

OFFICIAL STATEMENT DATED JULY 15, 1997

NEW ISSUE

Rating: Moody's A3

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

**\$29,850,000**

**Minnesota Higher Education Facilities Authority**  
**Revenue Bonds, Series Four-L**  
**(St. John's University)**  
**(DTC Book Entry Only)**

**Dated Date: July 1, 1997**

**Interest Due: April 1 and October 1,  
commencing October 1, 1997**

\$13,385,000 serial bonds to mature annually on October 1 as follows:

Interest			Interest		
Year	Amount	Rate	Year	Amount	Rate
1998	\$645,000	3.90%	2006	\$ 910,000	4.85%
1999	\$670,000	4.20%	2007	\$ 955,000	4.90%
2000	\$695,000	4.35%	2008	\$1,000,000	5.00%
2001	\$725,000	4.45%	2009	\$1,050,000	5.05%
2002	\$760,000	4.55%	2010	\$1,105,000	5.15%
2003	\$790,000	4.65%	2011	\$1,160,000	5.25%
2004	\$825,000	4.75%	2012	\$1,225,000	5.30%
2005	\$870,000	4.80%			
\$7,160,000			5.35% Term Bonds due October 1, 2017		
\$9,305,000			5.40% Term Bonds due October 1, 2022		
			Price 98.176%		
			Price 97.969%		

At the option of the Minnesota Higher Education Facilities Authority (the "Authority"), the Bonds are subject to redemption prior to maturity, as described herein. See "The Bonds—Prior Redemption—Optional Redemption". The Bonds will also be subject to optional redemption in whole or in part in certain cases of damage to or destruction or condemnation of the Project Facilities described in the Loan Agreement and Indenture. The Bonds will be subject to optional redemption in whole or in part in the event of a Determination of Taxability, as described herein. The Bonds maturing October 1, 2017 and 2022 are subject to mandatory redemption in installments as described herein.

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

The Bonds are special obligations of the Authority payable solely from Loan Repayments made by or on behalf of the Order of St. Benedict (the "Corporation") as owner and on behalf of St. John's University pursuant to a Loan Agreement between the Authority and the Corporation, or out of other amounts pledged pursuant to the Indenture as described herein. The Loan Repayments will be a general obligation of the Corporation.

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

The Bonds are offered when, as and if issued by the Authority and accepted by the Underwriters named below subject to the approval of legality by Faegre & Benson LLP, Minneapolis, Minnesota, Bond Counsel. Certain legal matters will be passed upon for the Corporation by Hughes, Thoreen, Relph & Hanson, St. Cloud, Minnesota, and for the Underwriters by Oppenheimer Wolff & Donnelly, St. Paul, Minnesota. The Bonds are expected to be available for delivery to the Underwriters at DTC on or about July 23, 1997.

**Dain Bosworth**  
**Incorporated**

**Dougherty Dawkins**  
**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 Corporation, 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 Corporation or the Underwriters. The information contained herein, except as it relates to the Authority and DTC, has been obtained from the Corporation and is not guaranteed as to accuracy or completeness. Except for information concerning the Authority, such information is not to be construed as a representation by the Authority. Information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the Authority or the Corporation since the date hereof.

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

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

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

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

## **MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY**

### **MEMBERS**

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

J. Luther Anderson, Executive Director

Bond Counsel  
Faegre & Benson LLP

Financial Advisor  
Springsted Incorporated

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## **OFFICIAL STATEMENT**

**\$29,850,000**

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

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

**(ST. JOHN'S UNIVERSITY)**

**(DTC Book Entry Only)**

## **INTRODUCTORY STATEMENT**

This Official Statement provides information concerning the Minnesota Higher Education Facilities Authority (the "Authority") and the Order of St. Benedict, a Minnesota nonprofit corporation (the "Corporation") as owner and on behalf of St. John's University, an institution of higher education located in Collegeville, Minnesota, (the "Institution" or the "University") in connection with the issuance of the Authority's \$29,850,000 Revenue Bonds, Series Four-L (St. John's University) (the "Bonds," the "Series Four-L Bonds" or the "Issue").

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

The Bonds are also issued pursuant to the Trust Indenture (the "Indenture") between the Authority and Norwest Bank Minnesota, National Association, Minneapolis, Minnesota as trustee (the "Trustee"). The Trustee will also be the Registrar and Paying Agent for the Issue.

Pursuant to a Loan Agreement between the Corporation and the Authority relating to the Bonds, the Corporation will covenant as a general obligation of the Corporation to make Loan Repayments in amounts sufficient to pay the principal of and interest on the Bonds as the same shall become due. Approximately \$23.4 million of the proceeds of the Bonds will be loaned to the Corporation by the Authority, together with approximately \$2.1 million of University funds to finance the following: (a) the construction, furnishing and equipping of an approximately 42,000 square foot biological sciences building, (b) the construction, furnishing and equipping of an approximately 62,000 square foot fieldhouse, including a new track and tennis courts, (c) renovation of an existing stadium, including a new track, (d) renovation of approximately 106,000 square feet of the existing science center relating to labs and classrooms, (e) renovation of Benet Hall to reconfigure as double rooms, suites and efficiency apartments, (f) construction, furnishing and equipping of three duplexes to provide housing for 36 students, (g) roofing of various University buildings, (h) partial renovation of Luke Hall and Wimmer Hall for office space, (i) renovation of an existing gymnasium, including a new fitness center, additional locker rooms and a new training room, and (j) various improvements relating to replacement surface parking, utilities and extension of utilities to new and renovated facilities, each including appurtenant site improvements (collectively the "Project"). The remaining portion of the proceeds of the Bonds will be used to refund certain prior bond issues of the Authority (the "Prior Bonds") on behalf of the Corporation, all as more fully described in "PLAN OF FINANCE" herein and fund a debt service reserve and pay certain issuance costs.

The Bonds are secured by a pledge of the Loan Repayments, which is a general obligation of the Corporation. Under the Loan Agreement, the Corporation will agree to provide the funds necessary to make timely payment of the Loan Repayments.

The Reserve Account will be funded in the amount of \$2,176,510 from proceeds of the Bonds. (See "Reserve Account" herein.)

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

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

## **RISK FACTORS**

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

### **No Collateral**

The Bonds are secured by (a) a pledge of amounts payable under the Loan Agreement and (b) a Reserve Account which will be held by the Trustee and applied to the payment of principal and interest on the Bonds. No mortgage lien on or security interest in any University property has been granted to secure payment of the Bonds. In addition, certain buildings to be improved with the proceeds of the Bonds are subject to the liens of mortgages securing other indebtedness and subject to forfeiture if the mortgage liens were foreclosed. These mortgages total approximately \$4 million.

### **Adequacy of Revenues**

Payment of principal of and interest on the Bonds is intended to be made from Loan Repayments of the Corporation. The Corporation's ability to make Loan Repayments will be dependent on its ability to receive sufficient unrestricted revenues in excess of expenditures. Such revenues and expenditures are subject to many conditions and factors, some of which may be beyond the control of the Corporation and may change in the future to an extent that cannot be presently determined. Certain debt of the Corporation is secured by mortgage liens on the property financed. Certain other indebtedness of the Corporation is secured by liens on revenues. (See "Long-Term Debt," pages I-1 and I-2.)

### **Reliance on Tuition**

The adequacy of revenues available to pay debt service will in part be dependent on the amount of future tuition revenue received by the University. Tuition revenue in turn will depend primarily on the ability of the University to charge sufficient rates for tuition and to maintain enrollment levels. Future enrollment levels will depend on the number of students applying to

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

### **Financial Aid**

Approximately 89% of the University's students currently receive some form of financial aid covering tuition and fees or living expenses. No assurance can be given that federal and state financial aid will continue to be funded at current levels or that the University will continue to fund student aid at current levels. Curtailment of such aid could cause a decline in enrollment, which could in turn have an adverse effect on the Corporation's revenues. The amount and type of financial aid provided to students for the past five fiscal years is provided in Appendix I, page I-11.

### **Damage or Destruction**

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

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

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

### **Limited Obligation**

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

### **Bankruptcy**

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

### **Construction Risks**

The Project is subject to ordinary risks associated with new construction, such as risks of cost overruns, noncompletion and delays due to a variety of factors, including, among other things, site difficulties, necessary design changes or final detailing, labor strife, delays in and shortages

of materials, weather conditions, fire and casualty. The Corporation does not believe, however, that the occurrence of any such event would have a material adverse effect on the ability of the Corporation to make payments on the Loan.

### **Other Possible Risk Factors**

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

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

### **CONTINUING DISCLOSURE**

In order to assist the Underwriters in complying with SEC Rule 15c2-12 promulgated by the Securities and Exchange Commission, pursuant to the Securities Exchange Act of 1934 (the "Rule"), the Corporation will enter into an undertaking (the "Undertaking") with the Trustee for the benefit of beneficial owners of the Bonds to provide certain financial information and operating data relating to the Corporation to certain information repositories annually, and to provide notices of the occurrence of the eleven events enumerated in the Rule to such repositories or the Municipal Securities Rulemaking Board and to the Minnesota state information depository, if any. The specific nature of the Undertaking, as well as the information to be contained in the annual report or the notices of material events is set forth in the Continuing Disclosure Agreement to be executed by the Corporation at the time the Bonds are delivered, a copy of which is available from the Corporation or the Trustee. Appendix III contains a summary of the financial information and operating data to be provided annually. The Continuing Disclosure Agreement may be amended under certain circumstances as permitted by the Rule. Furthermore, the Corporation has reserved its right to discontinue providing information required by the Continuing Disclosure Agreement or the Rule, if a final determination is made by a court of competent jurisdiction that the Rule is invalid or otherwise unlawful, and to modify the terms of the Continuing Disclosure Agreement if a court of competent jurisdiction or the Corporation determines that such modification is required by the Rule. The Corporation has never failed to comply in all material respects with any previous undertakings under the Rule to provide annual reports or notices of material events. (The Corporation has never been a party to any Undertaking under the Rule.) A failure by the Corporation to comply with the Undertaking will not constitute an event of default on the Bonds (although holders may have other remedies in the event of noncompliance). Nevertheless, such a failure must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such a failure, or the information supplied by the Corporation pursuant to the Undertaking, may adversely affect the transferability and liquidity of the Bonds and their market price.



## **THE BONDS**

### **General**

The Bonds will be dated July 1, 1997 and will mature annually each October 1, commencing October 1, 1998, as set forth on the cover page of this Official Statement. The Bonds are being issued in denominations of \$5,000 and integral multiples thereof not exceeding the amount maturing in any maturity, and shall be fully registered as to principal and interest. Interest on the Bonds will be payable on each April 1 and October 1, commencing October 1, 1997.

### **Book Entry Only System**

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully registered Security certificate will be issued for 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 securities that its participants ("Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc.; the American Stock Exchange, Inc.; and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

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

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

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

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

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

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

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

The information in this section concerning DTC and DTC's book entry system has been obtained from sources that the Authority believes to be reliable, but neither the Corporation nor the Authority takes any responsibility for the accuracy thereof.

## **Prior Redemption**

### **Mandatory Redemption**

Bonds maturing on October 1, 2017 and 2022 shall be called for redemption on October 1 in the years 2013 through 2016 and 2018 through 2021, respectively, at the principal amount thereof to be redeemed, without premium, plus accrued interest to the date fixed for redemption, from moneys in the Sinking Fund Subaccount of the Bond and Interest Sinking Fund Account, in the respective amounts set forth below.

Term Bonds Due October 1, 2017		Term Bonds Due October 1, 2022	
<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2013	\$1,290,000	2018	\$1,670,000
2014	1,355,000	2019	1,760,000
2015	1,425,000	2020	1,855,000
2016	1,505,000	2021	1,955,000
2017*	1,585,000	2022*	2,065,000

\* Stated Maturity.

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

The Bonds maturing in 2017 and 2022, to be retired pursuant to the mandatory redemption obligations set forth above, may, at the option of the Corporation, be reduced by the principal amount of any Bonds of such maturity which at least 45 days prior to such redemption:

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

#### Optional Redemption

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

#### Extraordinary Optional Redemption

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

#### Partial Redemption

In the case of Bonds of denominations greater than \$5,000, if less than all of such Bonds then outstanding are to be called for redemption, then for all purposes in connection with redemption, each \$5,000 of principal amount shall be treated as though it was a separate Bond of the denomination of \$5,000 bearing the number borne by such fully registered Bond and a subnumber assigned by the Trustee. If it is determined that one or more, but not all of the \$5,000 units of principal amount represented by any such Bond is to be called for redemption, then upon notice of intention to redeem such \$5,000 unit or units, the Owner of such fully registered Bond shall forthwith surrender such Bond to the Trustee for (1) payment of the redemption price of the \$5,000 unit or units of principal amount called for redemption and (2) exchange for a new Bond or Bonds of the aggregate principal amount of the unredeemed balance of the principal amount of such Bond which shall be issued to the registered Owner thereof, without charge therefor. If the Owner of any such Bond of a denomination greater than \$5,000 shall fail to present such Bond to the Trustee for payment and exchange as aforesaid, such Bond shall nevertheless become due and payable on the date fixed for redemption to the extent of the \$5,000 unit or units of principal amount called for redemption (and to that extent only). Interest shall cease to accrue on the portion of the principal amount of such Bonds represented by such \$5,000 unit or units of principal amount on and after the date fixed for redemption provided that funds sufficient for payment of the redemption price shall have been deposited with the Trustee and shall be available for the redemption of said \$5,000 unit or units on the date fixed for redemption, and in such event, such Bond shall not be entitled to the benefit or security of the Indenture or the Loan Agreement to the extent of the portion of its principal amount (and accrued interest to the date fixed for redemption and applicable premium, if any) represented by such \$5,000 unit or units of principal amount, nor shall new Bonds be thereafter issued corresponding to said unit or units.

### Notice of Redemption

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

### **Determination of Taxability**

If a Determination of Taxability is made that the interest payable on the Bonds is subject to federal income taxes by reason of the application of the provisions of the Internal Revenue Code and regulations thereunder in effect on the date of issuance, the Bonds shall bear additional interest equal to two percent (2.00%) per annum above the basic interest rate from the Date Of Taxability effective until the respective dates on which the principal of the Bonds is paid. See "Tax Exemption" on pages 17 through 19 and Appendix IV, "DEFINITION OF CERTAIN TERMS."

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

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

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

### Sources of Funds

Series Four-L Bonds	\$29,850,000
Existing Reserve Funds	762,125
Debt Service Fund for Series Two-W Bonds	327,450
Corporation Funds	2,150,000
Original Issue Discount	<u>(341,961)</u>
Total Sources	<u>\$32,747,614</u>

### Uses of Funds

Project Costs	\$25,541,888
Escrow Account for Series Three-H Bonds	3,621,224
Refunded Principal for Series Two-W Bonds	645,000
Debt Service for Series Two-W Bonds	
Due October 1, 1997	327,450
Debt Service Reserve	2,176,510
Issuance Costs and Discount	<u>435,542</u>
Total Uses	<u>\$32,747,614</u>

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

## PLAN OF FINANCE

### The Project

Approximately \$23.4 million of Bond proceeds, together with approximately \$2.1 million of University funds, will be applied to the Project. The Project consists of the following:

	Anticipated Completion <u>Date</u>	Construction <u>Cost</u>
*Athletic Complex:		
Stadium renovation, including new outdoor track	Sept. 1997	\$ 1,777,011
Gymnasium renovation, including new fitness center and locker rooms	Oct. 1997	1,207,860
Fieldhouse – 62,000 sq. ft. of new construction, including indoor track, tennis courts	Apr. 1998	<u>4,015,129</u>
Subtotal		\$7,000,000
Biology Sciences Building:		
42,000 sq. ft. of new construction	Aug. 1998	8,000,000
*Science Center Renovation:		
106,000 sq. ft. renovation of labs and classrooms	Aug. 2000	3,300,000
Infrastructure Improvements:		
Surface parking, utilities and extensions of utilities	Aug. 1998	3,000,000
Vincent Court:		
Three new duplexes to provide housing for 36 students	Aug. 1998	1,084,000
Benet Hall:		
Renovation of residential hall to reconfigure as doubles and suites	Aug. 1999	1,560,000
Luke and Wimmer Hall:		
Renovation for office space	May 1998	640,000
Roofing Projects:		
Replacement roofing for various buildings	Aug. 1998	<u>957,888</u>
Total		\$25,541,888

\* Negative Pledge Property (see page 10).

### The Refunding

Net proceeds will also be used in part to finance (i) the current refunding on October 1, 1997 of the 1998 and 1999 maturities of the Authority's Revenue Bonds, Series Two-W, dated January 1, 1990 (the "Series Two-W Bonds"), and (ii) the advance refunding of the Authority's outstanding Revenue Bonds, Series Three-H, dated June 1, 1992 (the "Series Three-H Bonds"), collectively referred to as the "Prior Bonds." The Series Two-W Bonds were originally issued on behalf of the Corporation to finance the construction and furnishing of the Art Building. The Series Three-H Bonds were originally issued on behalf of the Corporation to finance the construction, furnishing and equipping of a Campus Center and twelve apartment-style student residences.

Proceeds totaling \$645,000 will be deposited in the Redemption Account held by the trustee for the Series Two-W Bonds to refund the Series Two-W Bonds on October 1, 1997 at a price of

par. \$3,621,224, including proceeds of the Bonds, the balance in the reserve fund and other accounts held by the trustee for the Series Three-H Bonds, will be deposited in an Escrow Account to be established pursuant to an Escrow Agreement among Norwest Bank Minnesota, National Association, Minneapolis, Minnesota (the "Escrow Agent"), the trustee for the Series Three-H Bonds, the Corporation and the Authority. The Escrow Account will be funded with cash and securities sufficient to provide for payment of principal and interest on the Series Three-H Bonds until their call date of October 1, 1999, at which point the Escrow Account will pay for the redemption of the 2000 through 2002 maturities at a price of par. In accordance with the trust indenture for the Series Three-H Bonds, the Series Three-H Bonds will no longer be considered outstanding under the indenture upon such deposit for prepayment and will be secured solely by and payable solely from the Escrow Account.

Verification services necessary to ensure the adequacy of the Escrow Account to provide timely payment of the debt service for which the Escrow Account is obligated will be performed by McGladrey & Pullen, Certified Public Accountants.

## **SUMMARY OF SECURITY FOR THE BONDS**

The Bonds will be special obligations of the Authority payable solely from Loan Repayments made by the Corporation as required by the Loan Agreement or out of other amounts pledged therefor under the Indenture including moneys and investments in the Reserve Account. The Reserve Account will be fully funded to the Reserve Requirement from proceeds of the Bonds in the amount of \$2,176,510.

The Loan Repayments are a general obligation of the Corporation. The Bonds are secured by the pledge of the Loan Repayments and a Reserve Account. The Corporation will agree pursuant to the terms of the Loan Agreement and the Indenture to make payments directly to the Trustee in such amounts and at such times as to assure that the Trustee has sufficient funds with which to pay the principal of and interest on the Bonds. The Corporation agrees to make such payments out of its operating funds or any other moneys legally available. The Corporation covenants and agrees to charge tuition fees, other fees, rentals and charges which, together with the general funds or any other moneys legally available, will be sufficient at all times to make the Loan Repayments and other payments required under the Loan Agreement; to meet current operation and maintenance expenses of the Project Facilities; and to pay all other obligations of the Corporation as they become due.

