**ADDENDUM DATED APRIL 17, 1998**
**TO OFFICIAL STATEMENT DATED APRIL 2, 1998**

**NEW ISSUE** | **Moody's Rating: A3**

# $15,000,000

# Minnesota Higher Education Facilities Authority

## Revenue Bonds, Series Four-R
## (St. Olaf College)

### Schedule of Maturity Dates, Principal Amounts and Interest Rates

| Maturity | Amount | Interest Rate | Maturity | Amount | Interest Rate |
|---|---|---|---|---|---|
| April 1, 2000 | $125,000 | 4.00% | April 1, 2008 | $170,000 | 4.60% |
| October 1, 2000 | $125,000 | 4.00% | October 1, 2008 | $170,000 | 4.60% |
| April 1, 2001 | $125,000 | 4.10% | April 1, 2009 | $175,000 | 4.70% |
| October 1, 2001 | $125,000 | 4.10% | October 1, 2009 | $180,000 | 4.70% |
| April 1, 2002 | $130,000 | 4.20% | April 1, 2010 | $185,000 | 4.80% |
| October 1, 2002 | $135,000 | 4.20% | October 1, 2010 | $185,000 | 4.80% |
| April 1, 2003 | $135,000 | 4.25% | April 1, 2011 | $195,000 | 4.90% |
| October 1, 2003 | $140,000 | 4.25% | October 1, 2011 | $200,000 | 4.90% |
| April 1, 2004 | $140,000 | 4.30% | April 1, 2012 | $200,000 | 5.00% |
| October 1, 2004 | $145,000 | 4.30% | October 1, 2012 | $210,000 | 5.00% |
| April 1, 2005 | $145,000 | 4.40% | April 1, 2013 | $210,000 | 5.05% |
| October 1, 2005 | $150,000 | 4.40% | October 1, 2013 | $215,000 | 5.05% |
| April 1, 2006 | $155,000 | 4.50% | April 1, 2014 | $225,000 | 5.10% |
| October 1, 2006 | $155,000 | 4.50% | October 1, 2014 | $230,000 | 5.10% |
| April 1, 2007 | $160,000 | 4.55% | April 1, 2015 | $235,000 | 5.15% |
| October 1, 2007 | $165,000 | 4.55% | October 1, 2015 | $240,000 | 5.15% |

**The Serial Bonds are being reoffered at par.**

$1,585,000 5.20% Term Bond due October 1, 2018 at Par.
$3,250,000 5.25% Term Bond due October 1, 2023 at Par.
$4,685,000 5.25% Term Bond due October 1, 2029 at 5.30%.

An underwriting syndicate managed by Piper Jaffray Inc. with co-managers U.S. Bancorp Investments, Inc. and Norwest Investment Services, Inc. and members John G. Kinnard & Company, Incorporated, Gruntal & Co., Inc., Miller & Schroeder Financial, Inc., Miller, Johnson & Kuehn, Inc., and Dougherty Summit Securities LLC has agreed to purchase the Bonds from the Authority for an aggregate price of $14,799,450.30, plus accrued interest to the date of delivery. It is expected that the Bonds will be available for delivery on or about May 6, 1998.

*Note: Please replace Appendix III in the Official Statement with the attached revised Appendix III.*

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THIS ADDENDUM IS INCORPORATED BY REFERENCE AS OF THE DATE HEREOF INTO THE OFFICIAL STATEMENT OF THE AUTHORITY DATED APRIL 2, 1998, WITH RESPECT TO THE BONDS. TAKEN IN CONJUNCTION WITH SAID OFFICIAL STATEMENT, THIS ADDENDUM SHALL CONSTITUTE A "FINAL OFFICIAL STATEMENT" OF THE AUTHORITY WITH RESPECT TO THE BONDS AS THAT TERM IS DEFINED IN RULE 15c2-12 OF THE SECURITIES AND EXCHANGE COMMISSION.

## Original Issue Discount

The dollar amount of the initial offering price to the public of the Bonds with a stated maturity of October 1, 2029 (the "Discount Bonds") is less than the principal amount of Bonds of such maturity. The difference between the initial public offering price of each such Discount Bond (assuming a substantial amount of the Discount Bonds is sold at such price) and its principal amount represents original issue discount. Under existing laws, regulations, rulings and decisions, Bond Counsel is of the opinion with respect to the Discount Bonds that the amount of original issue discount constitutes tax-exempt interest to the extent that it is deemed to accrue to an owner for federal and State of Minnesota income tax purposes (other than Minnesota corporate franchise taxes measured by taxable income and the alternative minimum tax base). Original issue discount is deemed to accrue for such purposes on the basis of a constant yield to maturity taking into account semiannual compounding. The amount of original issue discount that accrues during any accrual period to a holder of a Discount Bond who acquires the Discount Bond in this offering generally equals (i) the issue price of such Discount Bond plus the amount of original issue discount accrued in all prior accrual periods, multiplied by (ii) the yield to maturity of such Discount Bond (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period), less (iii) any interest payable on such Discount Bond during such accrual period. The amount of original issue discount so accrued in a particular accrual period will be considered to be received ratably on each day of the accrual period, will be excluded from gross income for federal income tax purposes to the same extent as stated interest and will increase the holder's tax basis in such Discount Bond. Any gain realized by a holder from a sale, exchange, payment or redemption of a Discount Bond would be treated as gain from the sale or exchange of such Discount Bond.

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

## Term Bonds

Mandatory Redemption

Bonds maturing on October 1, 2018, October 1, 2023 and October 1, 2029 (the "2018 Term Bond", the "2023 Term Bond", and the "2029 Term Bond", respectively) shall be called for redemption on April 1 and October 1 in the years shown below, 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 amounts set forth below.

| 2018 Term Bond | | 2023 Term Bond | | 2029 Term Bond | |
|---|---|---|---|---|---|
| Maturity | Amount | Maturity | Amount | Maturity | Amount |
| April 1, 2016 | $250,000 | April 1, 2019 | $290,000 | April 1, 2024 | $370,000 |
| October 1, 2016 | $255,000 | October 1, 2019 | $295,000 | October 1, 2024 | $380,000 |
| April 1, 2017 | $260,000 | April 1, 2020 | $305,000 | April 1, 2025 | $395,000 |
| October 1, 2017 | $265,000 | October 1, 2020 | $310,000 | October 1, 2025 | $405,000 |
| April 1, 2018 | $275,000 | April 1, 2021 | $320,000 | April 1, 2026 | $410,000 |
| October 1, 2018 | $280,000 | October 1, 2021 | $330,000 | October 1, 2026 | $425,000 |
| | | April 1, 2022 | $335,000 | April 1, 2027 | $435,000 |
| | | October 1, 2022 | $345,000 | October 1, 2027 | $450,000 |
| | | April 1, 2023 | $355,000 | April 1, 2028 | $460,000 |
| | | October 1, 2023 | $365,000 | October 1, 2028 | $475,000 |
| | | | | April 1, 2029 | $480,000 |

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.

Each Term Bond, to be retired pursuant to the mandatory redemption obligations set forth above, may, at the option of the College, be reduced by the principal amount of any Bonds of such term 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.

**Sinking Fund Subaccount For Each Term Bond**

A separate Sinking Fund Subaccount will be maintained within the Bond and Interest Sinking Fund Account for the retirement of each Term Bond 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.

**APPENDIX III**

## ANNUAL REPORT INFORMATION

The Annual Report Date will be 270 days after each fiscal year end, commencing with the fiscal year ended May 31, 1998. 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 Enrollment of New First-Year Students
      - Geographic Distribution of Entering First-Year Students
      - Student Retention
      - Tuition and Fees
      - Financial Aid
      - Faculty and Staff

   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.

# OFFICIAL STATEMENT DATED APRIL 2, 1998

**NEW ISSUE**

**Rating: Requested from Moody's Investors Service**

*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" herein.)*

# $15,000,000
# Minnesota Higher Education Facilities Authority
## Revenue Bonds, Series Four-R
## (St. Olaf College)

**(Book Entry Only)**

**Dated Date: May 1, 1998**

**Interest Due: April 1 and October 1, commencing October 1, 1998**

The Bonds will mature on April 1 and October 1 as follows:

| Maturity | Amount | Maturity | Amount | Maturity | Amount |
|---|---|---|---|---|---|
| April 1, 2000 | $125,000 | April 1, 2010 | $185,000 | April 1, 2020 | $305,000 |
| October 1, 2000 | $125,000 | October 1, 2010 | $185,000 | October 1, 2020 | $310,000 |
| April 1, 2001 | $125,000 | April 1, 2011 | $195,000 | April 1, 2021 | $320,000 |
| October 1, 2001 | $125,000 | October 1, 2011 | $200,000 | October 1, 2021 | $330,000 |
| April 1, 2002 | $130,000 | April 1, 2012 | $200,000 | April 1, 2022 | $335,000 |
| October 1, 2002 | $135,000 | October 1, 2012 | $210,000 | October 1, 2022 | $345,000 |
| April 1, 2003 | $135,000 | April 1, 2013 | $210,000 | April 1, 2023 | $355,000 |
| October 1, 2003 | $140,000 | October 1, 2013 | $215,000 | October 1, 2023 | $365,000 |
| April 1, 2004 | $140,000 | April 1, 2014 | $225,000 | April 1, 2024 | $370,000 |
| October 1, 2004 | $145,000 | October 1, 2014 | $230,000 | October 1, 2024 | $380,000 |
| April 1, 2005 | $145,000 | April 1, 2015 | $235,000 | April 1, 2025 | $395,000 |
| October 1, 2005 | $150,000 | October 1, 2015 | $240,000 | October 1, 2025 | $405,000 |
| April 1, 2006 | $155,000 | April 1, 2016 | $250,000 | April 1, 2026 | $410,000 |
| October 1, 2006 | $155,000 | October 1, 2016 | $255,000 | October 1, 2026 | $425,000 |
| April 1, 2007 | $160,000 | April 1, 2017 | $260,000 | April 1, 2027 | $435,000 |
| October 1, 2007 | $165,000 | October 1, 2017 | $265,000 | October 1, 2027 | $450,000 |
| April 1, 2008 | $170,000 | April 1, 2018 | $275,000 | April 1, 2028 | $460,000 |
| October 1, 2008 | $170,000 | October 1, 2018 | $280,000 | October 1, 2028 | $475,000 |
| April 1, 2009 | $175,000 | April 1, 2019 | $290,000 | April 1, 2029 | $480,000 |
| October 1, 2009 | $180,000 | October 1, 2019 | $295,000 | | |

Proposals for the Bonds may contain a maturity schedule providing for a combination of serial bonds and term bonds, provided that no serial bond may mature on or after the first mandatory sinking fund redemption date of any term bond. All term bonds shall be subject to mandatory sinking fund redemption and must conform to the maturity schedule set forth above at a price of par plus accrued interest to the date of redemption.

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

The Bonds are special obligations of the Authority payable solely from Loan Repayments made by or on behalf of St. Olaf College, Northfield, Minnesota (the "College") pursuant to a Loan Agreement between the Authority and the College, or out of other amounts pledged pursuant to the Indenture as described herein. The Loan Repayments will be a general obligation of the College.

Prior to the award of sale of the Bonds, the Bonds will have been registered for sale at a price not greater than 105% with the Securities Division, Department of Commerce, State of Minnesota, pursuant to Chapter 80A, Minnesota Statutes; however, the initial Purchaser of the Bonds shall be required to provide a schedule of reoffering prices and yields with respect to the Bonds and shall agree not to sell (but may offer) any of the Bonds to Minnesota buyers at a price greater than 105% until the Bonds have been re-registered for sale at such higher price by the Department of Commerce, as more fully provided in the Terms and Conditions of Contract of Sale.

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 subject to the approval of legality by Faegre & Benson LLP, Minneapolis, Minnesota, Bond Counsel. Certain legal matters will be passed upon for the College by Gray, Plant, Mooty, Mooty & Bennett, P.A., Minneapolis, Minnesota and Schmitz & Ophaug of Northfield, Minnesota. Bonds are expected to be available for delivery on or about May 6, 1998.

**PROPOSALS RECEIVED: April 14, 1998 (Tuesday) at 11:00 A.M., Central Time**
**AWARD: April 14, 1998 (Tuesday) at 2:00 P.M., Central Time**

**SPRINGSTED**
*Public Finance Advisors*

Further information may be obtained from SPRINGSTED Incorporated, Financial Advisor to the Issuer, 85 East Seventh Place, Suite 100, Saint Paul, Minnesota 55101-2887 (612) 223-3000

For purposes of compliance with Rule 15c2-12 of the Securities and Exchange Commission, this document, as the same may be supplemented or corrected by the Authority from time to time (collectively, the "Official Statement"), may be treated as an Official Statement with respect to the Bonds described herein that is deemed final as of the date hereof (or of any such supplement or correction) by the Authority, except for the omission of certain information referred to in the succeeding paragraph.

The Official Statement, when further supplemented by an addendum or addenda specifying the maturity dates, principal amounts and interest rates of the Bonds, together with any other information required by law, shall constitute a "Final Official Statement" of the Authority with respect to the Bonds, as that term is defined in Rule 15c2-12. Any such addendum shall, on and after the date thereof, be fully incorporated herein and made a part hereof by reference.

By awarding the Bonds to any underwriter or underwriting syndicate submitting a Proposal therefor, the Authority agrees that, no more than seven business days after the date of such award, it shall provide without cost to the senior managing underwriter of the syndicate to which the Bonds are awarded copies of the Official Statement and the addendum or addenda described in the preceding paragraph in the amount specified in the Terms of Proposal.

The Authority designates the senior managing underwriter of the syndicate to which the Bonds are awarded as its agent for purposes of distributing copies of the Final Official Statement to each Participating Underwriter. Any underwriter delivering a Proposal with respect to the Bonds agrees thereby that if its bid is accepted by the Authority (i) it shall accept such designation and (ii) it shall enter into a contractual relationship with all Participating Underwriters of the Bonds for purposes of assuring the receipt by each such Participating Underwriter of the Final Official Statement.

