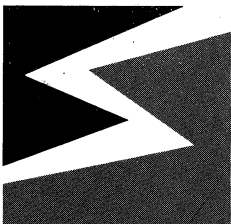


\$595,000

**Minnesota Higher Education
Facilities Authority**

**First Mortgage Revenue Bonds
Series C (Saint Mary's College)**

SALE: November 28, 1972, at 11:00 A.M., CST



SPRINGSTED INCORPORATED MUNICIPAL CONSULTANTS

SUITE 813 OSBORN BUILDING • SAINT PAUL, MINNESOTA 55102 • (612) 227-8318

OFFICIAL ROSTER

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

Gerald A. Rauenhorst, Chairman
President, Rauenhorst Corporation, Minneapolis,

Bernard P. Friel, Vice Chairman
Member, Briggs & Morgan, Lawyers, St. Paul

Richard C. Hawk, Secretary
Executive Director, Minnesota Higher Education Coordinating Commission

Robert W. Freson, Member
City Administrator, St. Cloud

Earl R. Herring, Member
Vice President for Administrative Affairs, Moorhead State College

Norman Perl, Member
Member, Deparcq, Anderson, Perl & Hunegs, Minneapolis

Michael Sieben, Member
Lawyer, McMenemy, Hertogs and Fluegel, Hastings

Dr. Joseph E. LaBelle — Executive Director

BOND COUNSEL

Faegre & Benson
(Mr. John S. Holten)
Minneapolis, Minnesota

FISCAL ADVISORS

Springsted Incorporated
St. Paul, Minnesota

No dealer, broker, salesman or other person has been authorized by the Minnesota Higher Education Facilities Authority or the Institution, to give any information or to make any representations with respect to the Bonds, 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 either of the foregoing. Certain information contained herein has been obtained from the Institution, and other sources which are believed to be reliable, but it is not guaranteed as to accuracy or completeness, and is not to be construed as a representation of the Minnesota Higher Education Facilities Authority. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this official statement nor any sale made hereunder, shall, under any circumstances, create any implication that there has been no change in the affairs of the parties referred to above since the date hereof.

For additional information or assistance in bidding contact Springsted Incorporated
Suite 813, Osborn Building, St. Paul, Minnesota Phone — 612/227-8318

TABLE OF CONTENTS

	<u>Pages</u>
AUTHORITY	1- 3
PURPOSE	3
BOND PROCEEDS BUDGET	3
SECURITY	4
RESERVES	4- 5
INVESTMENT	5
INTEREST SUBSIDY	5
CASH FLOW	5- 6
FUNDS & ACCOUNTS	6- 7
ANTICIPATED INCOME AVAILABLE FOR DEBT SERVICE	8
ANTICIPATED AVERAGE DEBT SERVICE	8
LEGAL SUMMARY	9-16
Agreement	9
Grant Agreement	9
Deed	10
Lease	10-13
Indenture	13-15
Bond Resolutions	15-16
INSTITUTION	17
NEED	18
LONG-TERM DEBT	18
SCHEDULE OF PRINCIPAL PAYMENTS	19-20
AUDIT REPORTS	20-32
PARITY BONDS	33
REDEMPTION	33
REGISTRATION OF BONDS	34
LEGAL OPINION	34
LITIGATION	34
INFORMATIONAL MEETING	35

OFFICIAL NOTICE OF BOND SALE

\$595,000

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY FIRST MORTGAGE REVENUE BONDS, SERIES C (ST. MARYS COLLEGE)

Bids will be received Tuesday, November 28, 1972, 11:00 A.M., CST, at the Authority's Offices, Metro Square Building, St. Paul, Minnesota, for award at 3:00 P.M. of the same day on the following terms:

DATE AND INTEREST

The Bonds will be dated January 1, 1973. Interest will be payable July 1, 1973, and each January 1, and July 1, thereafter.

TYPE AND PURPOSE

The Bonds will be negotiable coupon, special obligations of the Authority, payable solely, and only, out of Project revenues and other income, charges and moneys to be produced and received, including rentals under the Lease between the Authority and St. Marys College, relative to the ownership and operation of the Project for which the proceeds of this issue will be used, and the Reserve Accounts established thereto. The Bonds will be issued in denominations of \$5,000 each and may be registrable as to both principal and interest, or either, according to the terms of the Mortgage Trust Indenture relative to the issue. The Bonds are being issued for the construction and equipping of six, four-unit, student housing apartments on the campus of St. Marys College, Winona, Minnesota, to whom the Authority will lease these buildings, and for the establishment of certain Reserve Accounts relative to the issue.

MATURITIES AND REDEMPTION

January 1, in the years and amounts as follows:

\$10,000 1976-77	\$30,000 1989-91
\$15,000 1978-81	\$35,000 1992-93
\$20,000 1982-85	\$40,000 1994-95
\$25,000 1986-88	\$45,000 1996-97
\$30,000 1998	

All dates are inclusive.

At the option of the Issuer all Bonds maturing on or after January 1, 1990, shall be subject to prior payment in inverse order of serial numbers on January 1, 1989, and any interest payment date thereafter, at a price of par and accrued interest, except that all Bonds are subject to redemption at par and accrued interest on any interest payment date, as a whole, but not in part, in case of damage, destruction or taking of the Project to the extent provided in Section 6.15 of the Mortgage Trust Indenture and in case of the Institution's exercise of its option to purchase pursuant to Section 10.02 of the Lease.

GRANT AGREEMENT

A Grant Agreement has been entered into with the United States of America, Department of Housing and Urban Development, pursuant to which the Government will provide an annual interest subsidy to support and to be pledged to debt service payments on the Bonds, as more fully described in the Official Statement.

PAYING AGENT AND TRUSTEE

Principal and interest will be payable at the Main Office of the Northwestern National Bank of Minneapolis, Minnesota with whom the Authority will enter into a Mortgage Trust Indenture relative to this issue. An alternate paying agent may be named in the bid by the Purchaser subject to the consent of the Authority and provided that there shall be no additional expense to the Authority or the College by reason thereof.

DELIVERY

Within 40 days after award, subject to the unqualified approving legal opinion of Messrs. Faegre and Benson of Minneapolis, Minnesota, and customary closing papers, including a statement of non-litigation. Bond printing and legal opinion will be paid for by the Issuer. Delivery will be at a place of the Purchaser's choice. Payment must be made in Federal Funds, or equivalent immediately available funds, on day of delivery. Legal opinion will be printed on the Bonds.

TYPE OF BID

Sealed bids for not less than \$583,100 and accrued interest on the principal sum of \$595,000 from the date of the Bonds to date of delivery must be filed with the undersigned prior to time of sale, together with a certified or cashier's check in the amount of \$11,900, payable to the order of the Minnesota Higher Education Facilities Authority, to be forfeited as damages but without limitation of the rights of the Issuer to additional damages if the bidder fails to comply with the accepted bid.

RATES

All rates must be in integral multiples of 5/100th or 1/8th of 1%. All Bonds of the same maturity must bear a single rate from date of issue to maturity. The interest rate for any maturity shall be not less than that of any prior maturity and no interest rate shall exceed any other interest rate by more than 2% per annum. Additional coupons may not be used.

AWARD

Award will be made on the basis of lowest dollar interest cost; determined by the addition of any discount to and the deduction of any premium from the total interest on all Bonds from their date to their stated maturity. The Issuer reserves the right to reject any and all bids, to waive informalities and to adjourn the sale.

Dated October 31, 1972

BY ORDER OF THE MINNESOTA HIGHER EDUCATION
FACILITIES AUTHORITY

/s/ Richard C. Hawk
Secretary

\$595,000
MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY
FIRST MORTGAGE REVENUE BONDS, SERIES C (ST. MARYS COLLEGE)

SALE: November 28, 1972 (Tues.), at 11:00 A.M., CST

Bids delivered to Springsted Incorporated by 10:00 A.M., CST, the day of the sale, will be carried to the sale.