### **Negative Pledge Property**

The Corporation covenants in the Loan Agreement that except for Permitted Encumbrances, it will not mortgage, grant a lien upon, pledge, grant a security interest in, make an assignment of its interest in, or permit the creation of any encumbrance on the Negative Pledge Property, which is generally the Athletic Complex (consisting of the Stadium, the Fieldhouse, and the Gymnasium) and the Science Center.

### **Financial Covenants**

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

The Corporation will also covenant that so long as the Bonds shall remain outstanding:

- a. The Revenue/Expenditure Test must be met in at least two of the complete fiscal years ending 1996, 1997, and 1998 and thereafter in at least two of the preceding three complete Fiscal Years.
- b. At June 30, 1998 and at the end of each Fiscal Year thereafter, Unrestricted Resources, shall be not less than \$5,000,000. Within 120 days after the end of each Fiscal Year, the Corporation shall furnish to the Trustee a certificate of an Authorized University Representative showing the Unrestricted Resources as of the end of the Fiscal Year. If at the end of any Fiscal Year, Unrestricted Resources do not equal or exceed \$5,000,000, the Corporation shall obtain (from gifts, removal of encumbrance or restriction, sale of tangible property or otherwise) additional Unrestricted Resources at least equal to the amount of the deficiency as promptly as possible, but in any event within 180 days after the close of the Fiscal Year, and shall report the same to the Trustee, but proceeds of borrowed funds or from the sale of tangible property leased back by the Corporation for a term of more than two years or with a repurchase option shall not be included in computation of amounts eligible to cure the deficiency.
- c. The Corporation shall incur no Funded Debt with a maturity in excess of two years (except for a refunding or refinancing of Funded Debt which does not increase the Maximum Annual Debt Service and further excepting indebtedness for capital projects for which the Corporation has secured funds on hand or written and signed pledges of gifts in an amount equal to 80% of the estimated cost of such project), unless the Funded Debt Ratio, as of the date of incurrence, expressed as a percentage, is greater than 140%. The Funded Debt Ratio shall consist of (i) the Unrestricted Resources based upon the most recent audited financial statements of the Corporation as the numerator and (ii) the aggregate amount of Notes, Bonds and Mortgage Notes Payable, including Current Portion of Notes, Bonds and Mortgage Notes Payable outstanding as of the date of calculation and the principal amount of the proposed Funded Debt as the denominator. In addition, the Corporation shall incur no Funded Debt which is includable in the Funded Debt Ratio and is variable rate indebtedness in an amount exceeding 30% of the Unrestricted Resources, based upon the most recent audited financial statements of the Corporation. Furthermore, the Corporation shall incur no indebtedness for borrowed money with a maturity of two years or less in an amount exceeding ten (10%) of the Unrestricted Resources based upon the most recent audited financial statements of the Corporation; provided that for a period of thirty consecutive calendar days in each two Fiscal Year Period (beginning with the two Fiscal Year period of July 1, 1997 through June 30, 1999) the total amount of such indebtedness shall be zero.

For purpose of these covenants, the following terms shall have the following meanings:

"Adjusted Increase (Decrease) in Unrestricted Net Assets" means the Increase (decrease) in Unrestricted Net Assets, as reported in the Statement of Activities section of the audited financial statements of the Corporation, adjusted to: (a) exclude depreciation expense and include (as a reduction to unrestricted net assets) the cost of current year equipment acquisitions which have been funded through operations and capitalized; (b) exclude net assets released from restriction representing acquisition of land, buildings and equipment and not funded through operations; (c) exclude extraordinary gains or losses; (d) exclude Total Return on long-term investments; and (e) include an amount equal to the actual draw on long-term investment funds as reported in the notes to the audited financial statements.

"Funded Debt" means indebtedness for borrowed money having a maturity date of more than two years from the date of creation thereof and which, under generally accepted accounting principles, is shown on the balance sheet as a liability, including obligations whenever payable if

renewable pursuant to the terms thereof or of a revolving loan agreement for a period of more than one year from the date of creation thereof and including lease rental obligations which, under generally accepted accounting principles, are shown on the balance sheet as a liability.

"Maximum Annual Debt Service", as used in paragraph (c) above, means the largest total amount of principal of and interest on Funded Debt payable by the Corporation in any future Fiscal Year during which Bonds will (if paid at their stated maturity dates or redeemed in accordance with a mandatory sinking fund schedule) be outstanding subject to the following: (i) If any part of the Funded Debt is outstanding variable rate indebtedness, the rate of interest on the variable rate indebtedness for future Fiscal Years shall be computed at the average rate of interest for the then most recent Fiscal Year or, at the election of the Corporation, for the then current interest period; if variable rate indebtedness is proposed to be issued, the rate of interest shall be the initial variable rate as estimated by an independent management consultant, or an investment banking firm selected by the Corporation to underwrite the sale of such variable rate indebtedness. (ii) If any part of the Funded Debt outstanding or to be issued is a guarantee by the Corporation of indebtedness of a third person or so-called "pass-through" or "covered" indebtedness (the Corporation having borrowed money to relend to a third person), all of such Funded Debt shall be excluded if the third person (whose debt is guaranteed or whose payments are expected to service the Corporation's obligations with respect to such Funded Debt) demonstrates as of the date of calculation that such third person's Funded Debt Ratio, expressed as a percentage and calculated in the same manner as the Funded Debt Ratio of the Corporation, exceeds 140%. (iii) The amount of debt service with respect to "balloon" indebtedness may, at the option of the Corporation be calculated on a level debt service basis over the period ending the Fiscal Year when the balloon is payable; as used herein, "balloon indebtedness" means Funded Debt 25% or more of the principal of which is due in any 12 month period. (iv) The amount of debt service with respect to "put" indebtedness shall be calculated at the maximum amount of principal of or interest on such indebtedness which the Corporation may be required to purchase or redeem in any Fiscal Year; provided that if there is a written commitment from a bank or other financial institution to refinance the amount of any indebtedness which the Corporation may be required to redeem or purchase, the debt service with respect to such put indebtedness may, at the option of the Corporation, be calculated on the basis of the repayment schedule contemplated by such written commitment, commencing the date such commitment will (unless renewed) expire; "put" indebtedness means Funded Debt (A) which the Corporation may be required, at the option of the holder thereof, to prepay or purchase prior to the stated maturity date thereof, in whole or in part, but if in part, in an amount 25% or more of the original principal amount thereof and (B), if subject to variable rates, is then in an interest rate reset period of more than two years. (v) There shall not be taken into account any part of the Funded Debt of the Corporation which has been refunded, refinanced or otherwise defeased under an arrangement whereby all future payments of such indebtedness will be met from monies and investments held by an indenture trustee or escrow agent, provided that any such investments shall be direct obligations of or obligations fully guaranteed by the United States of America. (vi) If any part of such Funded Debt consists of crossover refunding debt, no part of the debt service with respect to such crossover refunding debt shall be taken into account prior to the crossover date, and after the crossover date, no part of the debt service of the refunded debt shall be taken into account. (vii) If any part of such Funded Debt is "nonrecourse" indebtedness or "subordinated" indebtedness, no part of the debt service with respect thereto shall be taken into account; "nonrecourse" indebtedness means indebtedness payable only from a limited fund and secured only by property purchased or acquired from the proceeds of such indebtedness; "subordinated" indebtedness means indebtedness the principal and interest on which are subordinated to payment of the Bonds by a written instrument of the holder, a copy of which is filed with the Trustee. (viii) The amount of any reserve fund for any Funded Debt issued or proposed to be issued may be deducted from debt service for the Fiscal Year or Years in which such Funded Debt finally matures and for payment of which the reserve fund moneys may be used without creating a default.



"Revenue/Expenditure Test" means the Adjusted Increase in Unrestricted Net Assets shall not be less than zero.

"Total Return" is the sum of interest and dividends, realized gain or loss and unrealized gain or loss.

"Unrestricted Resources" means the Total Unrestricted Net Assets of the Corporation adjusted to exclude Equity in Property, Plant and Equipment as reported in the Balance Sheet section of the audited financial statements of the Corporation.

For purposes of (a), (b) and (c) above, all capitalized terms used but not otherwise defined in the Loan Agreement shall have the meanings provided for audits of colleges and universities, as applied by the Corporation's auditors in the report of the Corporation's financial statements.

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

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

## **ACCOUNTS**

### **Summary**

The Indenture will provide for the creation of certain trust accounts into which the proceeds from the sale of the Bonds and revenues received as Loan Repayments under the Loan Agreement are to be deposited. These accounts include a Construction Account, a Bond and Interest Sinking Fund Account, a Reserve Account, and a Redemption Account. The net proceeds of original issue and sale of the Bonds, after deposits to the Escrow Account for the Series Three-H Bonds and to the Redemption Account held by the Trustee for the Series Two-W Bonds, are to be deposited into the Construction Account, except that the amount of the Reserve Requirement will be deposited into the Reserve Account, and accrued interest, if any, will be deposited in the Bond and Interest Sinking Fund Account. Following Bond Closing, amounts received by the Trustee from the Corporation as Loan Repayments are to be deposited into the Bond and Interest Sinking Fund Account, the Reserve Account, and the Redemption Account, as required by the Loan Agreement and used, to the extent needed, to redeem or pay the principal of and interest on the Bonds when due.

### **Construction Account**

There shall be deposited initially into the Construction Account certain proceeds of the Bonds, except as otherwise required to be deposited into the Bond and Interest Sinking Fund Account and the Reserve Account. In addition, the Corporation will agree in the Loan Agreement to provide for payment of all Project Costs in excess of the proceeds of the Bonds available therefor and to pay out of available general funds 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 according to the reoffering scale). Upon receipt of proper documentation, the Trustee will reimburse or pay for the account of the Corporation 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 and Interest Sinking Fund Account and Sinking Fund Subaccount**

Initially there shall be deposited into the Bond and Interest Sinking Fund Account any amount of the Bond proceeds representing accrued interest, which is to be used to pay interest on the Bonds. Deposits shall be made to the Bond and Interest Sinking Fund Account from transfers of amounts in other accounts, as permitted by the Indenture, and from Loan Repayments made by the Corporation. A separate Sinking Fund Subaccount will be maintained within the Bond and Interest Sinking Fund Account for the retirement of Term Bonds on each Sinking Fund redemption date. Deposits into the Sinking Fund Subaccount shall be made at least five Business Days prior to each October 1 on which a sinking fund payment is due in amounts equal to the redemption price of the principal specified for mandatory redemption.

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

### **Reserve Account**

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

In the event that a withdrawal of funds from the Reserve Account reduces the balance therein to a sum less than the Reserve Requirement, the Corporation shall forthwith restore the deficiency, provided that if such funds are withdrawn in order to make any rebate payment required to be made by the Authority under the Loan Agreement, the Authority shall restore such deficiency or shall reimburse the Corporation for amounts so withdrawn. Investments in the Reserve Account shall be valued at market value. Investments in the Reserve Account shall be valued by the Trustee not less frequently than as of the first day of the calendar month next preceding April 1, 1998 and each interest payment date thereafter. If upon any valuation date, the amount on deposit in the Reserve Account (exclusive of accrued but unrealized interest on moneys or investments therein) is more than the lesser of the amount of the Reserve Requirement, or the amount permitted for a reasonably required reserve fund under the Arbitrage Regulations, the Trustee shall forthwith transfer the excess to the Bond and Interest Sinking Fund Account. If on any valuation date the amount on deposit in the Reserve Account is less than the amount of the Reserve Requirement, then (unless the value of the amount on deposit exceeds the amount allowed for a reasonably required reserve fund under the Arbitrage Regulations) such deficiency shall be restored to an amount equal to the amount of the Reserve Requirement within not less than 30 days.

Interest and income in the Reserve Account shall be transferred first, to the Bond and Interest Sinking Fund Account to the extent the amount on deposit in the Bond and Interest Sinking Fund Account is less than the amount permitted for a bona fide debt service fund under the Arbitrage Regulations, and second, to the Redemption Account any excess interest and income, and when the moneys and investments in the Reserve Account shall be sufficient to pay the principal of and interest on all outstanding Bonds when due, such moneys and investments shall be transferred, as appropriate, into the Bond and Interest Sinking Fund Account or the Redemption Account; provided that the Trustee is authorized, in its discretion, to use funds and investments in the Reserve 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 Corporation or the Authority shall have failed to pay or provide for the payment thereof under the Loan Agreement.

## **Redemption Account**

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

Amounts on deposit to the credit of the Redemption Account shall be used, first, to make up deficiencies in the Bond and Interest Sinking Fund Account; second, to create and maintain the required balance in the Reserve Account; and, third, for the redemption of outstanding Bonds at the request or direction of the Corporation for the purchase of outstanding Bonds on the market at prices not exceeding the redemption price on the next available date for redemption. Notwithstanding the foregoing, the Trustee is authorized in its discretion to use funds and investments in the Redemption 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 Corporation or the Authority shall have failed to pay or provide for the payment thereof under the Loan Agreement.

## **General Bond Reserve Account**

Pursuant to its General Bond Resolution adopted October 31, 1972, the Authority has established and maintains a General Bond Reserve Account. In general, the General Bond Reserve Account secures certain bonds of the Authority for which a deposit is made into the General Bond Reserve Account in compliance with the General Bond Resolution. In connection with the Bonds, the Authority will not require that the Corporation 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, Reserve Account, and the Redemption Account shall be invested by the Trustee only in investments as authorized by law from time to time which are generally as follows currently: Direct obligations of the United States government and certain obligations issued or guaranteed by certain of its agencies; direct and general obligations of states and local governments, rated at least in the rating category of "AA" or "Aa"; revenue bond obligations of states and local governments insured by municipal bond insurance and rated "AAA" or "Aaa"; mutual funds or unit trusts which invest solely in the foregoing obligations of the United States government, its agencies, state and local governments; time deposits and other accounts fully insured by the Federal Deposit Insurance Corporation; certain guaranteed investment contracts issued by a bank or insurance company rated at least in the rating category of "A"; certain types of repurchase agreements; and certain commercial paper maturing in 270 days or less. Section 5.04 of the Indenture sets forth further restrictions as to type and maturity of investments.

## **THE AUTHORITY**

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

J. Luther Anderson has been the Executive Director of the Authority since June 30, 1995, at which time he replaced Joseph E. La Belle, who retired after serving as Executive Director since the inception of the Authority. Mr. Anderson was formerly a Senior Vice President with Springsted Incorporated.

The Authority is authorized and empowered to issue revenue bonds whose aggregate outstanding principal amount at any time shall not exceed \$350 million. The State legislature has passed and the Governor has signed legislation which will increase the maximum to \$500 million effective July 1, 1997. The Authority has had 100 issues (including refunded and retired issues) totaling \$500,994,189, of which \$264,098,865 (excluding the Bonds) is outstanding as of June 1, 1997. An additional \$52,290,000 is authorized but unissued as of that date. Bonds issued by the Authority are payable only from the rentals, revenues and other income, charges and moneys pledged for their payment. The bonds of the Authority do not represent or constitute a debt or pledge of the faith or credit or moral obligation of the State of Minnesota.

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

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

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

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

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

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

## **FINANCIAL ADVISOR**

The Authority has retained Springsted Incorporated, Public Finance Advisors, of St. Paul, Minnesota, as financial advisor (the "Financial Advisor") in connection with the issuance of the Bonds. In preparing the Official Statement, the Financial Advisor has relied upon Corporation 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 Dain Bosworth Incorporated and Dougherty Dawkins LLC (the "Underwriters"). The Underwriters have agreed to purchase the Bonds at a purchase price of \$29,250,582.94 (representing the aggregate principal amount of the Bonds less an underwriter's discount of \$257,456.26 and original issue discount of \$341,960.80).

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 Corporation 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.

## **RATING**

As noted on the cover page hereof, Moody's Investors Service has assigned a long-term rating of "A3" to the Bonds. The rating reflects only the view of such rating agency. There is no assurance that such rating will continue for any given period of time or that it may not be lowered or withdrawn entirely by the rating agency if in its judgment circumstances so warrant. Any such downward change in or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

## **LITIGATION**

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

## **LEGALITY**

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

Certain legal matters will be passed upon for the Corporation by Hughes, Thoreen, Relph & Hanson, St. Cloud, Minnesota; and for the Underwriters by Oppenheimer Wolff & Donnelly, St. Paul, Minnesota.

## **TAX EXEMPTION**

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met subsequent to the issuance and delivery of the Bonds in order that interest on the Bonds be and remain excludable from gross income under Section 103 of the Code. These requirements include, but are not limited to, (1) provisions relating to the expenditure of Bond proceeds, (2) provisions which prescribe yield and other limits relative to the investment of the proceeds of the Bonds and other amounts, (3) provisions which require

that certain investment earnings be rebated periodically to the Federal government and (4) provisions relating to the ownership and operation of the facilities financed or refinanced by the Bonds. Noncompliance with such requirements may cause interest on the Bonds to become includable in gross income for purposes of Federal and State of Minnesota income taxation retroactive to their date of original issue, irrespective in some cases of the date on which such noncompliance is ascertained.

The Loan Agreement and Indenture contain provisions (the "Tax Covenants") including covenants of the Authority and the Corporation, pursuant to which, in the opinion of Bond Counsel, such requirements can be satisfied. The Tax Covenants do not relate to all the continuing requirements referred to in the preceding paragraph. If a Determination of Taxability occurs, however, whether or not as a result of violation of any of the Tax Covenants, the outstanding Bonds are subject to optional redemption without premium, and the Bonds shall bear additional interest at a rate of two percent (2%) per annum from the Date Of Taxability until the respective dates on which the principal of the Bonds is paid. (See "THE LOAN AGREEMENT—Determination of Taxability" in Appendix IV). A determination that interest on the Bonds is includable in the computation of the alternative minimum tax imposed on individuals under the Code is not a Determination of Taxability.

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

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

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

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

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

Assuming compliance with the Tax Covenants and on the basis of the certifications to be furnished at Bond Closing, in the opinion of Faegre & Benson LLP, Bond Counsel, under present laws and rulings: interest on the Bonds is not includable in gross income for federal income tax purposes or in the taxable income of individuals, estates and trusts for Minnesota

income tax purposes. Interest on the Bonds is not treated as a preference item in determining federal alternative minimum taxable income of individuals and corporations or the Minnesota alternative minimum tax applicable to individuals, estates and trusts. However, the interest is includable in "adjusted current earnings" for purposes of computing the federal alternative minimum taxable income of corporations and is subject to the Minnesota franchise tax imposed on corporations, including financial institutions, measured by taxable income and the alternative minimum tax base.

