263,559	1.27	2,885,557	1.44
2020	4,156,129	3,263,011	1.27	2,887,104	1.44
2021	4,156,129	3,269,158	1.27	2,885,321	1.44
2022	4,156,129	3,268,226	1.27	2,885,025	1.44
2023	4,156,129	3,267,016	1.27	2,885,819	1.44
2024	4,156,129	3,270,938	1.27	2,889,698	1.44
2025	4,156,129	3,261,891	1.27	2,884,928	1.44
2026	4,156,129	3,264,249	1.27	2,885,910	1.44
2027	4,156,129	3,265,168	1.27	2,887,110	1.44
2028	4,156,129	3,270,261	1.27	2,891,217	1.44
2029	4,156,129	3,267,497	1.27	2,886,531	1.44
2030	4,156,129	3,269,046	1.27	2,886,791	1.44
2031	4,156,129	3,268,096	1.27	2,886,463	1.44
2032	4,156,129	3,264,804	1.27	2,888,235	1.44
2033	4,156,129	1,362,760	3.05	24,947,622	0.17

(a) See Calculation of Net Income Available for Debt Service.

(b) Reflects fully amortizing debt service for Series Five-N2; the Series Five-N2 rate is estimated at 3.5%, net of estimated remarketing fees and letter of credit fees (average of comparable debt over the past 10 years) and the Series Five-N1 rates are the actual coupons, net of estimated debt service reserve fund earnings.

(c) Column 2 divided by Column 3.

(d) Reflects interest-only debt service for Series Five-N2 until the principal maturity date in fiscal year 2033; the Series Five-N2 rate is estimated at 3.5%, net of estimated remarketing fees and letter of credit fees, (average of comparable debt over the past 10 years) and the Series Five-N1 rates are the actual coupons, net of estimated debt service reserve fund earnings

(e) Column 2 divided by Column 6

## PROPOSED FORM OF LEGAL OPINION

**BEST & FLANAGAN LLP**

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August 22, 2002

**\$24,625,000 Minnesota Higher Education Facilities Authority  
 Variable Rate Demand Revenue Bonds, Series Five-N2 (The College of Saint Catherine)**

We have acted as Bond Counsel in connection with the issuance of the Bonds described above. We have examined the law and certified copies of the proceedings and other certificates of public officials furnished to us in connection with the issuance by the Minnesota Higher Education Facilities Authority (the "Authority"), of its \$24,625,000 Variable Rate Demand Revenue Bonds, Series Five-N2 (The College of Saint Catherine) (the "Bonds"). We have examined the law and such other certified proceedings and other documents as we have deemed necessary to render this opinion.

As to questions of fact material to our opinion we have relied upon representations of the Authority and The College of Saint Catherine, a Minnesota nonprofit corporation (the "College"), contained in the Loan Agreement dated as of August 1, 2002 (the "Loan Agreement") between the College and the Authority, the Indenture of Trust dated as of August 1, 2002 (the "Indenture") between the Authority and Wells Fargo Bank Minnesota, National Association, in Minneapolis, Minnesota (the "Trustee"), the Bond Purchase Agreement among the Authority, the College and RBC Dain Rauscher Inc. and Wells Fargo Brokerage Services, LLC, the Opinion of Briggs and Morgan, Professional Association, Saint Paul, Minnesota, of even date herewith, as counsel to the College, the certified proceedings and other certifications of public officials furnished to us, and certifications by officials of the College without undertaking to verify the same by independent investigation.

Based upon such examinations, and assuming the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as certified or photostatic copies and the authenticity of the originals of such documents, and the accuracy of the statements of fact contained in such documents, and based upon present Minnesota and federal laws, regulations, rulings and decisions (which excludes any pending legislation which may have a retroactive effect), it is our opinion that:

- (a) The Authority is an agency of the State of Minnesota duly organized and existing under the laws of the State of Minnesota, with authority under Minnesota Statutes, Sections 136A.25 to 136A.42, as amended (the "Act"), to issue the Bonds, to loan the proceeds thereof to the College pursuant to the Loan Agreement and to execute and deliver the Indenture to secure the Bonds;



(b) the Loan Agreement and the Indenture have been duly authorized, executed and delivered by the Authority and create valid and binding special obligations of the Authority, enforceable upon the Authority in accordance with their terms;

(c) the proceedings show lawful authority for the issuance of the Bonds under the Indenture and under the provisions of the Constitution and laws of the State of Minnesota now in force, including the Act;

(d) the Bonds have been duly and validly executed and delivered by the Authority and are valid and binding special obligations of the Authority, enforceable in accordance with their terms, secured by and entitled to the benefits provided by the Indenture; the Bonds are payable solely from the revenues and other sums irrevocably pledged to the payment of the Bonds and interest thereon under the Indenture;

(e) the Bonds are not a general obligation or indebtedness of the Authority within the meaning of any constitutional or statutory limitation, and do not constitute or give rise to a pecuniary liability of the Authority or charge against its general credit or taxing powers, but are payable solely from the revenues in accordance with the provisions of the Indenture; and

(f) as of their date of issuance, the Bonds are not arbitrage bonds; and interest on the Bonds is excluded from gross income for United States income tax purposes under the Internal Revenue Code of 1986, as amended (the "Code"); and is excluded to the same extent in computing taxable net income for State of Minnesota income tax purposes (other than Minnesota franchise taxes measured by income and imposed on corporations and financial institutions). Furthermore, interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations or the Minnesota alternative minimum tax applicable to individuals, estates or trusts; however, for the purpose of computing the federal alternative minimum tax imposed on corporations, such interest is taken into account in determining adjusted current earnings. The opinion set forth in the first sentence of this paragraph is subject to the conditions that the Authority, the Trustee and the College comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be (or continue to be) excluded from gross income for federal income tax purposes. Failure to comply with such requirements could cause the interest on the Bonds to be so included in federal gross income or Minnesota taxable net income retroactive to the date of issuance of the Bonds. The Authority, the Trustee and the College have covenanted to comply with such requirements. We express no opinion regarding other federal or state tax consequences arising with respect to ownership of the Bonds, including the receipt or accrual of interest thereon.

It is to be understood that the rights of the owners 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 appropriate cases.

Dated at Minneapolis, Minnesota this 22nd day of August, 2002.

**BEST & FLANAGAN LLP**

**DEFINITION OF CERTAIN TERMS**

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

*Alternate Letter of Credit:* An irrevocable, direct-pay letter of credit delivered to the Trustee in accordance with the Indenture and the Loan Agreement to replace the Letter of Credit then in existence.

*Authority:* The Minnesota Higher Education Facilities Authority.

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

*Authorized Institution Representative:* the Vice President for Finance and Business Operations, the Controller, or any other person at the time designated to act on behalf of the Corporation by written certificate furnished to the Authority and the Trustee, containing the specimen signature of such person and signed on behalf of the Corporation by the Chair or the Secretary of its Board of Trustees or any Vice President of the Corporation. 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 8.05 thereof.

*Bank:* Allied Irish Banks, p.l.c., New York Branch, as the issuer of the Original Letter of Credit, its successors in such capacity and their assigns until the full payment and satisfaction of the Letter of Credit Obligations under the original Reimbursement Agreement; upon the issuance of any Alternate Letter of Credit, "Bank" means the issuer of such Alternate Letter of Credit, its successors in such capacity and their assigns until full payment and satisfaction of the Letter of Credit Obligations under the applicable Reimbursement Agreement.

*Beneficial Owner:* With respect to any Authorized Denomination of a Bond in Book-Entry Form, each person who beneficially owns such Bond in such authorized denomination and on whose behalf such authorized denomination of Bond is held by the Depository.

*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.

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

*Bond Purchase Agreement:* The Bond Purchase Agreement relating to the Bonds among the Authority, the Underwriter, and the College.

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

**Bond Resolution:** The Series Resolution of the Authority adopted on July 17, 2002, authorizing the Series Five-N2 Bonds, as the same may be amended, modified or supplemented by any amendments or modifications thereof.

**Bonds:** Minnesota Higher Education Facilities Authority Variable Rate Demand Revenue Bonds, Series Five-N2 (The College of Saint Catherine).

**Book-Entry Form:** All Bonds, if such Bonds are all held (i) in the name of the Depository (or its nominee) with each Stated Maturity evidenced by a single Bond certificate or (ii) with the approval of the College, Authority and Trustee, in any similar manner for which Beneficial Owners do not receive Bond certificates.

**Book-Entry System:** A system of recordkeeping, securities clearance and funds transfer and settlement maintained for securities by the Depository and its participants.

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

**Business Day:** (i) When Bonds bear interest at a Variable Rate, any day other than a Saturday, a Sunday, a day on which banking institutions located in the City of Saint Paul, Minnesota, the City of New York, New York, or in the city or cities in which the principal corporate trust offices of the Trustee or of the Tender Agent, or the principal offices of the Remarketing Agent or of the Bank through which the Letter of Credit is issued are located are required or authorized by law to remain closed and other than a day on which the New York Stock Exchange is closed, and (ii) when Bonds bear interest at a Fixed Rate, any day other than a day upon which banks located in the city or cities in which the principal corporate trust offices of the Trustee are located are required or authorized by law to remain closed.