<u>YEAR</u>	<u>PRINCIPAL</u>	<u>BOND YEARS</u>	<u>CUMULATIVE BOND YEARS</u>
1976	\$10,000	30	30
1977	10,000	40	70
1978	15,000	75	145
1979	15,000	90	235
1980	15,000	105	340
1981	15,000	120	460
1982	20,000	180	640
1983	20,000	200	840
1984	20,000	220	1060
1985	20,000	240	1300
1986	25,000	325	1625
1987	25,000	350	1975
1988	25,000	375	2350
1989	30,000	480	2830
1990	30,000 C	510	3340
1991	30,000 C	540	3880
1992	35,000 C	665	4545
1993	35,000 C	700	5245
1994	40,000 C	840	6085
1995	40,000 C	880	6965
1996	45,000 C	1035	8000
1997	45,000 C	1080	9080
1998	30,000 C	750	9830

AVERAGE MATURITY:

16.52 Years

DATED:

January 1, 1973

INTEREST:

July 1, 1973, and each January 1, and
July 1, thereafter.

MATURE:

January 1, 1976-98, inclusive.

REDEMPTION (C):

Bonds maturing January 1, 1990-98, inclu-
sive, are callable commencing January 1,
1989, at par.

**OFFICIAL STATEMENT
RELATING TO
\$595,000
MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY
FIRST MORTGAGE REVENUE BONDS
SERIES C (ST. MARYS COLLEGE)**

THE AUTHORITY

The Minnesota Higher Education Facilities Authority was created by Chapter 868, Laws of Minnesota, 1971, for the purpose of assisting institutions of higher education of the State in the construction, financing and refinancing of projects. The Authority consists of six members appointed by the Governor with the advice and consent of the Senate. A seventh member is the Executive Director of the Minnesota Higher Education Coordinating Commission.

At least one of the members of the Authority must be a person having a favorable reputation for skill, knowledge, and experience in the field of State and Municipal Finance; and at least one shall be a person having a favorable reputation for skill, knowledge, and experience in the building construction field; and at least one of the members shall be a trustee, director, officer or employee of an institution of higher education.

The Authority has been given power to issue bonds in an amount not to exceed a cumulative total of \$45 million. These bonds can be only payable from the rentals, revenues, and other income, charges, and monies pledged for their payment. They do not represent or constitute a debt or pledge of the faith and credit of the State of Minnesota in any manner.

By reason of the fact that the Authority is an agency or instrumentality of the State of Minnesota the interest paid by the Authority to bond holders is exempt from Federal and Minnesota Income Tax under present provisions of law. Any project owned or used by the Authority is exempt from any taxes or assessments.

Educational institutions of the State which are eligible for assistance by the Authority are non-profit educational institutions authorized to provide a program of education beyond the high school level. Sectarian institutions are not eligible for assistance, however, the fact that the institution is sponsored by a religious denomination does not by itself make the institution sectarian. Application to the Authority is purely voluntary.

The scope of projects for which the Authority may issue bonds is broad including any building structure or facility for use as a dormitory or other student housing facility, academic building, parking facilities 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.

A Project for which bonds are issued by the Authority is the property of the Authority which will then lease the facility to the Institution. The revenues which are the security for the Bonds are provided for by the terms of the lease between the Authority and the

Institution. The Authority, in turn, will enter into a Mortgage Trust Indenture with a Trustee who will administer the funds which are the security for the payment of the Bonds.

While the Authority retains broad powers to oversee planning and construction, it is its current policy to permit the Institution broad flexibility with respect to these matters.

In appropriate circumstances, the Authority may, at the request of the Institution, make application for, or assume the position of applicant under, a loan pursuant to the College Housing Loan program administered by the United States Department of Housing and Urban Development, or under Title III of the Higher Education Facilities Act administered by the United States Office of Education.

The operation of the Authority is financed solely from fees paid by the Institution for which Bonds are issued. In addition to a small application fee which is \$250 for projects under \$1,000,000; \$500 for projects under \$5,000,000, and \$1,000 for projects over \$5,000,000, the Authority will be paid one-third of one percent of the principal amount of the bonds issued at the time of issuance as adjusted by deduction of the application fee. Thereafter, the Authority will receive an annual fee of one-eighth of one percent of the original principal amount of the Bond issue for the life of the issue. These fees will be paid directly by the Institution except the one-third of one percent fee will come from Bond proceeds.

At the present time the staff of the Authority consists of its Executive Director, Dr. Joseph E. LaBelle and one secretary.

Bond issuance costs, including fees of Bond Counsel, the Fiscal Consultant, and Trustee are paid by the Institution. The fees of Bond Counsel and the Fiscal Consultant will come from Bond proceeds.

As a general policy the Authority requires that the proceeds of the Bond issue include a sum equal to approximately one year's net debt service for the creation of debt service reserves. Of this sum 80% will be deposited with the Trustee in a Series Reserve Account; the remaining 20% will be deposited by the Authority in a General Bond Reserve Account pledged to the payment of all Bonds issued by the Authority for which such a deposit has been made.

The Authority as of now has no outstanding bonded indebtedness. On Tuesday, November 28, 1972 it will offer the following issues:

- \$2,200,000 First Mortgage Revenue Bonds, Series A (Augsburg College)
- \$1,935,000 First Mortgage Revenue Bonds, Series B (Bethel College)
- \$ 595,000 First Mortgage Revenue Bonds, Series C (St. Marys College)

Separate bids will be received for each offering and each will be awarded individually.

The Authority currently has the following applications under consideration:

\$8,400,000	Minneapolis College of Art and Design
\$1,530,000	College of Saint Benedict
\$1,030,000	Gustavus Adolphus College
\$ 530,000	College of St. Scholastica

It is expected these may be offered in January or February of 1973.

PURPOSE OF ISSUE

The proceeds of the issue, except to fund reserves, will be used to construct six frame construction buildings having 28 apartments for the accommodation of 108 students and two faculty members. The units will be on an Authority owned site at the edge of the main campus. The buildings are nearly completed and are expected to be occupied before December 1 of this year.

BOND PROCEEDS BUDGET

The proceeds of the Bonds will be applied as follows:

Construction, including \$66,000 for furnishings		\$489,680.00
Fees		8,565.50
Capitalized Interest		39,854.50 *
Permissible Discount		11,900.00
Debt Service Reserve:		
Series Reserve	\$36,000.00 **	
General Bond Reserve	9,000.00 ***	45,000.00
		<hr/>
		\$595,000.00

*Will be paid to the Trustee and placed in Bond and Interest Sinking Fund Account.

**Will be paid to the Trustee and placed in Series Reserve Account.

***Will be paid to the Authority and placed by it in General Bond Fund Reserve Account.

SECURITY

The security of this issue shall be the:

- 1) Full faith and credit of the Institution;
- 2) Gross receipts and revenues of the Project;
- 3) Assignment of the proceeds received pursuant to an interest subsidy grant from the United States Government;
- 4) First mortgage lien on the Project.

Item "2" will be deposited with the Trustee each month promptly when received and no later than the last day of the month, to the extent necessary to create and maintain required balances in the:

(I) Bond and Interest Sinking Fund Account — Such amount as may be necessary and sufficient to meet the interest on the outstanding Bonds due on the next interest date and by June 25 of each year one-half of the principal, and by December 25, all of the principal due on the next principal date.

(II) General Bond Reserve Account — \$9,000*

(III) Debt Service Reserve Account — \$36,000*

(IV) Repair and Replacement Reserve Account — \$20,000*

*See "Reserves" below.

RESERVES

Following are the required reserves:

A. Debt Service Reserve Account	\$36,000
B. General Bond Reserve Account	9,000
C. Repair and Replacement Reserve Account	<u>20,000</u>
Total:	\$65,000*

*1.61 times anticipated net average annual debt service.

NOTES: 1. Items "A" and "B" will be created from proceeds of the issue. "A" will be available exclusively for this issue. "B" will be available for this issue and all other issues of the Authority for which a contribution has been made to the General Bond Reserve Account. In the event each of the three issues scheduled for offering on November 28, 1972 are awarded the General Bond Reserve Account will have a total of \$74,625 in it available for the debt service of any of the offerings.

2. Item "C" will be created by two annual deposits commencing January 1, 1974 of \$10,000 each. Funds may be taken from it for unusual or extraordinary maintenance or repair but it shall be available to meet debt service if there are insufficient monies in the Debt Service Reserve Account.
3. The General Bond Reserve Account will be called upon last for any deficiency and will be replaced first, except for the Bonds and Interest Sinking Fund Account. This priority will also be required with respect to the Series "A" and "B" offerings of the Authority for which bids will be taken on November 28, 1972 and shall be the policy of the Authority for future offerings which participate in the General Bond Reserve Account.