No dealer, broker, salesman or other person has been authorized by the Authority or the College to give any information or to make any representations with respect to the Bonds, other than as contained in the Official Statement or the Final Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the Authority. Certain information contained in the Official Statement and the Final Official Statement may have been obtained from sources other than records of the Authority and, while believed to be reliable, is not guaranteed as to completeness or accuracy. THE INFORMATION AND EXPRESSIONS OF OPINION IN THE OFFICIAL STATEMENT AND THE FINAL OFFICIAL STATEMENT ARE SUBJECT TO CHANGE, AND NEITHER THE DELIVERY OF THE OFFICIAL STATEMENT OR THE FINAL OFFICIAL STATEMENT NOR ANY SALE MADE UNDER EITHER SUCH DOCUMENT SHALL CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE AUTHORITY OR THE COLLEGE SINCE THE DATE THEREOF.

References herein to laws, rules, regulations, resolutions, agreements, reports and 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 to the Official Statement or the Final Official Statement, they will be furnished on request.

## 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 |
| Jack Amundson | CPA, Partner, Larson, Allen, Weishair & Co., LLP, St. Cloud, Minnesota |
| Dr. Kathryn Balstad Brewer | Independent Scholar; New Brighton, Minnesota; Formerly Senior Vice President With FBS Investment Services, Inc. |
| 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

## TABLE OF CONTENTS


| | Page(s) |
|---|---|
| Terms of Proposal | i-v |
| Schedule of Bond Years | vi |
| | |
| Introductory Statement | 1-2 |
| Risk Factors | 2-3 |
| Continuing Disclosure | 4 |
| The Bonds | 5-7 |
| Estimated Sources and Uses of Funds | 8 |
| Purpose of the Issue | 8-9 |
| Summary of Security for the Bonds | 9-12 |
| Accounts | 12-14 |
| The Authority | 14-15 |
| Financial Advisor | 15 |
| Rating | 16 |
| Litigation | 16 |
| Legality | 16 |
| Tax Exemption | 16-17 |
| Not Qualified Tax-Exempt Obligations | 17 |
| | |
| The College | Appendix I |
| Proposed Form of Legal Opinion | Appendix II |
| Continuing Disclosure Agreement | Appendix III |
| Definition of Certain Terms | Appendix IV |
| Summary of Documents | Appendix V |
| Audited Financial Statements For Fiscal Years Ended May 31, 1997, 1996 and 1995 | Appendix VI |
| | |
| Proposal Forms | Inserted |

**THE AUTHORITY HAS AUTHORIZED SPRINGSTED INCORPORATED TO NEGOTIATE THIS ISSUE ON ITS BEHALF. PROPOSALS WILL BE RECEIVED ON THE FOLLOWING BASIS:**

## TERMS OF PROPOSAL

## $15,000,000
## MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY
## REVENUE BONDS, SERIES FOUR-R
## (ST. OLAF COLLEGE)

(BOOK ENTRY ONLY)

Proposals for the Bonds will be received by J. Luther Anderson, Executive Director, Minnesota Higher Education Facilities Authority (the "Authority") or his duly appointed representative on Tuesday, April 14, 1998, until 11:00 A.M., Central Time, at Suite 450, Galtier Plaza, 175 East Fifth Street, Saint Paul, Minnesota 55101, telephone (612) 296-4690, after which time they will be opened and tabulated. Consideration for award of the Bonds will be by the Executive Director of the Authority not later than 2:00 P.M., Central Time, of the same day.

### SUBMISSION OF PROPOSALS

Proposals may be submitted in a sealed envelope or by fax (612) 223-3002 to Springsted. Signed Proposals, without final price or coupons, may be submitted to Springsted prior to the time of sale. The prospective purchaser shall be responsible for submitting to Springsted the final Proposal price and coupons, by telephone (612) 223-3000 or fax (612) 223-3002 for inclusion in the submitted Proposal. Springsted will assume no liability for the inability of the proposer to reach Springsted prior to the time of sale specified above.

### DETAILS OF THE BONDS

The Bonds will be dated May 1, 1998, as the date of original issue, and will bear interest payable on April 1 and October 1 of each year, commencing October 1, 1998. Interest will be computed on the basis of a 360-day year of twelve 30-day months.

The Bonds will mature April 1 and October 1 in the years and amounts as follows:

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| April | 2000 | $125,000 | April | 2010 | $185,000 | April | 2020 | $305,000 |
| October | 2000 | $125,000 | October | 2010 | $185,000 | October | 2020 | $310,000 |
| April | 2001 | $125,000 | April | 2011 | $195,000 | April | 2021 | $320,000 |
| October | 2001 | $125,000 | October | 2011 | $200,000 | October | 2021 | $330,000 |
| April | 2002 | $130,000 | April | 2012 | $200,000 | April | 2022 | $335,000 |
| October | 2002 | $135,000 | October | 2012 | $210,000 | October | 2022 | $345,000 |
| April | 2003 | $135,000 | April | 2013 | $210,000 | April | 2023 | $355,000 |
| October | 2003 | $140,000 | October | 2013 | $215,000 | October | 2023 | $365,000 |
| April | 2004 | $140,000 | April | 2014 | $225,000 | April | 2024 | $370,000 |
| October | 2004 | $145,000 | October | 2014 | $230,000 | October | 2024 | $380,000 |
| April | 2005 | $145,000 | April | 2015 | $235,000 | April | 2025 | $395,000 |
| October | 2005 | $150,000 | October | 2015 | $240,000 | October | 2025 | $405,000 |
| April | 2006 | $155,000 | April | 2016 | $250,000 | April | 2026 | $410,000 |
| October | 2006 | $155,000 | October | 2016 | $255,000 | October | 2026 | $425,000 |
| April | 2007 | $160,000 | April | 2017 | $260,000 | April | 2027 | $435,000 |
| October | 2007 | $165,000 | October | 2017 | $265,000 | October | 2027 | $450,000 |
| April | 2008 | $170,000 | April | 2018 | $275,000 | April | 2028 | $460,000 |
| October | 2008 | $170,000 | October | 2018 | $280,000 | October | 2028 | $475,000 |
| April | 2009 | $175,000 | April | 2019 | $290,000 | April | 2029 | $480,000 |
| October | 2009 | $180,000 | October | 2019 | $295,000 | | | |

Proposals for the Bonds may contain a maturity schedule providing for a combination of serial bonds and term bonds, provided that no serial bond may mature on or after the first mandatory sinking fund redemption date of any term bond. All term bonds shall be subject to mandatory sinking fund redemption and must conform to the maturity schedule set forth above at a price of par plus accrued interest to the date of redemption. In order to designate term bonds, the proposal must specify "Last Date of Serial Maturities" and "Dates of Term Maturities" in the spaces provided on the Proposal Form.

## BOOK ENTRY SYSTEM

The Bonds will be issued by means of a book entry system with no physical distribution of Bonds made to the public. The Bonds will be issued in fully registered form and one Bond, representing the aggregate principal amount of the Bonds maturing in each year, will be registered in the name of Cede & Co. as nominee of The Depository Trust Company ("DTC"), New York, New York, which will act as securities depository of the Bonds. Individual purchases of the Bonds may be made in the principal amount of $5,000 or any multiple thereof of a single maturity through book entries made on the books and records of DTC and its participants. Principal and interest are payable by the registrar to DTC or its nominee as registered owner of the Bonds. Transfer of principal and interest payments to participants of DTC will be the responsibility of DTC; transfer of principal and interest payments to beneficial owners by participants will be the responsibility of such participants and other nominees of beneficial owners. The purchaser, as a condition of delivery of the Bonds, will be required to deposit the Bonds with DTC.

## TRUSTEE

Norwest Bank Minnesota, National Association, Minneapolis, Minnesota will act as trustee, registrar and paying agent.

## OPTIONAL REDEMPTION

The Authority may elect on October 1, 2007, and on any day thereafter to prepay Bonds due on or after April 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. 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.

The Bonds are subject to redemption in whole or in part on any date in certain events of damage, destruction, or condemnation described in a Loan Agreement between the College and the Authority and a Trust Indenture between the Authority and the Trustee, or in whole or in part on any date in the event of a Determination of Taxability as defined therein. All prepayments shall be at a price of par plus accrued interest.

## SECURITY AND PURPOSE

The Bonds will be special obligations of the Authority payable solely from payments made by or on behalf of the College pursuant to the Loan Agreement or from other amounts pledged thereto pursuant to the Trust Indenture. Pursuant to the Loan Agreement, Loan Repayments sufficient to pay principal, premium (if any) and interest on the Bonds when due are a general obligation of the College. **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 proceeds will be used, together with other funds of the College, to construct a number of projects on the campus of the College, including a new student union and installation of an electrical generator.

## TYPE OF PROPOSALS

Proposals shall be for not less than $14,775,000 and accrued interest on the total principal amount of the Bonds. Proposals shall be accompanied by a Good Faith Deposit ("Deposit") in the form of a certified or cashier's check or a Financial Surety Bond in the amount of $150,000, payable to the order of the Authority. If a check is used, it must accompany such Proposal. If a Financial Surety Bond is used, it must be from an insurance company licensed to issue such a bond in the State of Minnesota, and preapproved by the Authority. Such bond must be submitted to Springsted Incorporated prior to the opening of the Proposals. The Financial Surety Bond must identify each underwriter whose Deposit is guaranteed by such Financial Surety Bond. If the Bonds are awarded to an underwriter using a Financial Surety Bond, then that purchaser is required to submit its Deposit to Springsted Incorporated in the form of a certified or cashier's check or wire transfer as instructed by Springsted Incorporated not later than 3:30 P.M., Central Time, on the next business day following the award. If such Deposit is not received by that time, the Financial Surety Bond may be drawn by the Authority to satisfy the Deposit requirement. The Authority will deposit the check of the purchaser, the amount of which will be deducted at settlement and no interest will accrue to the purchaser. In the event the purchaser fails to comply with the accepted proposal, said amount will be retained by the Authority. No proposal can be withdrawn or amended after the time set for receiving Proposals unless the Executive Director on behalf of the Authority, does not award the Bonds by 2:00 P.M., Central Time, on April 14, 1998. Rates shall be in integral multiples of 5/100 or 1/8 of 1%. Rates must be in ascending order. Bonds of the same maturity shall bear a single rate from the date of the Bonds to the date of maturity. No conditional proposals will be accepted.

## REOFFERING OF BONDS

The Authority represents that, prior to the award of sale of the Bonds, the Bonds will have been registered for sale at a price not greater than 105% pursuant to an Order of Registration issued by the Securities Division, Department of Commerce, State of Minnesota, pursuant to Chapter 80A, Minnesota Statutes (the "Minnesota Securities Act"). The purchaser will be required to provide a schedule of reoffering prices and yields with respect to the Bonds and shall agree not to sell any of the Bonds in Minnesota at a price or prices higher than 105% without first having obtained an amendment to the Order of Registration permitting the sale of the Bonds at such higher price or prices, provided that this provision shall not prevent the sale of Bonds at higher prices in secondary market trading to the extent permitted by the Minnesota Securities Act. Until such time as the Department enters and makes effective such an amendment to the Order of Registration, the purchaser may make an "offer" but agrees not to make a "sale" (including any contract to sell) of any Bonds to its customers, as such terms are defined in the Minnesota Securities Act, at prices greater than 105%. Without limiting the generality of the foregoing, the purchaser shall agree not to mail or deliver any confirmations to customers or request the payment of funds from customers in Minnesota with respect to any Bonds reoffered at prices greater than 105% until such time as such amendment to the Order of Registration is effective.

If the purchaser represents by letter to the Authority that it is purchasing the Bonds for investment and not with a view to redistribution thereof, the above shall not apply.

## AWARD

The Bonds will be awarded on the basis of the lowest interest rate to be determined on a true interest cost (TIC) basis. The Authority's computation of the interest rate of each proposal, in accordance with customary practice, will be controlling.

The Authority will reserve the right to: (i) waive non-substantive informalities of any proposal or of matters relating to the receipt of proposals and award of the Bonds, (ii) reject all proposals without cause, and (iii) reject any proposal which the Authority determines to have failed to comply with the terms herein.

## BOND INSURANCE AT PURCHASER'S OPTION

If the Bonds qualify for issuance of any policy of municipal bond insurance or commitment therefor at the option of the underwriter, the purchase of any such insurance policy or the issuance of any such commitment shall be at the sole option and expense of the purchaser of the Bonds. Any increased costs of issuance of the Bonds resulting from such purchase of insurance shall be paid by the purchaser, except that, if the Authority has requested and received a rating on the Bonds from a rating agency, the Authority will pay that rating fee. Any other rating agency fees shall be the responsibility of the purchaser.

Failure of the municipal bond insurer to issue the policy after Bonds have been awarded to the purchaser shall not constitute cause for failure or refusal by the purchaser to accept delivery on the Bonds.

## CUSIP NUMBERS

If the Bonds qualify for assignment of CUSIP numbers such numbers will be printed on the Bonds, but neither the failure to print such numbers on any Bond nor any error with respect thereto will constitute cause for failure or refusal by the purchaser to accept delivery of the Bonds. The CUSIP Service Bureau charge for the assignment of CUSIP identification numbers shall be paid by the purchaser.

## CONTINUING DISCLOSURE

The College and Trustee will enter into a Continuing Disclosure Agreement to provide, or cause to be provided, annual financial information, including audited financial statements of the College, and notices of certain material events, as required by SEC Rule 15c2-12.

## SETTLEMENT

Within 40 days following the date of their award, the Bonds will be delivered without cost to the purchaser at a place mutually satisfactory to the Authority and the purchaser. Delivery will be subject to receipt by the purchaser of an approving legal opinion of Faegre & Benson LLP of Minneapolis, Minnesota, and of customary closing papers, including a no-litigation certificate and a certificate pertaining to information in the Official Statement. Certain legal matters will be passed on for the College by its counsel, Gray, Plant, Mooty, Mooty & Bennett, P.A., of Minneapolis, Minnesota and Schmitz & Ophaug of Northfield, Minnesota. On the date of settlement payment for the Bonds shall be made in federal, or equivalent, funds which shall be received at the offices of the Authority or its designee not later than 12:00 Noon, Central Time. Except as compliance with the terms of payment for the Bonds shall have been made impossible by action of the Authority, or its agents, the purchaser shall be liable to the Authority for any loss suffered by the Authority by reason of the purchaser's non-compliance with said terms for payment.