The dollar amount of the initial offering price to the public of the Bonds with stated maturities in 2009 through 2022 (the "Discount Bonds") is less than the principal amount of such maturities. The difference between the initial public offering price of each such Discount Bond (assuming a substantial amount of the Discount Bonds is sold at such price) and its principal amount represents original issue discount. Under existing laws, regulations, rulings and decisions, Bond Counsel is of the opinion with respect to the Discount Bonds that the amount of original issue discount constitutes tax-exempt interest to the extent that it is deemed to accrue to an owner for federal and State of Minnesota income tax purposes (other than Minnesota corporate franchise taxes measured by taxable income and the alternative minimum tax base). Original issue discount is deemed to accrue for such purposes on the basis of a constant yield to maturity taking into account semiannual compounding. The amount of original issue discount that accrues during any accrual period to a holder of a Discount Bond who acquires the Discount Bond in this offering generally equals (i) the issue price of such Discount Bond plus the amount of original issue discount accrued in all prior accrual periods, multiplied by (ii) the yield to maturity of such Discount Bond (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period), less (iii) any interest payable on such Discount Bond during such accrual period. The amount of original issue discount so accrued in a particular accrual period will be considered to be received ratably on each day of the accrual period, will be excluded from gross income for federal income tax purposes to the same extent as stated interest and will increase the holder's tax basis in such Discount Bond. Any gain realized by a holder from a sale, exchange, payment or redemption of a Discount Bond would be treated as gain from the sale or exchange of such Discount Bond.

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

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

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

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**THE ORDER OF ST. BENEDICT AND ST. JOHN'S UNIVERSITY**

The Order of St. Benedict is a Minnesota nonprofit corporation located in Collegeville, Minnesota. The Corporation has four operating divisions: St. John's Abbey, St. John's Preparatory School, The Liturgical Press and the University. The four divisions are located on one site, consisting of a total of approximately 2,450 acres.

The Abbot of St. John's Abbey is the President of the Corporation. The other officers are the Secretary and Treasurer appointed by the President. The Board of Directors of the Corporation is comprised of the Abbot and ten members of the Corporation, five of whom are elected by the members and five of whom are appointed by the Abbot. The membership of the Corporation is limited to the members of St. John's Abbey who hold permanent status through final vows. The members of St. John's Abbey and the members of the Corporation are identical.

**Relationship of the Corporation and the University**

To provide for the governance and management of the University, the Corporation has established the governance statutes of the University. The governance statutes, as amended, reserve to the Corporation certain powers concerning the University. Principal among these are the reservations concerning encumbrance or disposition of the assets of the University and the power to amend or revoke the statutes.

The governance statutes establish a self-perpetuating Board of Regents to exercise governance of the University and a President to serve as the chief executive officer of the University. The Board of Regents' responsibility includes assistance in fundraising and prudent management of the University's resources as designated by the Corporation, which retains the power to authorize or modify operating and capital budgets prepared by the President of the University and approved by the Board of Regents.

To enable the University to plan and carry out its approved mission, the Corporation provides for a separate audit of University accounts and designates certain funds as University reserves and endowment. Historically, the Corporation provides an annual grant to the University by contributing a percentage of salaries paid to members of the Corporation employed by the University.

In order to assure adequate representation of the Corporation in University governance, the officers of the Corporation are ex-officio members of the Board of Regents and the Executive Committee of the Board of Regents. In addition, the Abbot serves as the Chancellor of the University with power to nominate the President of the University for election by the Board. The members of St. John's Abbey also elect eight of their members to the Board of Regents. It is understood that the President of the University may be called on to report to the Corporation concerning the University.

By these procedures the Corporation retains ultimate control of the University while delegating its governance and management to the Board of Regents and the President of the University.

**Long-Term Debt of the Corporation**

As of June 30, 1997, the Corporation's total long-term debt outstanding, adjusted to include the Bonds is \$34,190,837.

- 1) Department of Education (HUD) Auxiliary Facilities Construction and Refunding Bonds, Series B, dated November 1, 1966, secured by a mortgage on Bernard, Patrick and

Boniface Halls, as well as the net revenue derived from these facilities and the Dining Hall, payable over a 50-year period, in annual installments ranging from \$20,000 to \$80,000 with interest at 2.875% until final maturity on November 1, 2016. \$1,230,000 is currently outstanding.

- 2) Department of Housing and Urban Development (HUD) mortgage, dated September 24, 1979, secured by certain real estate and equipment in the Solid Waste Boiler portion of the Power House, as well as the assignment of rents and income from the secured facility, only after default on the note by the Corporation. The mortgage is due in semiannual installments payable over 38 years of \$32,819 including principal and interest at 3% commencing in 1981 and continuing through May 1, 2019. \$1,058,960 is currently outstanding.
- 3) Department of Housing and Urban Development (HUD) mortgage, dated August 26, 1982, secured by Seton Apartments (Earth Sheltered) and a first lien on the net revenue derived from the secured facility. The mortgage is due in semiannual installments payable over 38 years of \$29,847 including principal and interest at 3% commencing in 1985 and continuing through August of 2022. \$1,058,593 is currently outstanding.
- 4) Department of Education loan in the amount of \$1,440,000 dated September 28, 1989 payable in semiannual payments over 30 years of \$49,276.82 including principal and interest at 5.50%, commencing May 1, 1990 and continuing through November 1, 2019. The loan is for the renovation of Engel Hall and is secured by a mortgage on Engel Hall and a lien on tuition revenues, in an amount necessary to pay annual debt service. \$1,263,284 is outstanding.
- 5) \$2,500,000 Minnesota Higher Education Facilities Authority Revenue Bonds, Series Two-W, dated January 1, 1990. With the exception of \$295,000 of principal due on October 1, 1997, these bonds will be refunded by the Series Four-L Bonds.
- 6) \$5,000,000 Minnesota Higher Education Facilities Authority Revenue Bonds, Series Three-H, dated June 1, 1992. These bonds will be refunded by the Series Four-L Bonds.
- 7) The Bonds.

#### **Summaries of Current Funds Revenues, Expenditures and Other Changes for Fiscal Years 1992 through 1995**

The following two tables set forth summaries of revenues, expenditures and transfers for the Corporation's Current Funds for Fiscal Years 1992 through 1995 which were maintained and presented on the fund accounting system.

For the year ended June 30, 1996, the Corporation adopted two new Statements of Financial Accounting Standards (SFAS) issued by the Financial Accounting Standards Board. Together the new statements significantly alter the appearance and content of private college and university financial statements. These changes in presentation make it difficult to draw comparisons between the financial statement for the fiscal years ended prior to June 30, 1996, and the financial statements for 1996 and thereafter. See page I-13 for a description of SFAS #116 and SFAS #117 and Appendix VI for the Corporation's audited financial statements for Fiscal Year 1996.

**ORDER OF SAINT BENEDICT  
STATEMENT OF CURRENT FUND REVENUES,  
EXPENDITURES AND TRANSFERS  
For the Years Ended June 30,**

	<b>1995</b>					
	Benedictine Division	St. John's University	St. John's Preparatory School	Liturgical Press	Elimin- ations	Total
Revenues	\$6,525,488	\$39,917,434	\$2,627,100	\$8,313,234	\$4,720,358	\$52,662,898
Expenditures and Transfers(a)	6,512,823	39,914,869	2,624,581	8,087,514	4,720,358	52,419,429
Excess (Deficiency) of Revenues and Transfers Over Expenditures and Transfers	<u>\$12,665</u>	<u>\$2,565</u>	<u>\$2,519</u>	<u>\$225,720</u>	<u>\$0</u>	<u>\$243,469</u>

	<b>1994</b>					
	Benedictine Division	St. John's University	St. John's Preparatory School	Liturgical Press	Elimin- ations	Total
Revenues	\$6,197,477	\$39,374,382	\$2,656,954	\$8,287,638	\$4,684,409	\$51,832,042
Expenditures and Transfers(a)	6,188,033	39,370,847	2,272,547	7,844,007	4,684,409	50,991,025
Excess (Deficiency) of Revenues and Transfers Over Expenditures and Transfers	<u>\$9,444</u>	<u>\$3,535</u>	<u>\$384,407</u>	<u>\$443,631</u>	<u>\$0</u>	<u>\$841,017</u>

	<b>1993</b>					
	Benedictine Division	St. John's University	St. John's Preparatory School	Liturgical Press	Elimin- ations	Total
Revenues	\$6,035,416	\$37,279,294	\$2,607,986	\$8,181,698	\$4,565,787	\$49,538,607
Expenditures and Transfers(a)	6,022,214	37,273,839	2,603,309	7,696,103	4,565,787	49,029,678
Excess (Deficiency) of Revenues and Transfers Over Expenditures and Transfers	<u>\$13,202</u>	<u>\$5,455</u>	<u>\$4,677</u>	<u>\$485,595</u>	<u>\$0</u>	<u>\$508,929</u>

	<b>1992</b>					
	Benedictine Division	St. John's University	St. John's Preparatory School	Liturgical Press	Elimin- ations	Total
Revenues	\$5,994,411	\$35,587,627	\$2,571,931	\$7,367,430	\$4,608,945	\$46,912,454
Expenditures and Transfers(a)	6,016,191	35,570,705	2,593,266	7,351,568	4,608,945	46,922,785
Excess (Deficiency) of Revenues and Transfers Over Expenditures and Transfers	<u>(\$21,780)</u>	<u>\$16,922</u>	<u>(\$21,335)</u>	<u>\$15,862</u>	<u>\$0</u>	<u>(\$10,331)</u>

(a) Includes both mandatory and non-mandatory transfers.

Source: Corporation's audited annual financial statements.

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

The table on page I-5 sets forth the principal and estimated debt service on the Bonds and debt service on the Corporation's currently outstanding long-term debt for each fiscal year during the term of the Bonds. Actual long-term debt of the Corporation may increase in the future. Column 6 shows coverage of such annual debt service by the amount of Corporation revenue that was available for debt service as of June 30, 1996, as further detailed in footnote (b) of the table.

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

**Annual ProForma Debt Service by Fiscal Year  
and ProForma Coverage Statement  
Order of St. Benedict, Inc.**

Fiscal Year Ending June 30,	Debt Service on the Bonds (a)	Existing Long Term Debt Service	Combined Long Term Debt Service	Estimated Amount Available for Debt Service (b)	ProForma Coverage (Times)
(1)	(2)	(3)	(4)	(5)	(6)
1997	\$0	\$1,393,192	\$1,393,192	\$7,074,971	5.08
1998	1,147,703	764,179	1,911,881	7,074,971	3.70
1999	2,162,693	358,155	2,520,847	7,074,971	2.81
2000	2,161,045	306,661	2,467,706	7,074,971	2.87
2001	2,156,859	305,224	2,462,082	7,074,971	2.87
2002	2,155,611	308,786	2,464,397	7,074,971	2.87
2003	2,157,190	307,205	2,464,395	7,074,971	2.87
2004	2,151,533	305,624	2,457,156	7,074,971	2.88
2005	2,148,571	304,042	2,452,614	7,074,971	2.88
2006	2,153,098	307,461	2,460,559	7,074,971	2.88
2007	2,150,150	305,736	2,455,886	7,074,971	2.88
2008	2,149,685	304,011	2,453,696	7,074,971	2.88
2009	2,146,288	307,286	2,453,574	7,074,971	2.88
2010	2,144,775	305,417	2,450,192	7,074,971	2.89
2011	2,144,809	303,549	2,448,357	7,074,971	2.89
2012	2,140,905	306,680	2,447,585	7,074,971	2.89
2013	2,142,993	304,667	2,447,660	7,074,971	2.89
2014	2,141,023	302,655	2,443,677	7,074,971	2.90
2015	2,135,269	305,642	2,440,911	7,074,971	2.90
2016	2,130,904	308,486	2,439,390	7,074,971	2.90
2017	2,132,526	306,186	2,438,712	7,074,971	2.90
2018	2,129,869	223,886	2,353,755	7,074,971	3.01
2019	2,127,380	223,886	2,351,266	7,074,971	3.01
2020	2,124,770	108,971	2,233,741	7,074,971	3.17
2021	2,122,165	59,694	2,181,859	7,074,971	3.24
2022	2,119,295	59,694	2,178,989	7,074,971	3.25
2023	2,120,755	29,847	2,150,602	7,074,971	3.29
Totals:	<u>\$54,697,860</u>	<u>\$8,726,820</u>	<u>\$63,424,680</u>		

(a) Based on actual rates.

(b) Based on Fiscal 1996 Audited Financial Statements of the Corporation:

	Increase in Unrestricted Net Assets:	\$10,480,100
Plus:	Depreciation	2,464,950
	Debt Service Interest	380,581
Less:	Net Assets released from Restriction for Land, Buildings & Equipment	(668,813)
	Investment return in excess of Spending Policy	(5,581,847)
	Amount available for debt service:	<u>\$7,074,971</u>

## THE UNIVERSITY

St. John's University, located in Collegeville, Minnesota, was founded in 1857 by the Order of St. Benedict. It is one of the oldest institutions of higher learning in the Midwest. The University is a separate unincorporated operating division of the Corporation.

The University offers four-year undergraduate degrees in the College of Arts and Sciences and graduate degrees in the School of Theology. Enrollment in the College of Arts and Sciences is limited to men; however, the School of Theology admits both men and women.

Although the University continues to enroll only undergraduate men, it also educates undergraduate women through its cooperation with the College of St. Benedict, a four-year undergraduate college for women, which is four miles distant from the University. The Corporation does not own or control the College of St. Benedict, but the two schools cooperate in virtually all aspects of college life. They share a common academic calendar, maintain a single registrar's and admissions office and operate a combined library system and joint academic and administrative computing services. Requirements for most major programs are the same for students from both colleges. Students may generally attend classes on either campus.

The University is accredited by the North Central Association of Colleges and Secondary Schools as well as by appropriate professional organizations. The University is also registered with the Minnesota Higher Education Services Office in accordance with Minnesota Statutes.

The University admits qualified students without regard to race, color, age, religion or veteran status in accordance with the requirements of federal and State law.

### St. John's University Board of Regents

John Agee	President, Adler Management Corporation, Minneapolis, Minnesota
George Allen	Retired Senior Vice President, 3M Research and Development, St. Paul, Minnesota
Rev. Timothy Backous, OSB	Chaplain/Assistant Professor, Campus Ministry, St. John's University, Collegeville, Minnesota
Terri Barreiro	Senior Director, United Way of Minneapolis Area, Minneapolis, Minnesota
Jerry Bauerly	President, Bauerly Bros., Inc., Sauk Rapids, Minnesota
Dr. John Brandl	Professor of Public Affairs, Hubert H. Humphrey Institute of Public Affairs, University of Minnesota, Minneapolis, Minnesota
Richard Cohen	Chief Financial Officer, Norstan, Inc., Plymouth, Minnesota
Albert A. Eisele	Editor, <u>The Hill</u> , Washington, D.C.
Barbara Forster	Chair, Heritage Bank, Minneapolis, Minnesota

John Gerlach	Director – Graduate Business School, Sacred Heart University, Fairfield, Connecticut
Dr. Delores Henderson	Principal, J.J. Hill School, St. Paul, Minnesota
Don J. Hodapp	Executive Vice President/Chief Financial Officer, Hormel Foods Corporation, Austin, Minnesota
Jim Hoesley	Managing Director, CS First Boston Corporation, Chicago, Illinois
Rev. Timothy Kelly, OSB	Abbot/Chancellor, St. John's Abbey, Collegeville, Minnesota
Rev. John Klassen, OSB	Associate Professor of Chemistry, St. John's University, Collegeville, Minnesota
Rev. Robert Koopman, OSB	Professor of Music, St. John's University, Collegeville, Minnesota
Rev. John Kulas, OSB	Professor of Modern and Classical Languages, St. John's University, Collegeville, Minnesota
Frank S. Ladner	President, Financial Services, Lawrenceville, Illinois
Ray Larson	Professor of Modern & Classical Languages, St. John's University, Collegeville, Minnesota
Eric LeCompte	Student Regent, St. John's University, Collegeville, Minnesota
Rev. Benedict Leuthner, OSB	Corporate Treasurer, Order of St. Benedict, Inc., Collegeville, Minnesota
Rev. Jonathan Licarl, OSB	Corporate Secretary, Order of St. Benedict, Inc., Collegeville, Minnesota
Diane Liemandt	Chair of Liemandt Foundation of the Catholic Foundation, Dallas, Texas
Dan McGlynn	Executive Vice President, McGlynn Bakeries, Inc., Fridley, Minnesota
Rev. Rene McGraw, OSB	Associate Professor of Philosophy, St. John's University, Collegeville, Minnesota
The Honorable Diana E. Murphy, Chair	United States Circuit Judge, Minneapolis, Minnesota
Kingsley Murphy	Owner, Northland Stations, Minneapolis, Minnesota
Rev. Michael Naughton, OSB	Director of Liturgical Press, Order of St. Benedict, Inc., Collegeville, Minnesota
Rev. Richard Oliver, OSB	World Wide Web Administrator/Associate Director of Admission, OSB/CSB, Collegeville, Minnesota

Greg Palen	CEO/Chairman, Spectro Alloys Corporation, St. Paul, Minnesota
John Pellegrine	Executive Vice President, Marketing, Target/Dayton Hudson, Minneapolis, Minnesota
Mike Philippe	Vice President and Manager, The Sumitomo Bank, Limited, Minneapolis, Minnesota
Br. Dietrich Reinhart, OSB	President, St. John's University, Collegeville, Minnesota
Sr. Emmanuel Renner, OSB	Professor of History, College of St. Benedict, St. Joseph, Minnesota
Lois Rogers	Volunteer, Long Lake, Minnesota
Roger Scherer	Chairman of the Board, Scherer Brothers Lumber Company, Plymouth, Minnesota
William Sexton	Retired Owner, Old Northwest Agents, Inc., Incline Village, Nevada
Robert L. Shafer	Retired Vice President, Pfizer, Inc., New York, New York
Thomas J. Sinner	Retired Owner, Sinner Seed, Casselton, North Dakota
Robert Spinner, Vice Chair	President, Abbott Northwestern Hospital, Minneapolis, Minnesota
Edwin M. Theisen	Retired President and Chief Operating Officer, Northern States Power Company, Plymouth, Minnesota
Jon Theobald	Executive Vice President, Resource Trust Company, St. Paul, Minnesota
Rev. Jerome Tupa, OSB	Associate Professor of French, St. John's University, Collegeville, Minnesota
John Van de North	Attorney at Law, Briggs & Morgan, St. Paul, Minnesota

### **President of the University**

Brother Dietrich Reinhart, OSB, has been the President of St. John's University since July 1991 and has been associated with the University and St. John's Abbey since his Monastic profession in 1972. He received his B.A. degree from the University in 1971 and was awarded a Ph.D. in History from Brown University in 1984.

During his tenure at the University, Brother Dietrich has held numerous positions including Associate Professor of History, Dean of the College and Acting Vice President for Academic Affairs.

Brother Dietrich currently serves on the boards of the Hill Monastic Manuscript Library, the Institute for Ecumenical and Cultural Research, the St. John's School of Theology, the St.



John's Preparatory School, the Minnesota Private College Council Board of Directors, and First American National Bank of St. Cloud.

## University Facilities

There are thirteen academic buildings and sixteen student residence facilities on the University campus. Eight of these structures are on the National Register of Historic Places. The oldest building, the Quadrangle, was originally built in 1868 and the newest building, the St. Vincent Court student residence, was built in 1996.

## Academic Information

The University confers the Bachelor of Arts degree to undergraduates completing all departmental and University requirements. The School of Theology currently offers the Master of Arts degree in theology, liturgical studies and liturgical music; the Master of Divinity degree; and the Master of Arts in Pastoral Ministry.

The University follows the four-one-four academic calendar of two, 14-week semesters, separated by a one-month interim term in January. A normal course load is considered four, 4-credit classes per semester.