INVESTMENTS

Subject to arbitrage regulations, the Trustee is authorized to invest the balances of all Accounts in (1) direct obligations of the United States Government, or, (2) certificates of Deposit secured by direct obligations of the United States Government. In addition, the Trustee is authorized to invest the balances of all accounts, except the Construction Account, in securities issued by the following agencies of the United States: Banks for Cooperatives, Federal Home Loan Banks, Federal Intermediate Credit Banks, Federal Land Banks, and the Federal National Mortgage Association. Earnings, except of the General Bond Reserve Account, may be used for abatement of Base Rent payments if each of the Accounts is at its required level. Earnings of the General Bond Reserve Account will remain in that Account, except that at such time as the bonds of an issue which participated in the Account are fully retired a pro rata share of the Account, including earnings, after allowance for any deficiencies, will be distributed to the Institution on whose behalf the Bonds were issued.

INTEREST SUBSIDY

The College has been advised by the Department of Housing and Urban Development that a fund reservation has been made for a yearly debt service subsidy which it is estimated will be approximately \$11,450, although the Government has made a fund reservation of \$16,330. The exact amount will be determined by the net effective rate carried by this issue and final determination of the principal amount of the issue which HUD will participate in. Basically the subsidy will be in an amount intended to reduce the effective rate to 3% on that part of the program eligible for an interest subsidy.

Payment of the interest subsidy will be made directly to the Trustee and will be in the same total annual amount.

The bids for this issue will be submitted to HUD for review.

As Required:

First: To the Bond and Interest Sinking Fund;

Second: To the General Bond Reserve Account;

Third: To the Series Debt Reserve Account;

Fourth: To the Repair and Replacement Reserve Account;

Fifth: To the Redemption Account.

Except, that in the event the Authority or Trustee takes possession of the Project by reason of the Institution's default the second priority will be to an Operation and Maintenance Account for payment of current expenses of the Project. In this event the priority of each of the other accounts except that of the Bond and Interest Sinking Fund will be one step lower than stated above.

FUNDS AND ACCOUNTS

1. Series C (St. Marys College)
Construction Account— Trustee will pay costs of Project from it.
2. Series C (St. Marys College)
Revenue Fund Account— All pledged revenues will be deposited in this account.
 - a. Series C (St. Marys College)
Bond and Interest Sinking
Fund Account For payment of principal and interest. \$39,854.50 from proceeds of bond issue will be immediately placed in this account from Bond proceeds.
 - b. Series C (St. Marys College)
Debt Service Reserve Account For payment of principal and interest of this issue. \$36,000 will be immediately placed in this account from Bond proceeds.
 - c. Series C (St. Marys College)
Repair and Replacement
Reserve For debt service and extraordinary repair. Will be maintained at \$20,000 after being created at rate of \$10,000 per year commencing January 1, 1974.
 - d. Series C (St. Marys College)
Operation and Maintenance
Account No payments will be made to this as long as the College shall pay the Base Rent. In the event the Authority or Trustee assumes operation of the Project, revenues remaining after debt service will be paid into it to meet operational costs.

**e. Series C (St. Marys College)
Redemption Account**

Any revenues received which are not otherwise committed will be paid into this account. Funds in it will be available to maintain required balances in other accounts and to redeem bonds.

3. General Bond Reserve Account

Will be maintained by the Authority for debt service, if needed, for any bonds of the Authority for which a deposit has been made in the account. \$9,000 of this issue will be immediately deposited in the account.

ANTICIPATED INCOME AVAILABLE FOR DEBT SERVICE

Projected Gross Revenues from the Project: (100% occupancy 108 students)

<u>Year</u>	<u>Projected Charge Per Student</u>	<u>Yearly Gross</u>
1972-73	\$650	\$70,200*
1973-75	700	75,600
1975-77	750	81,000
1977-79	800	86,400
1979-81	850	91,800
1981-83	900	97,200

*1.73 times estimated net average annual debt service after deducting interest subsidy.

- NOTE:**
1. Above figures do not include income from summer rentals.
 2. The College estimates that its average operational costs for the first ten years will be:

Utilities	\$ 7,200
Maintenance & Repair	5,000
Furniture & Fixture Depreciation	5,000
Grounds Maintenance	8,000
Insurance	1,600
Total	\$26,800
Net Revenue on basis of gross of \$70,200	\$43,400*

*1.07 times anticipated average annual net debt service.

- NOTE:** Operational and maintenance costs are not deductible by the College before debt service. The projected net revenues shown in "2" above are only to demonstrate the Project's feasibility.

ANTICIPATED AVERAGE ANNUAL NET DEBT SERVICE

\$40,486 (after deduction of estimated Interest Subsidy Grant of \$11,450)

Following is a brief Summary of certain provisions of the Agreement and exhibits thereto and the Grant Agreement. Reference is made to the respective documents summarized for a complete statement of the terms and provisions thereof and the rights of the Bondholders thereunder:

AGREEMENTS AND SECURITY

Agreement

The Authority and the College have entered into an Agreement dated October 31, 1972 (the "Agreement"). Attached to the Agreement as exhibits are the forms, subject to completion, of the Deed, the Lease, the Indenture, the General Bond Resolution and the Series Resolution described below, as well as this Prospectus, a Financing Statement for filing under the Uniform Commercial Code and a Schedule of Closing Documents. By the Agreement, the College represents among other things that the Application previously filed by the College and approved by the Authority is true and complete in all respects. In the Application materials and in the Lease, the College represents, and the Authority has found, that the College is a non-profit institution of higher education eligible for financial assistance under Chapter 868, Minnesota Laws of 1971, that the Project is eligible for financing under the Act, and that the College is nonsectarian and does not discriminate in its admission policies or programs on account of religion, race, color, creed or national origin.

The Agreement provides for the award of sale of the Project Bonds by the Authority, in its discretion, provided the College concurs or does not object before the award is made; the execution of the closing documents; the issuance and sale of additional parity lien bonds, in the discretion of the Authority, if necessary to pay additional Project costs; for the completion of Project construction pursuant to construction contracts previously made by the College as agent of the Authority, with approved changes, and for operation of the Project by the College under the Lease and as agent of the Authority pursuant to the Act. Under the Agreement, the College agrees to register or qualify the Bonds under the securities act of any state other than Minnesota, or to cooperate in the registration or qualification, at the request and expense of the underwriters. By the Agreement, the College assigns to the Authority its interest in the Project construction contracts and also a security interest in the gross revenues of the Project, the Leased Equipment and interest subsidy payments from the United States under the Grant Agreement.

Grant Agreement

The United States of America, Department of Housing and Urban Development (the "Government") has approved an interest subsidy grant on account of the Project and the Bonds. Prior to Bond delivery, a Grant Agreement will be entered into whereby the Government will guarantee payment of the grant for so long as the Bonds are outstanding or forty years, whichever is the lesser period, in an amount estimated to be \$11,450 annually or the difference between (1) the average annual debt service costs on the Bonds sold to finance the Approved Project Cost as determined by the Government and (2) the average annual debt service that would have resulted had the same Bonds been sold for par at an interest rate of 3%, whichever is the lesser. The grant payments are to be made semiannually by the Government following commencement of occupancy of the Project on or before

the due date of semiannual debt service installments. The Government has the right to reduce the amount of the grant if the Approved Project Cost upon completion of the Project is determined by the Government to be less than the estimated cost upon which the stipulated amount of the grant was based.

Under the Grant Agreement and the provisions and assignments made by the College and the Authority in the Agreement, Lease, and Indenture, the grant payments will be deposited directly with the Trustee into the Bond and Interest Sinking Fund Account to be used only for debt service on the Bonds.

If the difference between the average annual debt service based on the actual net interest cost on the Bonds and that based on an assumed rate of 3% is less than \$11,450, the annual grant amount will be less by an appropriate amount. On the other hand, if the net interest rate on the Bonds is greater than the assumed market rate in the Government's formula, the Authority and the College intend to request that the grant amount be increased accordingly. Assurances have been received from the Government that any such request shall be seriously considered and that it is HUD policy to provide a full grant for HUD supported loans if possible, contingent on available funds.

Deed

At or prior to closing, the College will execute, deliver and record a warranty deed conveying the Project and site thereof, and appurtenant easements, to the Authority. At closing, the final opinion of Messrs. Streater, Murphy, Brosnahn and Langford, as counsel for the College, will state among other things that title to the Project and site thereof is vested in the Authority, subject only to the Lease and the Indenture and Permitted Encumbrances (as that term is defined in the Lease and Indenture).