## OFFICIAL STATEMENT

The Authority has authorized the preparation of an Official Statement containing pertinent information relative to the Bonds, and said Official Statement will serve as a nearly-final Official Statement within the meaning of Rule 15c2-12 of the Securities and Exchange Commission. For copies of the Official Statement or for any additional information prior to sale, any prospective purchaser is referred to the Financial Advisor to the Authority, Springsted Incorporated, 85 East Seventh Place, Suite 100, Saint Paul, Minnesota 55101, telephone (612) 223-3000.

The Official Statement, when further supplemented by an addendum or addenda specifying the maturity dates, principal amounts and interest rates of the Bonds, together with any other information required by law, shall constitute a "Final Official Statement" of the Authority with respect to the Bonds, as that term is defined in Rule 15c2-12. By awarding the Bonds to any underwriter or underwriting syndicate submitting a proposal therefor, the Authority agrees that, no more than seven business days after the date of such award, it shall provide without cost to the senior managing underwriter of the syndicate to which the Bonds are awarded up to 500 copies of the Official Statement and the addendum or addenda described above. The Authority designates the senior managing underwriter of the syndicate to which the Bonds are awarded as its agent for purposes of distributing copies of the Final Official Statement to each Participating Underwriter. Any underwriter delivering a proposal with respect to the Bonds agrees thereby that if its proposal is accepted by the Authority (i) it shall accept such designation and (ii) it shall enter into a contractual relationship with all Participating Underwriters of the Bonds for purposes of assuring the receipt by each such Participating Underwriter of the Final Official Statement.

Dated March 18, 1998

BY ORDER OF THE MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

/s/ J. Luther Anderson
Executive Director

**SCHEDULE OF BOND YEARS**
**$15,000,000**
**MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY**
**REVENUE BONDS, SERIES FOUR-R**
**(ST. OLAF COLLEGE)**

| Date | Principal | Bond Years | Cumulative Bond Years | |
|---|---|---|---|---|
| 4/ 1/2000 | $125,000 | 239.5833 | 239.5833 | ______ |
| 10/ 1/2000 | $125,000 | 302.0833 | 541.6666 | ______ |
| 4/ 1/2001 | $125,000 | 364.5833 | 906.2499 | ______ |
| 10/ 1/2001 | $125,000 | 427.0833 | 1,333.3332 | ______ |
| 4/ 1/2002 | $130,000 | 509.1667 | 1,842.4999 | ______ |
| 10/ 1/2002 | $135,000 | 596.2500 | 2,438.7499 | ______ |
| 4/ 1/2003 | $135,000 | 663.7500 | 3,102.4999 | ______ |
| 10/ 1/2003 | $140,000 | 758.3333 | 3,860.8332 | ______ |
| 4/ 1/2004 | $140,000 | 828.3333 | 4,689.1665 | ______ |
| 10/ 1/2004 | $145,000 | 930.4167 | 5,619.5832 | ______ |
| 4/ 1/2005 | $145,000 | 1,002.9167 | 6,622.4999 | ______ |
| 10/ 1/2005 | $150,000 | 1,112.5000 | 7,734.9999 | ______ |
| 4/ 1/2006 | $155,000 | 1,227.0833 | 8,962.0832 | ______ |
| 10/ 1/2006 | $155,000 | 1,304.5833 | 10,266.6665 | ______ |
| 4/ 1/2007 | $160,000 | 1,426.6667 | 11,693.3332 | ______ |
| 10/ 1/2007 | $165,000 | 1,553.7500 | 13,247.0832 | ______ |
| 4/ 1/2008 | $170,000 c | 1,685.8333 | 14,932.9165 | ______ |
| 10/ 1/2008 | $170,000 c | 1,770.8333 | 16,703.7498 | ______ |
| 4/ 1/2009 | $175,000 c | 1,910.4167 | 18,614.1665 | ______ |
| 10/ 1/2009 | $180,000 c | 2,055.0000 | 20,669.1665 | ______ |
| 4/ 1/2010 | $185,000 c | 2,204.5833 | 22,873.7498 | ______ |
| 10/ 1/2010 | $185,000 c | 2,297.0833 | 25,170.8331 | ______ |
| 4/ 1/2011 | $195,000 c | 2,518.7500 | 27,689.5831 | ______ |
| 10/ 1/2011 | $200,000 c | 2,683.3333 | 30,372.9164 | ______ |
| 4/ 1/2012 | $200,000 c | 2,783.3333 | 33,156.2497 | ______ |
| 10/ 1/2012 | $210,000 c | 3,027.5000 | 36,183.7497 | ______ |
| 4/ 1/2013 | $210,000 c | 3,132.5000 | 39,316.2497 | ______ |
| 10/ 1/2013 | $215,000 c | 3,314.5833 | 42,630.8330 | ______ |
| 4/ 1/2014 | $225,000 c | 3,581.2500 | 46,212.0830 | ______ |
| 10/ 1/2014 | $230,000 c | 3,775.8333 | 49,987.9163 | ______ |
| 4/ 1/2015 | $235,000 c | 3,975.4167 | 53,963.3330 | ______ |
| 10/ 1/2015 | $240,000 c | 4,180.0000 | 58,143.3330 | ______ |
| 4/ 1/2016 | $250,000 c | 4,479.1667 | 62,622.4997 | ______ |
| 10/ 1/2016 | $255,000 c | 4,696.2500 | 67,318.7497 | ______ |
| 4/ 1/2017 | $260,000 c | 4,918.3333 | 72,237.0830 | ______ |
| 10/ 1/2017 | $265,000 c | 5,145.4167 | 77,382.4997 | ______ |
| 4/ 1/2018 | $275,000 c | 5,477.0833 | 82,859.5830 | ______ |
| 10/ 1/2018 | $280,000 c | 5,716.6667 | 88,576.2497 | ______ |
| 4/ 1/2019 | $290,000 c | 6,065.8333 | 94,642.0830 | ______ |
| 10/ 1/2019 | $295,000 c | 6,317.9167 | 100,959.9997 | ______ |
| 4/ 1/2020 | $305,000 c | 6,684.5833 | 107,644.5830 | ______ |
| 10/ 1/2020 | $310,000 c | 6,949.1667 | 114,593.7497 | ______ |
| 4/ 1/2021 | $320,000 c | 7,333.3333 | 121,927.0830 | ______ |
| 10/ 1/2021 | $330,000 c | 7,727.5000 | 129,654.5830 | ______ |
| 4/ 1/2022 | $335,000 c | 8,012.0833 | 137,666.6663 | ______ |
| 10/ 1/2022 | $345,000 c | 8,423.7500 | 146,090.4163 | ______ |
| 4/ 1/2023 | $355,000 c | 8,845.4167 | 154,935.8330 | ______ |
| 10/ 1/2023 | $365,000 c | 9,277.0833 | 164,212.9163 | ______ |
| 4/ 1/2024 | $370,000 c | 9,589.1667 | 173,802.0830 | ______ |
| 10/ 1/2024 | $380,000 c | 10,038.3333 | 183,840.4163 | ______ |
| 4/ 1/2025 | $395,000 c | 10,632.0833 | 194,472.4996 | ______ |
| 10/ 1/2025 | $405,000 c | 11,103.7500 | 205,576.2496 | ______ |
| 4/ 1/2026 | $410,000 c | 11,445.8333 | 217,022.0829 | ______ |
| 10/ 1/2026 | $425,000 c | 12,077.0833 | 229,099.1662 | ______ |
| 4/ 1/2027 | $435,000 c | 12,578.7500 | 241,677.9162 | ______ |
| 10/ 1/2027 | $450,000 c | 13,237.5000 | 254,915.4162 | ______ |
| 4/ 1/2028 | $460,000 c | 13,761.6667 | 268,677.0829 | ______ |
| 10/ 1/2028 | $475,000 c | 14,447.9167 | 283,124.9996 | ______ |
| 4/ 1/2029 | $480,000 c | 14,840.0000 | 297,964.9996 | ______ |

Average Maturity: 19.86 Years
Bonds Dated: May 1, 1998
Interest Due: October 1, 1998 and each April 1 and October 1 to maturity.
Principal Due: April 1, 2000 and each April 1 and October 1 until April 1, 2029.
Optional Call: Bonds maturing on or after April 1, 2008 are callable commencing October 1, 2007 and any date thereafter at par. (See Terms of Proposal.)

c: subject to optional call

## OFFICIAL STATEMENT

## $15,000,000
## MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY
## REVENUE BONDS, SERIES FOUR-R
## (ST. OLAF COLLEGE)
## (BOOK ENTRY ONLY)

### INTRODUCTORY STATEMENT

This Official Statement provides information concerning the Minnesota Higher Education Facilities Authority (the "Authority") and St. Olaf College (the "College"), an institution of higher education located in Northfield, Minnesota, in connection with the issuance of the Authority's $15,000,000 Revenue Bonds, Series Four-R (St. Olaf College) (the "Bonds," the "Series Four-R 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 College and the Authority relating to the Bonds, the College will covenant as a general obligation of the College to make Loan Repayments in amounts sufficient to pay the principal of and interest on the Bonds as the same shall become due. The proceeds of the Bonds will be loaned to the College by the Authority, to be used, together with other funds of the College, to finance the following: (a) the acquisition, construction and equipping of a student union type facility of approximately 175,000 square feet for food service operation, student organization offices and support areas, student governmental offices, the bookstore, a movie theater, a student-programmed entertainment facility, the telecommunications center, a post office facility, and conference and banquet facilities (the "Buntrock Commons Project"); (b) the acquisition and installation of an electrical generator (the "Generator"); (c) the acquisition and installation of hardware and software for general academic and administrative computing, telecommunications and networking ("Computers"); (d) the acquisition and installation of hardware and software for financial and human resources/payroll information system ("Payroll System"); (e) classroom renovations and the acquisition of new classroom furnishings ("Classroom Renovation"); (f) the acquisition of residence hall furniture ("Furniture") and (g) various improvements relating to roadways, parking lots, heating control systems, cooling systems and the campus utility distribution system ("Infrastructure"), each including appurtenant site improvements (collectively the "Project"), all owned or to be owned and operated by the College and located on the Project Site. See "PURPOSE OF THE ISSUE" herein.

The Bonds are secured by a pledge of the Loan Repayments, which is a general obligation of the College. Under the Loan Agreement, the College 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 maximum annual debt service 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 College property has been granted to secure payment of the Bonds.

### Adequacy of Revenues

Payment of principal of and interest on the Bonds is intended to be made from Loan Repayments of the College. The College's ability to make Loan Repayments will be 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 College and may change in the future to an extent that cannot be presently determined. Certain debt of the College is secured by mortgage liens on the property financed. Certain other indebtedness of the College is secured by liens on revenues. (See "Long-Term Debt," page I-12.)

### 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 College. Tuition revenue in turn will depend primarily on the ability of the College to charge sufficient rates for tuition and to maintain enrollment levels. Future enrollment levels will depend on the number of students applying to the College. 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 College.

### Financial Aid

Approximately 80% of the College'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 College 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 College'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-8.

## Damage or Destruction

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

## Nature of Pro Forma Debt Service Coverage

Certain historical operating revenue for the College and computed pro forma debt service coverage 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 College revenues to satisfy College operations and Bond and other debt service requirements.

## Limited Obligation

No entity or person other than the College is, or shall be, in any way liable or responsible for any payments to be made under the Loan Agreement, the Trust Indenture, or the Bonds or the other obligations of the College. 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 College 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 College does not believe, however, that the occurrence of any such event would have a material adverse effect on the ability of the College 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 College:

(1) Reinstatement of or establishment of mandatory governmental wage and price controls.

(2) Inability to control increases in operating costs, including salaries, wages and fringe benefits, supplies and other expenses, without being able to obtain corresponding increases in revenues.

(3) Employee strikes and other adverse labor actions which could result in a substantial increase in expenditures without corresponding increase in revenues.

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

## 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 College 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 College 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 College at the time the Bonds are delivered, a copy of which is available from the College 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 College 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 College determines that such modification is required by the Rule. The College 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 College has never been a party to any Undertaking under the Rule.) A failure by the College 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 College pursuant to the Undertaking, may adversely affect the transferability and liquidity of the Bonds and their market price.

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## THE BONDS

### General

The Bonds will be dated May 1, 1998 and will mature semi-annually each April 1 and October 1, commencing April 1, 2000, 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, 1998.

### 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 physical 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 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership 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, physical 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 College nor the Authority takes any responsibility for the accuracy thereof.

## Prior Redemption

Optional Redemption

At the request of the College, the Authority may elect on October 1, 2007, and on any day thereafter, to prepay Bonds due on or after April 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 College. 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 16 through 17 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 College 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-R Bonds | $15,000,000 |
| Total Sources | $15,000,000 |
| Uses of Funds | |
| Project Costs | $13,700,000 |
| Debt Service Reserve | 1,000,000* |
| Issuance Costs and Discount Allowance | 300,000 |
| Total Uses | $15,000,000 |

* *Estimate, based on projected debt service requirements.*

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.

## PURPOSE OF THE ISSUE

### The Project

The total estimated cost of the Project is expected to be approximately $43 million. Approximately $13.7 million of Bond proceeds, together with approximately $29.3 million of College funds, will be applied to the Project costs. Approximately $26 million of the College funds represents a gift from the Buntrock family to finance the majority of costs for the Buntrock Commons Building. The Project consists of the following:

| | Net Project Costs |
|---|---|
| Buntrock Commons Building* | $10,500,000 |
| Electrical Generator | 1,500,000 |
| Academic and Administrative Computers | 750,000 |
| Payroll System Hardware and Software | 500,000 |
| Classroom Renovation | 100,000 |
| Residence Hall Furniture | 350,000 |
| Total | $13,700,000 |

* *Negative Pledge Property (see page 9).*

The Buntrock Commons building, an approximately 175,000 square foot community center for the College, will be located at the center of the campus and will provide the primary services needed by students to support their academic, residential and social activities. The Buntrock Commons will provide dining and food service operations, student government offices, meeting space and offices space for student organizations, a bookstore, a post office, a convenience store, a 150-seat movie theater, a student-programmed entertainment facility, conference and banquet rooms, and buildings services space. The design phase, led by the architecture firm of Sasaki Associates of Watertown, Massachusetts, has been completed and the initial phases of construction are currently underway. The College has hired Boldt Construction of Appleton, Wisconsin as project manager. The Commons will be constructed of concrete masonry with limestone similar to other campus facilities. The building is expected to be completed by June 1999. The president of Boldt Construction serves on the College's Board of Regents.