**College:** The College of Saint Catherine, a Minnesota nonprofit corporation, its successors and assigns, as owner and operator of the Institution.

**Computation Date:** The date on which the Fixed Rate is to be determined in the case of conversion to Fixed Rate, which shall be not less than 15 days prior to the Proposed Conversion Date.

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

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

**Corporation Bond:** Any Bond (i) registered in the name of, or the Beneficial Owner of which is, or which the Trustee actually knows is owned or held by, the College or the Authority or the Trustee or an agent of the Trustee for the account of the College or the Authority or (ii) with respect to which the College or the Authority has notified the Trustee, or which the Trustee actually knows, was purchased by another person for the account of the College or the Authority or by a person directly or indirectly controlling or controlled by or under direct or indirect common control with the College or the Authority, including, but not limited to, Pledged Bonds.

**Date of Taxability:** The date as of which interest on the Bonds shall be determined to be includable in gross income pursuant to a Determination of Taxability.

**Depository or DTC:** The Depository Trust Company in New York, New York, its successors or assigns, or any other person who shall be a Holder of all Bonds 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.

*Determination of Taxability:* A Notice of Deficiency issued by the Internal Revenue Service or a final decision of a court of competent jurisdiction to the effect that the interest on the Bonds is includable in gross income of the recipient for purposes of federal income taxation by reason of the application of the provisions of Section 103 of the Internal Revenue Code, related sections and regulations thereunder, as in effect on the date of issuance of the Bonds, as more fully provided in the Loan Agreement. A determination that interest on the Bonds is includable in the computation of any alternative minimum tax is not a Determination of Taxability.

*Event of Default:* An Event of Default described in the Indenture, Loan Agreement, or the Reimbursement Agreement and summarized, respectively, in Appendix IV to this Official Statement in the sections entitled "THE INDENTURE - Events of Default," "THE LOAN AGREEMENT - Events of Default," and in the body of this Official Statement in the section entitled "THE ORIGINAL LETTER OF CREDIT AND THE REIMBURSEMENT AGREEMENT."

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

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

*Fixed Rate or Fixed Rates:* The Fixed Rates established in accordance with the Indenture at the Conversion Date for the Bonds.

*General Account:* When used with respect to the Bond and Interest Sinking Fund Account, the Redemption Account, or the Bond Purchase Fund, the account by that name established within such account or fund.

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

*Government Obligations:* (a) direct general obligations of, or obligations the prompt payment of the principal of and the interest on which are fully and unconditionally guaranteed by, the United States of America, (b) repurchase agreements or similar financial transactions with parties rated "A" or better by the Rating Agency, the payment of principal of and interest on which are fully secured by obligations of the type described in clause (a) or (c) of this definition, which collateral (i) is held by the Trustee during the term of the instrument which such collateral secures, (ii) is not subject to liens or claims of any third parties and (iii) has a market value (determined monthly) equal to at least 102% of the amount so invested, (c) bonds, notes or other debt obligations rated in the highest Rating Category by the Rating Agency issued by a State or a political subdivision or municipal corporation thereof which are payable in whole from an escrow or similar fund or account containing only cash and/or obligations of the type described in clause (a) above, and (d) certificates or other evidence of ownership of principal to be paid or interest to accrue on a pool of securities of the type described in clause (a) above, which securities are rated in the highest Rating Category by the Rating Agency and are held in the custody of a bank or trust company acceptable to the Trustee in a special account separate from the general assets of such custodian.

*Holder, Bondholder, or Owner:* The person in whose name a Bond is registered, except if any Bond is in Book Entry Form, with respect to any consent or approval of a Holder of Bonds of such Series, the terms shall mean the Beneficial Owner.

*Indenture:* The Trust Indenture between the Authority and Wells Fargo Bank Minnesota, National Association, Minneapolis, Minnesota, as Trustee, dated as of August 1, 2002, under which the Bonds are authorized to be issued, and including any indenture supplemental thereto.

*Initial Rate:* The interest rate applicable to the Bonds from the Issue Date to and including August 28, 2002.

*Institution:* The College of Saint Catherine, a Minnesota institution of higher education headquartered in the City of Saint Paul, Minnesota and owned and operated by the College.

*Interest Accrual Period or Interest Period:* (i) With respect to a Weekly Period, a period commencing with the first Business Day of each calendar month during such Weekly Period (or the first day of such Weekly Period, if such day is not the first Business Day of a month) to and including the earlier of the day preceding the first Business Day of the next calendar month and the last day of such Weekly Period and (ii) with respect to the Fixed Rate Period, a period commencing with the first day of a Fixed Rate Period to and including the last day preceding the first Fixed Rate Interest Payment Date, and thereafter a period commencing with each Interest Payment Date to and including the last day preceding the next Interest Payment Date; provided that the Interest Accrual Period with respect to a Mandatory Tender Date which is a Variable Rate Interest Payment Date described in clause (ii) of the definition of Variable Rate Interest Payment Date shall commence on the first day of the immediately preceding Interest Accrual Period and shall end on the day preceding such Variable Rate Interest Payment Date and the next Interest Accrual Period shall commence on such Variable Rate Interest Payment Date.

*Interest Payment Date:* On and prior to the Conversion Date, each Variable Rate Interest Payment Date and after the Conversion Date, each Fixed Rate Interest Payment Date.

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

*Issue:* The Bonds.

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

*Letter of Credit:* The Original Letter of Credit and any extension or renewal thereof or, upon delivery to the Trustee of any Alternate Letter of Credit, "Letter of Credit" means such Alternate Letter of Credit.

*Letter of Credit Account:* When used with respect to the Bond and Interest Sinking Fund Account, the Redemption Account, or the Bond Purchase Fund, the account by that name established within such account or fund.

*Letter of Credit Obligations:* All fees relating to the Letter of Credit, any and all obligations of the College to reimburse the Bank for any drawings under the Letter of Credit and all other obligations of the College to the Bank arising under or in relation to the Reimbursement Agreement.

*Loan Agreement:* The Loan Agreement between the Authority and the College relating to the Bonds, dated as of August 1, 2002, as amended or supplemented from time to time.

*Loan Repayments:* Payments required to be made by the College to the Trustee (or directly to the Bank while a Letter of Credit is in effect) pursuant to the Loan Agreement.

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

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

**Maximum Rate:** The maximum rate, 12% per annum, that may be borne by the Bonds before the Conversion Date.

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

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

**Original Letter of Credit:** The irrevocable, direct-pay letter of credit delivered by the Bank to the Trustee on the Issue Date of the Bonds in accordance with the Loan Agreement.

**Permitted Encumbrances:** As of any particular time, (i) liens for ad valorem taxes and special assessments not then delinquent, (ii) utility, access and other easements and rights-of-way, mineral rights, restrictions and exceptions that an independent engineer certifies will not interfere with or impair the use of or operations being conducted in the Project Facilities, (iii) such minor defects, irregularities, encumbrances, easements, rights-of-way and clouds on title 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) liens granted to secure debt incurred as permitted by financial covenants then binding on the College and entered into in relation to the Bonds, whether such covenants are expressed in a Reimbursement Agreement or the Loan Agreement, and (v) those additional encumbrances set forth in Exhibit C to the Loan Agreement.

**Pledge Agreement:** The Pledge and Security Agreement, dated as of August 1, 2002, among the College, the Trustee, and the Bank, including any amendments thereto, and any other similar written agreement among the College, the Bank and the Trustee.

**Pledged Bonds:** (i) Bonds registered in the name of the College, held by the Trustee and pledged to the Bank pursuant to the Pledge Agreement, or (ii) with respect to any Bond registered in the name of Depository Trust Company, New York, the principal portion thereof the beneficial owner of which is the College subject to a security interest and pledge granted in favor of the Bank pursuant to the Pledge Agreement.

**Project:** The Project consists of (a) construction, equipping and furnishing of a joined Student Center and Learning Commons and related renovation of the former St. Joseph Hall and the former Saint Catherine Library (b) renovation of and upgrades to Whitby Hall and Mendel Hall, (c) relocation, equipping and furnishing of the Food Consumer and Nutritional Sciences program space located in Fontbonne Hall, (d) relocation, equipping and furnishing of the Health and Wellness Center space located in Butler Center and (e) a portion of conversion of the steam plant from high pressure to low pressure.

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

**Project Costs:** Costs properly payable from the Construction Account for improvement, acquisition, construction and equipping of the Project and for other purposes as provided in the Indenture.

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

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

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

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

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

*Rating Agency:* Moody's Investors Service, if the Bonds are then rated by Moody's and any other rating agency, if the Bonds are then rated by such other rating agency.

*Rating Category:* One of the generic rating categories of a Rating Agency, without regard to any refinement or gradation of such Rating Category by a numerical or other modifier.