The libraries at St. John's University and the College of St. Benedict serve the combined student body with a joint staff and coordinated programs and services. Joint holdings of the two libraries are 535,390 volumes, 1,737 paper and 1,300 electronic periodical subscriptions that total 3,037 periodical subscriptions, 253,820 government documents and 106,718 microfilms. MINITEX, a computerized interlibrary exchange program, provides access to the collections of the University of Minnesota and other libraries in the state and region. A new state-funded service, MnLINK, will extend online access to catalogs in 80 other libraries throughout Minnesota and the upper Midwest.

## Student Enrollment

The University's total historic enrollment for undergraduate and graduate students for the past five years and the estimated enrollment for fiscal year 1997/98 is as follows:

<u>Fiscal Year</u>	<u>Head Count</u>	<u>FTE</u>
Actual:		
1992/93	1,902	1,849
1993/94	1,859	1,798
1994/95	1,820	1,746
1995/96	1,816	1,744
1996/97	1,796	1,740
Estimated:		
1997/98	1,840	1,796

Of the 426 persons enrolled in the 1996/97 freshman class, 354 or 83.1% are Minnesota residents.

## Freshman Applications, Acceptances and Enrollments

	<u>1992/93</u>	<u>1993/94</u>	<u>1994/95</u>	<u>1995/96</u>	<u>1996/97</u>
Applications	845	933	922	894	893
Acceptances	745	800	769	776	773
Percent Accepted	88%	86%	83%	87%	87%
Enrolled	435	444	430	430	426
Percent Enrolled to Accepted	58%	56%	56%	55%	55%
Mean ACT Score	23	24	24	24	25
Mean SAT Verbal/Math Scores*	565/538	542/570	548/569	563/587	583/606

\* All scores recentered.

As of May 15, 1997, the University has received 885 freshman applications for the fall 1997 term, compared to 871 received by the same date a year ago. Approximately 87% of the 1997 applicants have been accepted for enrollment. Transfer/readmit applications for the fall 1997 term are down eight (13%) from the comparable date a year ago.

## Student Retention

The University reports the following student retention percentages, based on tracking incoming freshmen through to graduation.

<u>Fall Semester</u>	<u>New Freshmen</u>	<u>Percent of Students Returning</u>				<u>Percent of Graduates</u>	
		<u>2nd Year</u>	<u>3rd Year</u>	<u>4th Year</u>	<u>5th Year</u>	<u>4 Years</u>	<u>By 5th Year</u>
1991	415	82.9%	77.3%	74.2%	9.2%	59%	69%
1992	435	80.0	70.6	68.3	8.3	54	
1993	444	83.3	73.0	72.5			
1994	430	84.7	76.5				
1995	430	83.5					
1996	426						

## Tuition and Fees

The University meets the costs of its educational programs primarily through tuition and fees. The following table lists the tuition, room and board fees for the past five years, charged to a full-time, incoming freshman.

	<u>1992/93</u>	<u>1993/94</u>	<u>1994/95</u>	<u>1995/96</u>	<u>1996/97</u>
Tuition	\$10,498	\$11,340	\$12,247	\$12,951	\$13,858
Room*	1,788	1,856	1,921	1,988	2,078
Board	1,995	2,080	2,160	2,236	2,314
Activity Fee	<u>88</u>	<u>88</u>	<u>88</u>	<u>138</u>	<u>138</u>
Total	\$14,369	\$15,364	\$16,416	\$17,313	\$18,388

\* Amounts represented above are average room charges; actual amounts may be more or less depending on the residence.

Special fees may be charged for specific courses such as science labs, arts fees or music lessons.

**1996/97 Undergraduate Rate Comparison of Minnesota Private Colleges  
(Ranked by Comprehensive Fees)**

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

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

*Source: Minnesota Private College Council.*

**Financial Aid**

Approximately 89% of the student body annually receives some form of financial aid. The following table is a five-year summary of financial assistance received from both University and non-University sources.

	<u>1991/92</u>	<u>1992/93</u>	<u>1993/94</u>	<u>1994/95</u>	<u>1995/96</u>
<b>Loans:</b>					
Perkins	\$ 272,300	\$ 283,900	\$ 349,850	\$ 348,675	\$ 399,300
GSL (Stafford)	2,720,045	2,597,463	3,651,776	4,229,000	4,601,060
PLUS	334,666	390,273	706,327	716,240	974,719
SELF (State of Minnesota)	<u>1,010,141</u>	<u>908,369</u>	<u>710,653</u>	<u>800,481</u>	<u>849,697</u>
<b>Total Loans</b>	<b>\$ 4,337,152</b>	<b>\$ 4,180,005</b>	<b>\$ 5,418,606</b>	<b>\$ 6,094,396</b>	<b>\$ 6,824,776</b>
<b>Student Employment (All Sources)</b>	<b>1,304,192</b>	<b>1,341,070</b>	<b>1,590,735</b>	<b>1,755,608</b>	<b>1,880,234</b>
<b>Gift Aid:</b>					
Federal/State	2,881,801	3,113,498	2,942,407	2,692,805	2,698,023
University	<u>3,562,765</u>	<u>3,916,670</u>	<u>4,750,953</u>	<u>4,919,813</u>	<u>5,435,577</u>
<b>Total Financial Aid</b>	<b>\$12,085,910</b>	<b>\$12,551,243</b>	<b>\$14,702,701</b>	<b>\$15,462,622</b>	<b>\$16,838,610</b>

## Faculty

The student-faculty ratio is approximately 13 to 1. Approximately 18% of the faculty are members of the Order of St. Benedict or other religious orders. There are no religious or denominational prerequisites or any participatory religious requirements for faculty membership. The University subscribes to the 1940 Statement of Principles on Academic Freedom of the American Association of University Professors and the Association of American Colleges.

For the 1996/97 Fiscal Year, the University has 138 full-time and 35 part-time faculty. The number and average salary by rank for full-time faculty during the 1996/97 Fiscal Year were:

<u>Rank</u>	<u>Number</u>	<u>Average Salary</u>
Professor	43	\$56,015
Associate Professor	46	44,622
Assistant Professor	40	37,059
Instructor/Lecturer	44	32,443

Sixty-seven percent of the full-time faculty is tenured.

## Pension Plan

The Order of St. Benedict has contributory defined contribution pension plans covering substantially all of its full-time lay employees. The Corporation contributes 9% of the covered employees' salaries and the employees contribute 3%. Total pension contributions for the Corporation for the years ended June 30, 1996 and 1995 were \$1,089,966 and \$1,115,279, respectively.

## Corporation Investments

Funds of the Corporation are currently invested approximately 67% in equities, 20% in government bonds, and 13% is held as cash.

## Capital Campaign

The University has undertaken a capital campaign to raise \$28 million to support current and future needs, including \$14,000,000 for facilities (the new Science Center and the Athletic Complex), and \$4,000,000 for scholarships. The capital campaign commenced July 1, 1995 and the University plans to reach its goal on or before December 31, 1998. As of June 17, 1997, the University had raised a total of \$24,766,911 through cash, pledges and planned gifts.

## Endowment Funds

The following table lists the fund balances of the University's endowment and similar funds for the Fiscal Years ended June 30, 1992 through 1996.

<u>Years Ended June 30</u>	<u>Endowment Funds</u>	<u>Quasi- Endowment Funds</u>	<u>Annuities and Unitrusts</u>	<u>Totals</u>
1996	\$31,325,077*	\$27,053,869	\$8,196,191	\$66,575,137
1995	36,514,620	11,767,255	6,443,436	54,725,311
1994	31,612,425	10,502,715	5,639,791	47,754,931
1993	32,939,028	11,120,785	3,701,205	47,761,018
1992	27,727,603	10,185,448	3,027,793	40,940,844

\* Because of the implementation of SFAS #117, the table above reflects a decrease in endowment funds from June 30, 1995 to June 30, 1996. There was a reclassification of approximately \$12,000,000 from permanently restricted to unrestricted because some gifts had originally been classified by the University as endowment, but were from unrestricted gifts.

## **Presentation of Financial Statements**

For the year ended June 30, 1996, the Corporation adopted two new Statements of Financial Accounting Standards (SFAS) issued by the Financial Accounting Standards Board. Together the new statements significantly alter the appearance and content of private college and university financial statements. These changes in presentation make it difficult to draw comparisons between the financial statement for the fiscal years ended prior to June 30, 1996, and the financial statements for 1996 and thereafter.

SFAS #116, *Accounting for Contributions Received and Contributions Made*, has two significant aspects. The first is a requirement to record certain specifically verifiable donor promises as revenues in the period the promises are received, and to reflect the promises as receivables of the Corporation. This contrasts with the previous practice of recording contributions when the actual cash or property was received.

The second aspect of SFAS #116 is the requirement to record contributions into one of three classes of net assets: permanently restricted, temporarily restricted or unrestricted, based on the existence or absence of donor imposed restrictions.

SFAS #117, *Financial Statements for Not-for-Profit Organizations*, is intended to make financial statements of not-for-profit organizations more understandable to users of those statements, and requires that the financial statements of all not-for-profit organizations include a statement of position, a statement of activities and a statement of cash flows. Such financial statements focus on the Corporation as a whole and present balances and transactions according to the existence or absence of donor imposed restrictions, and again classify fund balances and transactions into three classes of net assets: permanently restricted, temporarily restricted or unrestricted.

Note 1 in the Notes to Financial Statements dated June 30, 1996, includes an explanation of the restatement of the fund balances for SFAS #117 as previously reported at June 30, 1995. There is also further discussion of the accounting policies related to the changes brought about by the new SFAS statements.

Appendix VI sets forth the financial statements of the Corporation for the year ended June 30, 1996, audited by Larson Allen Weishair & Co., LLP, Certified Public Accountants, Minneapolis, Minnesota and prepared in accordance with SFAS #116 and SFAS #117. The firm has not participated in the preparation of this Official Statement and expresses no opinion on its contents.

## **Summaries of Current Funds Revenues, Expenditures and Transfers**

The following tables set forth summaries of revenues, expenditures and other changes for the University's Unrestricted Current Fund for the Fiscal Years ended June 30, 1992 through 1995 from the Corporation's audited financial statements. Only St. John's University is represented on pages I-14 and I-15, although the Corporation has four operating divisions, consisting of the Benedictine Division, St. John's University, St. John's Preparatory School and The Liturgical Press. For more complete financial information of the Corporation for the Fiscal Year ended June 30, 1996, see Appendix VI of this Official Statement.

**ST. JOHN'S UNIVERSITY**  
**SUMMARY STATEMENT OF UNRESTRICTED CURRENT FUND**  
**REVENUES, EXPENDITURES AND TRANSFERS**  
**For the Years Ended June 30,**

	1992	1993	1994	1995	1996
<b>REVENUES:</b>					
Educational and general:					
Tuition and fees	\$18,900,141	\$19,253,625	\$20,176,855	\$20,805,915	
Private gifts, grants and contracts:					
Benedictine Division	966,271	966,150	969,641	957,798	
Student aid purposes	160,000	225,000	0	0	
General educational	0	0	0	0	See
Unrestricted purposes	1,026,691	1,025,679	1,043,639	1,148,119	"Statement
Endowment income:					
Abbey supplement grant	0	0	0	0	of
General	583,104	596,385	889,537	621,297	
Sales and services of educational activities	18,829	17,833	17,662	18,711	
Other sources	625,981	650,131	884,805	999,438	Activities",
Total Educational and General	<u>\$22,281,017</u>	<u>\$22,734,803</u>	<u>\$23,982,139</u>	<u>\$24,551,278</u>	Unrestricted
Auxiliary Enterprises :					Column
Dining service	\$3,348,660	\$3,099,025	\$3,321,091	\$3,227,262	
Residence halls	2,612,749	2,655,767	2,796,396	2,792,237	in
Bookstore	2,567,771	2,577,842	2,794,033	2,832,644	
Other auxiliary enterprises	982,872	2,174,482	2,349,757	2,547,081	Appendix VI,
Total Auxiliary Enterprises	<u>\$9,512,052</u>	<u>\$10,507,116</u>	<u>\$11,261,277</u>	<u>\$11,399,224</u>	Financial
Total Revenues	<u>\$31,793,069</u>	<u>\$33,241,919</u>	<u>\$35,243,416</u>	<u>\$35,950,502</u>	Statements
					for the year
<b>EXPENDITURES AND MANDATORY TRANSFERS:</b>					ended
Educational and general:					
Instruction	7,436,438	7,174,466	7,432,716	7,312,072	6/30/96
Research	20,974	19,430	6,966	0	
Academic support	2,335,076	2,474,366	2,857,222	2,817,526	
Student support	3,231,836	3,071,768	3,306,906	3,379,939	
Institutional support	4,107,913	4,258,493	4,319,173	4,440,850	
Operation and maintenance of plant	2,279,821	2,059,487	2,236,641	2,431,843	
Scholarships and grants	2,889,444	3,172,400	3,971,343	4,103,065	
Reallocation of government supported student work	(175,550)	(178,260)	(186,830)	(176,006)	
Total Educational and General Expenditures	<u>\$22,125,952</u>	<u>\$22,052,150</u>	<u>\$23,944,137</u>	<u>\$24,309,289</u>	

**ST. JOHN'S UNIVERSITY**  
**SUMMARY STATEMENT OF UNRESTRICTED CURRENT FUND**  
**REVENUES, EXPENDITURES AND TRANSFERS**  
**For the Years Ended June 30,**  
**(continued)**

	1992	1993	1994	1995	1996
Mandatory Transfers For:					
Principal and interest	\$122,554	\$122,554	\$119,554	\$120,194	
Perkins contributions	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	
Total Educational and General Mandatory Transfers	<u>122,554</u>	<u>122,554</u>	<u>119,554</u>	<u>120,194</u>	
					See
Total Educational and General Expenditures and Mandatory Transfers	<u>\$22,248,506</u>	<u>\$22,174,704</u>	<u>\$24,063,691</u>	<u>\$24,429,483</u>	"Statement
					of
Auxiliary enterprises expenditures:					Activities",
Dining services	2,980,303	2,841,699	3,040,230	3,043,107	
Residence halls	2,140,941	2,193,319	2,381,215	2,341,161	
Bookstore	2,505,108	2,577,453	2,774,637	2,740,457	
Other auxiliary enterprises	596,679	1,790,866	1,945,849	1,864,781	Unrestricted
Reallocation of government supported student work	<u>(143,631)</u>	<u>(145,846)</u>	<u>(152,956)</u>	<u>(144,005)</u>	Column
Total Auxiliary Enterprise Expenditures	<u>\$8,079,400</u>	<u>\$9,257,491</u>	<u>\$9,988,975</u>	<u>\$9,845,501</u>	in
					Appendix VI,
Auxiliary enterprises mandatory transfers:					Financial
Transfer to plant funds:					Statements
Principal	123,540	124,252	192,985	170,740	
Interest	84,652	81,021	235,494	147,963	
Debt reserve	10,000	17,000	15,000	15,000	
Lease payments:					for the year
Principal	72,111	106,655	95,442	102,086	
Interest	<u>42,486</u>	<u>52,101</u>	<u>37,033</u>	<u>30,389</u>	ended
Total Auxiliary Enterprises Mandatory Transfers	<u>\$332,789</u>	<u>\$381,029</u>	<u>\$575,954</u>	<u>\$466,178</u>	6/30/96
Total Auxiliary Enterprises and Other Transfers	<u>\$954,596</u>	<u>\$721,175</u>	<u>\$565,130</u>	<u>\$1,034,992</u>	
Total Educational and General and Auxiliary Enterprise Expenditures and Transfers	<u>\$31,615,291</u>	<u>\$32,534,399</u>	<u>\$35,193,750</u>	<u>\$35,776,154</u>	
<b>OTHER TRANSFERS:</b>					
Transfers to (from) capital renewal fund	172,374	557,113	288,721	317,955	
Transfers to (from) current restricted funds	(11,518)	127,674	(255,126)	(179,089)	
Transfers to (from) endowment funds	<u>0</u>	<u>17,278</u>	<u>12,536</u>	<u>32,917</u>	
Total Other Transfers	<u>\$160,856</u>	<u>\$702,065</u>	<u>\$46,131</u>	<u>\$171,783</u>	
Total Expenditures and Transfers	<u>\$31,776,147</u>	<u>\$33,236,464</u>	<u>\$35,239,881</u>	<u>\$35,947,937</u>	
<b>Net Increase in Fund Balance</b>	<u>\$16,922</u>	<u>\$5,455</u>	<u>\$3,535</u>	<u>\$2,565</u>	

Source: University's annual audited financial statements for the years ended June 30, 1992 – 1995.

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## PROPOSED FORM OF LEGAL OPINION

## FAEGRE &amp; BENSON LLP

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

\$ \_\_\_\_\_  
 Minnesota Higher Education Facilities Authority  
 Revenue Bonds, Series Four-L  
 (St. John's University)

We have acted as bond counsel in connection with the issuance by the Minnesota Higher Education Facilities Authority (the "Authority") of its fully registered (initially book entry) Revenue Bonds, Series Four-L (St. John's University), in the aggregate principal amount of \$ \_\_\_\_\_ (the "Bonds"), dated July 1, 1997, in the denomination of \$5,000 each and integral multiples thereof, maturing on October 1 in the years and amounts and bearing interest at the basic rates per annum as follows:

<u>October 1</u> <u>of the Year</u>	<u>Amount</u>	<u>Basic</u> <u>Interest</u> <u>Rate</u>	<u>October 1</u> <u>of the Year</u>	<u>Amount</u>	<u>Basic</u> <u>Interest</u> <u>Rate</u>
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The Bonds are subject to optional redemption prior to the stated maturities thereof as provided in the Bonds and the Indenture. The Bonds due in the years \_\_\_\_ and \_\_\_\_ shall be redeemed through operation of the mandatory Sinking Fund Subaccount of the Bond and Interest Sinking Fund Account provided for in the Indenture, as defined below. Interest on the Bonds is payable on each April 1 and October 1, commencing October 1, 1997. In the event of a Determination of Taxability (as defined in the Loan Agreement and Trust Indenture referred to below), the Bonds will bear additional interest at the rate of 2.00% per annum from the Date of Taxability (as defined). Interest is payable by check or draft mailed or sent by wire transfer to the registered owner, and principal is payable at the principal corporate trust office of Norwest Bank Minnesota, National Association, in Minneapolis, Minnesota, as Trustee (the "Trustee"). The Bonds are issued for the purpose of funding a loan from the Authority to the Order of St. Benedict (the "Corporation"), a Minnesota nonprofit corporation as owner and operator of an institution of higher education located in the City of Collegeville, Minnesota (the "Institution"), in order to finance and refinance improvements to its educational facilities at its main campus. We have examined executed counterparts of the Loan Agreement (the "Loan Agreement") between the Authority and the Corporation, the

Trust Indenture (the "Indenture") between the Authority and the Trustee and the Escrow Agreement among the Corporation, the Trustee and other parties, each dated as of July 1, 1997, one or more opinions of Hughes, Thoreen, Relph & Hanson as counsel to the Corporation, the form of the Bonds prepared for execution, and such other documents as we deemed necessary for the purpose of the following opinion.

As to questions of fact material to our opinion, we have relied upon certified proceedings, documents and certifications furnished to us by public officials and officials of the Corporation without undertaking to verify such facts by independent investigation. We have also relied upon the opinion of Hughes, Thoreen, Relph & Hanson, as to the Loan Agreement and the Escrow Agreement having been duly authorized and executed and being binding upon the Corporation and as to the corporate organization, tax-exempt status, good standing and powers of the Corporation, and a title opinion as to title to the Project Site (as defined in the Loan Agreement and Indenture), without examining the records of the Corporation or original title records or abstracts of title.