Lease

At or prior to closing, the Authority as lessor and the College as lessee will execute and deliver a Lease, to be dated January 1, 1973, for a lease term expiring at the last Bond maturity date. The Lease is intended to be a net lease of the Project, including the Project building, site, and Leased Equipment, under which the College will pay as Base Rent (Section 4.01) at the office of the Trustee a sum equal to principal and interest on the Bonds plus amounts required to restore the Debt Service Reserve (\$36,000) and to create and maintain the Repair and Replacement Reserve (\$10,000 annually, commencing January 1, 1974, until reserve aggregates \$20,000) and such amounts, if any, as may be required to pay Bond principal or interest in certain cases of damage, destruction, condemnation and other contingencies. In order to assure that such payments of Base Rent will be paid when due, the College has agreed to deposit the gross revenues of the Project with the Trustee each month until the required amounts shall be on deposit. The College has also agreed to pay, as Additional Rent (Section 4.03) the annual fee of the Authority, fees and expenses of the Trustee and paying agent, and any taxes, special assessments or other governmental charges against the Project.

At the conclusion of the Lease Term (Section 10.03), the College has the option to repurchase the Project for a consideration of \$500 provided that full payment of the Bonds or provision for payment has been made as well as Additional Rent. During the Lease Term, the College has the option to purchase unimproved parts of the Leased Premises at the per acre value determined by an independent appraiser and upon the further conditions provided by the Lease (Section 10.04), to remove or make substitutions for Leased Equipment (Section 5.07), and to make Building improvements upon certain conditions (Section 5.04). In the event of damage or destruction to the Building by fire, or other casualty, the College has agreed to rebuild or repair the Building unless it exercises its option not to repair or rebuild (if more than six months is required to complete the restoration and return Project to normal use or if cost of restoration exceeds by more than \$100,000 the Net Proceeds of insurance) and to retire all the Bonds (Sections 6.01, 10.02) and similarly to replace or restore the Building in cases of partial condemnation by eminent domain or to retire all the Bonds if all or substantially all the Project (as that term is defined) or temporary use for more than six months is taken in the Proceeding (Sections 6.02, 10.01), or if it cannot rebuild or repair. If as a result of change of law or certain legal actions, the Lease becomes void or unenforceable or impossible of performance, or if unreasonable burdens or excessive liabilities (including new taxes) are imposed, the College is given the right to repurchase the Project by retiring all the Bonds (Section 10.02). In such cases where the College has the right to retire the Bonds during the Lease Term, and repurchases the Project, it must also pay all unpaid Additional Rent plus \$250 (Section 10.02). Upon repurchase, the conveyance to the College will reserve a covenant and condition that the College shall not use the property for sectarian purposes or discriminate on account of race or religion in the use of the property (Section 10.05). If the Net Proceeds of insurance or condemnation exceed \$100,000, the Net Proceeds must be deposited with the Trustee to be used for restoration or to retire the Bonds, as appropriate (Sections 6.01, 6.02).

In the Lease, the College makes further covenants and agreements as indicated by the following Section headings:

(Article III Construction of the Project; Issuance of the Bonds)

- 3.01 Agreement to Construct the Building on the Leased Premises
- 3.03 Disbursements from the Construction Account
- 3.06 Institution Required to Pay Construction and Equipment Costs in Event Construction Account Insufficient
- 3.08 Remedies to be Pursued Against Contractors and Subcontractors and Their Sureties

(Article IV Rent, Prepayment)

- 4.05 Rent a General Obligation; Security Therefor

(Article V Use, Maintenance, Charges and Insurance)

- 5.01 Use of Leased Premises
- 5.03 Maintenance of Project by Institution
- 5.05 Liens
- 5.09 Fire and Extended Coverage Insurance
- 5.10 Boiler Insurance
- 5.13 Public Liability Insurance
- 5.14 Workmen's Compensation Coverage
- 5.15 Performance Payment Bonds

(Article VII Special Covenants)

- 7.02 Institution to Maintain its Existence and Accreditation, Conditions Under Which Exceptions Permitted
- 7.05 Annual Statement
- 7.08 Federal Income Tax Status
- 7.09 Institution to Maintain Furnishings and Movable Equipment
- 7.11 Against Discrimination
- 7.12 Institution to be Nonsectarian
- 7.13 Observe Regulations of the Authority and the State
- 7.15 Maintain List of Bondholders
- 7.16 Observance of Indenture Covenants and Terms
- 7.17 Observe Grant Agreement and Federal Regulations

In the event of default by the College, the Authority and Trustee may accelerate the due date of all installments of Base Rent, may repossess the Project, may terminate the Lease and operate and relet, holding the College liable for any deficiency, or pursue any other legal remedies available (Sections 9.01, 9.02). The security interest in Leased Equipment is subject to foreclosure under applicable provisions of the Uniform Commercial Code (Section 9.07). In event of default, among other things, the College agrees to pay

attorney's fees and expenses (Section 9.04), to waive appraisal and similar rights (Section 9.06), and to continue furnishing heat and utilities not otherwise available (Section 9.09).

A short form of Lease will be executed and recorded in the real estate records of the county where the Project is located, describing the property, length of term and the College's purchase options, incorporating by reference other provisions of the Lease (Section 11.09). The full Lease will be kept on file at the offices of the Authority and Trustee, available for inspection.

Indenture

At or prior to closing, the Authority will execute, deliver and record a Mortgage Trust Indenture, to be dated January 1, 1973, to Northwestern National Bank of Minneapolis, as Trustee, to secure the Bonds. By the Granting Clauses, the Authority will mortgage, pledge and assign to the Trustee a first lien on the Project land and buildings, Leased Equipment, Grant Agreement, the Lease (except for the Authority's rights to Additional Rent), Project net revenues and Accounts funds and investments. Under the Indenture and corresponding provisions of the Lease, except for capitalized interest and debt service reserves, all Bond proceeds are to be deposited in the Construction Account (Section 4.01), to be disbursed by the Trustee for Project cost payments or reimbursements (Section 4.02), pursuant to certification of the Authorized Authority Representative, Authorized Institution Representative, and/or Project Supervisor, as specified (Section 4.03).

All revenues and income of the Project realized by the Authority must be deposited in the Revenue Fund Account (Section 5.01) and applied in order to the Bond and Interest Sinking Fund Account for Bond principal and interest (Section 5.02), to the Operation and Maintenance Account to pay operating expenses if the College is in default under the Lease (Section 5.03), to the Debt Service Reserve Account if necessary to restore the Debt Service Reserve (Section 5.04), to the Repair and Replacement Reserve Account to create and restore the Repair and Replacement Reserve (Section 5.05) and to the Redemption Account to redeem or purchase outstanding Bonds if all other Account balances are in the required amounts (Section 5.06). Funds in the Debt Service Reserve Account, Repair and Replacement Reserve Account and Redemption Account are required to be used, if necessary, to pay Bond principal and interest when due. Funds in those Accounts and the Bond and Interest Sinking Fund Account may be invested (Section 5.07) in direct obligations of the United States Government, certificates of deposit or time deposits secured by direct obligations of the United States Government and in securities issued by the following agencies of the United States: Banks for Cooperatives, Federal Home Loan Banks, Federal Intermediate Credit Banks, Federal Land Banks and the Federal National Mortgage Association. Funds in the Construction Account may be temporarily invested (Section 4.04) in direct obligations of the United States or certificates of deposit or time deposits secured by such direct obligations. All investments will be limited as necessary as to amount or yield under the arbitrage provisions of Section 103 (d) of the Internal Revenue Code and regulations thereunder.

In the Indenture, the Authority covenants to pay the Bonds from Project Revenues and Income (Section 6.01), to pay lawful charges imposed on the Project (Section 6.05), to complete and operate and maintain the Project (Sections 6.06, 6.07), not to sell or encumber the Project (Section 6.09), to establish rental rates and regulations for Project operations (Section 6.11), to maintain insurance (Sections 6.12 to 6.14), to repair and reconstruct in event of damage or condemnation (Section 6.15), to maintain proper books and records and submit an annual report to the Trustee (Section 6.17), and to observe those and all other covenants and terms set forth in the Indenture and Bonds (Section 6.19). Under the Act, however, and in the Indenture it is agreed that, the Authority has no obligation to make any advance or payment or incur any expense or liability from its general funds in performing any of the conditions, covenants or requirements of the Indenture, from any funds other than Revenues and Income of the Project or Bond proceeds or (to the extent provided in the General Bond Resolution) from the General Bond Reserve Account; and the Authority shall incur no liability for failure to perform any such conditions, covenants and requirements for lack of funds provided the Authority shall have furnished the Trustee a Certificate and an Opinion of Counsel (Section 6.19).