Of the remaining portions of the Project, the new payroll system is expected to be completed by June 1998, the residence hall furniture is expected to be acquired and in place by August 1999 and the classroom renovation, as well as installation of new academic and administrative computers, is expected to be completed by February 2000. The electrical generator, which will be in place by August 1998, will be used by the College as a backup generator.

## SUMMARY OF SECURITY FOR THE BONDS

The Bonds will be special obligations of the Authority payable solely from Loan Repayments made by the College as required by the Loan Agreement or out of other amounts pledged therefor under the Indenture including moneys and investments in the Reserve Account. The Reserve Account will be fully funded to the Reserve Requirement from proceeds of the Bonds in the amount of the maximum annual debt service on the Bonds.

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

### Negative Pledge Property

The College 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 the Buntrock Commons Project; provided that liens may be placed on the Negative Pledge Property so long as the aggregate amount of such liens does not exceed 70% of the book value of the Negative Pledge Property after taking into account any increase in book value to result from any improvement.

### Financial Covenants

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

The College 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 preceding three complete Fiscal Years commencing in the Fiscal Year ending May 31, 1998.

b. At May 31, 1998 and at the end of each Fiscal Year thereafter, Unrestricted Liquid Funds, shall be not less than $3,000,000. Within 120 days after the end of each Fiscal Year, the College shall furnish to the Trustee a certificate of an Authorized Institution

Representative showing the Unrestricted Liquid Funds as of the end of the Fiscal Year. If at the end of any Fiscal Year, Unrestricted Liquid Funds does not equal or exceed $3,000,000, the College shall obtain (from gifts, removal of encumbrance or restriction, sale of tangible property or otherwise) additional Unrestricted Liquid Funds 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 College 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. Nothing in the Loan Agreement shall be construed as pledging, granting a constructive trust in, or otherwise granting a security interest in the Unrestricted Liquid Funds for the benefit of Holders of the Bonds.

c. The College 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 College has secured funds on hand or written and signed pledges of gifts in an amount at least equal to 80% of the estimated cost of such project), unless the average Debt Service Coverage Ratio for the last two Fiscal Years for which audited financial statements are available was at least 110% of Maximum Annual Debt Service of (A) then Outstanding Funded Debt and (B) Funded Debt thereafter incurred or proposed to be incurred; provided that if the additional Funded Debt proposed to be incurred is to finance student housing, student dining, student union or other revenue producing facilities, there shall be added to the amount of Net Income Available for Debt Service for the most recent complete Fiscal Year for which audited financial statements are available, for purposes of this paragraph, the estimated amount of Net Income Available for Debt Service to be derived from such facility in the first Fiscal Year following the estimated date of completion of such facility as estimated in a report of an independent management consultant to the College and the Trustee; and provided further that if the additional Funded Debt proposed to be incurred is to finance other College facilities and if the Board of Trustees has increased tuition, student fees or other rates or charges at or after the end of such Fiscal Year, for purposes of this paragraph, there shall be added to Net Income Available for Debt Service for the two most recent complete Fiscal Years for which audited financial statements are available the amount of increase net of increased operating expenses, as estimated in a report of an independent management consultant to the College and the Trustee.

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 College, adjusted to: (a) exclude depreciation and amortization expense; (b) exclude net assets released from restriction representing acquisition of land, buildings and equipment; (c) exclude extraordinary gains or losses; (d) exclude long-term investment income, gains and losses not allocated for operations; and (e) exclude the cumulative effect on prior years of a change in accounting principle.

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

"Funded Debt" means indebtedness for borrowed money having a maturity date of more than one year 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" means the largest total amount of principal of and interest on Funded Debt payable by the College in any future Fiscal Year during which Bonds will (if paid at their stated maturity dates or redeemed in accordance with a mandatory sinking fund schedule) be outstanding 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 College, 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 College 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 College of indebtedness of a third person or so-called "pass-through" or "covered" indebtedness (the College having borrowed money to relend to a third person), such Funded Debt shall be excluded to the following extent: if the third person (whose debt is guaranteed or whose payments are expected to service the College's obligations with respect to such Funded Debt) had a Debt Service Coverage Ratio (including the amount of debt proposed to be incurred in the computation of debt service) of at least 110% then 100% of such Funded Debt shall be excluded. (iii) The amount of debt service with respect to "balloon" indebtedness may, at the option of the College be calculated on a level debt service basis over a fifteen-year period commencing in the Fiscal Year when the balloon is payable at an interest rate projected by an independent management consultant or an investment banking firm selected by the College to underwrite the sale of such "balloon" indebtedness on the sale of the Funded Debt; 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 College 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 College may be required to redeem or purchase, the debt service with respect to such put indebtedness may, at the option of the College, 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 College 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 College 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 or refinanced with 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.

"Net Income Available for Debt Service" means: the Adjusted Increase (Decrease) in Unrestricted Net Assets (plus interest payments on Funded Debt).

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

"Unrestricted Liquid Funds" means, as of any date, the sum of undesignated unrestricted net assets plus unrestricted net assets designated as quasi-endowment.

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 College's auditors in the report of the College's financial statements for the Fiscal Year ended May 31, 1997.

**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, 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 College as Loan Repayments are to be deposited into the Bond and Interest Sinking Fund Account, the Reserve Account, and the Redemption Account, as required by the Loan Agreement and used, to the extent needed, to redeem or pay the principal of and interest on the Bonds 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 College will agree in the Loan Agreement to provide for payment of all Project Costs in excess of the proceeds of the Bonds available therefor and to pay out of available general funds 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 College costs incurred in connection with the Project. When work on the Project has been completed and the Project Equipment has been installed and a certificate to that effect has been furnished to the Trustee, any balance in the Construction Account shall be deposited into the Bond and Interest Sinking Fund Account or the Redemption Account.

### Bond 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 College.

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 College as Loan Repayments not deposited or required to be deposited into the Bond and Interest Sinking Fund Account or the Redemption Account will be deposited into the Reserve Account in order to maintain 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 College 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 College 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 October 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 College 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 College 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 College 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 College deposit funds into the General Bond Reserve Account. **The Bonds will not be secured by the General Bond Reserve Account, and Bondholders will have no right to require the Authority to apply moneys or investments in the General Bond Reserve Account to the payment of the Bonds or interest thereon.**

### Authorized Investments

Moneys on deposit to the credit of the Construction Account, Bond and Interest Sinking Fund Account, 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 College; 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.

The Authority is authorized and empowered to issue revenue bonds whose aggregate outstanding principal amount at any time shall not exceed $500 million. The Authority has had 105 issues (including refunded and retired issues) totaling $603,289,189, of which $346,209,034 (excluding the Bonds) is outstanding as of March 1, 1998. 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 College officials, and other sources, who have access to relevant data to provide accurate information for the Official Statement, and the Financial Advisor has not been engaged, nor has it undertaken, to independently verify the accuracy of such information. The Financial Advisor is not a public accounting firm and has not been engaged by the Authority to compile, review, examine or audit any information in the Official Statement in accordance with accounting standards. The Financial Advisor is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities and therefore will not participate in the underwriting of the Bonds.

## RATING

An application for a rating of the Bonds has been made to Moody's Investors Service ("Moody's"), 99 Church Street, New York, New York. If a rating is assigned, it will reflect only the opinion of Moody's. Any explanation of the significance of the rating may be obtained only from Moody's.

There is no assurance that a rating, if assigned, will continue for any given period of time, or that such rating will not be revised or withdrawn, if in the judgment of Moody's, circumstances so warrant. A revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

## LITIGATION

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

## LEGALITY

The Bonds will be subject to the unqualified approving opinion as to validity and tax exemption by Faegre & Benson 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 College by Gray, Plant, Mooty, Mooty & Bennett, P.A., Minneapolis, Minnesota and Schmitz & Ophaug of Northfield, 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 College, pursuant to which, in the opinion of Bond Counsel, such requirements can be satisfied. The Tax Covenants do not relate to all the continuing requirements referred to in the preceding paragraph. 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.

## 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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# ST. OLAF COLLEGE

## History

St. Olaf College (the "College") is a four-year, co-educational liberal arts college located in Northfield, Minnesota. The College was founded in 1874 and operated as an academy, St. Olaf's School, until 1886, when a college department was added. The name was changed to St. Olaf College in 1889, and the first college class graduated in 1890. The academy was discontinued in 1917. Throughout its history, St. Olaf has been affiliated with the American Lutheran Church, one of the merging churches that became the new Evangelical Lutheran Church in America (ELCA) on January, 1988. However, the College is not under common management with, nor controlled by, the Evangelical Lutheran Church in America.

## Accreditation

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

## Governance

The Board of Regents govern the College. The current Board has 25 members, each of whom serves a six-year term. Current members are as follows:

| | |
|---|---|
| Rev. Robert D. Berg | Bishop, Northwest Synod of Wisconsin - ELCA, Rice Lake, Wisconsin |
| Mr. Thomas J. Boldt | President, The Boldt Group Inc., Appleton, Wisconsin |
| Ms. Kathleen Brekken | President & CEO, Midwest of Cannon Falls, Inc., Cannon Falls, Minnesota |
| Mr. Philip Brunelle | Artistic Director and Founder, Plymouth Music Series, Minneapolis, Minnesota |
| Ms. Barbara Burwell | Burwell Enterprises, Minneapolis, Minnesota |
| Mr. James Colville | President, United Way of Minneapolis Area, Minneapolis, Minnesota |
| Dr. Mark U. Edwards | President, St. Olaf College, Northfield, Minnesota |
| Mr. J. Matthew Fay | Administrative Fellow, NYLCare Health Plans of the SW, Irving, Texas |
| Rev. Reuben Groehler | Pastor, Zion Lutheran Church, Anoka, Minnesota |
| Mr. Robert Hatch | Chairman & CEO, Cereal Ingredients, Inc., Kansas City, Missouri |
| Mr. William Hoeft | President & CEO, Ziegler, Inc., Minneapolis, Minnesota |
| Mr. John Horn | Retired, former executive with Northwest Airlines, Burnsville, Minnesota |
| Ms. Sonya Pedersen Margerum | Mayor of West Lafayette, Indiana, West Lafayette, Indiana |
| Dr. Martin E. Marty | Public Religion Project, Chicago, Illinois |

**Administration**

The principal officers of the College are as follows:

*President.* Dr. Mark U. Edwards has served as President of St. Olaf College since 1994. Prior to being named President, he was a professor of the History of Christianity at the Harvard Divinity School, where he served from 1987-1994. He served as Acting Dean at the Divinity School during the 1990-1991 academic year. In 1990-1991, he taught history at Purdue University from 1980-1987 and at Wellesley College from 1974-1980. Dr. Edwards has done extensive work in computer science and taught courses in the field while at Wellesley and Purdue. Dr. Edwards graduated in 1968 Phi Beta Kappa from Stanford University with a Bachelor of Arts in Psychology. He earned the Master of Arts in History in 1969 and the Ph.D. in History in 1974, both from Stanford University.

*Vice President for Enrollment.* Barbara Lundberg was appointed to her current position in December, 1996. She came to St. Olaf in August, 1994 as Director of Admissions. Ms. Lundberg was the Associate Director of College Counseling at the Choate Rosemary Hall in Wallingford, Connecticut from 1990-1994 and from 1985-1990, she was Director of College Counseling at Westminster School in Simsbury, Connecticut. She was Dean of Admissions and Special Assistant to the President at Whittier College in California from 1981-1985. Prior to 1981, she held various administrative positions at Wheaton, Wabash, Augsburg and Gustavus Adolphus Colleges. She received her Bachelor of Arts degree in History and Education from Gustavus Adolphus College and her Masters degree in Counseling and Personnel Services from Purdue University.

*Vice President and Treasurer.* Alan Norton began his career at St. Olaf in January of 1996. He came to St. Olaf following ten years as Vice President for Financial Affairs at St. John Fisher College in Rochester, New York. From 1980-1986, Dr. Norton was an Associate Professor of Economics at St. John Fisher. Dr. Norton also held teaching positions at the University of Missouri-Columbia and at Kansas Newman College. He received his Bachelor of Arts in Economics from Rockhurst College in 1973, his Master of Arts in Economics (1975) and Ph.D. in Economics (1980) from the University of Missouri-Columbia.

*Vice President and Dean of the College.* James Pence joined the College in July of 1996. Prior to arriving at St. Olaf, Dr. Pence was the Vice President for Academic Affairs and Dean of the Faculty at Wartburg (IA) College from 1990 through 1996. Dr. Pence served as Associate Vice President for Academic and Student Affairs at the University of Southern Colorado from 1987 through 1990. He also taught at Yavapai College and the University of Arizona. Dr. Pence received his Bachelor of Arts and Master of Arts degrees in English from Colorado State University. He earned the Ph.D. in English from the University of Arizona.

*Vice President and Dean of Students.* Mary Skorheim was named to her position at St. Olaf in July, 1995 after having served seven years (1988-1995) as the Dean of Students at the University of Wisconsin-Oshkosh. From 1979-1988, Dr. Skorheim held the position of Assistant Dean of Students at the University of Florida. Prior to 1979, Dr. Skorheim held several administrative positions at the University of Wisconsin-Oshkosh, Ball State University and the University of North Dakota. She received the Bachelor of Arts in 1971 and the Master of Arts in 1973 from the University of North Dakota. In 1986, Dr. Skorheim earned the Ph.D. from the University of Florida.

*Vice President for Advancement.* Gordon Soenksen is the most recent addition to the senior administration of the College, having started his work at the College in January of 1998. Soenksen came to St. Olaf from Guilford College, Greensboro, North Carolina, where he served as Vice President for Institutional Advancement for six years (1992-1997). Prior to that he was Associate Dean for External Affairs at Duke University's Fuqua School of Business and was Associate Director of Development and Director of Capital Programs at the University of Chicago. Mr. Soenksen received a Bachelor of Arts degree in English from Wartburg College (IA) in 1972 and earned an MBA from the University of Chicago in 1984.

The principal staff person assigned to the debt financing being incurred by the College is Mark R. Gelle, Assistant Treasurer. Mr. Gelle served the College for 20 years as the Director of Financial Aid and as Director of Student Financial Services. He was named Assistant Treasurer in January of 1997. He is a 1976 graduate of St. Olaf College with a degree in Economics and he earned an MBA degree from the University of St. Thomas in 1982.