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

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

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

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

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

Dated at Minneapolis, Minnesota, \_\_\_\_\_, 1997.

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**ANNUAL REPORT INFORMATION**

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

1. Audited financial statements for the most recent complete fiscal year.
2. The following financial and operating data contained in Appendix I to the Final Official Statement:
  - a. Information as of the end of the most recent complete academic or fiscal year, as appropriate, of the matters covered by the Sections entitled:
    - Student Enrollment
    - Applications, Acceptances and Enrollments
    - Geographic Distribution of Entering Freshmen
    - Student Retention
    - Tuition and Fees
    - Faculty and Staff
    - Financial Aid
  - b. Information as to gifts, bequests and grant support for the most recent complete fiscal year.
  - c. Information as to any publicly announced capital campaign, including stated goals and progress toward the goals.
  - d. An update of footnote (b) on the Annual Pro Forma Debt Service by Fiscal Year and Pro Forma Coverage Statement – Order of St. Benedict, Inc. provided in the Official Statement.

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DEFINITION OF CERTAIN TERMS

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

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

*Authority:* The Minnesota Higher Education Facilities Authority.

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

*Authorized Institution Representative:* The 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 President or the Secretary of the Board of Directors or the President or a Vice President of the Institution. Such certificate may designate an alternate or alternates.

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

*Board of Directors:* The Board of Directors of the Corporation, 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 any Bonds.

*Bond Resolution:* The Series Resolution of the Authority adopted on July 16, 1997, authorizing the Bonds, as the same may be amended, modified or supplemented by any amendments or modifications thereof.

*Bonds:* Minnesota Higher Education Facilities Authority Revenue Bonds, Series Four-L (St. John's University).

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

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

*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.

*Corporation:* Order of St. Benedict, a Minnesota nonprofit corporation, as owner and operator of the Institution, its successors and assigns.

*Date of Taxability:* The date as of which the interest on the Bonds is determined to be includable in the gross income of the Owners thereof, provided that no Bond shall bear additional interest for any period for which the statute of limitations shall be a bar to the assertion or collection of a deficiency of federal income taxes from the Owner of such Bond.

*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, Corporation 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 payable on the Bonds is includable in gross income for purposes of federal income taxation by reason of the application of the provisions of Section 103 of the Internal Revenue Code, related sections and regulations thereunder, in effect on the date of issuance of the Bonds, as more fully provided in the Loan Agreement. A determination that interest on the Bonds is includable in the computation of any alternative minimum tax is not a Determination of Taxability.

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

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

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

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

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

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

*Institution:* St. John's University (sometimes referred to herein as "University"), a Minnesota institution of higher education located in the City of Collegeville, Minnesota and owned and operated by the Corporation.

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

*Issue:* The Bonds.

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

*Loan Agreement:* The Loan Agreement between the Authority and the Corporation relating to the Bonds, dated as of July 1, 1997, as amended or supplemented from time to time.

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

*Negative Pledge Property:* The Athletic Complex (consisting of the Stadium, the Fieldhouse and the Gymnasium) and the Science Center generally described in the Loan Agreement.



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

*Permitted Encumbrances:* As of any particular time, (i) liens for ad valorem taxes and special assessments not then delinquent, (ii) utility, access and other easements and rights-of-way, mineral rights, restrictions and exceptions 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 Corporation, (iv) those additional encumbrances set forth in Exhibit C to the Loan Agreement, and (v) liens granted by the Corporation to secure Funded Debt allowed under the Loan Agreement on that portion of the Project Site which is not Negative Pledge Property.

*Project:* The Project consists of the following: (a) the construction, furnishing and equipping of an approximately 42,000 square foot biological sciences building, (b) the construction, furnishing and equipping of an approximately 62,000 square foot fieldhouse, including a new track and tennis courts, (c) renovation of an existing stadium, including a new track, (d) renovation of approximately 106,000 square feet of the existing science center relating to labs and classrooms, (e) renovation of Benet Hall to reconfigure as double rooms, suites and efficiency apartments, (f) construction, furnishing and equipping of three duplexes to provide housing for 36 students, (g) roofing of various University buildings, (h) partial renovation of Luke Hall and Wimmer Hall for office space, (i) renovation of an existing gymnasium, including a new fitness center, additional locker rooms and a new training room, and (j) various improvements relating to replacement surface parking, utilities and extension of utilities to new and renovated facilities, each including appurtenant site improvements all to be owned and operated by the Corporation and located on the campus of the University in the City of Collegeville, Minnesota.

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

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

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

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

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

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

*Reference Rate:* The interest rate per annum announced from time to time by Norwest Bank Minnesota, National Association, Minneapolis, Minnesota as its prime or reference rate.

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

*Reserve Account:* The Reserve Account established under the Indenture, into which at Bond Closing will be placed Bond proceeds in the amount of the Reserve Requirement. Moneys in the Reserve Account shall be used to pay principal of and interest on the Bonds if moneys in the Bond and Interest Sinking Fund Account or Redemption Account are not sufficient thereof and may be used in the discretion of the Trustee to pay rebate due to the United States under Section 148 of the Internal Revenue Code if the Corporation or the Authority fails to provide for payment of any rebate.

*Reserve Requirement:* (i) If no Additional Bonds are outstanding, the lesser of the maximum amount of principal of and interest on the Bonds payable in any remaining Bond Year or 10% of the proceeds (par value less original issue discount, if any, according to the reoffering scale) received from the issuance and sale of the Bonds or 125% of the average annual debt service of the Bonds or (ii) if Additional Bonds are outstanding, the sum of (A) the amount set forth in subsection (i) plus (B) the maximum amount of principal of and interest on Additional Bonds payable in any remaining Bond Year or 10% of the proceeds (par value less original issue discount, if any, according to the reoffering scale) received from the issuance and sale of the Additional Bonds or 125% of the average annual debt service of the Additional Bonds.

*Series Four-L Bonds:* The Minnesota Higher Education Facilities Authority Revenue Bonds, Series Four-L (St. John's University).

*Series Three-H Bonds:* The Minnesota Higher Education Facilities Authority Revenue Bonds, Series Three-H (St. John's University), dated June 1, 1992, in the original principal amount of \$5,000,000.

*Series Two-W Bonds:* The Minnesota Higher Education Facilities Authority Revenue Bonds, Series Two-W (St. John's University), dated January 1, 1990, in the original principal amount of \$2,500,000.

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

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

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

**SUMMARY OF DOCUMENTS**

**THE LOAN AGREEMENT**

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

**Construction of Project**

The Corporation represents that the acquisition, construction and installation of the Project are to be substantially completed by no later than August 30, 2000 subject only to "force majeure," as provided in the Loan Agreement. The Corporation may apply to the Authority at any time to delete from the Project any building, system or equipment proposed to be 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 Corporation, 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 Corporation agrees that it has previously paid or will itself pay all costs relating to the acquisition, construction, improving and equipping of the Project, including costs of issuance of the Bonds, to the extent such payments and costs exceed the proceeds of the Bonds, including investment earnings in the Construction Account.

**Loan Repayments**

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

- (a) at least five (5) Business Days prior to each April 1 and October 1, commencing October 1, 1997, into the Bond and Interest Sinking Fund Account a sum which will be equal to the amount payable as interest on the Bonds on the next succeeding interest payment date, or the amount payable as principal (whether at maturity or mandatory sinking fund redemption) on such principal payment date; provided however, that there shall be credited against such obligations (i) the net amount of funds and investments then on deposit to the credit of the Bond and Interest Sinking Fund Account; and (ii) any credits permitted by Sections 5.02, 5.03 or 5.04 of the Indenture (relating to the transfer to the Bond and Interest Sinking Fund Account of certain investment earnings and certain excess funds); and
- (b) on or prior to a date established for the optional redemption and prepayment of the Bonds, into the Redemption Account such amount, if any, as shall be necessary and sufficient to provide for the redemption of any Bonds called for redemption from the Redemption Account; and
- (c) forthwith into the Bond and Interest Sinking Fund Account or Redemption Account, as appropriate, the amount of any deficiency in the event that the funds on deposit in the Bond and Interest Sinking Fund Account or Redemption Account on any Bond principal

or interest payment date are for any reason insufficient to pay principal of and interest on the Bonds then due or then to become due (whether at maturity, or by call for redemption, or by acceleration of maturity); and

- (d) into the Reserve Account any amounts required to be deposited therein by Section 5.02 of the Indenture; and
- (e) into any fund or account designated by the Trustee funds in the amount determined by the Trustee to be necessary to comply with the provisions of Section 6.09(f) of the Loan Agreement and Section 5.05 of the Indenture (relating to arbitrage rebate); and
- (f) at least five (5) business days prior to each October 1, commencing October 1, 2013, into the Sinking Fund Subaccount of the Bond and Interest Sinking Fund Account, the amount, if any, as shall be necessary and sufficient to redeem on the next succeeding October 1, at par plus accrued interest, the amount of the Bonds specified in the Indenture.

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

As additional payments the Corporation 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 Corporation 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 Corporation agrees not to permit use of the Project Facilities in such manner or to such an extent as would result in loss of the tax-exemption of interest on the Bonds under the Internal Revenue Code or loss of its status as an exempt organization under Section 501(c)(3) of the Code.

### **Maintenance of Project Facilities**

The Corporation agrees that, so long as there are Bonds outstanding, the Corporation 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 Corporation 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 Corporation 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; Negative Pledge**

Except for Permitted Encumbrances, the Corporation will not permit any liens to be established or to remain against the Project Facilities including any mechanics' liens for labor or materials furnished in connection with any remodeling, additions, modifications, improvements, repairs, renewals or replacements, provided the Corporation 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 Corporation 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 Corporation shall promptly pay all such items. Notwithstanding the foregoing, to the extent certain Project Equipment become fixtures of Corporation buildings which are not Project Buildings, liens and encumbrances may be placed on such Project Equipment. Certain portions of the Project Facilities are deemed to be Negative Pledge Property and are subject to a covenant by the Corporation to be kept free of mortgages, liens, pledges, security interests, assignments of interest and encumbrances other than Permitted Encumbrances.

### **Taxes and Other Governmental Charges**

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

The Corporation may, at its expense, in good faith contest any such taxes, assessments, license fees and other 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 Corporation that, in the opinion of independent counsel, by nonpayment of any such items the Project Facilities or any part thereof, or the revenue therefrom will be subject to loss or forfeiture, in which event such items shall be paid promptly.

### **Insurance**

The Corporation is required to maintain, or cause to be maintained, insurance, with certain deductible amounts, 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 \$250,000.
- (b) Comprehensive general public liability insurance against liability for personal injury in the minimum amount for each occurrence of \$5,000,000 and aggregate for each year of \$5,000,000 with a deductible amount of up to \$250,000 and against liability for property damage in the minimum amount for each occurrence of \$100,000.
- (c) Workers' compensation insurance in such amount as is customarily carried by organizations in like activities of comparable size and liability exposure to the Corporation.

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

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

## **Damage or Destruction**

If the Project Facilities shall be damaged or partially or totally destroyed there shall be no abatement in the Loan Repayments, and to the extent that the claim for loss resulting from such damage or destruction is not greater than \$1,000,000, the Corporation 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 Corporation shall either repair, rebuild or restore the damaged facilities, or redeem and prepay the Bonds in whole or in part as more fully provided in the Loan Agreement.

If the Bonds are redeemed, the available Net Proceeds or (if less) the pro rata portion in respect of any Project Building shall be used for redemption or purchase of outstanding Bonds. "Pro rata portion" means the following percentages of the principal amount of outstanding Bonds: all or parts of the Stadium, 7%; all or parts of the Fieldhouse, 16%; all or parts of the Gymnasium, 5%; all or parts of the Biology Building, 31%; all or parts of the Science Center, 13%; and all or parts of Benet Hall, 6%.

## **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 the Project Building, and site thereof, shall be taken in any proceeding involving the exercise of the right of eminent domain, the Corporation shall either redeem the Bonds in whole or in part or rebuild or restore such facilities, as more fully provided in the Loan Agreement.

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

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

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

- (a) the Corporation may substitute equipment and related property for any Project Equipment and Building Equipment, provided that such substitution shall not materially impair the character or revenue producing significance or value of the Project Facilities;
- (b) the Corporation may release any equipment from the definition of Project Equipment (with or without the physical removal thereof) without substitution therefor, provided that the Corporation pays a sum equal to the then value of such Project Equipment as determined by an Independent engineer selected by the Corporation, to the Trustee for deposit in the Redemption Account for the redemption and prepayment of the Bonds; provided that if the depreciated book value of 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 Corporation as may be satisfactory to the Trustee; and
- (c) the Corporation may remove any Building Equipment without substitution therefor provided that such removal will not materially impair the character or revenue producing significance or value of the Project Facilities.

In connection with (a) and (b) above, if the depreciated book value of the Project Equipment or, in connection with (c) above, the depreciated book value of Building Equipment, to be substituted, removed or released equals or exceeds \$25,000 the Corporation 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 Corporation 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 Corporation agrees to indemnify and hold harmless the Authority against any and all losses, claims, damages or liability to which the Authority may become subject under law, and to reimburse the Authority for any out-of-pocket legal and other expenses (including reasonable counsel fees) incurred by the Authority in connection with investigating any such losses, claims, damages, or liabilities or in connection with defending any actions, insofar as the same relate to information furnished to the Authority by the Corporation in connection with the sale of the Bonds.

### **Existence and Accreditation of Corporation and University**

The Corporation agrees that during the term of the Loan Agreement it will maintain its existence as a nonprofit corporation and will maintain the University's existence as a nonprofit institution of higher education under the laws of Minnesota, accredited as such by recognized accrediting agencies, and that it will not dissolve or otherwise dispose of all or substantially all of its assets or all or substantially all the assets of the Institution, or consolidate with or merge into another corporation, or permit one or more other corporations to consolidate with or merge into it, except upon the conditions provided in the Loan Agreement. The conditions are the following: (a) If the surviving, resulting or transferee corporation or institution, as the case may be, is other than the University or Institution, such surviving, resulting or transferee corporation or institution shall assume in writing all of the obligations of the University 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 Corporation 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 Corporation has represented that the sum of the principal amount of the Bonds, plus the respective outstanding aggregate principal amounts of all tax-exempt bonds issued on behalf of or for the benefit of the Corporation and all organizations under common management or control with the Corporation (other than qualified hospital bonds), within the meaning of Section 145 of the Internal Revenue Code, does not exceed \$150,000,000. Under the Loan Agreement, in no event will the Corporation 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 Corporation or such other resulting entity, and all organizations under common management or control with the Corporation or such resulting entity (other than qualified hospital bonds), within the meaning of Section 145 of the Internal Revenue Code.

### **Institution to be Nonsectarian**

Except for the School of Theology, which is separate from the general undergraduate programs of the Corporation for which the Project is to be completed, the Corporation agrees that the Institution will continue to be nonsectarian; will not require or forbid attendance by students or any other persons at religious worship or acceptance of any religious creed; and will not promulgate the distinctive doctrines, creeds or tenets of any particular religious sect.

### **Federal Income Tax Status**

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

### **Determination of Taxability**

In the event a Determination of Taxability is made at any time that interest payable on the Bonds is includible in gross income for purposes of federal income taxation under the provisions of the Internal Revenue Code and regulations thereunder as in effect at the date of issuance of the Bonds, the Bonds shall bear additional interest at the rate of two percent (2%) per annum from the Date of Taxability until the respective dates on which the principal of the Bonds is paid. In addition, in the event of such Determination of Taxability, the Bonds shall be subject to optional redemption, in 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). If a Determination of Taxability should occur, any monetary damage or loss resulting from or incident thereto shall be limited to the stepped-up interest rate, as more fully set forth in the Loan Agreement.

### **Other Covenants**

The Corporation further agrees to comply with all applicable laws and regulations against unlawful discrimination, and not to discriminate on account of religion (except with respect to the School of Theology), race, color, creed or national origin in the use of the Project Facilities; to provide and file such financing statements and other instruments of further assurance as the Authority or the Trustee may request; to perform all obligations imposed by the Internal Revenue Code and regulations thereunder with respect to the non-arbitrage status of the Bonds; and to 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 Corporation agrees to indemnify the Authority from losses arising from certain representations made by the Corporation regarding the absence of hazardous waste on the Project Facilities.

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



## Events of Default

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

- (a) If the Corporation shall fail to make any Loan Repayment when due and either (i) the moneys on deposit in the Bond and Interest Sinking Fund Account, Reserve Account or Redemption Account, as the case may be, on a Bond principal or interest payment date are insufficient to pay when due principal, premium, if any, and interest on the Bonds, or (ii) such failure shall continue for 5 Business Days after notice from the Trustee or the Authority to the Corporation that such payment has not been made; or
- (b) If the Corporation shall fail to comply with the provisions of Section 6.09(f) of the Loan Agreement (relating to arbitrage calculation and rebate requirements); or
- (c) If the Corporation shall fail to maintain the balance in the Reserve Account in the amount of the Reserve Requirement as defined in Section 5.02 of the Indenture, provided failure to comply with such requirement shall not become an Event of Default unless the Corporation 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 Corporation by the Authority or the Trustee; or
- (d) If the Corporation shall fail to observe and perform for reasons other than force majeure any other covenant, condition or agreement on its part under the Loan Agreement for a period of thirty (30) days after written notice, specifying such default and requesting that it be remedied, is given to the Corporation by the Authority or the Trustee unless the Trustee shall agree in writing to an extension of such time prior to its expiration for such longer period as may be reasonably necessary to remedy such default so long as the Corporation is proceeding with reasonable diligence to remedy the same; or
- (e) If the Corporation files a petition in voluntary bankruptcy, or for the composition of its affairs or for its corporate reorganization under any state or Federal bankruptcy or insolvency law, or makes an assignment for the benefit of creditors, or consents in writing to the appointment of a trustee or receiver for itself or for the whole or any substantial part of the property of the Corporation; or
- (f) If a court of competent jurisdiction shall enter an order, judgment or decree against the Corporation in any insolvency, bankruptcy, or reorganization proceeding, or appointing a trustee or receiver of the Corporation or of the whole or any substantial part of the property of the Corporation, and such order, judgment or decree shall not be vacated or set aside or stayed within ninety days from the date of the entry thereof; or
- (g) 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 Corporation or the Corporation or of the whole or any substantial part of the property of the Corporation, 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 Corporation. The provisions of paragraph (d) above, are subject to the further limitation

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

#### **Remedies on Default:**

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

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

Any amounts collected by the Trustee pursuant to action taken under the foregoing paragraphs shall be applied first to advances and expenses, second to payment of the Bonds as provided in Section 7.04 of the Indenture and any excess to the Corporation.