In event of default, as defined (Section 7.01), the Trustee is authorized to accelerate the maturity of the Bonds (Section 7.02), sue to enforce the Indenture's covenants in its discretion or at direction of holders of 25% of the outstanding Bonds (Section 7.03), enter and operate the Project (Sections 7.04, 7.05), obtain appointment of a receiver (Section 7.06) and apply for a court order to hold a mortgage foreclosure sale (Section 7.07). Holders of a majority in amount of outstanding Bonds have the right to direct the proceedings by the Trustee, in accordance with law and the Indenture (Section 7.18) upon indemnifying the Trustee (Sections 7.02, 7.19, 8.06), suits by Bondholders being limited unless the Trustee has been requested and has failed to act (Section 7.19). Defaults (except payment of Bond principal) may be waived, if all interest in arrears has been paid, upon approval of holders of 51% of outstanding Bonds (Section 7.20).

The Trustee has no responsibility to use its own funds under the Indenture (Sections 8.01, 8.04) but it and the Authority may make advances, at 8% (Section 8.12, Lease Section 9.05), which are given priority of payment. The responsibilities of the Trustee prior to a known 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 (Sections 8.01, 8.07). The Trustee and its officers and directors are authorized to acquire and hold Bonds and otherwise deal with the Authority or the College to the same extent as if it were not Trustee (Section 8.15). Provision is made for succession or replacement of the Trustee by another corporate Trustee with a place of business in Minnesota and minimum capital and surplus of \$1,000,000 (Section 8.16), in event of merger (Section 8.17), resignation or removal by holders of a majority of outstanding Bonds (Section 8.18) or, in event of disability, by the Authority or a court (Section 8.19).

Provisions are made for technical amendments of the Lease and the Indenture with the consent of the Trustee (Sections 6.08, 11.01) and in other cases with the consent of the holders of 65% of outstanding Bonds (Sections 6.08, 11.04), provided that the maturity

dates, rates of interest, lien priority and equality cannot be changed without the consent of all Bondholders. Additional Bonds can be issued, on a parity with the Bonds, if necessary to complete the Project or, with the consent of the holders of 65% of outstanding Bonds, to provide for Project improvements, alterations, repair or replacement (Section 2.10). Bondholder approval or action may be given in writing (Section 9.01) or at a meeting (Section 9.04).

General Bond Resolution; Series Resolution

At its meeting held October 31, 1972, the Authority adopted a General Bond Resolution establishing a General Bond Reserve Account in a qualified bank or banks (2a) to provide additional security for the Authority's bonds to be issued, from time to time, including the Bonds (1). Under the General Bond Resolution there must be deposited into the General Bond Reserve Account 20% of the probable net average annual debt service requirements of each issue of bonds to be secured by the General Bond Reserve Account (after deducting amounts of annual debt service to be paid by the Government under the Grant Agreement), together with the moneys received by the Authority as consideration for the exercise of lease options, as other net proceeds of sale of Project facilities, or as excess net revenues of Project operations and certain other funds except to the extent such moneys and funds are pledged to the Trustee under a particular indenture or are otherwise restricted (2b). Such moneys may be invested in authorized securities, but limited as to amount and yield of investment so that none of the outstanding bonds of the Authority shall be deemed "arbitrage bonds" under the Internal Revenue Code (2c). When an Institution has provided for the payment of its Bonds, it is entitled to a rebate of its contributions to the General Bond Reserve Account from Bond proceeds, together with its share of investment earnings, less a proportionate charge for unrecovered advances made to pay principal or interest on any bonds secured by the General Bond Reserve Account (2e). In the event the funds and investments in the General Bond Reserve Account exceed the amount of principal and interest secured by the Account to come due in any year, the excess may be withdrawn and rebated to the Authority and the Institutions (2f).

Whenever the principal of or interest on any bonds secured by the General Bond Reserve Account (including the Bonds) shall become due, the Authority pledges to the several trustees for the bondholders (including the Trustee) that it will advance from the General Bond Reserve Account amounts sufficient to pay such principal and interest (2d). For such purpose, principal becomes due only at its stated maturity date, whether or not accelerated by call for redemption or event of default, unless the Authority determined, in its discretion, to make the advance prior to the scheduled maturity date. All advances bear interest and are given priority of payment (2d, Indenture Section 5.08, Lease Section 4.01). Neither the Trustee nor the Bondholders have any right to possession or to direct investment or to foreclose any security interest in the General Bond Reserve Account, but only to require advances and observance of the covenants of the General Bond Resolution (2d). Accounting and other determinations by the Authority are binding on the Institution, Trustee and each Bondholder unless made unreasonably or in bad faith or as a result of mistake of fact or mathematical error (2g), including determinations made in a Series Resolution as to the meeting of conditions precedent for the ratable pledge of the General Bond Reserve Account to a series of Authority Bonds (3).

The General Bond Resolution may be amended to cure ambiguities or formal defects or with the consent of the holders of 65% in amount of each series of Authority bonds outstanding and secured by the Account (4). Special series Bonds may be issued by the Authority, in its discretion, not secured or governed by the provisions of the General Bond Resolution (5).

The Series Resolution, to be adopted when the sale of the Bonds is awarded, will provide for the award, the execution and delivery of the Bonds and closing documents, for the amount of Bond proceeds to be deposited with the Authority in the General Bond Reserve Account (20% of the probable net average annual debt service requirement) and with the Trustee in the Bond and Interest Sinking Fund Account for capitalized interest and the Debt Service Reserve Account (80% of the probable net average annual debt service requirement). It specifically pledges the General Bond Reserve Account to the Bonds ratably with other bonds issued or which may be issued and makes the findings required by the General Bond Resolution.

THE COLLEGE

St. Marys College was founded in 1912 at Winona, Minnesota. It is a co-educational four-year college offering the degrees of Bachelor of Arts, Bachelor of Science, Master of Science, and Master of Arts and Teaching. It is a member of the:

American Council on Education
Association of American Colleges
Association of Minnesota Colleges
Christian Brothers Educational Association
Minnesota Private College Council
National Catholic Educational Association

The College is fully accredited by the North Central Association of Colleges and Secondary Schools and is affiliated with the Catholic University of America. It is on the approved list of colleges and universities published by the American Medical Association.

In 1970 the Articles of Incorporation of the College were amended. The management of the Minnesota Corporation is vested in the Board of Trustees, the members of which are the sole members of the corporation. Title to property of the corporation is vested in it but will revert to the Christian Brothers of Minnesota should the corporation be dissolved.

Although the College is commonly referred to as Saint Mary's College, its correct title is St. Marys College.

Enrollments, Past, Present and Projected are:

<u>Academic Year</u>	<u>Enrollment</u>
1967-1968	1,077
1968-1969	1,039
1969-1970	977
1970-1971	992
1971-1972	1,032
1972-1973	1,129
1973-1974	1,225*
1974-1975	1,350*
1975-1976	1,400*
1976-1977	1,500*

*Projected

The College has established an enrollment of 1,500-1,600 as optimum. An increase to this level can be accommodated without major additions to the academic plant. Occupancy of the Project which is the second stage of the College's student housing Village is scheduled for December 1, 1972.

HOUSING NEEDS

By 1974 the College expects that it will need 1,150 single student housing units. It had 780 before the addition of this Project. The school is primarily a residence college. Less than 100 of its students live at home. The location of the College at the edge of the City does not offer satisfactory and sufficient off-campus housing. The College requires that all students reside in campus residence halls unless explicitly exempted by the Dean of Students, however, it is customary to grant seniors exemption upon request. All College operated student housing is currently 100% occupied.