**Campus Facilities**

The College's 350-acre campus is located in the city of Northfield, Minnesota, 40 miles south of the Minneapolis/St. Paul metropolitan area. The College owns approximately 1,175 acres of open space, now used for farming, adjoining the campus on the west, southwest and the north. The physical facilities include the 30 main campus buildings, including 11 residence halls. The College also owns 15 off-campus houses. The total book value of the College plant and equipment, at May 31, 1997, was $54,083,409. The replacement cost of plant and equipment is estimated to be in excess of $150 million. The College is covered by $1,000,000 in general liability insurance with a $25,000,000 umbrella policy for claims in excess of $1,000,000.

The residence halls house 2,651 students or approximately 92% of the student body. All full-time students are required to room in college-owned housing as far as accommodations will permit.

The College completed major building programs mainly during the 1950's and 1960's, although many of the campus buildings which were originally constructed in the 1920's and 1930's have since been improved. The oldest building on the campus is the Old Main, which was built in 1878. The Old Main was renovated in 1982 and is listed on the National Register of Historic Places.

The most recent additions to the campus facilities were: the completion of Manitou Hall, recently renamed Ytterboe Hall, a student residence, completed in 1988 at a cost of $10.9 million and funded by revenue bonds through the City of Northfield; the Rolvaag Library addition ($12.7 million) and Manitou Athletic Facilities ($3.7 million), both funded from pledge receipts from the College's Vision Campaign fund drive and completed in 1992 and 1993, respectively.

The College has a long-range maintenance plan in place for making improvements to existing facilities. Major renovations which have recently been completed, including costs, are as follows: Hilleboe, Kildahl and Thorson Residence Halls ($191,900, $468,200 and $1,750,000, respectively), the Old Music Hall ($267,800) and the building housing radio station WCAL ($303,500).

**Academic Information**

The College confers the Bachelor of Arts and Bachelor of Music degrees on students who have completed the requirements for graduation.

A Bachelor of Arts degree is conferred upon students in the Paracollege, a "parallel" college which provides an alternative route to the degree by offering students a tutorial approach for meeting graduation requirements.

The College follows the 4-1-4 academic calendar of two, 14-week semesters of four courses each semester, separated by a one month interim term in January. This calendar is augmented by summer sessions during which as many as four courses may be taken.

**Marketing**

St. Olaf's marketing efforts include (1) direct contact with potential students by the Admissions Office; (2) contact with state, regional and national media by the Office of Public Relations; and (3) efforts to increase visibility through the use of faculty and staff speakers and authors.

The Admissions Office reaches more than 100,000 secondary school students annually through its direct mail campaign, ultimately leading to continued contact with about one-fifth of those in the application process. The campaign is a cooperative effort with the Office of Publications, which assists in producing the written and video materials used in student recruitment.

The Office of Public Relations produces more than 400 publications and sends out more than 500 news releases to community and national media.

More than one-half of the College faculty have agreed to represent the College as speakers or spend time writing about their work for publications in journals or newspapers.

The President participates in marketing the College by making between 50 and 60 public appearances around the country each year, speaking about the College and higher education in general.

**Student Enrollment**

The College's full-time and head count enrollment, actual and projected, are reflected in the table below. These figures reflect enrollment for the fall semester for each year. Enrollment is typically 60 to 80 students lower in the spring semester.

| Academic Year | Full-time Students | Head Count Students |
|---|---|---|
| 1993/94 | 2,888 | 2,993 |
| 1994/95 | 2,863 | 2,958 |
| 1995/96 | 2,854 | 2,936 |
| 1996/97 | 2,854 | 2,959 |
| 1997/98 | 2,873 | 2,975 |
| 1998/99 | 2,885* | 2,980* |
| 1999/00 | 2,864* | 2,970* |
| 2000/01 | 2,839* | 2,950* |
| 2001/02 | 2,859* | 2,965* |
| 2002/03 | 2,859* | 2,965* |

* *Denotes projected figures.*

The present and long-term objective of the College is to maintain a full-time, fall semester enrollment above 2,800. The student body currently consists of students from 49 states and 33 foreign countries. Fifty three percent (53%) of the students come from Minnesota.

**Applications, Acceptances and Enrollment of New First-Year Students**

| Year | Applicants | Acceptances | Matriculants | Acceptance Rate | Matriculation Rate |
|---|---|---|---|---|---|
| 1993-94 | 2,248 | 1,673 | 745 | 74.4% | 44.5% |
| 1994-95 | 2,235 | 1,693 | 752 | 75.7 | 44.4 |
| 1995-96 | 2,255 | 1,687 | 748 | 74.8 | 44.3 |
| 1996-97 | 2,232 | 1,804 | 777 | 80.8 | 43.1 |
| 1997-98 | 2,311 | 1,800 | 727 | 77.9 | 40.4 |

**Academic Profile of New First-Year Students**

The College admits qualified men and women from varied geographic, cultural, economic, racial, and religious backgrounds. In determining acceptance, the primary considerations are academic achievement, academic aptitude, and personal qualifications. The median SAT score for the current first-year class is 1,240; the median ACT score is 27; the average high school rank is the 88th percentile.

| Academic Year | Median SAT | Median ACT | Average High School Rank |
|---|---|---|---|
| 1993/94 | 1,110 | 26 | 85% |
| 1994/95 | 1,100 | 26 | 86 |
| 1995/96 | 1,170 | 26 | 87 |
| 1996/97 | 1,230 | 26 | 86 |
| 1997/98 | 1,240 | 27 | 88 |

### Geographic Distribution of Entering First-Year Students

For the fall of 1997, the geographic distribution of entering first-year students is as follows:

| | |
|---|---|
| Minnesota | 418 |
| Wisconsin | 79 |
| Iowa | 41 |
| Illinois | 23 |
| Washington | 15 |
| California | 14 |
| Colorado | 14 |
| North Dakota | 11 |
| South Dakota | 11 |
| Other States | 101 |
| Total | 727 |

NOTE: *The figures in the preceding three tables relating to first-year students exclude International Students. In the fall of 1997, a total of 66 International Students were enrolled at the College, 19 of whom were enrolled at the College for the first time.*

### Applications, Acceptances and Enrollment of Transfer Students

| Academic Year | Applicants | Acceptances | Matriculants | Acceptance Rate | Matriculation Rate |
|---|---|---|---|---|---|
| 1993-94 | 151 | 122 | 73 | 80.8% | 59.8% |
| 1994-95 | 128 | 88 | 51 | 68.8 | 58.0 |
| 1995-96 | 137 | 73 | 47 | 53.3 | 64.4 |
| 1996-97 | 113 | 64 | 34 | 56.6 | 53.1 |
| 1997-98 | 131 | 66 | 42 | 50.4 | 63.6 |

### Student Retention

| Fall Semester | New 1st Year | Percent of Students Returning | | | Percent of Graduates | |
|---|---|---|---|---|---|---|
| | | 2nd Year | 3rd Year | 4th Year | 4 years | By 5th Year |
| 1988 | 796 | 93.6% | 85.5%* | 83.5%* | 75.2% | 80.9% |
| 1989 | 748 | 90.0 | 81.9 * | 79.7 * | 73.6 | 79.7 |
| 1990 | 760 | 90.5 | 82.4 * | 80.9 * | 75.9 | 79.6 |
| 1991 | 733 | 90.0 | 81.9 | 79.7 | 70.9 | 77.1 |
| 1992 | 702 | 88.0 | 81.9 | 78.8 | 71.2 | 76.2 |
| 1993 | 745 | 87.3 | 80.5 | 77.6 | 69.8 | |
| 1994 | 752 | 83.6 | 77.0 | 75.9 | | |
| 1995 | 748 | 89.2 | 83.4 | | | |
| 1996 | 777 | 88.5 | | | | |
| 1997 | 727 | | | | | |

* *Retention data for these years is not available in cohort terms. These figures represent estimated cohort data.*

## Tuition and Fees

The College charges a Comprehensive Fee for each academic year, which includes tuition up to a maximum course load of 4.5 courses per semester, academic fees, room and a 21-meal per week board plan. Certain other fees may be charged for additional services or special courses. The following table lists the Comprehensive Fees charged for the past ten academic years and as approved by the Board of Regents for 1998-1999.

| Year | Tuition | Room | Board | Comprehensive Fee |
|---|---|---|---|---|
| 1993-94 | $13,560 | $1,650 | $1,990 | $17,200 |
| 1994-95 | 14,350 | 1,700 | 2,050 | 18,100 |
| 1995-96 | 15,000 | 1,750 | 2,100 | 18,850 |
| 1996-97 | 15,700 | 1,750 | 2,100 | 19,550 |
| 1997-98 | 16,500 | 1,820 | 2,200 | 20,520 |
| 1998-99 | 17,140 | 1,890 | 2,290 | 21,320 |

The College offers four optional payment plans for students: a monthly plan from June through March of 10 equal payments; a quarterly plan of 4 equal payments due on the 15th of the months of June, September, December and March; a single payment, with a small discount due August 15; and a four year pre-payment plan which represents an average Comprehensive Fee that "locks" in a lower, fixed Comprehensive Fee.

The College also offers two variations of a guaranteed cost plan. The first, *The $500 Plan*, allows families to make a payment of $500 in addition to the Comprehensive Fee and in turn, the College guarantees that the Comprehensive Fee will increase no more than $500 per year in the succeeding three years for the participating student. The second, *The $3,000 Solution*, guarantees that, in return for a payment of $3,000 in addition to the Comprehensive Fee, the Comprehensive Fee will remain fixed at the base year amount for the succeeding three years.

The following table lists total revenue derived from tuition and fees for the fiscal years ended May 31, 1993 through May 31, 1997:

| Year | Tuition and Fees |
|---|---|
| 1993 | $38,834,519 |
| 1994 | 41,028,200 |
| 1995 | 42,914,368 |
| 1996 | 44,611,512 |
| 1997 | 46,976,336 |

**Comparison of Undergraduate Charges for Minnesota Private Colleges (1997-1998)**

| | Tuition | Room and Board | Total |
|---|---|---|---|
| Carleton College | $21,885 | $4,440 | $26,325 |
| Macalester College | 18,758 | 5,430 | 24,188 |
| **St. Olaf College** | **16,500** | **4,020** | **20,520** |
| Gustavus Adolphus College | 16,170 | 4,010 | 20,180 |
| Mpls. College of Art & Design | 15,808 | 4,075 | 19,883 |
| College of St. Benedict | 14,758 | 4,706 | 19,464 |
| University of St. Thomas | 14,660 | 4,769 | 19,429 |
| St. John's University | 14,758 | 4,574 | 19,332 |
| Augsburg College | 13,996 | 4,986 | 18,982 |
| Bethel College | 13,840 | 4,950 | 18,790 |
| College of St. Catherine | 14,258 | 4,430 | 18,688 |
| College of St. Scholastica | 13,995 | 3,957 | 17,952 |
| St. Mary's University | 12,495 | 4,120 | 16,615 |
| Concordia University (St. Paul) | 11,980 | 4,500 | 16,480 |
| Concordia College (Moorhead) | 12,145 | 3,525 | 15,670 |
| Average | $15,054 | $4,456 | $19,509 |

**Financial Aid**

Approximately 66% of the full-time students enrolled receive need-based scholarships or grants from the College. An additional 14% of the full-time students receive merit-based scholarships from the College. The following table is a five-year summary of financial aid from College and non-College sources and these figures include both need-based and merit-based financial aid.

| | 1993-94 | 1994-95 | 1995-96 | 1996-97 | 1997-98 |
|---|---|---|---|---|---|
| Unrestricted Institutional Scholarships and Grants | $ 7,544 | $ 8,110 | $ 9,493 | $10,706 | $12,158 |
| Endowed and Restricted Gift Institutional Scholarships | 1,270 | 1,607 | 1,449 | 1,862 | 1,783 |
| Federal Pell & SEO Grants | 1,217 | 1,183 | 1,078 | 1,077 | 1,128 |
| Minnesota State Grants | 2,466 | 2,379 | 2,135 | 1,967 | 1,860 |
| Other Scholarships and Grants | 1,586 | 1,418 | 1,294 | 1,326 | 1,411 |
| Total Scholarships and Grants | $14,083 | $14,697 | $15,449 | $16,938 | $18,340 |
| Student Loans | 6,871 | 7,968 | 8,077 | 7,469 | 7,700 |
| Student Work | 1,600 | 1,740 | 1,793 | 1,749 | 2,075 |
| Total Financial Aid | $22,554 | $24,405 | $25,319 | $26,156 | $28,115 |

*NOTE: Figures are in thousands.*

**Faculty and Staff**

The College has a teaching staff of 222 full-time faculty members and 143 part-time faculty members with a full-time equivalent (FTE) devoted to teaching of 257.51. The student to teaching faculty ratio is approximately 11.28 to 1. The chart below shows the total number of College employees, stated in FTE terms, by category:

| Category | Number of FTE Employees |
|---|---|
| Teaching Faculty | 257.51 |
| Administrative | 196.73 |
| Support Staff | 218.40 |
| Total | 672.64 |

NOTE: *The figures above reflect the allocation of some faculty FTE to administrative duties.*

None of the employees are unionized and there are no pending salary negotiations.

The total employee compensation for the fiscal year ended May 31, 1997 was $31,128,028.

The average salaries for 1997-1998 by faculty rank are:

| Rank | Number of Full-time Faculty | Average Salary |
|---|---|---|
| Professor | 64 | $57,643 |
| Associate Professor | 85 | 46,617 |
| Assistant Professor | 53 | 37,320 |
| Instructor | 20 | 36,898 |

The College has certain contributory defined contribution pension plans for academic and nonacademic personnel. Contributions for employees are based on a percentage of annual compensation. The cost of these retirement plans is paid currently and amounted to $2,096,000 for the year ended May 31, 1997.

Effective June 1, 1995, the College adopted Statement of Financial Accounting Standards No. 106, *Employers' Accounting for Postretirement Benefits Other Than Pensions* on the immediate recognition basis. Under this method, the College records health care benefits for current and future retired employees and covered dependents on the accrual basis. The plan is unfunded and the cumulative effect on the prior years was a reduction in the increase in unrestricted net assets for the year ended May 31, 1996 of $1,962,309. Prior year financial statements have not been restated to reflect the accounting change.