#### **Amendments**

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

## **THE INDENTURE**

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

### **Granting Clauses**

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

- (a) all right, title and interest of the Authority under the Loan Agreement and all Loan Repayments and other sums due under the Loan Agreement, except the Authority's annual fee and rights to indemnity and reimbursement;
- (b) a first lien on and pledge of (i) the moneys and investments in the Accounts covenanted to be paid and maintained under the Indenture, (ii) moneys and investments in the Construction Account not paid out for Project Costs, and (iii) all accounts, contract rights, general intangibles, moneys and instruments arising therefrom or relating thereto and all proceeds and products of and accessions to any thereof; and
- (c) any and all other property of every name and nature from time to time conveyed, mortgaged, assigned or transferred, or in which a security interest is granted, by the Authority or the Corporation 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 first lien, with right of payment prior to payment of interest on or principal of the Bonds, for reasonable compensation, expenses, advances and counsel fees incurred in and about the execution of the trusts created by the Indenture and exercise and performance of the powers and duties of the Trustee under the Indenture, and the cost and expenses incurred in defending against any liability in the premises of any character whatsoever (unless such liability is adjudicated to have resulted from the negligence or willful default of the Trustee).

### **Additional Bonds**

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

The issuance of Additional Bonds requires, among other things, evidence satisfactory to the Authority of the Corporation's ability to meet debt service on the Additional Bonds. Furthermore, to the extent required by the Authority, the Corporation shall make additional deposits to the Reserve Account and execute supplements to the Loan Agreement and the Indenture. Additional Bonds may not be issued unless in the opinion of bond counsel the interest on the outstanding Bonds remains excludable from gross income of the holders for federal income tax purposes.

### **Covenants of the Authority**

Under the Indenture the Authority covenants, among other things, to perform its various undertakings and agreements; not to extend the maturity of any of the Bonds or the time of payment of any claims for interest; to take such action or cause and permit the Trustee to take such action as may be necessary and advisable to enforce the covenants, terms and conditions of the Loan Agreement, if such action shall, in the discretion of the Trustee, be deemed to be in the best interests of the Authority or the Bondholders; to comply with the applicable 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 Corporation (giving the Corporation the privilege of curing such default in the name of the Authority, if permitted by law) by the Trustee, which may give such notice in its discretion and 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 Corporation, as that term is defined in the Loan Agreement, shall occur and be continuing.

### **Remedies**

Upon the occurrence of an Event of Default, the Trustee may, and upon written request of the Holders of a majority in aggregate principal amount of Bonds outstanding shall, by notice in writing delivered to the Authority, declare the principal of all Bonds then outstanding and the

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

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

Upon the happening and continuance of an Event of Default, the Trustee may, and shall upon the written request of the Holders of not less than a majority in aggregate principal amount of outstanding Bonds proceed forthwith by suit or suits at law or in equity or by any other appropriate remedy to enforce payment of the Bonds, to enforce application to payment of the Bonds the funds, revenues and income appropriated thereto by the Indenture and by the Bonds, to enforce any such other appropriate legal or equitable remedy as the Trustee, being advised by counsel, deem most effectual to protect and enforce any of its rights or any of the rights of the Bondholders. Notwithstanding the foregoing, the Trustee need not proceed upon any such written request of the Bondholders as aforesaid, unless such Bondholders shall have offered to the Trustee security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby.

### **Concerning the Trustee**

The Trustee has no responsibility to use its own funds under the Indenture, but it may make advances at a rate equal to the Reference Rate of Norwest Bank Minnesota, National Association, Minneapolis, Minnesota, 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 Corporation to the same extent as if it were not Trustee. Provision is made for the succession or replacement of the Trustee by another corporate Trustee with a minimum 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 Corporation, provided that the Authority may, but is not required to remove the Trustee with or without the request of the Corporation if an Event of Default has occurred and is continuing or a default which with the passage of time or the giving of notice will become an Event of Default has occurred and is continuing. The Authority may not remove a successor Trustee properly appointed by the Bondholders.

## **Concerning the Bondholders**

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

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

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

## **Defeasance**

If the Authority and the Corporation 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) provide for the payment of principal of, premium, if any, and interest on the outstanding Bonds by depositing with the Trustee at or at any time before maturity an amount either in cash or direct obligations of the United States in such aggregate face amount, bearing interest at such rates, and maturing on such dates sufficient to pay the entire amount due or to become due for principal and premium, if any, and interest to maturity of all Bonds outstanding, or
- (c) deliver to the Trustee (1) proof that notice of redemption of all of the outstanding Bonds not surrendered or to be surrendered to it for cancellation has been given or waived, or that arrangements have been made insuring that such notice will be given or waived; or (2) a written instrument executed by the Corporation for the Authority and expressed to be irrevocable, authorizing the Trustee to give such notice for and on behalf of the Authority; or (3) file with the Trustee a waiver of such notice of redemption signed by the Holders of all such outstanding Bonds, and in any case, deposit with the Trustee before the date on which such Bonds are to be redeemed, the entire amount of the redemption price, including interest accrued and to accrue, and premium, if any, either in cash or direct obligations of the United States of America in such aggregate face amount,

bearing interest at such rates and maturing at such dates as shall be sufficient to provide for the payment of the redemption price on the date such Bonds are to be redeemed and on any interest payment dates, or

(d) surrender to the Trustee for cancellation all Bonds for which payment is not so provided,

and shall also pay or provide for the payment of all unpaid fees and expenses of the Trustee and the rebate of all amounts due or to become due to the United States under Section 148(f) of the Internal Revenue Code and regulations thereunder, then at the request of the Authority or the Corporation all the Trust Estate shall revert to the Authority and the Corporation as their interests appear, and the entire estate, right, title and interest of the Trustee, and of registered owners of 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 Corporation shall have deposited at any time with the Trustee in trust for the purpose, in the manner provided, or left with it if previously so deposited, cash or direct obligations of the United States of America sufficient to pay the principal of any Bonds (and premium, if any) when the same become due, either at maturity or otherwise, or at the date fixed for the redemption thereof and to pay all interest with respect thereto at the due date of such interest or to the date fixed for redemption, for the use and benefit of the Holders thereof, then upon such deposit all such Bonds shall cease to be entitled to any lien, benefit or security of the Indenture except the right to receive the funds so deposited, and such Bonds shall be deemed not to be outstanding thereunder; and from and after such redemption date or maturity, interest on such Bonds so called for redemption shall cease to accrue.

### **Supplemental Indentures**

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

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

In addition and subject to the provisions set forth below, the Holders of not less than 51% in aggregate principal amount of the Bonds then outstanding shall have the right to consent to and approve such supplemental indentures as shall be deemed necessary or desirable by the Authority for the purpose of modifying, altering, amending, adding to or rescinding in any particular, any of the terms or provisions of the Indenture or in any supplemental indenture; provided, however, that such provision shall not be construed as permitting without the consent of the Holders of all Bonds directly or indirectly affected (a) an extension of the maturity of any Bond, or (b) a reduction in the principal amount of any Bond or the redemption premium or the rate of interest thereon, or (c) the creation of a lien upon or a pledge of revenues ranking prior to or on a parity with the lien or pledge created by the Indenture (except as provided in Section 2.09 of the Indenture), or (d) a preference or priority of any Bond over any other, or (e) a reduction in the aggregate principal amount of the Bonds the Holders of which are required to consent to such supplemental indenture or the Loan Agreement as set forth in the Indenture.

### **Amendments to the Loan Agreement**

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

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

### **Registration**

The Bonds shall be fully registered as to principal and interest at the 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 for a new Bond or Bonds of the same series, aggregate principal amount, maturity and interest rate of any Authorized Denominations. Payment of principal will be at the principal corporate trust office of the Trustee and interest shall be by check or draft of the Trustee mailed (or, pursuant to an agreement with the Trustee, by wire transfer) to the registered Owner at his address as shown on the registration books of the Trustee, subject to applicable procedures while in book entry form.



**ORDER OF ST. BENEDICT, INC.  
FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT**

**JUNE 30, 1996**



CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

Rt. Rev. Timothy T. Kelly, O.S.B., Abbot  
Order of St. Benedict, Inc.  
Collegeville, Minnesota

We have audited the accompanying balance sheet of the Order of St. Benedict, as of June 30, 1996, and the related statements of activities, and cash flows for the year then ended. These financial statements are the responsibility of the Order's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Order of St. Benedict as of June 30, 1996, and the changes in its net assets and its cash flows for the year ended in conformity with generally accepted accounting principles.

As discussed in Notes 1 and 8 to the financial statements, in 1996 the Order changed its method of accounting for contributions and its method of financial reporting and financial statement presentation.

*Larson, Allen, Weishair & Co., LLP*  
LARSON, ALLEN, WEISHAIR & CO., LLP

Minneapolis, Minnesota  
August 21, 1996

ORDER OF ST. BENEDICT, INC.  
BALANCE SHEET  
JUNE 30, 1996

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents  
Accounts Receivable:  
Student Receivables (Net of Allowance for Doubtful Accounts of \$1,186,383)  
Pledges (Net of Allowance for Doubtful Accounts of \$50,230)  
Other  
Interest Receivable  
Inventories (Net of Allowance for Obsolescence of \$85,000)  
Prepaid Expenses  
Total Current Assets

\$ 5,659,771  
721,681  
922,363  
2,069,982  
574,660  
5,586,921  
1,660,276  
\$ 17,195,654

LONG-TERM RECEIVABLES AND OTHER ASSETS

Federal Perkins Student Loans  
Pledges (Net of Allowance for Doubtful Account of \$32,643)  
Receivable - Unitrusts  
Non-Compete Agreement  
Goodwill (Net of Amortization)  
Total Long-Term Receivables and Other Assets

\$ 2,816,680  
616,214  
258,239  
200,000  
368,125  
\$ 4,259,258

LONG-TERM INVESTMENTS

Investments  
Assets Held in Charitable Remainder Unitrusts  
Contracts for Debt  
Total Long-Term Investments

\$ 105,718,919  
3,399,541  
82,129  
\$ 109,200,589

PROPERTY, PLANT AND EQUIPMENT

Land and Improvements  
Buildings  
Furniture and Equipment  
Library Books  
Library Microfilm and Books  
Construction in Progress  
Total  
Less: Accumulated Depreciation  
Total Property, Plant and Equipment  
(at Depreciated Cost)  
Total Assets

\$ 1,936,489  
67,458,277  
21,284,860  
7,203,531  
3,608,573  
245,035  
\$ 101,736,765  
32,393,703  
\$ 69,343,062  
\$ 199,998,563

LIABILITIES

CURRENT LIABILITIES

Accounts Payable  
Accrued Payroll Liabilities  
Other Liabilities  
Deferred Revenue  
Funds Held for Others  
Royalties Payable  
Due to Little Rock  
Current Portion of Annuities and Unitrusts  
Current Portion of Notes, Bonds and Mortgage Notes Payable  
Current Portion Due to Michael Glazier  
Total Current Liabilities

\$ 1,338,886  
1,989,358  
1,494,791  
1,946,970  
1,313,090  
524,643  
44,817  
448,731  
950,832  
50,000  
\$ 10,102,118

LONG-TERM LIABILITIES

Government Grant Repayable - Federal Perkins Loan Program  
Notes, Bonds and Mortgage Notes Payable (Net of Current Portion Shown Above)  
Annuities and Unitrusts (Net of Current Portion Shown Above)  
Due to Michael Glazier (Net of Current Portion Shown Above)  
Little Rock Capital  
Total Long-Term Liabilities  
Total Liabilities

\$ 2,912,257  
9,435,390  
3,789,273  
150,000  
252,700  
\$ 16,539,620  
\$ 26,641,738

NET ASSETS

UNRESTRICTED

Available for Operations  
Board Designated  
Contractual Limitations - Debt Service  
Equity in Property, Plant and Equipment  
Annuities and Life Insurance  
Total Unrestricted Net Assets

\$ 5,190,497  
53,652,408  
1,192,749  
58,956,840  
3,944,418  
\$ 122,936,912

TEMPORARILY RESTRICTED

Unitrusts, Life Insurance and Deposits  
Endowment  
Unexpended Gifts  
Pledges  
Total Temporarily Restricted Net Assets

\$ 363,850  
1,211,950  
5,859,302  
1,250,579  
\$ 8,685,681

PERMANENTLY RESTRICTED

Unitrusts  
Endowment  
Pledges  
Total Permanently Restricted Net Assets  
Total Net Assets  
Total Liabilities and Net Assets

\$ 785,443  
40,660,791  
287,998  
\$ 41,734,232  
\$ 173,356,825  
\$ 199,998,563

See accompanying Notes to Financial Statements.

**ORDER OF ST. BENEDICT, INC.  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 1996**

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
<b>REVENUES</b>				
Net Tuition and Fees	\$ 17,971,210	\$ -	\$ -	\$ 17,971,210
Government Grants and Contracts	723,773	-	-	723,773
Individual Earnings	4,312,590	-	-	4,312,590
Gifts and Private Grants	3,072,467	2,574,138	1,162,686	6,809,291
Endowment Income	1,978,734	-	-	1,978,734
Net Realized Gains on Investments	2,072,688	2,585,212	1,160,034	5,817,934
Net Unrealized Gains on Investments	2,595,949	463,804	2,027,006	5,086,759
Investment Income on Annuities and Unitrusts	763,617	8,474	735,783	1,507,874
Change in Value of Split-Interest Agreements	(203,564)	(3,613)	(659,242)	(866,419)
Net Sales - Liturgical Press	8,668,631	-	-	8,668,631
Auxiliary Enterprises	12,155,003	-	-	12,155,003
Sponsored Programs	-	1,353,876	-	1,353,876
Other Income	1,766,608	6,473	-	1,773,081
Net Assets Released from Restrictions:				
Satisfaction of Donor Restrictions	4,993,510	(4,993,510)	-	-
<b>Total Revenues</b>	<b>\$ 60,871,216</b>	<b>\$ 1,994,854</b>	<b>\$ 4,426,267</b>	<b>\$ 67,292,337</b>
<b>EXPENSES</b>				
Program:				
Instructional	\$ 10,753,390	\$ -	\$ -	\$ 10,753,390
Research	49,412	-	-	49,412
Academic Support	5,242,534	-	-	5,242,534
Student Support	4,086,696	-	-	4,086,696
Auxiliary Enterprises	10,329,104	-	-	10,329,104
Sponsored Programs	876,492	-	-	876,492
Abbey	4,851,934	-	-	4,851,934
Liturgical Press	8,004,654	-	-	8,004,654
Total Program Expenses	\$ 44,194,216	\$ -	\$ -	\$ 44,194,216
Institutional Support	6,196,900	-	-	6,196,900
<b>Total Expenses:</b>	<b>\$ 50,391,116</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 50,391,116</b>
<b>CHANGES IN NET ASSETS:</b>	<b>\$ 10,480,100</b>	<b>\$ 1,994,854</b>	<b>\$ 4,426,267</b>	<b>\$ 16,901,221</b>
Net Assets - Beginning	112,456,812	6,690,827	37,307,965	156,455,604
<b>NET ASSETS - ENDING</b>	<b>\$ 122,936,912</b>	<b>\$ 8,685,681</b>	<b>\$ 41,734,232</b>	<b>\$ 173,356,825</b>

*See accompanying Notes to Financial Statements.*

**ORDER OF ST. BENEDICT, INC.  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 1996**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Changes in Net Assets	\$ 16,901,221
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities:	
Non-Cash Revenue or Expense:	
Depreciation	2,464,950
Amortization of Goodwill and Non-Compete Agreement	142,500
Change in Value of Split-Interest Agreements	866,419
Unrealized Gains on Investments	(5,086,759)
Realized Gains on Investments	(5,817,934)
Contributions and Income Restricted for Long-Term Investment	(5,718,104)
(Increase) Decrease in Current Assets:	
Pledges Receivable	415,703
Student and Other Receivables	63,253
Inventories	222,287
Prepaid Expenses	(267,322)
Increase (Decrease) in Current Liabilities:	
Accounts Payable	(535,747)
Accrued Expenses and Other Liabilities	(1,280,268)
Net Cash Provided by Operating Activities	<u>\$ 2,370,199</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchase of Property, Plant and Equipment	\$ (3,595,599)
Proceeds from Sale and Maturities of Investments	102,925,868
Purchases of Investments	(106,872,983)
Net Cash Used by Investing Activities	<u>\$ (7,542,714)</u>

**CASH FLOWS FROM FINANCING ACTIVITIES**

Contributions and Income Restricted for Long-Term Investment	\$ 5,718,104
Payments of Long-Term Debt	(1,020,001)
Proceeds from Long-Term Debt	8,335
Increase in Federal Student Loan Funds Repayable	38,902
Annuity and Unitrust Payments	(317,368)
Increase in Annuity and Unitrust Liability Resulting from New Gifts	446,932
Net Cash Provided by Financing Activities	<u>\$ 4,874,904</u>

**NET DECREASE IN CASH AND CASH EQUIVALENTS**

\$ (297,611)

Cash and Cash Equivalents - Beginning of Year

5,957,382

**CASH AND CASH EQUIVALENTS - END OF YEAR**

\$ 5,659,771

**SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:**

Cash Paid for Interest	<u><u>\$ 380,581</u></u>
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*See accompanying Notes to Financial Statements.*

**ORDER OF ST. BENEDICT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 1996**

**NOTE 1    SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Organization

The Order of St. Benedict, Inc. (Order) is a monastic institution of the Benedictine Order of the Roman Catholic Church located in Collegeville, Minnesota. Founded in 1856, the Order currently has four operating divisions:

Benedictine Division

The health, education, living expenses, and charities of the members of St. John's Abbey are contained in the Benedictine Division, together with activities of the monks not reported in one of the other divisions. Corporate functions such as Physical Plant, Power Plant, Garage, etc. are managed within this division.

St. John's University

Two schools make up St. John's University: the College of Arts and Sciences and the graduate School of Theology. The College, an all-male institution, operates in coordination with the College of St. Benedict, an all-female college; sharing academic programs, facilities and staff. The coeducational School of Theology educates and provides student development programs for priesthood candidates, candidates for other ministries, and persons interested in theological studies. The Hill Monastic Manuscript Library, the Interfaith Sexual Trauma Institute, and artists in residence are part of the University programming.

St. John's Preparatory School

St. John's Preparatory School is coeducational, providing a college prep academic curriculum, extra-curricular activities and student development programming for both day and residential students. Male residents reside on the St. John's campus; female residents reside on the College of St. Benedict campus.

The Liturgical Press

The Liturgical Press publishes under three imprints: *The Liturgical Press* for liturgical works of the Catholic Church, literature to support the church's liturgy and bible study; *Glazier* for theological works and textbooks; and *Pueblo* for popular books on spirituality, theology and liturgy. Products include periodicals, books, audio/video, and educational programming.

Basis of Presentation

Effective July 1, 1995, the Order adopted the Statement of Financial Accounting Standards (SFAS) No. 116, *Accounting for Contributions Received and Contributions Made*, and SFAS No. 117, *Financial Statements of Not-for-Profit Organizations*. The provisions of the new standards have been applied to the amounts presented in these financial statements.

ORDER OF ST. BENEDICT, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 1996

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

Under these provisions, net assets and revenues, gains and losses are classified based on donor imposed restrictions. Accordingly, net assets of the Order and changes therein are classified and reported as follows:

Unrestricted - Those resources over which the Board of Directors has discretionary control. The Board designated amounts represent those amounts which the Board has set aside for a particular purpose.

Temporarily Restricted - Those resources subject to donor imposed restrictions which will be satisfied by actions of the Order or passage of time.

Permanently Restricted - Those resources subject to a donor imposed restriction that they be maintained permanently by the Order. The donors of these resources permit the Order to use all or part of the income earned, including capital appreciation, or related investments for unrestricted or temporarily restricted purposes.