LONG TERM DEBT

	<u>Year of Issue</u>	<u>Original Amount</u>	<u>Final Maturity</u>	<u>Rate</u>	<u>Balance January 2, 1973</u>
I. HUD Bonds					
Purpose:					
Faculty residence and					
Student Dormitory	1957	\$ 760,000	1997	2 3/4%	\$ 517,000
Student Dormitory	1960	350,000	2000	3 1/8%	272,000
Student Dormitory	1965	360,000	2005	3 3/4%	327,000
College Union	1969	500,000	2009	3 %	484,000
Total					<u>\$1,600,000</u>
II. Conventional mortgages					
First National Winona					
(Student apartments)	1972	\$ 350,000	1997	8 1/2%	\$ 347,213
III. Contract for Deed Damian					
Hall	1972	\$ 275,000			\$ 267,000
IV. Coupon Notes	1969	\$1,250,000	1978	Note 2	\$1,250,000
V. Furnishings & Equipment	1972	\$ 55,000	1977		<u>\$ 55,000</u>
Total as of January 2, 1973					<u><u>\$3,519,213</u></u>

See following schedule of principal payments — Items III, IV, V.

- NOTES: 1) Interest cost to St. Marys College — 3%. Balance of 5.5% covered by subsidy grant from HUD.
- 2) Rates vary. See following schedule.

SCHEDULE OF PRINCIPAL PAYMENTS

Item III. Contract for Deed — Damian Hall

Principal payments	\$ 8,000	Paid 1972
	\$ 8,000	July 1, 1973 — No interest
	\$ 16,000	September 1, 1973 — No interest
	\$ 48,000	January 1, 1974 5.75% (\$4,000 quarterly) to January 1, 1977
	\$195,000	January 1, 1977*

Item IV. Coupon Notes (Sold through Keenan and Clary — National City Bank of Minneapolis is Trustee)

<u>Rates:</u>	6.50% 1973-75
	6.75% 1976-77
	7.00% 1978

<u>Maturities:</u>	\$ 40,000 June 1, 1973
	\$ 43,000 June 1, 1974
	\$ 47,000 June 1, 1975
	\$ 52,000 June 1, 1976
	\$ 58,000 June 1, 1977
	\$1,010,000 June 1, 1978

Item V. Principal payment: \$11,000 per year, 1973-1977

*Further provided: 1) Prepayment in full at any time prior to January 1, 1977. 2) On January 1, 1977 or at any time after payment of \$50,000 title may be transferred with balance then due subject to a 10-year promissory note @ 6½%, payable in equal quarterly payments, and subject to a first mortgage on the property held by the Fathers of the Sacred Hearts of Jesus and Mary. Prepayment in full prior to January 1, 1977.

The full faith and credit of the College is pledged for all of the foregoing long term debt. In addition, certain net revenues, exclusive of those pledged for this issue, are pledged for the HUD bonds. The College has covenanted for the Coupon Notes that it will not mortgage any of its property, except to the United States Government; an opinion that this covenant does not apply to this Project will be obtained from the Attorney for the Trustee for the Notes.

The following excerpts have been taken from the Audit Report for the College prepared by its accountants, Bansley and Kiener of Chicago, Illinois, for the year ending May 31, 1972: (Page numbers corresponding to this prospectus have been supplied)

BANSLEY AND KIENER
CERTIFIED PUBLIC ACCOUNTANTS
300 WEST WASHINGTON STREET
CHICAGO, ILLINOIS 60606
AREA CODE 312 263-2700

September 14, 1972

JOLIET OFFICE:
168 NORTH OTTAWA STREET
JOLIET, ILLINOIS 60431
AREA CODE 815 726-7361

Brother George Pahl, F.S.C., President
St. Mary's College
Winona, Minnesota 55987

Dear Brother George:

We have completed an examination of the accounting books
and records of -

"St. Mary's College"
Winona, Minnesota
(A Minnesota Non-Profit Corporation)

for the year ended May 31, 1972 and submit to you herewith our
report.

GENERAL SUMMARY

The net profit from operations of the College for the
year amounted to \$75,921 after deducting capital expenditures of
\$73,962. The previous fiscal period reflected a net loss of
\$25,235 after deducting capital expenditures of \$119,132.

SCOPE OF EXAMINATION

Our work consisted of a review and audit verification of assets, liabilities and reserve accounts at May 31, 1972.

The cash on deposit was satisfactorily reconciled by us to confirmations received directly from the depositories. Petty cash was counted by our representative.

We independently confirmed certain student accounts receivable. No major discrepancies were found.

We confirmed certain of the U.S. Government Student Loan notes receivable. We also made an extensive audit examination of the entire loan fund based upon audit procedures suggested by the Health, Education, and Welfare Department.

A majority of the marketable securities is being supervised and held by the National City Bank of Minneapolis. We examined their reports and confirmed the securities directly with the bank.

Invoices representing accounts payable were inspected by us and, in our opinion, were found to be proper liabilities. Mortgage, note and bond indebtedness were confirmed by direct correspondence.

The examination of the records and supporting information pertaining to the operations of the facilities being financed with U.S. Government loans indicated that the College was not in default in the fulfillment of any of the terms of the Indenture of Mortgage.

COMMENTS ON FINANCIAL CONDITION

CURRENT FUND

The following summary shows a comparison of the current fund at May 31, 1972 and 1971:

<u>A s s e t s</u>	<u>May 31,</u>		<u>Increase or (Decrease)</u>
	<u>1972</u>	<u>1971</u>	
Cash on hand and in bank	\$ 94,245	\$ 58,515	\$ 35,730
Accounts receivable - net	83,089	112,234	(29,145)
Inventories	53,505	47,193	6,312
Prepaid and deferred expenses	16,652	20,080	(3,428)
Investments	9,525	3,213	6,312
Total assets	\$257,016	\$241,235	\$ 15,781
<u>Liabilities and Fund Deficit</u>			
Notes payable - Banks	\$ 13,051	\$ 24,037	\$ (10,986)
Accounts payable - trade	80,243	70,869	9,374
Due to Government	15,506	9,240	6,266
Accounts receivable credit balances and deferred income	64,570	68,395	(3,825)
Accrued expenses	95,830	111,930	(16,100)
Agency funds	158,423	109,083	49,340
Due to other funds	37,043	16,032	21,011
Annuity liability	98,875	108,875	(10,000)
Total liabilities	\$563,541	\$518,461	\$ 45,080
Deficit	(306,525)	(277,226)	(29,299)
Total liabilities and fund deficit	\$257,016	\$241,235	\$ 15,781

CONDENSED COMPARATIVE BALANCE SHEET - ALL FUNDS

The following is a condensed comparative balance sheet
at May 31, 1972 and 1971 of all funds:

<u>A s s e t s</u>	<u>May 31,</u>		<u>Increase or (Decrease)</u>
	<u>1972</u>	<u>1971</u>	
Cash on hand and in bank	\$ 102,053	\$ 65,105	\$ 36,948
Cash and securities restricted - bond and interest sinking funds	168,658	150,588	18,070
Accounts and notes receivable, net of reserve for losses	1,108,939	1,075,330	33,609
Investments - current fund	9,525	3,213	6,312
Endowment investments	59,322	42,690	16,632
Inventories	53,505	47,193	6,312
Land and land improvements	317,047	312,418	4,629
Buildings	6,713,321	6,350,143	363,178
Equipment	2,474,399	2,431,959	42,440
Deferred charges	16,652	20,080	(3,428)
Construction in progress	1,925	-	1,925
Total	\$11,025,346	\$10,498,719	\$ 526,627

Liabilities and Fund Balances

Notes payable - Banks	\$ 13,051	\$ 24,037	\$ (10,986)
Accounts payable and deposits	414,572	369,517	45,055
Annuity liability	98,875	108,875	(10,000)
Note payable to American National	20,000	68,000	(48,000)
Note payable to First National Bank of Winona	405,000	-	405,000
Coupon notes payable - College Center	1,250,000	1,250,000	-
Bonds payable	1,638,000	1,675,000	(37,000)
Due to U.S. Government (Student Loan Program)	930,290	868,670	61,620
Reserve for bond and interest sinking and maintenance funds	168,658	150,588	18,070
Endowment funds	96,365	58,074	38,291
Loan Fund - N.D.S.L. program	103,368	101,664	1,704
Net investment in Plant	6,193,692	6,101,520	92,172
(Deficit) - current fund	(306,525)	(277,226)	(29,299)
Total	\$11,025,346	\$10,498,719	\$ 526,627

REVIEW OF INCOME AND EXPENDITURES

We list the results of operations for the two most recent fiscal years as follows:

	Income	Expense	Net Income or (Loss)	Deduct Capital Outlay	Net Income or (Loss)
Year ended May 31, 1972:					
Educational and general	\$2,404,340	\$2,248,787	\$ 155,553	\$ 50,462	\$ 105,091
Student financial assistance	85,143	279,965	(194,822)	-	(194,822)
Auxiliary Enterprises	1,029,842	840,690	189,152	23,500	165,652
Total	\$3,519,325	\$3,369,442	\$ 149,883	\$ 73,962	\$ 75,921
Year ended May 31, 1971	3,210,793	3,116,896	93,897	119,132	(25,235)
Increase or (decrease)	\$ 308,532	\$ 252,546	\$ 55,986	\$(45,170)	\$ 101,156

The preceding tabulation indicates that the current fiscal year income increased \$308,532. The expenses increased \$252,546 and the capital outlay decreased \$45,170 over the previous year. As a result, the net income for the year increased \$101,156.