*Record Date:* (i) with respect to each Variable Rate Interest Payment Date for Bonds, the Business Day next preceding such Variable Rate Interest Payment Date, and (ii) with respect to each Fixed Rate Interest Payment Date, the 15th day of the calendar month next preceding such Fixed Rate Interest Payment Date, regardless of whether such day is a Business Day.

*Redemption Account:* The Redemption Account created under the Indenture for deposit of moneys drawn by the Trustee under the Letter of Credit for redemption of Bonds and deposit of any moneys received which are not otherwise committed. Moneys in the Redemption Account shall be used (i) to make up deficiencies in the Bond and Interest Sinking Fund Account, Bond Purchase Fund and Reserve Account, in that order; and (ii) to redeem or prepay outstanding Bonds or to purchase outstanding Bonds for redemption and cancellation, or to pay any unpaid Letter of Credit Obligations. Moneys in the Redemption Account may be used in the Trustee's discretion 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.

*Reimbursement Agreement:* The Reimbursement Agreement, dated as of August 1, 2002, between the College and the Bank, including any amendments thereto; and, if an Alternate Letter of Credit is issued, "Reimbursement Agreement" means a similar agreement, if any, between the issuer of such Alternate Letter of Credit and the College.

*Remarketing Agent:* Initially, RBC Dain Rauscher Inc. and Wells Fargo Brokerage Services, LLC as co-remarketing agents, or any successor or successors appointed and serving in such capacity pursuant to the Indenture.

*Remarketing Agreement:* The Remarketing Agreement dated as of August 1, 2002 between the College and the Remarketing Agent, including any amendments thereto; and any other written agreement among the Authority and/or the College and any Remarketing Agent describing the responsibilities of the Remarketing Agent.

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

*Series Five-N1 Bonds:* The Minnesota Higher Education Facilities Authority Revenue Bonds, Series Five-N1 (The College of Saint Catherine), issued under the Series Five-N1 Indenture.

*Series Five-N1 Indenture:* The Trust Indenture between the Authority and Wells Fargo Bank Minnesota, National Association, as trustee, dated as of August 1, 2002, under which the Series Five-N1 Bonds are authorized to be issued, including any indenture supplemental thereto.

*Series Five-N1 Loan Agreement:* The Loan Agreement between the Authority and the Corporation relating to the Series Five-N1 Bonds, dated as of August 1, 2002, as from time to time amended or supplemented.

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

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

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

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

*Termination Date:* The date on which the Letter of Credit terminates or expires for any reason or the immediately preceding Business Day if such date is not a Business Day.

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

*Trustee, Registrar, Paying Agent:* Wells Fargo Bank Minnesota, National Association, Minneapolis, Minnesota.

*Variable Rate:* The variable interest rate established in accordance with the Indenture, with respect to any Bond.

*Variable Rate Interest Payment Date:* (i) The first Business Day of each calendar month commencing September 3, 2002, (ii) each Mandatory Tender Date described in the Indenture with respect to the Bonds subject thereto, (iii) each Purchase Date described in the Indenture with respect to Pledged Bonds, and (iv) the Conversion Date.

*Variable Rate Period:* The period from and including the Issue Date to and including the earlier of (i) the day next preceding the Conversion Date or (ii) the date of the last Maturity of any Bonds.

*Weekly Interest Rate:* With respect to a Bond, a variable interest rate on such Bond established in accordance with the Indenture.

*Weekly Period:* With respect to the Bonds during the Variable Rate Period, each period during which the Bonds shall bear interest at a Weekly Interest Rate.



## SUMMARY OF DOCUMENTS

### THE LOAN AGREEMENT

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

#### **Construction of Project**

The College represents that the acquisition, construction and installation of the Project are to be substantially completed by no later than August 2005 subject only to "force majeure," as provided in the Loan Agreement. The College may apply to the Authority at any time to delete from the Project any building, system or equipment proposed to be acquired, constructed or improved as part of the Project, or to add any building, system or equipment to the Project, or both, and upon approval of the Authority, the description of the Project shall accordingly be amended by a supplement to the Loan Agreement executed by the Authority and the College, a copy of which shall be furnished to the Trustee, provided that no such amendment of the description of the Project shall be approved if the Project, as so amended, will not constitute an authorized "project" under the Act or will adversely affect the tax exempt status of interest on the Bonds and an opinion of counsel to such effects is furnished. The College agrees that it has previously paid or will itself pay all costs relating to the acquisition, construction, improving and equipping of the Project, including costs of issuance of the Bonds, to the extent such payments and costs exceed the proceeds of the Bonds in the Construction Account.

#### **Loan Repayments and Payment of Purchase Price of Bonds**

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, and to pay the Purchase Price of Bonds on each Tender Date. Prior to the Conversion Date, funds drawn under the Letter of Credit and actually received by the Trustee in amounts equal to the interest on and principal of Bonds then due on any Interest Payment Date or principal payment date or by reason of acceleration, or equal to the Redemption Price due on any Redemption Date, or equal to the Purchase Price on any Tender Date, shall be deemed to fulfill the College's repayment or purchase obligation hereunder, and the College need not make any duplicative payment to the Trustee.

To provide for such payments the College covenants to pay for the account of the Authority in the following amounts:

- (a) From and after the Conversion Date unless the Bonds are secured by a Letter of Credit and the related Reimbursement Agreement or a supplemental indenture provides to the contrary, into the Bond and Interest Sinking Fund Account on or before the fifth Business Day prior to the date payable, the amount payable as interest on the Bonds on the next succeeding Interest Payment Date and the amount payable as principal on the Bonds on the next succeeding principal payment date, subject during the Variable Rate Period and during any other period when interest and principal are paid by draws under a Letter of Credit to a credit for any moneys drawn under the Letter of Credit; and
- (b) into the Bond and Interest Sinking Fund Account, as required, the amount of any deficiency in the event the funds on deposit in the Bond and Interest Sinking Fund Account are for any reason insufficient to pay principal, premium (if any)

and interest on the Bonds then due (whether at maturity, or by redemption or acceleration of maturity in event of default; and

- (c) prior to a date established for the optional redemption and prepayment of the Bonds, into the Redemption Account such amount, if any, as shall be necessary and sufficient to provide for the redemption of any Bonds called for redemption from the Redemption Account subject during the Variable Rate Period and during any other period when interest and principal are paid by draws under a Letter of Credit to a credit for any moneys drawn under the Letter of Credit; and
- (d) on and after the Conversion Date, into the Reserve Account forthwith any amounts then required to be deposited therein by Section 8.02 of the Indenture; and
- (e) to the Trustee the amounts to be disbursed to the Tender Agent to pay the Purchase Price of Bonds upon optional or mandatory tender; provided however that there shall be credited against such obligations the moneys drawn down under the Letter of Credit;

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 applicable Account or Accounts as provided in the Indenture, and (ii) any credits for amounts transferred under Sections 5.07, 8.02, 8.03 and 8.05 of the Indenture (relating to the transfer of certain investment earnings and certain excess funds).

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—Redemption."

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

### **Use of Project Facilities**

The College agrees to use the Project Facilities as educational facilities, in compliance with law and ordinance requirements, and not as facilities for sectarian instruction or religious worship, nor primarily in connection with a program of a school or department of divinity for any religious denomination. The College agrees not to permit use of the Project Facilities in such manner or to such an extent as would result in loss of the tax-exemption of interest on the Bonds under the Internal Revenue Code or loss of its status as an exempt organization under Section 501(c)(3) of the Code. Certain specified, discrete areas of the Project Facilities, the cost of acquisition, construction, furnishing and equipping of which has been or will be paid from funds of the College and not proceeds of the Bonds, are not subject to the foregoing restrictions.

### **Maintenance of Project Facilities**

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

## **Title to Property and Liens**

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

## **Taxes and Other Governmental Charges**

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

The College may, at its expense, in good faith contest any such taxes, assessments, license fees and other charges and may permit the taxes, assessments, license fees or other charges so contested to remain unpaid during the period of such contest and any appeal therefrom 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 during the Variable Rate Period as required by the Reimbursement Agreement, if any, and with respect to any portion of the Project Facilities not subject to the requirements of the Reimbursement Agreement and following the Conversion Date as follows:

- (a) Insurance against loss and/or damage to the Project Facilities and contents, including fire and extended coverage in an amount not less than 80% of the full insurable replacement value of the Project Facilities, with a deductible amount of up to \$500,000.
- (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 up to \$500,000 and against liability for property damage in the minimum amount for each occurrence of \$500,000.
- (c) Workers' compensation insurance (including self-insurance) in such amount as is customarily carried by organizations in like activities of comparable size and liability exposure to the College.

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

accordance with the recommendation of an independent insurance consultant employed by the College and satisfactory to the Trustee.

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

### **Damage or Destruction**

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

If the Bonds are redeemed, the available net proceeds, with the consent of the Bank during the Variable Rate Period, shall be used for redemption or purchase of outstanding Bonds.

### **Condemnation**

If at any time before the Bonds have been fully paid (or provision for payment thereof has been made in accordance with the Indenture), title to any part of the Project Facilities, 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 rebuild or restore such facilities, as more fully provided in the Loan Agreement.