The College's net postretirement benefit cost for the years ended May 31, 1996 and 1997 is as follows:

| | 1996 | 1997 |
|---|---|---|
| Service Cost | $ 18,688 | $ 18,600 |
| Interest Cost | 139,889 | 139,823 |
| Early retirement window expense | 0 | 113,000 |
| Net Postretirement Benefit Expense | $158,577 | $271,423 |

Accumulated postretirement benefit obligation components are as follows:

| | | |
|---|---|---|
| Active employees fully eligible for benefits | $ 261,825 | $ 299,763 |
| Other active employees | 135,820 | 194,096 |
| Current retirees | 1,697,884 | 1,611,227 |
| Accumulated Postretirement Benefit Obligation | $2,095,529 | $2,105,086 |

A 9.4% rate of increase in per capita cost of health care benefits for pre-65 coverage (9.1% for post-65 coverage) was assumed for the year ended May 31, 1997 (lower rates are assumed for HMO plans), gradually decreasing to an ultimate rate of 5% by the year 2006. Increasing the assumed health care cost trend rates by one percentage point in each year would have resulted in an increase in the accumulated postretirement benefit obligation as of May 31, 1997 of $195,773 and an increase in the aggregate of the service cost and interest cost components of net periodic pension cost for the year ended May 31, 1997 of $17,110. A discount rate of 7% was used to determine the accumulated postretirement benefit obligation.

**Gifts and Grants**

Beginning with fiscal year 1995, the College is reporting gifts and grants in accordance with FASB 116. Gifts are recorded as pledges are received.

Listed below is data for the three years in which the College has reported gifts and grants in accord with FASB 116:

| Fiscal Year | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| 1995 | $5,539,988 | $ 2,536,195 | $2,386,587 | $10,462,770 |
| 1996 | 8,431,260 | 7,496,624 | 5,455,523 | 21,383,407 |
| 1997 | 5,733,737 | 20,590,422 | 2,721,558 | 29,045,717 |

**Endowment Funds**

Endowment funds and deferred gift funds listed below are shown at market value.

| Fiscal Year Ended May 31 | Endowment Funds | Deferred Gift Funds | Total Funds |
|---|---|---|---|
| 1993 | $60,511,294 | $26,628,693 | $ 87,139,987 |
| 1994 | 63,465,949 | 24,478,745 | 87,944,694 |
| 1995 | 67,893,309 | 27,990,907 | 95,884,216 |
| 1996 | 87,023,265 | 33,790,197 | 120,813,462 |
| 1997 | 98,476,181 | 39,012,730 | 137,488,911 |

As of February 28, 1998, the market value of the College's endowment reached $111.5 million.

Endowment funds are managed primarily by five outside fund managers retained by the College: Harbor Capital Management (Boston, MA) - core equity; Thomson, Horstmann & Bryant (Saddlebrook, NJ) - small cap; Putnam International Equity Trust (Boston, MA) - international; Piper Capital Management (Minneapolis, MN) - bonds; Mellon Capital Management (Boston, MA) -tactical. The College also has a modest amount (about $5 million) invested with several real estate and venture capital managers.

The College uses an asset allocation model, which allocates 55% to 75% of the endowment to equity investments and 25% to 45% to fixed income investments. Income earned and appreciation, both realized and unrealized, are measured to create a total return concept. For the fiscal year ended May 31, 1997 the total return on the endowment was 8.828%; for fiscal year 1996, the total return was 21.345%.

The College endowment spending policy is based on a percentage of a twelve-quarter moving average of market values at the end of the previous year. For fiscal year 1998, the pay-out percentage is 5.42%, with a goal of moving to a pay-out percentage of 5.00% by fiscal year 2001.

**Fund Drives**

The College is currently in the early, "quiet phase" of an unannounced, five-year, $125 million fund raising campaign to attract financial support for current operations, specified capital construction projects and additions to the College's permanent endowment funds. The campaign period began on June 1, 1997 and is planned to conclude December 31, 2002. Payments on pledges made during the campaign period may continue through approximately 2007. Gifts and pledges totaling $47.6 million had been received through February 28, 1998, including a lead pledge of $26 million to underwrite the new campus commons building, which will be named the Buntrock Commons in honor of the donor family. A portion of the Buntrock Commons project is also being financed by a portion of the proceeds of this Issue.

The campaign goals for the five-year period are as follows:

| | |
|---|---|
| Current Operating Support | $ 15,000,000 |
| Capital Projects | 45,000,000 |
| Endowment (current) | 26,000,000 |
| Endowment (deferred gifts) | 24,000,000 |
| Other Gifts | 15,000,000 |
| Total Campaign | $125,000,000 |

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

**Financial Statements**

For the year ended May 31, 1995, the College 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 May 31, 1995, and the financial statements for 1995 and thereafter.

SFAS No. 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 College. This contrasts with the previous practice of recording contributions when the actual cash or property was received.

The second aspect of SFAS No. 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 No. 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 College 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 May 31, 1997, 1996 and 1995, includes 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 College for the years ended May 31, 1997, 1996 and 1995, audited by Virchow, Krause & Company, LLP, Minneapolis, Minnesota and prepared in accordance with SFAS No. 116 and SFAS No. 117. The firm has not participated in the preparation of this Official Statement and expresses no opinion on its contents.

**Summaries of Unrestricted Current Fund Revenues, Expenditures and Other Changes for Fiscal Years 1993 and 1994**

The table on page I-14 sets forth summaries of revenues, expenditures and other changes for the College's Unrestricted Current Fund, for Fiscal Years 1993 and 1994 which were maintained and presented on the fund accounting system.

**Statement of Activities (Unrestricted Portion Only) for Fiscal Years 1995, 1996 and 1997**

The table on page I-15 sets forth the statement of activities (unrestricted portion only) prepared in accordance in SFAS No. 116 and No. 117 for the Fiscal Years 1995, 1996 and 1997.

**Long-Term Debt of the College**

1. $6,172,000 Dormitory and Student Union Construction and Refunding Bonds, Series C, D and E, dated April 1, 1963; interest rates range from 2.875% to 3.50%; final maturity is due April 1, 2003; $785,000 is outstanding. The bonds are secured by the full faith and credit of the College; a first mortgage on Kittelsby Hall, Hilleboe Hall, Kildahl Hall, Thorson Hall, the Student Union Building, Ellingson Hall, Hoyme Memorial Hall, Agnes Mellby Hall, Agnes Larson Hall, and Mohn Hall; a first lien on and pledge of the net revenues derived from the operation of those mortgaged facilities; student union fees; and a debt service reserve and a repair and replacement reserve.

2. $5,245,000 Minnesota Higher Education Facilities Authority First Mortgage Revenue Bonds, Series Y, dated June 1, 1979. The Series Y Bonds maturing on April 1, 2004 through 2010 were redeemed on April 1, 1998 and the remaining maturities due April 1, 1999 through 2003 have been defeased by an escrow account established with the trustee for the bonds and therefore the bonds are no longer considered outstanding.

3. $16,500,000 City of Northfield, Minnesota College Facility Revenue Bonds, Series 1992, dated July 1, 1992; interest rates range from 5.40% to 6.40%; final maturity is due October 1, 2021; $16,200,000 is outstanding. The bonds are secured by the full faith and credit of the College.

As of April 1, 1998, the College's total long-term debt outstanding, adjusted to include the Bonds and exclude the discharged Series Y Bonds, is $31,985,000.

### Additional Obligations of the College

The College currently has outstanding several assessments payable to the City of Northfield and a lease obligation. Principal outstanding as of April 1, 1998 is $108,000 on the assessments and $70,500 on the lease.

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

The table on page I-16 sets forth the principal and estimated debt service on the Bonds and debt service on the College's currently outstanding long-term debt for each fiscal year during the term of the Bonds. Column 6 shows coverage of such annual debt service by the amount of College revenue that was available for debt service for the year ended May 31, 1997, as further detailed in footnote (c) of the table.

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

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## STATEMENT OF UNRESTRICTED CURRENT FUNDS REVENUES, EXPENDITURES AND OTHER CHANGES

| | Fiscal Year Ended May 31, 1993 | Fiscal Year Ended May 31, 1994 |
|---|---|---|
| Revenues | | |
| Tuition and Fees | $ 38,834,519 | $ 41,028,200 |
| Governmental Grants and Contracts | 274,355 | 289,321 |
| Private Gifts and Grants | 1,368,540 | 1,769,158 |
| Endowment Income | 871,395 | 1,043,035 |
| Sales and Services of Educational Activities | 562,136 | 705,526 |
| Investment and Other Income | 2,411,739 | 2,310,710 |
| Matured Deferred Gifts | 142,613 | 218,021 |
| Total Revenues Before Auxiliary Services | 44,465,297 | 47,363,971 |
| Sales and Services of Auxiliary Enterprises | 11,928,613 | 12,187,492 |
| Total Revenues | 56,393,910 | 59,551,463 |
| Expenditures and Mandatory Transfers | | |
| Educational and General | | |
| Instruction | 20,447,750 | 20,646,407 |
| Research | - | - |
| Public Service | 1,415,950 | 964,019 |
| Academic Support | 4,492,188 | 4,878,942 |
| Student Services | 3,038,659 | 3,049,541 |
| Institutional Support | 6,334,065 | 6,953,090 |
| Operations and Maintenance of Plant | 3,404,229 | 3,933,978 |
| Scholarships and Grants | 6,680,683 | 7,543,588 |
| Educational and General Expenditures | 45,813,524 | 47,969,565 |
| Mandatory Transfers for | | |
| Loan Fund Matching Grants | 20,500 | 32,554 |
| Total Educational and General | 45,834,024 | 48,002,119 |
| Auxiliary Expenditures | | |
| Expenditures | 8,774,234 | 8,836,452 |
| Mandatory Transfers for | | |
| Principal and Interest | 1,723,634 | 1,822,966 |
| Renewals and Replacements | 60,000 | - |
| Total Auxiliary Enterprises | 10,557,868 | 10,659,418 |
| Total Expenditures and Mandatory Transfers | 56,391,892 | 58,661,537 |
| Excess of Revenues over Expenditures and Mandatory Transfers | 2,018 | 889,926 |
| Other Transfers and Additions (Deductions) | | |
| Current Funds to | | |
| Endowment Funds | - | (45,423) |
| Funds Functioning as Endowment | (99,327) | - |
| Unexpended Plant Funds | (187,744) | (356,681) |
| Retirement of Indebtedness Funds | - | - |
| Restricted Current Funds Matching Grants | (162,120) | (392,746) |
| Endowment Gains Appropriated | 440,519 | - |
| Total Other Transfers and Additions (Deductions) | (8,672) | (794,850) |
| Net Increase (Decrease) in Fund Balances | $ (6,654) | $ 95,076 |

Source: Audited Financial Statements of the College

## STATEMENT OF ACTIVITIES
## (UNRESTRICTED PORTION ONLY)

| | Fiscal Year Ended May 31, | | |
|---|---|---|---|
| | 1995 | 1996 | 1997 |
| **REVENUES, GAINS AND OTHER SUPPORT** | | | |
| **OPERATING REVENUES** | | | |
| Tuition | 40,722,978 | 41,890,957 | 44,206,227 |
| Less: Unfunded scholarships & grants | (8,110,089) | (9,492,626) | (10,706,338) |
| Funded scholarships & grants | (2,177,570) | (2,009,987) | (2,292,640) |
| Net Tuition | 30,435,319 | 30,388,344 | 31,207,249 |
| Other tuition & fees | 2,191,390 | 2,720,555 | 2,770,109 |
| Government grants | 2,620,678 | 2,578,434 | 2,450,010 |
| Private gifts & grants | 2,190,881 | 2,255,097 | 2,535,935 |
| Long-term investment income and gains allocated for operations | 1,128,563 | 1,302,652 | 1,324,440 |
| Other sources | 3,368,226 | 3,390,828 | 3,373,428 |
| Net losses on investments | (4,406) | (105,595) | (42,620) |
| Auxiliary enterprises - sales & service | 12,684,922 | 12,694,354 | 12,465,440 |
| Subtotal: | 54,615,573 | 55,224,669 | 56,083,991 |
| Net assets released from restrictions | 4,345,305 | 5,141,529 | 5,935,787 |
| Total Operating Rev, Gains & Other Support | 58,960,878 | 60,366,198 | 62,019,778 |
| **OPERATING EXPENSES** | | | |
| Program expenses | | | |
| Instruction | 25,277,452 | 26,047,549 | 25,745,843 |
| Research | 605,980 | 606,288 | 688,060 |
| Public service | 3,433,193 | 3,878,148 | 4,353,592 |
| Academic support | 6,788,826 | 6,319,763 | 5,495,330 |
| Student services | 3,548,998 | 3,827,810 | 3,940,896 |
| Auxiliary enterprises | 12,430,323 | 12,266,529 | 13,026,173 |
| Support expenses | | | |
| Institutional support | 7,662,461 | 7,239,951 | 7,090,360 |
| Total Operating Expenses | 59,747,233 | 60,186,038 | 60,340,254 |
| **Increase in Net Assets from Operating Activities** | (786,355) | 180,160 | 1,679,524 |
| **NONOPERATING ACTIVITIES** | | | |
| Long-term investment activities | | | |
| Investment income | 1,080,942 | 1,201,591 | 1,285,981 |
| Net realized gains | 656,735 | 1,687,685 | 2,118,087 |
| Net unrealized appreciation | 3,172,500 | 9,805,490 | 638,074 |
| Total Long-term investment | 4,910,177 | 12,694,766 | 4,042,142 |
| Less: Long-term inv. Income & gains allocated for operations | (1,128,563) | (1,302,652) | (1,324,440) |
| Subtotal: | 3,781,614 | 11,392,114 | 2,717,702 |
| Student loan income net of expenses | | | |
| Capital giving activities - gifts and grants | 299,622 | 3,552,663 | 164,323 |
| Deferred giving activities - gifts | 428,807 | 45,066 | 349,295 |
| Capital gift fund raising expenses | (102,371) | (145,507) | (101,310) |
| Capital asset adjustment | 141,241 | - | - |
| Voluntary separation expenses | - | (3,485,433) | - |
| Adjustment to actuarial liability for annuities payable | (326,831) | (847,509) | (39,606) |
| Subtotal: | 4,222,082 | 10,511,394 | 3,090,404 |
| Net assets released from restrictions | 1,870,543 | 1,592,577 | 3,077,728 |
| **Increase in Net Assets from Nonoperating Activities** | 6,092,625 | 12,103,971 | 6,168,132 |
| Increase in Net Assets | 5,306,270 | 12,284,131 | 7,847,656 |
| Cum. effect of change in accounting principle | - | (1,962,309) | - |
| Net Assets - Beginning of Year | 61,113,973 | 66,420,243 | 76,742,065 |
| **NET ASSETS - END OF YEAR** | $ 66,420,243 | $ 76,742,065 | $ 84,589,721 |

Source: Audited Financial Statements of the College; only unrestricted portion of Statement of Activities is shown.