The Order has, accordingly, reclassified its financial statements to present the appropriate classes of net assets required.

Accrual Basis

The financial statements of the Order have been prepared on the accrual basis of accounting.

Investments

Investments are carried at fair market value under the total return method.

Endowment Programs

Permanently restricted endowment funds are subject to the restrictions of gift instruments requiring in perpetuity that the principal be invested. Up to 6.25, 6 and 6 percentage points of a three-year moving average of beginning market values of the total performance is expended annually by the University, Preparatory School and the Benedictine Division, respectively, with the excess being reinvested into the permanently restricted net assets. Unrestricted, board designated endowment funds represent invested gifts which the Board has designated as endowment funds. Any portion of board designated endowment funds may be expended by subsequent Board action.

Inventories

Inventories are valued at the lower of cost, on a first-in, first-out basis, or market. Inventories consist primarily of books and other educational materials held for resale through the Liturgical Press and the University Bookstore.

Cash and Cash Equivalents

Cash and Cash Equivalents includes all cash and highly liquid investments with a maturity of three months or less. The Order deposits its temporary cash investments in high quality financial institutions and common funds. At times, cash investments at financial institutions may be in excess of the FDIC insurance limit.

ORDER OF ST. BENEDICT, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 1996

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

Pledges Receivable

Pledges to give that are expected to be collected within one year are recorded at their net realizable value. Pledges that are expected to be collected in future years are recorded at the present value of the amounts expected to be collected. The discounts on those amounts are computed using an imputed interest rate applicable to the year in which the pledge is received. Conditional pledges are not included as support until such time as the conditions are substantially met.

Property, Plant and Equipment

Property, plant and equipment are stated at actual cost for additions after 1942 or historically based appraised values through 1942.

The Order uses the straight-line method of depreciation over the following estimated useful lives:

Land Improvements	15-30 Years
Buildings	50-100 Years
Equipment	7-50 Years
Library Books	20 Years

Depreciation expense for the year ended June 30, 1996 was \$2,464,950.

Financial Instruments

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

A reasonable estimate of the fair value of the receivables from students under government loan programs and advances from the federal 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.

It is not practicable to estimate the fair value of bonds payable, notes and mortgage notes payable.

Split-Interest Agreements

The Order has received contributions under various annuity contracts and charitable remainder unitrust agreements, which generally provide for payments to the annuitant or grantor for life. Assets received under these agreements are recorded at their fair value. Liabilities related to future payments under these agreements have been recorded at their present value using a discount rate of 6 percent. Contribution income is recognized for the difference between the asset and related liability. Liabilities related to split-interest agreements are recalculated annually, with the amortization of discounts and adjustments for changes in life expectancies recognized as an increase or decrease in net assets.



ORDER OF ST. BENEDICT, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 1996

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Split-Interest Agreements (Continued)

For the year ended June 30, 1996, adjustments to reflect the amortization of discounts and changes in life expectancies resulted in a decrease in net assets of \$866,419. Total contribution income recognized under annuity and charitable remainder unitrust agreements for the year ended June 30, 1996 was \$197,744.

Revenue Recognition

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

Tuition Discounts

The Order records tuition revenue for the University and Preparatory School net of related tuition discounts. Tuition discounts represent the difference between the formally stated tuition and fee rate that is billable to the student and payments received from a student and third party payers on behalf of that particular student. For the year ended June 30, 1996, tuition discounts were \$6,138,942.

Development Expenses

Development expenses incurred by the Order are charged to institutional support. For the year ended June 30, 1996, the Order had development expenses of \$1,294,259.

Functional Allocation of Expenses

Expenses with the exception of depreciation and plant expenses are specifically allocated to the various programs and supporting services. Depreciation and plant expenses are allocated based on the ratio of functional category expenses to total expenses.

Estimates and Assumptions

Management uses estimates and assumptions in preparing the financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from those estimates that were used.

ORDER OF ST. BENEDICT, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 1996

**NOTE 2 INVESTMENTS IN SECURITIES**

Investments of all funds combined are composed of the following at June 30, 1996:

	Cost	Market	% of Total
Cash and Cash Equivalents	\$ 18,407,603	\$ 18,407,603	16.9 %
Debt Securities	21,725,731	21,975,792	20.1
Equity Securities	57,297,636	68,487,903	62.7
Other	329,291	329,291	0.3
Total	<u>\$ 97,760,261</u>	<u>\$ 109,200,589</u>	<u>100.0 %</u>

Total investment management fees included in investment return for the year ended June 30, 1996 were approximately \$462,000.

**NOTE 3 PLEDGES RECEIVABLE**

Pledges receivable consists of unconditional promises to give from various individuals and organizations. The present value was imputed at 6%, which approximates the Order's current incremental borrowing rate.

Unconditional Promises to Give	\$ 1,723,614
Unamortized Discount	(102,164)
Allowance for Doubtful Pledges	(82,873)
Total	<u>\$ 1,538,577</u>

Gross Amounts Due in:	
Less Than One Year	\$ 972,593
One to Five Years	751,021
Total	<u>\$ 1,723,614</u>

**NOTE 4 DEBT**

The Order had the following debt obligations at June 30, 1996:

<u>Bonds Payable:</u>	<u>Amount</u>
Department of Education (HUD) Auxiliary Facilities construction and refunding bond, Series B, secured by mortgage on Bernard, Patrick and Boniface Hall, payable over a 50-year period, in annual installments ranging from \$20,000 to \$80,000 with interest at 2.875% until final maturity on November 1, 2016. A current principal installment of \$45,000 is due November 1, 1996.	<u>\$ 1,275,000</u>

ORDER OF ST. BENEDICT, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 1996

NOTE 4 DEBT (CONTINUED)

	<u>Amount</u>
<u>Notes Payable</u>	
Unsecured notes payable to various individuals and organizations, due on demand with interest rates ranging from 5% to 9% per annum.	\$ 206,768
Unsecured note (Art Building) payable to the Minnesota Higher Education Facilities Authority, in ten annual installments ranging from \$150,000 to \$335,000 commencing October 1, 1990 with the final payment due October 1, 1999. The principal amount on each installment is subject to a specific interest rate ranging from 6.2% to 7%, with an effective rate over the length of the loan of 8%. A current installment of \$275,000 is due on October 1, 1996.	1,215,000
Unsecured Note (Sexton Commons and Metton Court) payable to the Minnesota Higher Education Facilities Authority, in ten annual installments ranging from \$300,000 to \$1,085,000 commencing October 1, 1993 with the final payment due October 1, 2002. The principal amount on each installment is subject to a specific interest rate ranging from 4% to 6.1%, with an effective rate over the length of the loan of 6.25%. A current installment of \$410,000 is due on October 1, 1996.	<u>3,935,000</u>
Total Notes Payable	<u><u>\$ 5,356,768</u></u>
<u>Mortgages Payable</u>	
Department of Education (HUD) mortgage payable secured by certain real estate and equipment in the Solid Waste Boiler portion of the Power House. The mortgage is due in semi-annual installments payable over 38 years of \$32,819 including principal and interest at 3% continuing through May 1, 2019.	\$ 1,092,081
Department of Education (HUD) mortgage payable secured by the Seton Apartments. The mortgage is due in semi-annual installments payable over 38 years of \$29,847 including principal and interest at 3% commencing in 1985 and continuing through August 2022. A current installment of \$27,319 is due on August 26, 1996.	1,085,912

ORDER OF ST. BENEDICT, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 1996

**NOTE 4 DEBT (CONTINUED)**

<u>Mortgages Payable (Continued)</u>	<u>Amount</u>
Department of Education - Engel Hall general obligation note, secured by Engel Hall, payable over a 30-year period at an interest rate of 5½% with semi-annual installments of \$49,277 including principal and interest continuing through November 2019. A current installment of \$27,916 is due November 1, 1996.	1,291,200
<b>Total Mortgages Payable</b>	<b><u>\$ 3,469,193</u></b>

Capital Lease Obligation

AT&T Credit Corporation - Payable over 7 years on a telephone system. Original lease amount of \$737,448 with monthly payments on \$11,040 beginning November 26, 1991.	<u>\$ 285,261</u>
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Maturity requirements of debt principal and minimum lease obligations excluding notes payable to individuals and organizations in each of the next five years are as follows:

<u>Year</u>	<u>Amount</u>
1997	\$ 950,832
1998	999,216
1999	954,424
2000	963,939
2001	667,768
Later Years	5,667,123
Subtotal	\$ 10,203,302
Less: Amount of Minimum Lease Payments Representing Interest	23,848
Total	<u>\$ 10,179,454</u>

The Order is subject to various covenants under the bond, loan and mortgage agreements. These covenants require the Order to maintain certain reserves, among other items. Total interest expense for the year ended June 30, 1996 was \$381,606.

**NOTE 5 PENSION PLAN**

The Order has defined contribution pension plans covering substantially all of its full-time lay employees, which includes the Order employees. The Order contributes 9% of the covered employee's salary and the employee contributes 3%. Total pension contributions for the Order for the year ended June 30, 1996 were \$1,089,966.

ORDER OF ST. BENEDICT, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 1996

**NOTE 6    INCOME TAXES**

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

**NOTE 7    CONTINGENCIES**

The Order adopted a self-insurance plan for its employees' health insurance. The Order is responsible for a maximum of \$75,000 per year for each employee. Amounts in excess of the \$75,000 cap and those amounts in excess of 125% of the expected monthly claims are insured.

The Order is subject to certain employment and other claims arising out of the ordinary course of business. Although it is not possible to predict the outcome of these claims, management believes they will not have a material effect on the financial condition of the Order.

**NOTE 8    CHANGES IN ACCOUNTING PRINCIPLES**

As discussed in Note 1, the Order adopted SFAS No. 116, *Accounting for Contributions Received and Contributions Made*, and SFAS No. 117, *Financial Statements of Not-for-Profit Organizations*. The following summarizes the differences between the June 30, 1995 fund balances as previously reported and the June 30, 1995 net assets reported herein:

	<u>Amount</u>
Fund Balances as Previously Reported - June 30, 1995	\$ 153,231,672
Government Grants Repayable -	
Federal Perkins Loan Program	(2,873,355)
Pledges Receivable	1,954,280
Annuities and Unitrusts at Present Value	4,103,721
Self-insurance and Other Reserves	1,890,199
Agency Funds	<u>(1,850,913)</u>
Restated Net Assets - June 30, 1995	<u><u>\$ 156,455,604</u></u>

ST. JOHN'S UNIVERSITY  
BALANCE SHEETS  
JUNE 30, 1996 AND 1995

(SEE INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION)

	1996	1995		1996	1995
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>			<b>LIABILITIES</b>		
Cash and Cash Equivalents	\$ 1,714,241	\$ 6,656,676	<b>CURRENT LIABILITIES</b>		
Accounts Receivable:			Accounts Payable	\$ 765,217	\$ 1,404,620
Student Receivables (Net of Allowance for Doubtful Accounts of \$844,709 in 1996 and \$907,044 in 1995)	679,854	760,089	Accrued Payroll Liabilities	1,323,893	1,245,760
Pledges (Net of Allowance for Doubtful Accounts of \$47,104 in 1996 and \$61,866 in 1995)	822,973	1,103,461	Other Liabilities	1,051,623	1,561,946
Other	1,015,896	799,172	Deferred Revenue	1,020,137	1,892,313
Interest Receivable	291,973	405,004	Funds Held for Others	122,516	268,710
Inventories	860,852	1,136,272	Current Portion of Annuities and Untrusts	409,443	366,518
Prepaid Expenses	688,528	501,555	Current Portion of Notes, Bonds and Mortgage Notes Payable	917,711	960,435
Total Current Assets	\$ 6,074,317	\$ 11,362,229	Total Current Liabilities	\$ 5,610,540	\$ 7,720,302
<b>LONG-TERM RECEIVABLES</b>			<b>LONG-TERM LIABILITIES</b>		
Federal Perkins Student Loans (Net of Allowance for Doubtful Accounts of \$-0- in 1996 and 1995)	\$ 2,816,680	\$ 2,823,613	Government Grants Repayable - Federal Perkins Loan Program	\$ 2,912,257	\$ 2,873,355
Pledges (Net of Allowance for Doubtful Accounts of \$30,885 in 1996 and \$38,203 in 1995)	582,807	721,854	Notes, Bonds and Mortgage Notes Payable (Net of Current Portion Shown Above)	8,325,850	9,212,643
Receivable - Untrusts	256,239	258,514	Annuites and Untrusts (Net of Current Portion Shown Above)	3,546,655	2,495,664
Total Long-Term Receivables	\$ 3,657,726	\$ 3,803,981	Total Long-Term Liabilities	\$ 14,784,762	\$ 14,581,662
			Total Liabilities	\$ 20,395,302	\$ 22,301,964
<b>LONG-TERM INVESTMENTS</b>			<b>NET ASSETS</b>		
Assets Held in Charitable Remainder Untrusts	\$ 3,130,046	\$ 2,274,936	<b>UNRESTRICTED</b>		
Investments	72,354,581	58,610,495	Available for Operations - CAS	\$ 175,636	\$ 255,741
Total Long-Term Investments	\$ 75,484,627	\$ 60,885,431	Available for Operations - SOT	485,133	9,385
			Available for Operations - HMML	35,682	-
			Available for Operations - PIR	(2,826)	-
			Available for Operations - ISTI	21,666	5,000
			Board Designated		
			Program	1,499,729	1,636,754
			Endowment	27,053,869	24,057,129
			Capital Renewal	1,751,765	1,296,361
			Contractual Limitations - Debt Service	1,192,749	1,465,658
			Equity in Property, Plant and Equipment	44,202,082	41,472,496
			Annuites and Life Insurance	3,519,385	2,823,218
			Total Unrestricted Net Assets	\$ 79,934,310	\$ 73,021,742
			<b>TEMPORARILY RESTRICTED</b>		
			Untrusts	\$ 33,995	\$ 29,134
			Endowment	1,211,950	807,205
			Unexpended Gifts:		
			Plant	2,692,501	1,719,633
			Program	2,089,315	1,704,175
			Pledges	1,153,143	1,479,239
			Total Temporarily Restricted Net Assets	\$ 7,180,904	\$ 5,739,366
			<b>PERMANENTLY RESTRICTED</b>		
			Untrusts	\$ 785,443	\$ 708,902
			Endowment	30,113,127	26,431,855
			Pledges	252,637	346,076
			Total Permanently Restricted Net Assets	\$ 31,151,207	\$ 27,486,833
			Total Net Assets	\$ 118,267,021	\$ 106,247,961
			Total Liabilities and Net Assets	\$ 138,662,323	\$ 128,549,925
<b>PROPERTY, PLANT AND EQUIPMENT</b>					
Land and Improvements	\$ 1,330,089	\$ 1,330,089			
Buildings	49,005,480	47,338,389			
Furniture and Equipment	16,724,724	16,708,861			
Library Books	7,074,846	6,488,962			
HMML Microfilm and Library Books	3,608,573	3,522,012			
Construction in Progress	212,828	202,367			
Total	\$ 77,956,540	\$ 75,570,680			
Less: Accumulated Depreciation	24,510,887	23,072,396			
Total Property, Plant and Equipment (at Depreciated Cost)	\$ 53,445,653	\$ 52,498,284			
Total Assets	\$ 138,662,323	\$ 128,549,925			

**ST. JOHN'S UNIVERSITY**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 1996**  
**(SEE INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION)**

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
<b>REVENUES</b>				
Educational and General:				
Net Tuition and Fees (Net of Discounts of \$5,911,707)	\$ 16,453,480	\$ —	\$ —	\$ 16,453,480
Federal Grants	643,756	—	—	643,756
State Grants	80,017	—	—	80,017
Gifts and Private Grants	3,558,892	2,003,499	510,476	6,072,867
Endowment Income	632,027	—	—	632,027
Net Realized Gains on Investments	1,030,753	1,804,744	1,091,236	3,926,733
Net Unrealized Gains on Investments	1,976,764	—	1,986,121	3,962,885
Investment Income on Annuities and Unitrusts	683,859	8,474	735,783	1,428,116
Change in Value of Split-Interest Agreements	(176,179)	(3,613)	(659,242)	(839,034)
Other Sources	1,063,632	—	—	1,063,632
Sales and Services of Auxiliary Enterprises:				
Residence Halls	2,878,707	—	—	2,878,707
Food Services	3,551,208	—	—	3,551,208
Other Auxiliaries	5,516,290	—	—	5,516,290
Other:				
Sponsored Programs	—	1,353,876	—	1,353,876
Subtotal Revenues	\$ 37,893,206	\$ 5,166,980	\$ 3,664,374	\$ 46,724,560
Net Assets Released from Restrictions:				
Satisfaction of Donor Restrictions	3,725,462	(3,725,462)	—	—
Total Revenues	\$ 41,618,668	\$ 1,441,518	\$ 3,664,374	\$ 46,724,560
<b>EXPENSES</b>				
Program Expenses:				
Instruction	\$ 9,880,088	\$ —	\$ —	\$ 9,880,088
Research	49,412	—	—	49,412
Academic Support	4,384,443	—	—	4,384,443
Student Support	4,086,696	—	—	4,086,696
Sales and Services of Auxiliary Enterprises:				
Residence Halls	2,281,486	—	—	2,281,486
Food Services	3,083,080	—	—	3,083,080
Other Auxiliaries	4,803,834	—	—	4,803,834
Sponsored Programs	876,492	—	—	876,492
Support Services:				
Institutional Support	5,259,969	—	—	5,259,969
Total Expenses	\$ 34,705,500	\$ —	\$ —	\$ 34,705,500
CHANGES IN NET ASSETS	\$ 6,913,168	\$ 1,441,518	\$ 3,664,374	\$ 12,019,060
Net Assets - Beginning of Year	73,021,742	5,739,386	27,486,833	106,247,961
NET ASSETS - END OF YEAR	\$ 79,934,910	\$ 7,180,904	\$ 31,151,207	\$ 118,267,021

**ST. JOHN'S UNIVERSITY**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 1996**  
(SEE INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION)

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Changes in Net Assets	\$ 12,019,060
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities:	
Non-Cash Revenue or Expense:	
Depreciation	2,037,336
Change in Value of Split-Interest Agreements	839,034
Realized and Unrealized Gains on Investments	(7,889,618)
Contributions and Income Restricted for Long-Term Investment	(4,956,211)
(Increase) Decrease in Current Assets:	
Pledges Receivable	419,535
Student and Other Receivables	(16,525)
Inventories	275,420
Prepaid Expenses	(186,973)
Increase (Decrease) in Current Liabilities:	
Accounts Payable	(639,403)
Accrued Expenses and Other Liabilities	(1,377,310)
Net Cash Provided by Operating Activities	<u>\$ 524,345</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchase of Property, Plant and Equipment	\$ (2,984,705)
Proceeds from Sale and Maturities of Investments	57,774,738
Purchases of Investments	(64,484,041)
Net Cash Used by Investing Activities	<u>\$ (9,694,008)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Contributions and Income Restricted for Long-Term Investment	\$ 4,956,211
Payments of Long-Term Debt	(937,852)
Proceeds from Long-Term Debt	8,335
Increase in Federal Student Loan Funds Repayable	38,902
Annuity and Unitrust Payments	(276,375)
Increase in Annuity and Unitrust Liability Resulting from New Gifts	438,007
Net Cash Provided by Financing Activities	<u>\$ 4,227,228</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>\$ (4,942,435)</b>
Cash and Cash Equivalents - Beginning of Year	<u>6,656,676</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b><u>\$ 1,714,241</u></b>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>	
Cash Paid for Interest	<u>\$ 343,805</u>





CERTIFIED PUBLIC ACCOUNTANTS

# INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

Rt. Rev. Timothy T. Kelly, O.S.B., Abbot  
Order of St. Benedict, Inc.  
Collegeville, Minnesota

Our report on our audit of the basic financial statements of the Order of St. Benedict, Inc. for 1996 appears previously in this offering statement. This audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary insurance coverage information and information related to the Benedictine and St. John's University (operating divisions of the Order of St. Benedict) are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

*Larson, Allen, Weishair & Co., LLP*  
LARSON, ALLEN, WEISHAIR & CO., LLP

Minneapolis, Minnesota  
August 21, 1996

**ORDER OF ST. BENEDICT, INC.**  
**INSURANCE COVERAGES**  
**JUNE 30, 1996**

Property values for fire and extended coverage, vandalism, theft and malicious mischief are stated on the replacement value basis.