If the Bonds are redeemed, the available Net Proceeds shall be used for redemption or purchase of outstanding Bonds.

During the Variable Rate Period the consent of the Bank is required for certain of the foregoing elections by the College.

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

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

- (a) the College may substitute equipment and related property for any Project Equipment and Building Equipment, provided that such substitution shall not materially impair the character or revenue producing significance or value of the Project Facilities;
- (b) the College may release any equipment from the definition of Project Equipment (with or without the physical removal thereof) without substitution therefor, provided that the College pays a sum equal to the then value of such Project Equipment as determined by an Independent engineer selected by the College, to the Trustee for deposit in the Redemption Account for the redemption and prepayment of the Bonds; provided that if the depreciated book value of any item of equipment so removed was less than \$25,000, such release without substitution and such deposit to the Redemption Account may be effected

without such determination of value and Certificate by an Independent engineer upon such showing by the College as may be satisfactory to the Trustee; and

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

In connection with (a) and (b) above, if the depreciated book value of the Project Equipment or in connection with (c) above, the depreciated book value of Building Equipment, to be substituted, removed or released equals or exceeds \$25,000 the College will deliver to the Trustee a certificate signed by the Authorized Institution Representative stating that the substitution, removal, or release, as the case may be, of such equipment will not materially impair the character or revenue producing significance of the Project Facilities.

### **Indemnification**

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

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

### **Existence and Accreditation of College and Institution**

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

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

The College has represented that the sum of the principal amount of the Bonds, plus the respective outstanding aggregate principal amounts of all tax-exempt 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 and other than tax exempt bonds issued after August 5, 1997 as part of an issue 95% or more of the net proceeds of which are to be used to finance capital expenditures incurred after such date), within the meaning of Section 145 of the Internal Revenue Code, does not exceed \$150,000,000. Under the Loan Agreement, in no event will the College affiliate or consolidate with or merge into another corporation or sell or otherwise transfer to another institution all or substantially all of its assets or the assets of the Institution as an entirety if the effect of any such transaction would be to adversely affect the tax-exempt status of the Bonds, such as by exceeding limitations on the outstanding aggregate principal amounts of all tax-exempt bonds issued by or on behalf of the College or such other resulting entity, and all organizations under common management or control with the College or such resulting entity (other than qualified hospital bonds and other than tax exempt bonds issued after August 5, 1997 as part of an issue 95% or more of the net proceeds of which are to be used to finance capital expenditures incurred after such date), within the meaning of Section 145 of the Internal Revenue Code.

### **College to be Nonsectarian**

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

### **Federal Income Tax Status**

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

### **Determination of Taxability After the Conversion Date**

In the event a Determination of Taxability is made on or after the Conversion Date that interest on the Bonds is includable in gross income for purposes of federal income taxation under the provisions of the Internal Revenue Code and regulations thereunder as in effect at the date of issuance of the Bonds, the Bonds shall bear additional interest at the rate of two percent (2.00%) per annum from the Date of Taxability until the respective dates on which the principal of the Bonds is paid. In addition, in the event of such Determination of Taxability on or after the Conversion Date, the Bonds shall be subject to optional redemption, as a whole or in part, on the next date for which due notice can be given or any date thereafter and the redemption price therefor shall be equal to par plus accrued interest (including additional interest from the Date of Taxability).

### **Other Covenants**

The College further agrees to provide financial statements and other information to the Underwriters; to comply with all applicable laws and regulations against unlawful discrimination, and not to unlawfully discriminate on account of religion, race, color, creed or national origin in the use of the Project Facilities; to provide and file such financing statements and other instruments of further assurance as the Trustee may request; to perform all obligations imposed by the Internal Revenue Code and regulations thereunder with respect to the non-arbitrage status of the Bonds; and to observe all applicable State laws and regulations, including those of the Authority and the Minnesota Higher Education Services Offices, 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(f) of the Internal Revenue Code with respect (but only with respect) to amounts paid by the College to the Authority as the Authority's annual fee under the Loan Agreement and any income earned or imputed therefrom.

### **Events of Default**

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

- (a) If the College shall fail to make or cause to be made 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 five (5) Business Days after notice from the Trustee or the Authority to the College that such payment has not been made; or
- (b) If the College shall fail to comply with the provisions of Section 6.09(f) of the Loan Agreement (relating to arbitrage calculation and rebate requirements); or
- (c) On or after the Conversion Date, if the College shall fail to maintain the balance in the Reserve Account in the amount of the Reserve Requirement, provided failure to comply with such requirement shall not become an Event of Default unless the College fails to restore such deficiency within a period of thirty (30) days after written notice specifying such deficiency and requesting that it be remedied is given to the College by the Authority or the Trustee; or
- (d) If the College fails to pay or cause to be paid when due the amount of any Purchase Price required to be paid under the Loan Agreement; or
- (e) If the College fails to observe and perform for reasons other than force majeure, any other covenant, condition or agreement on its part under the Loan Agreement for a period of 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
- (f) If the College files a petition in voluntary bankruptcy, or for the composition of its affairs or for its corporate reorganization under any state or Federal bankruptcy or insolvency law, or makes an assignment for the benefit of creditors, or consents in writing to the appointment of a trustee or receiver for itself or for the whole or any substantial part of the property of the College; or
- (g) If a court of competent jurisdiction shall enter an order, judgment or decree against the College in any insolvency, bankruptcy, or reorganization proceeding, or appointing a trustee or receiver of the College or of the whole or any substantial part of the property of the College and such order, judgment or decree shall not be vacated or set aside or stayed within ninety days from the date of the entry thereof; or
- (h) If, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the College or of the whole or any substantial part of the property of the College, and such custody or

control shall not be terminated within ninety days from the date of assumption of such custody or control.

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

### **Remedies on Default**

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

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

Any amounts collected by the Trustee pursuant to action taken under the foregoing paragraphs shall be applied first to advances and expenses (provided that proceeds of a Letter of Credit drawing may not be applied to the payment of advances and expenses hereunder), second to payment of the Bonds as provided in Section 10.04 of the Indenture and third to pay all Letter of Credit Obligations and any excess to the College.

### **Amendments**

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



## **THE INDENTURE**

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

### **Granting Clauses**

Pursuant to the Indenture, the Authority grants to the Trustee, as security for the Holders of the Bonds, and the Bank, which security interest is subordinate in every respect to the interest of the Holders, 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 created and maintained under the Indenture, (ii) moneys and investments in the Construction Account not paid out for Project Costs, and (iii) all accounts, contract rights, general intangibles, moneys and instruments arising therefrom or relating thereto and all proceeds and products of and accessions to any thereof; and
- (c) any and all other property of every name and nature from time to time conveyed, mortgaged, assigned or transferred, or in which a security interest is granted, by the Authority or the College or by anyone in behalf of them or with their written consent, to the Trustee.

### **Accounts**

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

### **Trustee's Right to Payment**

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

### **Covenants of the Authority**

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

rebate requirements under Section 148(f) of the Code and regulations thereunder; to keep proper books, accounts and records; and not to issue or permit to be issued any Bonds under the Indenture in any manner other than in accordance with the provisions of the Indenture and not to suffer or permit any default to occur under the Indenture. Under the Act, and it is expressly agreed that, the Authority has no obligation to make any advance or payment or incur any expense or liability from its general funds for performing any of the conditions, covenants or requirements of the Indenture or from any funds other than Loan Repayments or moneys in the Accounts established by the Indenture.

## **Events of Default**

The following are Events of Default under the Indenture:

- (a) If payment of the principal of any of the Bonds, when the same shall become due and payable (whether at maturity or by proceedings for redemption or by declaration of acceleration or otherwise), shall not be made; or
- (b) If payment of any interest on the Bonds when the same shall become due and payable (in which case interest shall be payable to the extent permitted by law on any overdue installments of interest, in each case at the interest rate borne by the Bonds in respect of which such interest is overdue) shall not be made; or
- (c) If the Authority shall default in the due and punctual performance of any of the covenants, conditions, agreements and provisions contained in the Bonds or in the Indenture, or in any supplemental indenture on the part of the Authority to be performed, and such default shall have continued for a period of sixty days after written notice, specifying such default and requiring the same to be remedied, shall have been given to the Authority and to the College (giving the College the privilege of curing such default in the name of the Authority, if permitted by law) by the Trustee, which may give such notice in its discretion and shall give such notice upon written request of the Holders of not less than a majority in principal amount of the Bonds then outstanding; or
- (d) If any "event of default" on the part of the College, as that term is defined in the Loan Agreement shall occur and be continuing (but not an event of default which is the basis for the Bank's notice that it will not reinstate the interest portion of the Letter of Credit pursuant to clause (f) of the Events of Default, in which case clause (f) shall apply); or
- (e) If there is a default in the due and punctual payment of the Purchase Price of Bonds required to be purchased pursuant to Section 4.01 or Section 4.02 of the Indenture (relating to optional and mandatory tender of Bonds) when payment of such amount has become due and payable; or
- (f) Prior to the Conversion Date, if the Trustee receives a written notice from the Bank that, as a consequence of certain events as set forth in the Letter of Credit, the Bank will not reinstate the interest portion of the Letter of Credit following an interest drawing; or
- (g) Prior to the Conversion Date, if the Trustee receives written notice from the Bank that an event of default under the Reimbursement Agreement has occurred (but not an event of default which is the basis for the Bank's notice that it will not reinstate the interest portion of the Letter of Credit pursuant to clause (f) of the Events of Default, in which case clause (f) shall apply) and that the Bank is terminating the Letter of Credit; or

- (h) Prior to the Conversion Date, if the College fails to perform its obligations under Section 4.10 of the Loan Agreement (relating to the Letter of Credit).