## Minnesota Higher Education Facilities Authority
## Series Four-R, St. Olaf College
## Debt Service Coverage Using Fiscal Year May 31, 1997 Results

| Fiscal Year May 31, | Debt Service on Series Four-R (a) | Existing Long-Term Debt Service(b) | Combined Long-Term Debt Service | Amount (c) Avail. For Debt Service | Estimated Coverage (Times) |
|---|---|---|---|---|---|
| (1) | (2) | (3) | (4) | (5) | (6) |
| 1998 | $ - | $ 1,584,698 | $ 1,584,698 | $ 8,662,983 | 5.47 |
| 1999 | 691,728 | 1,550,438 | 2,242,166 | 8,662,983 | 3.86 |
| 2000 | 879,613 | 1,550,290 | 2,429,903 | 8,662,983 | 3.57 |
| 2001 | 997,206 | 1,473,603 | 2,470,809 | 8,662,983 | 3.51 |
| 2002 | 992,144 | 1,472,593 | 2,464,736 | 8,662,983 | 3.51 |
| 2003 | 996,416 | 1,469,738 | 2,466,154 | 8,662,983 | 3.51 |
| 2004 | 995,005 | 1,330,113 | 2,325,118 | 8,662,983 | 3.73 |
| 2005 | 992,928 | 1,333,493 | 2,326,420 | 8,662,983 | 3.72 |
| 2006 | 995,130 | 1,329,588 | 2,324,718 | 8,662,983 | 3.73 |
| 2007 | 991,484 | 1,333,650 | 2,325,134 | 8,662,983 | 3.73 |
| 2008 | 997,123 | 1,330,260 | 2,327,383 | 8,662,983 | 3.72 |
| 2009 | 991,808 | 1,329,980 | 2,321,788 | 8,662,983 | 3.73 |
| 2010 | 995,618 | 1,332,495 | 2,328,113 | 8,662,983 | 3.72 |
| 2011 | 993,251 | 1,332,490 | 2,325,741 | 8,662,983 | 3.72 |
| 2012 | 994,550 | 1,329,965 | 2,324,515 | 8,662,983 | 3.73 |
| 2013 | 994,603 | 1,334,920 | 2,329,523 | 8,662,983 | 3.72 |
| 2014 | 993,530 | 1,330,960 | 2,324,490 | 8,662,983 | 3.73 |
| 2015 | 995,985 | 1,334,120 | 2,330,105 | 8,662,983 | 3.72 |
| 2016 | 997,073 | 1,333,760 | 2,330,833 | 8,662,983 | 3.72 |
| 2017 | 996,511 | 1,329,880 | 2,326,391 | 8,662,983 | 3.72 |
| 2018 | 994,535 | 1,332,480 | 2,327,015 | 8,662,983 | 3.72 |
| 2019 | 996,065 | 1,330,920 | 2,326,985 | 8,662,983 | 3.72 |
| 2020 | 995,961 | 1,330,200 | 2,326,161 | 8,662,983 | 3.72 |
| 2021 | 994,068 | 1,330,000 | 2,324,068 | 8,662,983 | 3.73 |
| 2022 | 995,468 | | 995,468 | 8,662,983 | 8.70 |
| 2023 | 995,161 | | 995,161 | 8,662,983 | 8.71 |
| 2024 | 992,886 | | 992,886 | 8,662,983 | 8.73 |
| 2025 | 993,625 | | 993,625 | 8,662,983 | 8.72 |
| 2026 | 991,888 | | 991,888 | 8,662,983 | 8.73 |
| 2027 | 993,163 | | 993,163 | 8,662,983 | 8.72 |
| 2028 | 996,920 | | 996,920 | 8,662,983 | 8.69 |
| 2029 | 993,028 | | 993,028 | 8,662,983 | 8.72 |
| Totals: | $ 30,414,469 | $ 33,070,630 | $ 63,485,099 | | |

(a) Based on projected interest rates as of March 1998.
(b) Excludes the Series Y Bonds, which have been refunded.
(c) Calculation of Amount Available for Debt Service for Fiscal Year Ended May 31, 1997:

| | | |
|---|---|---|
| Increase in Unrestricted Net Assets: | | $ 7,847,656 |
| Plus: | Depreciation | 2,944,217 |
| | Debt Service Interest paid | 1,331,805 |
| | Net Losses on Investments | 42,620 |
| Less: | Long-term investment income and gains allocated for operations | (2,717,702) |
| | Net Assets released from restriction for land, buildings and equipment | (785,613) |
| | Amount available for debt service payments: | $ 8,662,983 |

## PROPOSED FORM OF LEGAL OPINION

FAEGRE & BENSON LLP

2200 NORWEST CENTER, 90 SOUTH SEVENTH STREET
MINNEAPOLIS, MINNESOTA 55402-3901
TELEPHONE 612-336-3000
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$15,000,000
Minnesota Higher Education Facilities Authority
Revenue Bonds, Series Four-R
(St. Olaf College)

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-R (St. Olaf College), in the aggregate principal amount of $15,000,000 (the "Bonds"), dated May 1, 1998, in the denomination of $5,000 each and integral multiples thereof, maturing on April 1 and October 1 in the years and amounts and bearing interest at the basic rates per annum as follows:

| April 1 of the Year | Amount | Basic Interest Rate | October 1 of the Year | Amount | Basic Interest Rate |
|---|---|---|---|---|---|
| 2000 | | | 2000 | | |
| 2001 | | | 2001 | | |
| 2002 | | | 2002 | | |
| 2003 | | | 2003 | | |
| 2004 | | | 2004 | | |
| 2005 | | | 2005 | | |
| 2006 | | | 2006 | | |
| 2007 | | | 2007 | | |
| 2008 | | | 2008 | | |
| [2009] | | | [2009] | | |
| [20__] | | | [20__] | | |
| [20__] | | | [20__] | | |
| 2029 | | | | | |

The 2008 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 20__ and 20__ 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, 1998. In the event of a Determination of Taxability (as defined in the Loan Agreement and Trust Indenture referred to below), the Bonds are subject to additional interest and optional redemption. 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 ________________ Bank, National Association, in _____________, Minnesota, as Trustee (the "Trustee"). The Bonds are issued for the purpose of funding a loan from the Authority to St. Olaf College, a Minnesota nonprofit corporation and institution of higher education located in the City of Northfield, Minnesota (the "College"), in order to finance improvement of existing facilities and acquisition, construction and installation of new facilities, all owned or to be owned and operated by the College and located on its main campus in Northfield, Minnesota. We have examined executed counterparts of the Loan Agreement (the "Loan Agreement") between the Authority and the College and the Trust Indenture (the "Indenture") between the Authority and the Trustee each dated as of May 1, 1998, one or more opinions of Gray, Plant, Mooty, Mooty & Bennett, Professional Association and Schmitz & Ophaug, as counsel to the College, the form of the Bonds prepared for execution, and such other documents as we deemed necessary for the purpose of the following opinion.

As to questions of fact material to our opinion, we have relied upon certified proceedings, documents and certifications furnished to us by public officials and officials of the College without undertaking to verify such facts by independent investigation. We have also relied upon the opinions of Gray, Plant, Mooty, Mooty & Bennett, Professional Association and Schmitz & Ophaug as to the Loan Agreement having been duly authorized and executed and being binding upon the College and as to the corporate organization, tax-exempt status, good standing and powers of the College, and as to title to the Project Site (as defined in the Loan Agreement and Indenture), without examining the records of the College or original title records or abstracts of title.

We have 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 College and to execute and deliver the Loan Agreement and the Indenture to secure the Bonds.

2. The Loan Agreement and the Indenture are valid and binding instruments of the parties thereto, enforceable in accordance with their terms.

3. The Bonds are secured by the assignment of the loan repayments payable by the College under the Loan Agreement to the Trustee, 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, May __, 1998.

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**APPENDIX III**

## ANNUAL REPORT INFORMATION

The Annual Report Date will be 270 days after each fiscal year end, commencing with the fiscal year ended May 31, 1999. 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 Enrollment of New First-Year Students
      - Geographic Distribution of Entering First-Year Students
      - Student Retention
      - Tuition and Fees
      - Financial Aid
      - Faculty and Staff

   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.

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**APPENDIX IV**

## 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 College 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 College and the Trustee, containing the specimen signature of such person and signed on behalf of the Authority by its Chair, Secretary or Executive Director or any officer authorized to act on behalf of the foregoing officers. Such certificate may designate an alternate or alternates.

*Authorized Institution Representative*: The person at the time designated to act on behalf of the College by written certificate furnished to the Authority and the Trustee, containing the specimen signature of such person and signed on behalf of the College by the Chair, Vice Chair, Secretary, or Treasurer of its Board of Regents or by the President or any Vice President appointed by the Board of Regents as officers of the administration of the College. 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 Regents*: The Board of Regents of the College, including any Executive Committee or other 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 April 15, 1998, 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-R (St. Olaf College).

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

*College*: St. Olaf College, a Minnesota nonprofit corporation, as owner and operator of the Institution, its successors and assigns.

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

*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, College and Trustee to act as the Depository; provided any Depository shall be registered or qualified as a "clearing agency" within the meaning of Section 17A of the Securities Exchange Act of 1934, as amended.

*Determination of Taxability*: A Notice of Deficiency issued by the Internal Revenue Service or a final decision of a court of competent jurisdiction to the effect that the interest 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 College's fiscal year, initially the 12-month period commencing on June 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 May 1, 1998, under which the Bonds are authorized to be issued, and including any indenture supplemental thereto.

*Institution*: St. Olaf College (sometimes referred to herein as "College"), a Minnesota institution of higher education located in the City of Northfield, Minnesota and owned and operated by the College.

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

*Issue*: The Bonds.

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

*Loan Agreement*: The Loan Agreement between the Authority and the College relating to the Bonds, dated as of May 1, 1998, as amended or supplemented from time to time.

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

*Negative Pledge Property*: Buntrock Commons Project 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 College as owner or lessee or the Trustee as secured party pursuant to the Indenture, less the cost of recovery (including attorneys' fees) of such moneys from the insuring company or the condemning authority 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 College, (iv) those additional encumbrances set forth in Exhibit C to the Loan Agreement, (v) liens granted by the College to secure Funded Debt allowed under the Loan Agreement, and (vi) liens permitted under Section 6.15 of the Loan Agreement on Negative Pledge Property up to 70% of the book value thereof.

*Project*: The Project consists of the following: (a) the acquisition, construction and equipping of a student union type facility of approximately 175,000 square feet for food service operation, student organization offices and support areas, student governmental offices, the bookstore, a movie theater, a student-programmed entertainment facility, the telecommunications center, a post office facility, and conference and banquet facilities (the "Buntrock Commons Project"); (b) the acquisition and installation of an electrical generator (the "Generator"); (c) the acquisition and installation of hardware and software for general academic and administrative computing, telecommunications and networking ("Computers"); (d) the acquisition and installation of hardware and software for financial and human resources/payroll information system ("Payroll System"); (e) classroom renovations and the acquisition of new classroom furnishings ("Classroom Renovation"); (f) the acquisition of residence hall furniture ("Furniture"); and (g) various improvements relating to roadways, parking lots, heating control systems, cooling systems, and the campus utility distribution system ("Infrastructure"), each including appurtenant site improvements all owned or to be owned and operated by the College and located on the campus of the College in the City of Northfield, Minnesota.

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

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

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

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

*Project Site*: The land on which any Project Building is 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 College 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 College 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 lesser of 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-R Bonds*: The Minnesota Higher Education Facilities Authority Revenue Bonds, Series Four-R (St. Olaf College).

*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 College represents that the acquisition, construction and installation of the Project are to be substantially completed by no later than May 1, 2000 subject only to "force majeure," as provided in the Loan Agreement. The College may apply to the Authority at any time to delete from the Project any building, system or equipment proposed to be acquired, constructed or improved as part of the Project, or to add any building, system or equipment to the Project, or both, and upon approval of the Authority, the description of the Project shall accordingly be amended by a supplement to the Loan Agreement executed by the Authority and the College, a copy of which shall be furnished to the Trustee, provided that no such amendment of the description of the Project shall be approved if the Project, as so amended, will not constitute an authorized "project" under the Act or will adversely affect the tax exempt status of interest on the Bonds and an opinion of counsel to such effects is furnished. The College agrees that it has previously paid or will itself pay all costs relating to the acquisition, construction, improving and equipping of the Project, including costs of issuance of the Bonds, to the extent such payments and costs exceed the proceeds of the Bonds, including investment earnings in the Construction Account.

### Loan Repayments

Under the Loan Agreement, the College agrees to make Loan Repayments in amounts and at times sufficient to provide for payment in full of all principal of and interest and premium, if any, on the Bonds when due. To provide for such payments the College 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, 1998, into the Bond and Interest Sinking Fund Account a sum which will be equal to the amount payable as principal and interest on the Bonds on such April 1 and October 1; 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).

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

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

**Use of Project Facilities**

The College agrees to use the Project Facilities as educational facilities, in compliance with law and ordinance requirements, and not as facilities for sectarian instruction or religious worship, nor primarily in connection with a program of a school or department of divinity for any religious denomination. The College agrees not to permit use of the Project Facilities in such manner or to such an extent as would 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 College agrees that, so long as there are Bonds outstanding, the College will keep the Project Facilities in good repair and good operating condition at its own cost, making such repairs, modifications, and replacements as are necessary so that the Project will remain a "project" under the Act and interest on the Bonds will be exempt from federal income taxation. The College may lease or sublease or enter into agreements in the ordinary course of business for the use of the Project Facilities, so long as the tax-exempt status of the Bonds will not be affected thereby and such lease, sublease or use agreement shall not be inconsistent with the Loan Agreement, the Indenture, or the Act, and the College shall remain fully obligated under the Loan Agreement as if such lease, sublease or use agreement had not been made.