The following is an analysis of operations of the College without gifts income:

	Year Ended May 31,	Increase or (Decrease)
	1972	1971
Net income or (loss)	\$ 75,921	\$ (25,235)
Gifts and grants from private sources and fund drive campaign	436,369	463,091
Net loss before gifts	\$(360,448)	\$(488,326)

It should be noted, in the current fiscal year that the College has altered its chart of accounts and report structure; therefore, we do not present comparable statements of income and expense.

ACCOUNTANTS' OPINION

We have examined the balance sheet of -

"St. Mary's College"
Winona, Minnesota

at May 31, 1972 and the related income and expenditure and fund statements for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included various tests of the accounting records and other similar auditing procedures as we considered necessary.

In our opinion, the balance sheet and related statements of income and expenditures and fund transactions present fairly the financial condition of St. Mary's College, Winona, Minnesota at May 31, 1972, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles for colleges and universities. During the current fiscal year ended May 31, 1972 there were certain internal revisions in the composition of the financial accounts which have occasioned certain changes in the accompanying report structure. As a result thereof, the current fiscal year is not consistent with that of the prior year.

Dansley and Kerner

Certified Public Accountants

Chicago, Illinois
September 14, 1972

ST. MARY'S COLLEGEBALANCE SHEETATMAY 31, 1972A S S E T S

Cash in banks and on hand

Receivables:

Students

Brothers' Schools in Province

Sisters of Guadeloupe

Employees

Expenses advanced for Agency Projects

Notes receivable - students

Other

Total

Less: Allowance for doubtful accounts

Inventory - books and kitchen

Investments (at cost):

Current fund

Bambenek

Commingled endowment investments

Haun Student Scholarship Fund

Totals

Sinking and maintenance funds (Schedule A-2):

Cash in bank - sinking

- maintenance and equipment

- savings accounts

Investment in U.S. Government obligations (at cost)

Deferred expense - computer equipment

Due from other funds

Prepaid expenses

Investment in College Plant assets:

Land

Land improvements

Buildings

Furniture, equipment, books and autos

Construction in process

Total assets

	Total	Current Funds	Endowment Funds	U.S. Government Student Loan Fund	Plant Funds
\$ 55,347.63	\$ 102,052.69	\$ 94,245.07	\$ -	\$ 7,807.62	\$ -
4,490.79					
12,292.64					
5,113.62					
3,700.45					
1,025,850.18					
17,254.37					
\$1,124,049.68					
15,110.60					
	1,108,939.08	83,088.90		1,025,850.18	
	53,504.64	53,504.64			
\$ 7,081.75					
1,250.00					
43,430.82					
17,084.40					
	68,846.97	9,524.87	59,322.10		
\$ 1,653.14					
17,937.28					
71,067.21					
78,000.00					
	168,657.63	13,050.66			168,657.63
	37,043.34		37,043.34		
	3,601.07	3,601.07			
\$ 61,266.78					
255,780.57					
6,713,321.73					
2,548,361.26					
1,924.52	9,580,654.86				9,580,654.86
	\$11,136,350.94	\$257,015.21	\$96,365.44	\$1,033,657.80	\$9,749,312.49

ST. MARY'S COLLEGE

BALANCE SHEET

AT
MAY 31, 1972

LIABILITIES AND FUNDS

	Total	Current Funds	Endowment Funds	U.S. Government Student Loan Fund	Plant Funds	Total Fund Balances
Notes payable - Banks						
Accounts payable	\$ 13,050.66	\$ 13,050.66				\$
Due to Government - Work-Study and EOG Programs	80,242.65	80,242.65				
Agency funds:	15,505.96	15,505.96				
Student savings deposits						
Grants-in-aid	\$ 30,799.99					
Student credit balances and deferred income	127,623.18					
Accrued expenses	158,423.17	158,423.17				
Due to other funds	64,570.00	64,570.00				
Note payable - American National Bank of St. Paul	95,829.55	95,829.55				
Notes payable - First National Bank of Winona	37,043.34	37,043.34				
Coupon notes payable - College Center	20,000.00	20,000.00			20,000.00	
Bonds payable:	405,000.00	405,000.00			405,000.00	
Issue of 1957	1,250,000.00				1,250,000.00	
Issue of 1960						
Issue of 1965						
College Center						
Annuity liability	1,638,000.00				1,638,000.00	
Endowment and loan funds -	98,875.00	98,875.00				
permanently restricted						
Fund balance or (deficit)	1,127,383.82		93,726.02	1,033,657.80		1,127,383.82
	6,132,426.79	(306,525.12)	2,639.42		6,436,312.49	6,132,426.79
Total liabilities and funds	\$11,136,350.94	\$257,015.21	\$96,365.44	\$1,033,657.80	\$9,749,312.49	\$7,259,810.61

Schedule A-3

ST. MARY'S COLLEGESTATEMENT OF CURRENT FUND INCOME
FOR THE YEARS ENDED MAY 31, 1972 AND 1971

	<u>Year Ended May 31,</u>	
	<u>1972</u>	<u>1971</u>
EDUCATIONAL AND GENERAL:		
Student tuition and fees (Schedule C-1)	\$1,675,209.35	\$1,496,720.46
Gifts and grants from private sources, allocated to current expenditures (Schedule C-2)	423,850.22	446,931.09
Sponsored programs and research (Schedule C-3)	232,360.74	231,229.95
Other income (Schedule C-4)	72,919.86	89,758.83
Total Educational and General (To Exhibit B)	<u>\$2,404,340.17</u>	<u>\$2,264,640.33</u>
STUDENT FINANCIAL ASSISTANCE:		
Federal programs (Schedule C-3)	\$ 70,304.80	\$ 55,454.90
Endowment income (Schedule C-5)	2,319.45	1,086.00
Private gifts and grants (Schedule C-2)	12,518.92	16,160.00
Total Student Financial Assistance (To Exhibit B)	<u>\$ 85,143.17</u>	<u>\$ 72,700.90</u>
AUXILIARY ENTERPRISES:		
Food service revenue (Schedule D-8)	\$ 426,383.13	\$ 388,571.84
Snack Bar (Schedule D-8)	21,394.59	27,314.46
College housing (Schedule D-7)	455,617.71	340,308.84
College bookstore (Schedule D-9)	126,446.67	117,256.54
Total Auxiliary Enterprises (To Exhibit B)	<u>\$1,029,842.10</u>	<u>\$ 873,451.68</u>
Total current fund income	<u>\$3,519,325.44</u>	<u>\$3,210,792.91</u>

ST. MARY'S COLLEGESCHEDULE OF TUITION AND FEES
FOR THE YEARS ENDED MAY 31, 1972 AND 1971

	<u>Year Ended May 31,</u>	
	<u>1972</u>	<u>1971</u>
TUITION:		
Regular session	\$1,527,108.86	\$1,356,606.25
Summer session	47,969.00	48,891.00
Total tuition	<u>\$1,575,077.86</u>	<u>\$1,405,497.25</u>
FEES:		
College Center fees	\$ 50,063.00	\$ 50,757.00
Admission fees	7,401.00	7,380.00
Commencement fees	4,010.00	3,160.00
Laboratory and special courses fees	20,506.75	15,575.12
Other fees	<u>18,150.74</u>	<u>14,351.09</u>
Total fees	<u>\$ 100,131.49</u>	<u>\$ 91,223.21</u>
Total tuition and fees (To Exhibit C)	<u>\$1,675,209.35</u>	<u>\$1,496,720.46</u>

ST. MARY'S COLLEGE

SCHEDULE OF INCOME FROM GIFTS AND GRANTS
FOR THE YEAR ENDED MAY 31, 1972

	<u>Year Ended May 31, 1972</u>		
	<u>Total</u>	<u>Current Operations</u>	<u>Student Financial Aid</u>
Minnesota Private College Fund (net of expense)	\$ 61,245.60	\$ 60,245.60	\$ 1,000.00
Living endowment	65,197.78	56,937.78	8,260.00
Advancement campaign	107,081.36	103,822.44	3,258.92
YMCA Joint campaign	30,393.11	30,393.11	
Minnesota State aid	7,000.00	7,000.00	
Deferred gifts	12,624.40	12,624.40	
Return of faculty salaries	152,826.89	152,826.89	
Total (To Exhibit C)		<u>\$423,850.22</u>	<u>\$12,518.92</u>
Grand total	\$436,369.14		
	<u>(A)</u>		

(A) The above amount does not include restricted gifts and grants received during the current fiscal year. These amounts are reflected in their proper classifications in the balance sheet.