## **Remedies**

- (a) Upon an Event of Default under paragraph (a), (b), (e), (f) or (g) under the foregoing section "Events of Default" the Trustee shall declare the principal of all Bonds secured by the Indenture then outstanding and the interest accrued thereon immediately due and payable and such principal and interest shall thereupon become and be immediately due and payable subject, however, to the right of the Holders of a majority in aggregate principal amount of Bonds then outstanding, to annul such declaration at anytime as provided in paragraph (c) of this section.
- (b) Upon and during the continuance of an Event of Default under paragraph (c), (d), or (h) of the foregoing section, and subject to limitations on the Bank's rights set forth in the Indenture, the Trustee (i) with the Bank's consent may, and (ii) (A) with the Bank's consent and upon written request of the Holders of a majority in aggregate principal amount of Bonds outstanding or (B) upon request of the Bank, shall, by notice in writing delivered to the Authority, declare the principal of all Bonds secured by the Indenture then outstanding and the interest accrued thereon immediately due and payable, subject, however, to the right of (i) the Holders of a majority in aggregate principal amount of Bonds then outstanding with the Bank's consent or (ii) the Bank, by written notice to the Authority and to the Trustee, to annul such declaration at anytime as provided in paragraph (c) of this section.
- (c) If the Trustee is instructed by the Holders or Bank in accordance with the Indenture to annul such declaration of acceleration, the Trustee shall annul such declaration if all covenants with respect to which default shall have been made shall be fully performed or made good, and all arrears of interest, the reasonable expenses and charges of the Trustee, 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 and the Letter of Credit is reinstated to the full principal and interest amount described in the Loan Agreement.
- (d) Prior to the Conversion Date, upon any declaration of an acceleration under the Indenture, the Trustee shall give notice to Holders in the same manner as a notice of redemption under Article III of the Indenture, stating a date no later than five (5) days after the date of acceleration (the "Accelerated Payment Date"), as the date upon which such Bonds shall be payable and interest on the Bonds shall cease to accrue as of the Accelerated Payment Date. Upon any declaration of acceleration under the Indenture, the Trustee shall immediately draw on the Letter of Credit as provided in the Indenture.

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

Upon the happening and continuance of an Event of Default and subject to limitations on the Bank's rights described below, the Trustee (a) with the Bank's consent may, and (b)(i) with the Bank's consent and upon the written request of the Holders of not less than a majority in aggregate principal amount of outstanding Bonds or (ii) upon the request of the Bank, shall proceed forthwith by suit or suits at law or in equity or by any other appropriate remedy to enforce payment of the Bonds, to enforce application to payment of the Bonds the funds, revenues and income appropriated thereto by the Indenture and by the Bonds, to enforce the Loan Agreement 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 or the Bank as aforesaid, unless such Bondholders or the Bank shall have offered to the Trustee security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby.

### **Limitations on the Bank's Right to Consent**

Notwithstanding any other provision of the Indenture or the Loan Agreement, no consent of or notice to the Bank shall be required nor shall the Bank have any right to receive notice of, consent to, direct or control any actions, restrictions, rights, remedies, waivers or accelerations pursuant to any provision of the Indenture or the Loan Agreement after the Letter of Credit has expired (unless the Letter of Credit Obligations have not been fully paid or satisfied) or during any time:

- (a) the Bank does not honor draws properly presented under the terms of the Letter of Credit,
- (b) the Letter of Credit ceases to be valid and binding on the Bank or is declared to be null and void, or the validity or enforceability of any material provision of the Letter of Credit is denied by the Bank or any governmental agency or authority, or the Bank is denying further liability or obligation under the Letter of Credit, contrary to the terms of the Letter of Credit,
- (c) a petition is pending against the Bank under any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution, receivership proceeding or liquidation law of any jurisdiction, whether now or hereafter in effect, and has not been dismissed within thirty (30) days after the filing, or
- (d) the Bank has filed a petition, which is pending, under any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution, receivership proceeding 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.

Notwithstanding the occurrence of any of the events described in paragraphs (b), (c) and (d), in the event that principal of and interest on all Bonds shall have been paid in full and any amounts shall be owing the Bank under the Reimbursement Agreement, the provisions of this Section shall be inoperative.

### **Concerning the Trustee**

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

be liable unless it acts negligently or in bad faith. The Trustee is not required to institute suit or take other steps to enforce its rights and powers unless indemnified to its satisfaction against all costs and expenses. The Trustee and its officers and directors are authorized to acquire and hold Bonds and otherwise deal with the Authority or the College to the same extent as if it were not Trustee. Provision is made for the succession or replacement of the Trustee by another corporate Trustee with a minimum capital, surplus and undivided profits of \$10 million in event of merger, resignation, or removal by Holders of a majority in principal amount of outstanding Bonds, or in the event of disability, by the Authority or a court. Provision is also made for removal of the Trustee by Bondholders or the Authority, at the request of the College, with the consent of the Bank, if an Event of Default has occurred and is continuing or a default which with the passage of time or the giving of notice will become an Event of Default has occurred and is continuing. The Authority may not remove a successor Trustee properly appointed by the Bondholders.

### **Concerning the Bondholders**

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

Nothing in the preceding paragraph or in any other provision of the Indenture shall limit or impair the right of the Bank to take action and institute proceedings, in the name of an individual Bondholder or otherwise, as the Bank shall deem appropriate (i) to contest any claim or assertion by any person (including any claim or assertion by the College or by any receiver, custodian, trustee or liquidator for the College) that any payment of interest on the Bonds constituted a voidable preference under the United States Bankruptcy Code, as amended, or any similar state insolvency law or (ii) to request or petition any court of competent jurisdiction to make a determination that any payment of interest on the Bonds did not constitute a voidable preference under the United States Bankruptcy Code, as amended, or any similar state insolvency law.

The Trustee (a) with the consent of the Bank and upon the written request of the Holders of a majority in principal amount of the Bonds at the time outstanding or (b) upon the written request of the Bank, shall waive any default under the Indenture and its consequences, except a default in the payment of the principal of the Bonds at the date of maturity specified therein or the Purchase Price; provided, however, that a default in the payment of interest on the Bonds shall not be waived unless, prior to such waiver, all arrears of interest, and all expenses of the Trustee shall have been paid or shall have been provided for by deposit with the Trustee of a sum sufficient to pay the same and the Letter of Credit is reinstated to the full principal and interest amount according to its terms. 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 outstanding Bonds at the time and in the manner stipulated therein and in the Indenture, or
- (b) on or after the Conversion Date, provide for the payment of principal, premium, if any, and interest on the Bonds by depositing with the Trustee at or at any time before maturity an amount either in cash or direct obligations of the United States in such aggregate face amount, bearing interest at such rates, and maturing on such dates sufficient to pay the entire amount due or to become due for principal and premium, if any, and interest to maturity of all such Bonds outstanding, or
- (c) on or after the Conversion Date, deliver to the Trustee (1) proof that notice of redemption of all of such outstanding Bonds not surrendered or to be surrendered to it for cancellation has been given or waived, or that arrangements have been made insuring that such notice will be given or waived, or (2) a written instrument executed by the College for the Authority and expressed to be irrevocable, authorizing the Trustee to give such notice for and on behalf of the Authority, or (3) file with the Trustee a waiver of such notice of redemption signed by the Holders of all such Bonds, and in any case, deposit with the Trustee before the date on which such Bonds are to be redeemed, the entire amount of the redemption price, including interest accrued and to accrue, and premium, if any, either in cash or direct obligations of the United States of America, in such aggregate face amount, bearing interest at such rates and maturing at such dates as shall be sufficient to provide for the payment of the redemption price on the date such Bonds are to be redeemed and on any interest payment dates, or
- (d) surrender to the Trustee for cancellation all Bonds for which payment is not so provided, and shall also pay all Letter of Credit Obligations, 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(f) of the Internal Revenue Code and regulations thereunder, then at the request of the Authority or the College all the Trust Estate shall revert to the Authority and the College as their interests appear, and the entire estate, right, title and interest of the Trustee, and of registered owners of the Bonds in respect thereof, shall thereupon cease, determine and become void; and the Trustee in such case, upon cancellation of all Bonds for the payment of which cash or government obligations shall not have been deposited in accordance with the provisions of the Indenture, shall, upon receipt of a written request of the Authority and of a certificate of the Authority and an opinion of counsel as to compliance with conditions precedent, and at its cost and expense, execute to the Authority, or its order, proper instruments acknowledging satisfaction of the Indenture and surrender to the Authority or its order, all cash and deposited securities, if any (except that held for the payment of the Bonds), which shall then be held thereunder.