Fire and Extended Coverage	\$147,766,262
Earthquake Coverage	\$2,500,000
Flood Coverage	\$250,000
Blanket Extra Expense/Business Interruption	\$5,000,000
Comprehensive Auto Liability	\$1,000,000
Comprehensive General Liability:	
Bodily Injury	\$1,000,000/3,000,000
Property Damage	\$1,000,000/3,000,000
Ministerial Professional	\$1,000,000/3,000,000
Vicarious Liability for Medical Professional and EMTs	\$1,000,000/3,000,000
Employee Benefits	\$1,000,000/3,000,000
Above-Ground Pollution	\$1,000,000/3,000,000
Crime	\$1,000,000
Legal Liquor	\$1,000,000
Worker's Compensation	Self-Insured
Umbrella/Excess Liability	\$25,000,000
Information Systems (Computer) Policy	\$3,127,616
Boiler and Machinery	\$50,000,000
Educator's Legal Liability	\$5,000,000
Athletic Catastrophic Injury Liability/SJU	Various Limits
Athletic Catastrophic Injury Liability/SJP	Various Limits
Foreign Liability	\$1,000,000
Student Activities - Catastrophic (Purchased March 1995)	\$2,000,000
Other Property Coverage:	
Contractors' Equipment	\$229,440
Boats	\$59,655
Monks' Personal Effects	\$5,000/100,000
Transportation	\$100,000
Exhibition	\$100,000
Property of Others	\$100,000
Radio Equipment	\$67,250
Maben Madonnas	\$400,000
Stained Glass	\$325,000
Fine Arts of Others	\$100,000
Valuable Papers	\$100,000
Accounts Receivable (Telephone)	\$40,000
Camera in India	\$8,000

**BENEDICTINE DIVISION**  
**FINANCIAL STATEMENTS**  
**JUNE 30, 1996**

**BENEDICTINE DIVISION**  
**BALANCE SHEET**  
**JUNE 30, 1996**  
**(SEE INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION)**

**ASSETS**

**CURRENT ASSETS**

Cash and Cash Equivalents	\$ 3,243,627
Accounts Receivable	117,514
Interest Receivable	204,536
Prepaid Expenses	817,181
Total Current Assets	<u>\$ 4,382,858</u>

**LONG-TERM RECEIVABLES**

Inter-Divisional Loan	<u>\$ 706,585</u>
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**LONG-TERM INVESTMENTS**

Investment Pool	\$ 30,328,522
Assets Held in Charitable Remainder Unitrust	269,495
Other Investments	61,176
Contracts for Deed	82,129
Total Long-Term Investments	<u>\$ 30,741,322</u>

**PROPERTY, PLANT AND EQUIPMENT**

Land and Improvements	\$ 549,351
Buildings	14,832,992
Equipment	2,826,205
Total	<u>\$ 18,208,548</u>
Less: Accumulated Depreciation	5,610,808
Total Property, Plant and Equipment (at Depreciated Cost)	<u>\$ 12,597,740</u>

Total Assets	<u><u>\$ 48,428,505</u></u>
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## LIABILITIES

### CURRENT LIABILITIES

Accounts Payable	\$ 334,985
Accrued Payroll Liabilities	518,510
Other Liabilities	407,693
Funds Held for Others	1,189,051
Current Portion of Annuities and Unitrusts	38,181
Current Portion of Mortgage Note Payable	33,121
Total Current Liabilities	<u>\$ 2,521,541</u>

### LONG-TERM LIABILITIES

Mortgage Note Payable (Net of Current Portion Shown Above)	\$ 1,058,960
Annuities and Unitrusts (Net of Current Portion Shown Above)	242,618
Total Long-Term Liabilities	<u>\$ 1,301,578</u>

Total Liabilities	<u>\$ 3,823,119</u>
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## NET ASSETS

### UNRESTRICTED

Undesignated	\$ 1,149,475
Designated:	
Health and Welfare	10,460,189
St. Augustine Funds	812,583
Quasi-Endowment	8,849,218
Building and Equipment Replacement	889,604
Guest House	695,423
Miscellaneous	664,677
Equity in Property, Plant and Equipment	11,505,659
Annuities	412,757
Total Unrestricted Net Assets	<u>\$ 35,439,585</u>

### TEMPORARILY RESTRICTED

Unitrusts	\$ 253,192
Life Income Deposits and Life Insurance	76,663
Unexpended Plant Gifts	93,038
Total Temporarily Restricted Net Assets	<u>\$ 422,893</u>

### PERMANENTLY RESTRICTED

Endowment:	
Education	\$ 5,683,958
Missions	1,007,464
Health and Welfare	120,074
Program	1,931,412
Total Permanently Restricted Net Assets	<u>\$ 8,742,908</u>

Total Net Assets	<u>\$ 44,605,386</u>
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Total Liabilities and Net Assets	<u>\$ 48,428,505</u>
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**BENEDICTINE DIVISION  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 1996  
(SEE INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION)**

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
<b>REVENUES</b>				
Individual Earnings	\$ 4,312,590	\$ -	\$ -	\$ 4,312,590
Gifts and Grants	384,944	48,507	506,960	940,411
Endowment Income	1,165,564	-	-	1,165,564
Net Realized Gains on Investments	974,195	679,668	68,798	1,722,661
Net Unrealized Gains on Investments	578,823	403,902	40,885	1,023,610
Investment Income on Annuities and Unitrusts	79,758	-	-	79,758
Change in Value of Split-Interest Agreements	(27,385)	-	-	(27,385)
Rentals and Services	150,200	-	-	150,200
Other Income	100,336	-	-	100,336
Health Center	291,389	-	-	291,389
Woodworking	121,369	-	-	121,369
Forest, Garden and Bees	26,336	-	-	26,336
The Liturgical Press	390,000	-	-	390,000
Net Assets Released from Restrictions: Satisfaction of Donor Restrictions	1,083,372	(1,083,372)	-	-
<b>Total Revenues</b>	<b>\$ 9,631,491</b>	<b>\$ 48,705</b>	<b>\$ 616,643</b>	<b>\$ 10,296,839</b>
<b>EXPENSES</b>				
Program Expense:				
Home Community - Food	\$ 563,209	\$ -	\$ -	\$ 563,209
Home Community - Other	161,532	-	-	161,532
Home Community - Personal Accounts	265,846	-	-	265,846
Exposits - Related	188,166	-	-	188,166
Liturgy	48,509	-	-	48,509
Health - General	1,058,096	-	-	1,058,096
Health - St. Raphael	475,884	-	-	475,884
Education	184,288	-	-	184,288
Grants and Donations:	1,881,063	-	-	1,881,063
Other	348,790	-	-	348,790
Physical Plant and Grounds	584,076	-	-	584,076
Depreciation	277,018	-	-	277,018
Health Center	373,445	-	-	373,445
Woodworking	128,831	-	-	128,831
Forest, Garden and Bees	34,640	-	-	34,640
Less: Departmental Capital	(288,981)	-	-	(288,981)
<b>Total Program Expenses</b>	<b>\$ 6,284,412</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 6,284,412</b>
Management and General Expense:				
General and Administrative	\$ 40,885	\$ -	\$ -	\$ 40,885
Leadership Offices	68,244	-	-	68,244
Treasurer Office	165,331	-	-	165,331
Depreciation	1,200	-	-	1,200
<b>Total Management and General Expense</b>	<b>\$ 275,660</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 275,660</b>
Fund Raising Expense: Development	\$ 6,507	\$ -	\$ -	\$ 6,507
<b>Total Expenses</b>	<b>\$ 6,566,579</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 6,566,579</b>
<b>CHANGES IN NET ASSETS</b>	<b>\$ 3,064,912</b>	<b>\$ 48,705</b>	<b>\$ 616,643</b>	<b>\$ 3,730,260</b>
Net Assets - Beginning	32,374,673	374,188	8,126,265	40,875,126
<b>NET ASSETS - ENDING</b>	<b>\$ 35,439,585</b>	<b>\$ 422,893</b>	<b>\$ 8,742,908</b>	<b>\$ 44,605,386</b>

**BENEDICTINE DIVISION  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 1996  
(SEE INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION)**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Changes in Net Assets	\$ 3,730,260
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities:	
Non-Cash Revenue or Expense:	
Depreciation	278,218
Change in Value of Split-Interest Agreements	27,385
Unrealized Gains on Investments	(1,023,610)
Realized Gains on Investments	(1,722,661)
Contributions and Income Restricted for Long-Term Investment	(616,643)
(Increase) Decrease in Current Assets:	
Accounts Receivable	83,956
Prepaid Expenses	(63,182)
Increase (Decrease) in Current Liabilities:	
Accounts Payable	(13,127)
Accrued Expenses and Other Liabilities	(4,986)
Net Cash Provided by Operating Activities	<u>\$ 675,610</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchase of Property, Plant and Equipment	\$ (433,774)
Increase in Inter-Divisional Loans	(706,585)
Proceeds from Sale and Maturities of Investments	43,850,316
Purchases of Investments	(41,398,059)
Net Cash Provided by Investing Activities	<u>\$ 1,311,898</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Contributions and Income Restricted for Long-Term Investment	\$ 616,643
Payments of Long-Term Debt	(32,149)
Annuity and Unitrust Payments	(40,993)
Increase in Annuity and Unitrust Liability Resulting from New Gifts	8,925
Net Cash Provided by Financing Activities	<u>\$ 552,426</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>\$ 2,539,934</b>
Cash and Cash Equivalents - Beginning of Year	<u>703,693</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b><u>\$ 3,243,627</u></b>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>	
Cash Paid for Interest	<u>\$ 33,488</u>

**ST. JOHN'S UNIVERSITY**  
**FINANCIAL STATEMENTS**  
**JUNE 30, 1996**



# ST. JOHN'S UNIVERSITY

## BALANCE SHEET

JUNE 30, 1996

(SEE INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION)

### ASSETS

#### CURRENT ASSETS

Cash and Cash Equivalents	\$	1,714,241
Accounts Receivable:		
Student Receivables (Net of Allowance for Doubtful Accounts of \$844,709 in 1996)		679,854
Pledges (Net of Allowance for Doubtful Accounts of \$47,104 in 1996)		822,973
Other		1,015,896
Interest Receivable		291,973
Inventories		860,852
Prepaid Expenses		688,528
Total Current Assets	\$	<u>6,074,317</u>

#### LONG-TERM RECEIVABLES

Federal Perkins Student Loans (Net of Allowance for Doubtful Accounts of \$-0- in 1996)	\$	2,816,680
Pledges (Net of Allowance for Doubtful Accounts of \$30,885 in 1996)		582,807
Receivable - Unitrusts		258,239
Total Long-Term Receivables	\$	<u>3,657,726</u>

#### LONG-TERM INVESTMENTS

Assets Held in Charitable Remainder Unitrusts	\$	3,130,046
Investments		72,354,581
Total Long-Term Investments	\$	<u>75,484,627</u>

#### PROPERTY, PLANT AND EQUIPMENT

Land and Improvements	\$	1,330,089
Buildings		49,005,480
Furniture and Equipment		16,724,724
Library Books		7,074,846
HMML Microfilm and Library Books		3,608,573
Construction in Progress		212,828
Total	\$	<u>77,956,540</u>
Less: Accumulated Depreciation		<u>24,510,887</u>
Total Property, Plant and Equipment (at Depreciated Cost)	\$	<u>53,445,653</u>
Total Assets	\$	<u><u>138,662,323</u></u>

## LIABILITIES

### CURRENT LIABILITIES

Accounts Payable	\$ 765,217
Accrued Payroll Liabilities	1,323,893
Other Liabilities	1,051,623
Deferred Revenue	1,020,137
Funds Held for Others	122,516
Current Portion of Annuities and Unitrusts	409,443
Current Portion of Notes, Bonds and Mortgage Notes Payable	917,711
<b>Total Current Liabilities</b>	<b>\$ 5,610,540</b>

### LONG-TERM LIABILITIES

Government Grants Repayable - Federal Perkins Loan Program	\$ 2,912,257
Notes, Bonds and Mortgage Notes Payable (Net of Current Portion Shown Above)	8,325,850
Annuities and Unitrusts (Net of Current Portion Shown Above)	3,546,655
<b>Total Long-Term Liabilities</b>	<b>\$ 14,784,762</b>
<b>Total Liabilities</b>	<b>\$ 20,395,302</b>

## NET ASSETS

### UNRESTRICTED

Available for Operations - CAS	\$ 175,636
Available for Operations - SOT	485,133
Available for Operations - HMML	35,682
Available for Operations - PIR	(2,826)
Available for Operations - ISTI	21,696
Board Designated:	
Program	1,499,729
Endowment	27,053,869
Capital Renewal	1,751,765
Contractual Limitations - Debt Service	1,192,749
Equity in Property, Plant and Equipment	44,202,092
Annuities and Life Insurance	3,519,385
<b>Total Unrestricted Net Assets</b>	<b>\$ 79,934,910</b>

### TEMPORARILY RESTRICTED

Unitrusts	\$ 33,995
Endowment	1,211,950
Unexpended Gifts:	
Plant	2,692,501
Program	2,089,315
Pledges	1,153,143
<b>Total Temporarily Restricted Net Assets</b>	<b>\$ 7,180,904</b>

### PERMANENTLY RESTRICTED

Unitrusts	\$ 785,443
Endowment	30,113,127
Pledges	252,637
<b>Total Permanently Restricted Net Assets</b>	<b>\$ 31,151,207</b>

<b>Total Net Assets</b>	<b>\$ 118,267,021</b>
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<b>Total Liabilities and Net Assets</b>	<b>\$ 138,662,323</b>
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**ST. JOHN'S UNIVERSITY**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 1996**  
**(SEE INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION)**

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
<b>REVENUES</b>				
Educational and General:				
Net Tuition and Fees (Net of Discounts of \$5,911,707)	\$ 16,453,480	\$ -	\$ -	\$ 16,453,480
Federal Grants	643,756	-	-	643,756
State Grants	80,017	-	-	80,017
Gifts and Private Grants	3,558,892	2,003,499	510,476	6,072,867
Endowment Income	632,027	-	-	632,027
Net Realized Gains on Investments	1,030,753	1,804,744	1,091,236	3,926,733
Net Unrealized Gains on Investments	1,976,764	-	1,986,121	3,962,885
Investment Income on Annuities and Unitrusts	683,859	8,474	735,783	1,428,116
Change in Value of Split-Interest Agreements	(176,179)	(3,613)	(659,242)	(839,034)
Other Sources	1,063,632	-	-	1,063,632
Sales and Services of Auxiliary Enterprises:				
Residence Halls	2,878,707	-	-	2,878,707
Food Services	3,551,208	-	-	3,551,208
Other Auxiliaries	5,516,290	-	-	5,516,290
Other:				
Sponsored Programs	-	1,353,876	-	1,353,876
Subtotal Revenues	\$ 37,893,206	\$ 5,166,980	\$ 3,664,374	\$ 46,724,560
Net Assets Released from Restrictions:				
Satisfaction of Donor Restrictions	3,725,462	(3,725,462)	-	-
Total Revenues	\$ 41,618,668	\$ 1,441,518	\$ 3,664,374	\$ 46,724,560
<b>EXPENSES</b>				
Program Expenses:				
Instruction	\$ 9,880,088	\$ -	\$ -	\$ 9,880,088
Research	49,412	-	-	49,412
Academic Support	4,384,443	-	-	4,384,443
Student Support	4,086,696	-	-	4,086,696
Sales and Services of Auxiliary Enterprises:				
Residence Halls	2,281,486	-	-	2,281,486
Food Services	3,083,080	-	-	3,083,080
Other Auxiliaries	4,803,834	-	-	4,803,834
Sponsored Programs	876,492	-	-	876,492
Support Services:				
Institutional Support	5,259,969	-	-	5,259,969
Total Expenses	\$ 34,705,500	\$ -	\$ -	\$ 34,705,500
CHANGES IN NET ASSETS	\$ 6,913,168	\$ 1,441,518	\$ 3,664,374	\$ 12,019,060
Net Assets - Beginning of Year	73,021,742	5,739,386	27,486,833	106,247,961
NET ASSETS - END OF YEAR	\$ 79,934,910	\$ 7,180,904	\$ 31,151,207	\$ 118,267,021

**ST. JOHN'S UNIVERSITY**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 1996**  
**(SEE INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION)**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Changes in Net Assets	\$ 12,019,060
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities:	
Non-Cash Revenue or Expense:	
Depreciation	2,037,336
Change in Value of Split-Interest Agreements	839,034
Realized and Unrealized Gains on Investments	(7,889,618)
Contributions and Income Restricted for Long-Term Investment	(4,956,211)
(Increase) Decrease in Current Assets:	
Pledges Receivable	419,535
Student and Other Receivables	(16,525)
Inventories	275,420
Prepaid Expenses	(186,973)
Increase (Decrease) in Current Liabilities:	
Accounts Payable	(639,403)
Accrued Expenses and Other Liabilities	(1,377,310)
Net Cash Provided by Operating Activities	<u>\$ 524,345</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchase of Property, Plant and Equipment	\$ (2,984,705)
Proceeds from Sale and Maturities of Investments	57,774,738
Purchases of Investments	(64,484,041)
Net Cash Used by Investing Activities	<u>\$ (9,694,008)</u>

**CASH FLOWS FROM FINANCING ACTIVITIES**

Contributions and Income Restricted for Long-Term Investment	\$ 4,956,211
Payments of Long-Term Debt	(937,852)
Proceeds from Long-Term Debt	8,335
Increase in Federal Student Loan Funds Repayable	38,902
Annuity and Unitrust Payments	(276,375)
Increase in Annuity and Unitrust Liability Resulting from New Gifts	438,007
Net Cash Provided by Financing Activities	<u>\$ 4,227,228</u>

**NET DECREASE IN CASH AND CASH EQUIVALENTS**

\$ (4,942,435)

Cash and Cash Equivalents - Beginning of Year

6,656,676

**CASH AND CASH EQUIVALENTS - END OF YEAR**

\$ 1,714,241

**SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:**

Cash Paid for Interest

\$ 343,805