ST. MARY'S COLLEGE

SCHEDULE OF AUXILIARY ENTERPRISES EXPENDITURES
FOR THE YEARS ENDED MAY 31, 1972 AND 1971

COLLEGE HOUSING

	St. Edward Hall	Skemp Hall	St. John Baptist De laSalle Hall	Benilde Hall	Student Village	Total College Housing	Total Year Ended May 31, 1972	Total Expenditures Year Ended May 31, 1972	Total Year Ended May 31, 1971
INCOME:									
Room rent, student	\$56,500.00	\$59,400.00	\$ 7,500.00	\$58,500.00	\$65,325.00	\$208,392.71	\$ 455,617.71		\$ 340,308.84
EXPENSE:									
Salaries and wages:									
Salaries - lay personnel	\$11,035.30	\$ 6,163.59	\$ 6,075.13	\$11,990.81	\$ 2,591.23	\$ 45,729.36	\$ 83,585.42		\$ 55,900.50
Student wages	2,800.00	4,200.00	-	2,800.00	3,493.60	12,950.00	26,243.60		19,784.00
Sub-total	\$13,835.30	\$10,363.59	\$ 6,075.13	\$14,790.81	\$ 6,084.83	\$ 58,679.36	\$ 109,829.02		\$ 75,684.50
Other expense:									
Heat	2,027.55	3,883.77	2,464.82	2,315.53	2,378.29	19,373.16	32,443.12		23,333.67
Light, power and water	1,670.40	3,671.21	1,945.74	1,991.63	4,496.65	10,887.67	24,663.30		14,214.62
Insurance	1,107.77	1,660.12	1,440.40	1,110.82	949.08	6,341.44	12,609.63		5,233.36
Repairs and maintenance:									
Building	5,688.65	3,273.23	1,836.09	6,125.29	438.85	10,826.71	28,188.82		49,966.72
Equipment	85.96	400.04	290.80	-	189.87	684.03	1,650.70		5,179.44
Professional service	426.72	85.00	426.73	170.00	678.00	-	1,786.45		869.18
Other supplies	9.50	59.90	52.16	9.75	271.41	3,466.23	3,868.95		3,218.89
Telephone	-	47.38	-	-	-	305.56	352.94		391.82
Total expense	\$24,851.85	\$23,444.24	\$14,531.87	\$26,513.83	\$15,486.98	\$110,564.16	\$ 215,392.93	\$ 215,392.93	\$ 178,092.20
Net income or (loss)	\$31,648.15	\$35,955.76	\$(7,031.87)	\$31,986.17	\$49,838.02	\$ 97,828.55	\$ 240,224.78		\$ 162,216.64
EQUIPMENT PURCHASES	639.42	327.51	-	602.00	108.02	21,823.39	23,500.34	23,500.34	20,710.62
Excess of income or (expenditures) before interest									
	\$31,008.73	\$35,628.25	\$(7,031.87)	\$31,384.17	\$49,730.00	\$ 76,005.16	\$ 216,724.44	\$ 238,893.27	\$ 141,506.02
INTEREST (Note A)	14,941.65	8,846.32	-	10,095.00	8,672.13	-	42,555.10	42,555.10	34,703.65
Excess of income or (expenditures)	\$16,067.08	\$26,781.93	\$(7,031.87)	\$21,289.17	\$41,057.87	\$ 76,005.16	\$ 174,169.34	\$ 281,448.37	\$ 106,802.37

Note:

(A) Interest on residence hall and Student Center bonds are charged against Auxiliary Enterprises for the year ended May 31, 1972.

PARITY BONDS

The Authority may issue additional Bonds to provide funds to complete the Project which Bonds will be on a parity with this issue. In the event of such issuance additional Base Rentals and related provisions will be required. Additional parity Bonds may also be issued to provide for Project improvement, alteration, repair or replacement with the consent of the holders of 65% of outstanding Bonds.

REDEMPTION

Article III of the Mortgage Trust Indenture provides in part:

“Section 3.01 Redemption of Bonds. The Bonds shall be subject to redemption, prior to maturity and at the option of the Authority as follows:

Bonds maturing on or before January 1, 1989 are noncallable, except to the extent and in the circumstances provided in Section 10.02 of the Lease or as provided in Section 6.15 hereof. Bonds maturing January 1, 1990 through January 1, 1998, inclusive, may be called at the option of the Authority prior to the stated maturities hereof, in whole or in part and in inverse chronological and numerical order, on any interest payment date on or after January 1, 1989 upon at least thirty days' prior notice, at the principal amount thereof, plus accrued interest to the date of redemption. All Bonds are subject to redemption at par and accrued interest on any interest payment date, as a whole but not in part, in case of damage, destruction or taking of the Project to the extent provided in Section 6.15 hereof and in case of the Institution's exercise of its option to purchase pursuant to Section 10.02 of the Lease.

Notice of any such redemption shall be published in a financial journal at least once, or shall be mailed, not more than sixty days nor less than thirty days before the date fixed for such payment in the form provided by Section 3.02 and in the manner and to the extent required by Section 3.03. Prior to the date fixed for redemption, funds shall be deposited with the Trustee sufficient to pay the Bonds called and accrued interest thereon, plus any premium required. Upon the happening of the above conditions, 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.”

Section 6.15 of the Mortgage Trust Indenture and Section 10.02 of the Lease provide for redemption of all bonds at any time at par in the event of substantial damage or damage to the facilities of the Project to the extent they are not operatable.

REGISTRATION OF BONDS

These Bonds may be registered as to principal only, or as to both principal and interest. If a Bond is registered as to both principal and interest it may be reconverted into a Coupon Bond at the request and expense of the registered owner.

LEGAL OPINION

The issuance and sale of the Bonds shall be subject to the delivery of the approving legal opinion of Messrs. Faegre & Benson as Bond Counsel to the Authority, the Institution, the Trustee and the purchaser of the Bonds to the effects that (i) the Authority has authority under the Act to issue the Bonds, to acquire and lease the Project to the Institution and to execute and deliver the Indenture to secure the Bonds, (ii) the Bonds, the Deed, the Lease and the Indenture have been duly authorized by all necessary proceedings and duly executed and delivered, (iii) the Bonds, the Lease and the Indenture are valid and binding instruments in accordance with their terms, (iv) the Indenture provides a valid and direct first mortgage lien on the Project subject only to the Lease and encumbrances permitted by the Indenture, (v) the Grant Agreement is the valid and binding obligation of the United States of America to provide interest subsidy on the Bonds and (vi) the interest on the Project Bonds is exempt from Federal and Minnesota state income taxes (other than Minnesota corporate franchise taxes measured by income) under present laws and rulings.

LITIGATION

The College reports that there is not litigation pending or threatened of which it is aware which in its judgment would impair its right to enter into a Lease with the Authority, or, the security of the Bonds.

INFORMATIONAL MEETING

All firms interested in bidding on this issue are invited to attend an informational meeting at the offices of the Minnesota Higher Education Facilities Authority, 278 Metro Square Building, Seventh and Robert, St. Paul, Minnesota, on Tuesday, November 21, 1972, at 3:00 P.M. The Executive Director of the Authority, Representatives of the College, Bond Counsel and the Fiscal Consultant will be available to answer questions.

—Notes—