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

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

### **Supplemental Indentures**

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

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

In addition and subject to the provisions set forth below, the Holders of not less than 51% in aggregate principal amount of the Bonds then outstanding shall have the right to consent to and approve such supplemental indentures as shall be deemed necessary or desirable by the Authority for the purpose of modifying, altering, amending, adding to or rescinding in any particular, any of the terms or provisions of the Indenture or in any supplemental indenture; provided, however, that such provision shall not be construed as permitting without the consent of the Holders of all such Bonds directly or indirectly affected (a) an extension of the maturity of any Bond, or (b) a reduction in the principal amount of any Bond or the redemption premium or the rate of interest thereon, or (c) the creation of a lien upon or a pledge of revenues ranking prior to or on a parity with the lien or pledge created by the Indenture, or (d) a preference or priority of any Bond over any other, or (e) a reduction in the aggregate principal amount of the Bonds the Holders of which are required to consent to such supplemental indenture or the Loan Agreement as set forth in the Indenture.

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

## **Amendments to the Loan Agreement**

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

Except for amendments, changes or modifications provided for in the preceding paragraph, neither the Authority nor the Trustee may consent to any amendment, change or modification of the Loan Agreement without the written approval or consent of the Holders of not less than 51% in aggregate principal amount of the Bonds at the time outstanding, given and procured as provided in the Indenture. However, the Indenture does not permit a reduction in, or a postponement of, the Loan Repayments under the Loan Agreement without the consent of the Holders of all the Bonds then outstanding.

Any amendment to or other modification of the Loan Agreement or waiver of any provision thereof may not be entered into or given without the prior written consent of the Bank. Any amendment to or other modification of the Loan Agreement which affects any of the rights or obligations of the Tender Agent shall not be effective without the written consent of the Tender Agent.

## **Registration**

The Bonds shall be fully registered as to principal and interest at the principal corporate trust office of the Trustee, which shall also perform the functions of registrar and paying agent. Bonds may be transferred and exchanged by surrender to the Trustee with a written authorization by the registered Holder or his authorized attorney satisfactory to the Trustee subject to such reasonable regulations as the Trustee may prescribe and shall be without expense to the Holder, except as to any taxes or other governmental charges required to be paid. If the Bonds are no longer in book entry form, Bonds may be exchanged only for a new Bond or Bonds of the same series, aggregate principal amount, maturity and interest rate of any Authorized Denominations. Payment of principal will be at the principal corporate trust office of the Trustee and interest shall be by check or draft of the Trustee mailed (or, upon request by a registered Owner of more than \$1 million principal amount of Bonds, by wire transfer) to the registered Owner at his address as shown on the registration books of the Trustee, subject to applicable payment procedures while in book entry form.



**FINANCIAL STATEMENTS (WITH INDEPENDENT AUDITOR'S REPORT THEREON)  
FOR THE FISCAL YEAR ENDED MAY 31, 2001**



4200 Wells Fargo Center  
90 South Seventh Street  
Minneapolis, MN 55402

## Independent Auditors' Report

To the Board of Trustees of  
The College of St. Catherine:

We have audited the accompanying balance sheet of The College of St. Catherine (the College) as of May 31, 2001, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the College's financial statements and, in our report dated October 9, 2000, we expressed an unqualified opinion on those financial statements.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The College of St. Catherine as of May 31, 2001, the change in its net assets, and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**KPMG LLP**

September 14, 2001



# THE COLLEGE OF ST. CATHERINE

## Balance Sheet

May 31, 2001

(with summarized comparative totals as of May 31, 2000)

		2001					
Assets	Unrestricted			Temporarily restricted	Permanently restricted	Total	2000 Total
	General	Long-lived assets	Total				
Cash and cash equivalents	\$ 7,537,030	—	7,537,030	—	—	7,537,030	8,426,105
Receivables, net of allowance for doubtful accounts of \$268,000 in 2001 and \$375,000 in 2000	1,867,799	23,122	1,890,921	1,662	—	1,892,583	1,814,568
Bookstore inventories	425,513	—	425,513	—	—	425,513	370,837
Prepaid and deferred expenses	243,533	76,950	320,483	—	—	320,483	156,100
Deposits with bond trustee	—	964,772	964,772	—	—	964,772	986,125
Contributions receivable, net	—	—	—	12,171,448	12,587	12,184,035	20,160,411
Loans to students, net of allowance for doubtful accounts of \$600,000 in 2001 and 2000	—	6,649,381	6,649,381	—	—	6,649,381	6,468,375
Investments	6,825,038	32,069,367	38,894,405	3,490,594	20,093,548	62,478,547	51,205,353
Property, plant, and equipment, net	—	26,357,720	26,357,720	—	—	26,357,720	26,218,459
Total assets	\$ 16,898,913	66,141,312	83,040,225	15,663,704	20,106,135	118,810,064	115,806,333
Liabilities and Net Assets							
Accounts payable	\$ 1,791,905	—	1,791,905	—	—	1,791,905	1,555,722
Accrued expenses	4,628,439	39,396	4,667,835	—	—	4,667,835	3,767,226
Deferred revenue and deposits	1,674,778	27,896	1,702,674	—	—	1,702,674	2,074,746
Split-interest agreements	—	—	—	548,474	197,274	745,748	733,610
Bonds payable	—	4,070,000	4,070,000	—	—	4,070,000	4,385,000
Notes payable	—	308,708	308,708	—	—	308,708	315,016
U.S. government grants refundable	—	6,038,424	6,038,424	—	—	6,038,424	5,773,625
Total liabilities	8,095,122	10,484,424	18,579,546	548,474	197,274	19,325,294	18,604,945
Net assets:							
Undesignated	8,803,791	—	8,803,791	—	—	8,803,791	6,359,428
Invested in plant	—	22,287,720	22,287,720	—	—	22,287,720	21,833,459
Designated for student loans	—	1,297,201	1,297,201	—	—	1,297,201	1,234,964
Designated for debt service and plant	—	16,723,106	16,723,106	—	—	16,723,106	8,192,326
Temporarily restricted	—	—	—	15,115,230	—	15,115,230	21,504,324
Endowments:							
Principal	—	2,453,211	2,453,211	—	19,908,861	22,362,072	21,992,971
Accumulated earnings	—	12,895,650	12,895,650	—	—	12,895,650	16,083,916
Total endowment	—	15,348,861	15,348,861	—	19,908,861	35,257,722	38,076,887
Total net assets	8,803,791	55,656,888	64,460,679	15,115,230	19,908,861	99,484,770	97,201,388
Total liabilities and net assets	\$ 16,898,913	66,141,312	83,040,225	15,663,704	20,106,135	118,810,064	115,806,333

See accompanying notes to financial statements.

# THE COLLEGE OF ST. CATHERINE

## Statement of Activities

For the year ended May 31, 2001  
(with summarized comparative totals for the year ended May 31, 2000)

	2001					2000 Total
	General	Unrestricted Long-lived assets	Total	Temporarily restricted	Permanently restricted	Total
Revenue:						
Tuition and instructional fees, net of internally funded student aid of \$7,922,658 in 2001 and \$7,282,577 in 2000	\$ 33,903,922	—	33,903,922	—	—	33,903,922
Grants	2,887,785	—	2,887,785	—	—	2,887,785
Contributions	3,112,055	68,559	3,180,614	3,725,628	621,176	7,527,418
Net change in deferred gifts	—	—	—	25,826	(474,025)	(448,199)
Auxiliary services	6,949,346	—	6,949,346	—	—	6,949,346
Investment income, net	2,025,286	1,446,345	3,471,631	(134,913)	14,184	3,350,902
Net gain (loss) on investments	—	(3,335,052)	(3,335,052)	—	139,359	(3,195,693)
Interest on student loans	—	25,966	25,966	—	—	25,966
Other	1,258,154	356,482	1,614,636	—	—	1,614,636
Net assets released from restrictions	—	10,005,635	10,005,635	(10,005,635)	—	—
Total revenue	50,136,548	8,567,935	58,704,483	(6,389,094)	300,694	52,616,083
Expenses:						
Instructional	20,130,865	276,769	20,407,634	—	—	20,407,634
Academic support:						
Library	2,512,808	100,352	2,613,160	—	—	2,613,160
Other	2,409,052	63,670	2,472,722	—	—	2,472,722
Student services	6,789,929	509,549	7,299,478	—	—	7,299,478
Institutional support	8,967,858	87,170	9,055,028	—	—	9,055,028
Government funded grant aid to students	726,145	—	726,145	—	—	726,145
Auxiliary enterprises	7,307,428	314,172	7,621,600	—	—	7,621,600
Sponsored research	50,144	—	50,144	—	—	50,144
Public service	86,790	—	86,790	—	—	86,790
Total expenses	48,981,019	1,351,682	50,332,701	—	—	50,332,701
Transfers:						
Other allocations	(529,892)	529,892	—	—	—	—
Allocation for debt payments and special programs	1,818,726	(1,818,726)	—	—	—	—
Total	1,288,834	(1,288,834)	—	—	—	—
Changes in net assets	2,444,363	5,927,419	8,371,782	(6,389,094)	300,694	2,283,382
Net assets at beginning of year	6,359,428	49,729,469	56,088,897	21,504,324	19,608,167	97,201,388
Net assets at end of year	\$ 8,803,791	55,656,888	64,460,679	15,115,230	19,908,861	99,484,770

See accompanying notes to financial statements.

# THE COLLEGE OF ST. CATHERINE

## Statement of Cash Flows

For the year ended May 31, 2001  
(with comparative information for the year ended May 31, 2000)

	2001	2000
Cash flows from operating activities:	\$ 2,283,382	27,184,352
Change in net assets		
Adjustments to reconcile change in net assets to net cash provided by operating activities:	1,427,171	1,336,867
Depreciation	(107,000)	(5,000)
Allowance for doubtful accounts and loans	3,195,693	252,698
Net loss on investment	(1,787,312)	(1,422,615)
Private gifts for long-term investments	123,591	(250,596)
Adjustment of actuarial liability for split-interest agreements		
Change in assets and liabilities:	28,985	197,151
Receivables	(54,676)	(18,922)
Bookstore inventories	(164,383)	294,295
Prepays and deferred expenses	(181,006)	(70,787)
Loans to students	7,976,376	(20,065,496)
Contributions receivable	1,136,792	280,006
Accounts payable and accrued expenses	(372,072)	704,976
Deferred revenue and deposits		
Net cash provided by operating activities	13,505,541	8,416,929
Cash flows from investing activities:	(78,741,244)	(76,887,729)
Purchase of investments	64,272,357	69,056,437
Proceeds from sale of investments	(1,566,432)	(690,383)
Purchase of equipment		
Net cash used in investing activities	(16,035,319)	(8,521,675)
Cash flows from financing activities:	21,353	18,742
Change in deposits with bond trustee		
Proceeds from private gifts for long-term investment	774,719	1,415,582
For endowment	1,012,593	7,033
For property, plant, and equipment	(6,308)	315,016
Payment on note payable	(315,000)	(340,000)
Payments on bonds payable	(111,453)	(104,950)
Payments on gift annuities	264,799	(192,084)
U.S. government grants repayable		
Net cash provided by financing activities	1,640,703	1,119,339
Net (decrease) increase in cash and cash equivalents	(889,075)	1,014,593
Cash and cash equivalents at beginning of year	8,426,105	7,411,512
Cash and cash equivalents at end of year	\$ 7,537,030	8,426,105
Supplemental cash flow information	\$ 248,611	265,059
Cash paid during the year for interest		
Significant noncash financing transactions –	201,972	18,490
Equipment purchases included in accounts payable		

See accompanying notes to financial statements.

# THE COLLEGE OF ST. CATHERINE

## Notes to Financial Statements

May 31, 2001

### (1) Summary of Significant Accounting Policies

#### (a) Organization

The College of St. Catherine (the College) is a Catholic college with campuses in St. Paul and Minneapolis. The College offers certificate programs and associate and baccalaureate degrees to women through both a traditional day school and a Weekend College program. The College also offers graduate programs open to both men and women. Degree programs are offered in the liberal arts and professional studies. The College was founded in 1905 and is sponsored by the Sisters of St. Joseph of Carondelet, Province of St. Paul (the Province).

#### (b) Basis of Presentation

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

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

For financial reporting purposes, resources are classified into net asset categories according to the existence or absence of donor-imposed restrictions. Accordingly, net assets of the College and changes therein are classified and reported as follows:

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

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation. Temporarily restricted net assets for which donor-imposed restrictions are met in subsequent reporting periods are reclassified to unrestricted net assets and reported as net assets released from restrictions. Net assets that have no donor-stipulated restrictions, as well as contributions for which donors have stipulated restrictions but which are met within the same reporting period, are reported as unrestricted support.

(Continued)

# THE COLLEGE OF ST. CATHERINE

## Notes to Financial Statements

May 31, 2001

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

**(c) Cash and Cash Equivalents**

All highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents. The carrying amount approximates the fair value because of the short maturity of those investments. Cash and cash equivalents designated for long-term investment purposes are included as investments.

**(d) Bookstore Inventories**

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

**(e) Student Loans**

Student loans receivable consist primarily of loans made to students under U.S. government loan programs. A reasonable estimate of the fair value of the receivables from students under government loan programs and grants refundable to government for student loans could not be made because the notes receivable are not salable and can only be assigned to the U.S. government or its designees. The fair value of receivables from students under the College's loan programs approximates carrying value.

**(f) Investments**

Investments are carried at fair value, based upon quoted market prices. Changes in quoted market value are recorded as unrealized gains or losses in the period of change. Realized gains and losses on sales of securities are determined using the average cost method and are recorded on a trade-date basis.

**(g) Property, Plant, and Equipment**

Property, plant, and equipment are stated at cost at the date of acquisition or fair value at the date of donation less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful life of the asset. Buildings are estimated to have 50-year lives. All other assets are depreciated over lives ranging from 4 to 20 years.

# THE COLLEGE OF ST. CATHERINE

## Notes to Financial Statements

May 31, 2001

**(h) Tuition and Instructional Fees**

Tuition and instructional fees is presented net of internally funded aid, which consists of gifts, Supplemental Educational Opportunity Grants (SEOG), and endowment income used for scholarships of \$1,586,105 and institutionally funded aid of \$6,336,553 in 2001.

**(i) Split-interest Agreements**

The split-interest agreements include charitable remainder trusts and charitable gift annuities. The College recognizes the contribution from charitable trusts when the trust is established and recognizes the contribution from the charitable annuity gifts when the agreement is executed. The contribution amount when the College is the trustee is the difference between the fair value of assets received and the present value of the future cash flows expected to be paid to the designated beneficiaries. The contribution amount when the College is not the trustee is the present value of expected future cash flows from the trust. The significant assumptions used to estimate the present value of the future cash flows include a discount rate of 6% based on the underlying risk of the related trust investments and the 2000 mortality tables.

**(j) Concentration of Credit Risk**

At May 31, 2001, the College has cash and cash equivalents totaling approximately \$7,400,000 concentrated in one financial institution.

**(k) Income Taxes**

The College has received a determination letter from the Internal Revenue Service indicating it is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and is subject to federal income tax only on net unrelated business income.

**(l) Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

**(m) Prior-year Summarized Information**

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the College's financial statements for the year ended May 31, 2000, from which the summarized information was derived.

(Continued)



# THE COLLEGE OF ST. CATHERINE

## Notes to Financial Statements

May 31, 2001

### (2) Investments

The fair value of investments as of May 31, 2001, is as follows:

	<u>Fair value</u>
Common and preferred stocks	\$ 37,009,584
U.S. government and governmental agency obligations	166,944
Corporate bonds	16,311,138
Cash and short-term investments	6,086,752
Other	<u>2,904,129</u>
Total	<u>\$ 62,478,547</u>

The College uses the total return method of accounting for income from its investments of endowment funds. Under this method, a rate of return is established which is considered to be a prudent return on investments, consisting of both yield (dividends and interest) and realized and unrealized gains. For the year ended May 31, 2001, the spending rate was up to 5.5% of the 36-month moving average market value of endowment fund investments.

Investment expenses, including custodial and management fees, totaled \$64,860 for the year ended May 31, 2001.

In addition, included in investments is \$916,664 of temporarily restricted and \$509,064 of permanently restricted split-interest agreements primarily comprised of annuities and charitable remainder trusts. Also included in investments are permanently restricted trusts totaling \$2,445,331 at May 31, 2001, whose assets are held by a third party.

### (3) Property, Plant, and Equipment

Property, plant, and equipment consists of the following at May 31, 2001:

Land	\$ 1,399,691
Building and improvements	37,861,926
Furniture and equipment	13,366,242
Construction in progress	<u>494,128</u>
	53,121,987
Accumulated depreciation	<u>(26,764,267)</u>
	<u>\$ 26,357,720</u>

# THE COLLEGE OF ST. CATHERINE

## Notes to Financial Statements

May 31, 2001

### (4) Contributions Receivable

Contributions receivable is summarized as follows at May 31, 2001:

Less than one year	\$ 6,563,290
One year to five years	<u>6,004,157</u>
	12,567,447
Discount	<u>(383,412)</u>
Contributions receivable, net	<u>\$ 12,184,035</u>

### (5) Bonds Payable

Bonds payable within the plant funds at May 31, 2001 consists of the following:

Minnesota Higher Education Facilities Authority First Mortgage Revenue Bonds, 1993, Series Three – M1 (The College of St. Catherine), bearing interest at rates ranging from 2.8% to 6.0% (5.2% at May 31, 2001), requiring annual payments of principal increasing from \$315,000 in 2001 to \$1,545,000 in 2011, collateralized by a sports facility and a pledge of tuition and fees. \$ 4,070,000

The Minnesota Higher Education Facilities Authority First Mortgage Revenue Bonds, 1993, Series Three – M1 require that the College maintain a debt service average ratio based on net income available for debt service to be at least 1.1 to 1 for each fiscal year, and that liquid fund balances, as defined by the debt agreement, not be less than 25% of outstanding debt, as defined. In addition, interest and principal payments are required to be deposited to a bond and interest sinking fund as they become due.

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

2002	\$ 335,000
2003	345,000
2004	365,000
2005	395,000
2006	415,000
Thereafter	<u>2,215,000</u>
	<u>\$ 4,070,000</u>

(Continued)

# THE COLLEGE OF ST. CATHERINE

## Notes to Financial Statements

May 31, 2001

### (6) Temporarily and Permanently Restricted Net Assets

The net asset balances consist of the following at May 31, 2001:

Temporarily restricted:	
Restricted for programs	\$ 4,004,439
Restricted due to time	9,700,132
Split-interest agreements	<u>1,410,659</u>
	<u>\$ 15,115,230</u>
Permanently restricted:	
Permanent endowment	\$ 17,148,402
Externally managed endowments	2,445,331
Split-interest agreements	311,790
Gifts designated for student loans	<u>3,338</u>
	<u>\$ 19,908,861</u>

### (7) Functional Expenses

Expenses reported in the financial statements are classified among program services and supporting activities as follows:

Program services	\$ 41,270,652
Supporting activities:	
Management and general	7,672,050
Fundraising	<u>1,389,999</u>
	<u>\$ 50,332,701</u>

### (8) Commitments and Contingencies

#### (a) 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.

# THE COLLEGE OF ST. CATHERINE

## Notes to Financial Statements

May 31, 2001

Components of net periodic cost for fiscal year 2001 are presented below:

Benefit obligation at May 31	\$ 1,504,736
Fair value of plan assets at May 31	1,328,622
Funded status	<u>18,607</u>
Accrued benefit cost recognized in the balance sheet	\$ <u>(184,048)</u>

Assumptions used in the actuarial determination of the above amounts for the year ended May 31, 2001 are as follows:

Discount rate	7.75%
Expected return on plan assets	9.00%
Rate of compensation increase	5.00%
Net periodic benefit (income) cost	\$ 23,506
Benefits paid to participants	124,136

The College also participates in a discretionary individual retirement plan administered by Teachers Insurance and Annuity Association, College Retirement Equities Fund which covers substantially all faculty and administrative personnel. Employees of the plan contributed 5%, and the College contributes up to 8% of the employee's salary. Retirement plan expense was \$1,046,819 for the year ended May 31, 2001.

On January 1, 1997, the College adopted an Employee Health Benefits Plan (the Plan) to provide comprehensive health benefits for covered employees and their covered dependents, as defined in the Plan agreement. This plan is self-insured and, as such, the College pays the benefits as claims for benefits and associated expenses are incurred subject to stop-loss limits of \$100,000 per claimant and \$1,060,000 annually. The employees are required to contribute to the cost of coverage under the Plan.

(Continued)

# THE COLLEGE OF ST. CATHERINE

## Notes to Financial Statements

May 31, 2001

### (b) Operating Leases

The College is committed under various operating leases for the rental of certain equipment. Annual rental payments totaled \$465,074 for the year ended May 31, 2001. Future minimum lease payments under noncancellable operating leases are:

<u>Year ending May 31</u>	
2002	\$ 355,539
2003	298,511
2004	108,826
2005	93,474
2006	93,474
Thereafter	<u>186,948</u>
Total	<u>\$ 1,136,772</u>

### (9) Related Party Transactions

The College has entered into an agreement for leasing the Old Main building on the Minneapolis campus from the Province (through Carondelet Lifecare Corporation). The lease agreement is for 30 years at an annual cost of \$1.

The College received contributions from the Province totaling \$42,908 and \$20,356,763 for the years ended May 31, 2001 and 2000. At May 31, 2001, the present value of the fiscal year 2000 \$20,000,000 gift is \$9,700,132. The remaining gift is to be paid in two installments of \$5,000,000 and \$5,000,000 in July 2001 and July 2002, respectively. The discount rate used to calculate the net present value is approximately 6.3%.

The College made payments of \$537,499 for the year ended May 31, 2001 for services performed by individual Sisters for the College.

The College provides funding for the College of St. Catherine Alumnae Association (the Association). In return, the Association works with the College's fundraisers to plan and promote alumnae events, publish a quarterly magazine, and help maintain accurate alumnae files used in the annual fund drive. Funding for the Association totaled \$286,000 for the year ended May 31, 2001.

**ALLIED IRISH BANKS, p.l.c.**

THIS DOCUMENT REPRESENTS ONLY A SUMMARY OF THE INFORMATION REFERRED TO HEREIN. EXCEPT TO THE LIMITED EXTENT DESCRIBED HEREIN, THIS DOCUMENT DOES NOT ATTEMPT TO DESCRIBE THE BUSINESS OR ANALYZE THE CONDITION, FINANCIAL OR OTHERWISE, OF ALLIED IRISH BANKS, p.l.c. ("AIB") OR OTHERWISE DESCRIBE ANY RISKS ASSOCIATED WITH AIB. EACH BONDHOLDER MUST RELY ON THAT HOLDER'S OWN KNOWLEDGE, INVESTIGATION AND EXAMINATION OF AIB AND AIB'S CREDITWORTHINESS.

AIB reports its financial information on a consolidated basis which includes AIB and certain affiliates and subsidiaries ("AIB Group"). AIB Group provides a diverse and comprehensive range of banking, financial and related services principally in Ireland, Britain, Poland and the United States. AIB Group is currently organized into six (6) divisions: Republic of Ireland; Great Britain & Northern Ireland; USA (which includes AIB's New York Branch); Poland; Group Technology & E-Business; and Capital Markets.

AIB is the largest banking corporation organized under the laws of Ireland. As of December 31, 2001, AIB's total assets were EUR88.8 billion. Pre-tax profits for the year ending December 31, 2001 amounted to EUR612 million. Profit after tax was EUR484 million. Before the exceptional item discussed below AIB's pre-tax profits for the year ending December 31, 2001 amounted to EUR1,401 million; profit after tax was EUR997 million; return on equity was 20.5% and return on assets was 1.28%.

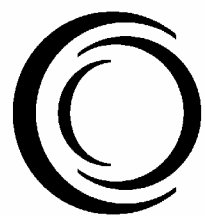
On February 6, 2002, AIB announced that investigations had commenced into foreign exchange trading operations at its US subsidiary, ALLFIRST Bank. The investigations have indicated that certain suspected fraudulent activities have given rise to losses in the amount of \$691.2million. In accordance with Irish GAAP the total costs arising from the suspected fraud have been reflected by way of an exceptional charge of EUR789 million (tax credit EUR276 million) in the accounts for the year ended December 31, 2001. The reduction in attributable profit was EUR513 million.

AIB's New York Branch files quarterly reports on Form FFIEC-002 ("Call Reports") with the Federal Reserve Bank of New York, 33 Liberty Street, New York, NY 10001, the Federal Deposit Insurance Corporation ("FDIC") at 452 Fifth Avenue, 21st Floor, New York, NY 10018 and with the New York State Banking Department at 2 Rector Street, New York, NY 10006. The Call Reports are publicly available.

AIB is an Irish registered public limited company and its ordinary shares are quoted on the Dublin and London stock exchanges. The Group's ordinary shares (symbol AIB) and non-cumulative preference shares (symbol AIBPr) are traded in the USA on the New York Stock Exchange in the form of American Depositary Shares ("ADS") and each ADS is evidenced by an American Depositary Receipt ("ADR"). AIB, as a foreign private issuer of securities in the United States, is required to file an annual report on Form 20-F with the U.S. Securities and Exchange Commission ("SEC") pursuant Securities Exchange Act of 1934, as amended (the "Exchange Act") within 6 months after the end of each fiscal year. Moreover, a foreign issuer, unlike domestic companies, is required to submit to the SEC under the Exchange Act on Form 6-K, only those interim reports and other materials that the issuer prepares in accordance with home country or home market requirements or delivers to its security holders. Exchange Act documents filed by AIB are publicly available at the public reference facilities maintained by the SEC at 450 Fifth Street, N.W., Judiciary Plaza, Washington, D.C. 20549 and at its regional offices at 233 Broadway, New York, NY 10279 and 500 West Madison Street, Suite 1400, Chicago, IL 60661. Copies of documents filed by AIB with the SEC may also be accessed electronically by means of the SEC's home page on the Internet at "<http://www.sec.gov>".

Any of the documents referred to herein (other than exhibits to such documents) are available upon request, without charge, by writing to Allied Irish Banks, p.l.c., New York Branch, 405 Park Avenue, New York, NY 10022. Additional information about AIB, including a copy of AIB Group's Annual Report and Form 20-F, is presently available on the Internet at "<http://www.aib.ie>".

Note: The rate as at 12/31/01 - EUR1 = \$0.8858



THE COLLEGE OF  
ST. CATHERINE