**Title to Property and Liens; Negative Pledge**

The College will pay all utility charges and other charges arising from the operations of the Project Facilities including any mechanics' liens for labor or materials furnished in connection with any remodeling, additions, modifications, improvements, repairs, renewals or replacements, provided the College may in good faith contest such utility and other charges and liens filed or established against the Project Facilities and may permit the items so contested to remain undischarged and unsatisfied during the period of such contest unless the Authority or Trustee shall notify the College that, in the opinion of independent counsel, by nonpayment of any such items the Project Facilities will be subject to loss or forfeiture, in which event the College shall promptly pay all such items. Notwithstanding the foregoing, to the extent certain Project Equipment become fixtures of College 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 College to be kept free of mortgages, liens, pledges, security interests, assignments of interest and encumbrances other than Permitted Encumbrances; provided that the College may grant liens upon the Negative Pledge Property so long as the aggregate amount of such liens does not exceed 70% of the book value of the Negative Pledge Property and after taking into account any increased book value to result from any improvements related to such liens.

**Taxes and Other Governmental Charges**

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

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

**Insurance**

The College is required to maintain, or cause to be maintained, insurance, 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 College.

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

The College is required to furnish to the Trustee policies or certificates or binders evidencing the required insurance. Each required policy shall contain a provision that the insurer will not cancel or modify the policy without giving written notice to the College 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 College will promptly repair, rebuild or restore the property damaged or destroyed with such changes, alterations and modifications (including the substitution and addition of other property) as will not impair the character or significance of the Project Facilities as educational facilities. To the extent that the claim for loss resulting from such damage or destruction exceeds $1,000,000, the College 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 such Project Facilities shall be used for redemption or purchase of outstanding Bonds. "Pro rata portion" means 90% of the principal amount of outstanding Bonds in the case of all or parts of the Buntrock Commons Project.

### Condemnation

If at any time before the Bonds have been fully paid (or provision for payment thereof has been made in accordance with the Indenture), title to any part of the Project Facilities shall be taken in any proceeding involving the exercise of the right of eminent domain, the College shall either redeem the Bonds in whole or 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 such Project Facilities which the College 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 College may remove or release Project Equipment and Building Equipment from the Project Facilities if no Default exists and upon the following conditions:

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

(b) the College may release any equipment from the definition of Project Equipment (with or without the physical removal thereof) without substitution therefor, provided that the College pays a sum equal to the then value of such Project Equipment as determined by an Independent engineer selected by the College, to the Trustee for deposit in the Redemption Account for the redemption and prepayment of the Bonds; provided that if the depreciated book value of any item of equipment so released was less than $25,000, such release without substitution and such deposit to the Redemption Account may be effected without such determination of value and Certificate by an Independent engineer upon such showing by the College as may be satisfactory to the Trustee; and

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

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

**Indemnification**

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

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

**Existence and Accreditation of College**

The College agrees that during the term of the Loan Agreement it will maintain its existence as a nonprofit corporation and will maintain the Institution's existence as a nonprofit institution of higher education under the laws of Minnesota, accredited as such by recognized accrediting organizations, 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 College, or consolidate with or merge into another corporation, or permit one or more other corporations to consolidate with or merge into it, except upon the conditions provided in the Loan Agreement. The conditions are the following: (a) If the surviving, resulting or transferee corporation or institution, as the case may be, is other than the College, such surviving, resulting or transferee corporation or institution shall assume in writing all of the obligations of the College in the Loan Agreement and shall be either a state university or college or a nonprofit corporation operating or authorized to operate an institution of higher education under the laws of Minnesota, eligible to be a participating nonprofit institution under the Act, and complies and will comply with the provisions of the Loan Agreement against unlawful discrimination and requiring that the College be nonsectarian; and (b) the College shall furnish to the Trustee an opinion of bond counsel that such consolidation, merger or transfer shall have no effect upon the tax-exempt nature of the interest on the Bonds under the Internal Revenue Code and regulations thereunder.

**Institution to be Nonsectarian**

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

## Federal Income Tax Status

The College represents that it presently is, and agrees that it shall take all appropriate measures to assure that it remains, an organization described in Section 501(c)(3) of the Internal Revenue Code, exempt from Federal 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 College further agrees to comply with all applicable laws and regulations against unlawful discrimination, and not to discriminate on account of religion, race, color, creed or national origin in the use of the Project Facilities; to provide and file such financing statements and other instruments of further assurance as the 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 Office, subject to the right of contest. The College agrees to indemnify the Authority from losses arising from certain representations made by the College regarding the absence of hazardous waste on the Project Facilities.

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

## Events of Default

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

(a) If the College shall fail to make 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 College that such payment has not been made; or

(b) If the College shall fail to comply with the provisions of Section 6.09(f) of the Loan Agreement (relating to arbitrage calculation and rebate requirements); or

(c) If the College 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 College fails to restore such deficiency within a period of thirty (30) days after written notice specifying such deficiency and requesting that it be remedied is given to the College by the Authority or the Trustee; or

(d) If the College 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 College 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 College is proceeding with reasonable diligence to remedy the same; or

(e) If the College files a petition in voluntary bankruptcy, or for the composition of its affairs or for its corporate reorganization under any state or Federal bankruptcy or insolvency law, or makes an assignment for the benefit of creditors, or consents in writing to the appointment of a trustee or receiver for itself or for the whole or any substantial part of the property of the College; or

(f) If a court of competent jurisdiction shall enter an order, judgment or decree against the College in any insolvency, bankruptcy, or reorganization proceeding, or appointing a trustee or receiver of the College or of the whole or any substantial part of the property of the College, and such order, judgment or decree shall not be vacated or set aside or stayed within ninety days from the date of the entry thereof; or

(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 College or of the whole or any substantial part of the property of the College, and such custody or control shall not be terminated within ninety days from the date of assumption of such custody or control.

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

**Remedies on Default**

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

(a) The Trustee may declare all or any amount of Loan Repayments thereafter to become due 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 College.

**Amendments**

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

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## THE INDENTURE

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

### Granting Clauses

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

(a) all right, title and interest of the Authority under the Loan Agreement and all Loan Repayments and other sums due under the Loan Agreement, except the Authority's annual fee and rights to indemnity and reimbursement;

(b) a first lien on and pledge of (i) the moneys and investments in the Accounts covenanted to be paid and maintained under the Indenture, (ii) moneys and investments in the Construction Account not paid out for Project Costs, and (iii) all accounts, contract rights, general intangibles, moneys and instruments arising therefrom or relating thereto and all proceeds and products of and accessions to any thereof; and

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

### 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 College, 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 College's ability to meet debt service on the Additional Bonds. Furthermore, to the extent required by the Authority, the College 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 College (giving the College the privilege of curing such default in the name of the Authority, if permitted by law) by the Trustee, which may give such notice in its discretion and shall give such notice upon written request of the Holders of not less than a majority in principal amount of the Bonds then outstanding; or

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

## 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 College to the same extent as if it were not Trustee. Provision is made for the succession or replacement of the Trustee by another corporate Trustee with a minimum capital, surplus and undivided profits of $10 million in event of merger, resignation, or removal by Holders of a majority in principal amount of outstanding Bonds, or in the event of disability, by the Authority or a court. Provision is also made for removal of the Trustee by Bondholders or the Authority, at the request of the College, provided that the Authority may, but is not required to remove the Trustee with or without the request of the College 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 College shall:

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

(b) 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 College for the Authority and expressed to be irrevocable, authorizing the Trustee to give such notice for and on behalf of the

Authority; or (3) file with the Trustee a waiver of such notice of redemption signed by the Holders of all such 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 College all the Trust Estate shall revert to the Authority and the College as their interests appear, and the entire estate, right, title and interest of the Trustee, and of registered owners of 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 at its order to the College, all cash and deposited securities, if any (except that held for the payment of the Bonds), which shall then be held thereunder.

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

**Supplemental Indentures**

The Authority and the Trustee 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 College 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.

# ST. OLAF COLLEGE
# FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

## MAY 31, 1997, 1996 AND 1995

**Virchow, Krause & Company, LLP**
**Certified Public Accountants & Consultants**
1100 TCF Tower • 121 S. Eighth Street
Minneapolis, MN 55402-2848

# INDEPENDENT AUDITORS' REPORT

To the Board of Regents
St. Olaf College
Northfield, Minnesota

We have audited the accompanying balance sheets of St. Olaf College as of May 31, 1997, 1996 and 1995 and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of St. Olaf College at May 31, 1997, 1996 and 1995 and the changes in its net assets and its cash flows for the years then ended in conformity with generally accepted accounting principles.

VIRCHOW, KRAUSE & COMPANY, LLP

Virchow, Krause & Company, LLP

Minneapolis, Minnesota
August 1, 1997

## ST. OLAF COLLEGE

### BALANCE SHEETS
May 31, 1997, 1996 and 1995

#### ASSETS

| | 1997 | 1996 | 1995 |
|---|---|---|---|
| Cash and cash equivalents | $ 8,372,481 | $ 8,624,396 | $ 9,583,092 |
| Receivables | | | |
| Student accounts, net of allowance for doubtful accounts of $144,800, $90,000 and $92,700 | 466,391 | 432,245 | 292,641 |
| Contributions, net (Note 4) | 21,808,687 | 1,785,060 | 3,218,120 |
| Other | 656,480 | 433,574 | 494,278 |
| Inventories | 714,248 | 836,614 | 783,612 |
| Prepaid expenses and deposits | 291,585 | 405,137 | 288,428 |
| Student notes receivable, net of allowance for doubtful notes of $76,800, $55,600 and $66,900 | 7,797,997 | 7,746,527 | 7,594,789 |
| Investments | | | |
| Cash and short-term investments (Note 5) | 13,662,413 | 3,066,884 | 4,520,720 |
| Marketable securities (Note 5) | 114,859,219 | 115,213,829 | 87,641,778 |
| Mortgages and contracts for deed | 2,374,508 | 2,517,167 | 2,327,526 |
| Notes receivable | 94,463 | 31,810 | 435,038 |
| Real estate | 534,269 | 783,629 | 882,319 |
| Other investments | 5,189,118 | 3,978,427 | 10,760,602 |
| Deposits held by trustee | 3,310,324 | 3,280,528 | 3,268,570 |
| Funds held in trust by others | 1,509,247 | 1,291,521 | 985,080 |
| Funds held for investment in property, plant and equipment | 3,231,156 | 4,282,659 | 692,162 |
| Construction in progress (Note 6) | 1,473,300 | 607,202 | 137,152 |
| Property, plant and equipment, net (Note 7) | 54,083,409 | 52,953,064 | 53,364,111 |
| TOTAL ASSETS | $ 240,429,295 | $ 208,270,273 | $ 187,270,018 |

#### LIABILITIES AND NET ASSETS

| | 1997 | 1996 | 1995 |
|---|---|---|---|
| **LIABILITIES** | | | |
| Accounts payable | $ 1,229,831 | $ 704,603 | $ 653,164 |
| Accrued liabilities | 8,393,584 | 12,012,817 | 7,998,373 |
| Deferred revenue | 2,056,912 | 2,114,629 | 2,179,918 |
| Annuities payable | 12,328,802 | 11,820,943 | 9,753,296 |
| Long-term debt (Note 11) | 21,351,237 | 21,827,566 | 22,334,833 |
| U. S. government grants refundable | 6,838,452 | 6,396,688 | 6,122,951 |
| Deposits held in trust for others | 7,102,675 | 6,009,997 | 11,909,599 |
| Total Liabilities | 59,301,493 | 60,887,243 | 60,952,134 |
| **NET ASSETS (Note 2)** | | | |
| Unrestricted | 84,589,721 | 76,742,065 | 66,420,243 |
| Temporarily restricted | 29,078,264 | 8,439,609 | 3,369,166 |
| Permanently restricted | 67,459,817 | 62,201,356 | 56,528,475 |
| Total Net Assets | 181,127,802 | 147,383,030 | 126,317,884 |
| TOTAL LIABILITIES AND NET ASSETS | $ 240,429,295 | $ 208,270,273 | $ 187,270,018 |

See accompanying notes to financial statements.

# ST. OLAF COLLEGE

## STATEMENT OF ACTIVITIES
Year Ended May 31, 1997

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| **REVENUES, GAINS AND OTHER SUPPORT** | | | | |
| **OPERATING REVENUES** | | | | |
| Tuition | $ 44,206,227 | | | $ 44,206,227 |
| Less: Unfunded scholarships and grants | (10,706,338) | | | (10,706,338) |
| Funded scholarships and grants | (2,292,640) | | | (2,292,640) |
| Net tuition | 31,207,249 | | | 31,207,249 |
| Other tuition and fees | 2,770,109 | | | 2,770,109 |
| Government grants | 2,450,010 | | | 2,450,010 |
| Private gifts and grants | 2,535,935 | $ 2,824,988 | | 5,360,923 |
| Long-term investment income and gains allocated for operations | 1,324,440 | 2,851,985 | | 4,176,425 |
| Other sources | 3,373,428 | 498,166 | | 3,871,594 |
| Net losses on investments | (42,620) | | | (42,620) |
| Auxiliary enterprises - sales and services | 12,465,440 | | | 12,465,440 |
| | 56,083,991 | 6,175,139 | | 62,259,130 |
| Net assets released from restrictions (Note 3) | 5,935,787 | (5,935,787) | | |
| Total Operating Revenues, Gains and Other Support | 62,019,778 | 239,352 | | 62,259,130 |
| **OPERATING EXPENSES** | | | | |
| Program expenses | | | | |
| Instruction | 25,745,843 | | | 25,745,843 |
| Research | 688,060 | | | 688,060 |
| Public service | 4,353,592 | | | 4,353,592 |
| Academic support | 5,495,330 | | | 5,495,330 |
| Student services | 3,940,896 | | | 3,940,896 |
| Auxiliary enterprises | 13,026,173 | | | 13,026,173 |
| Support expenses | | | | |
| Institutional support | 7,090,360 | | | 7,090,360 |
| Total Operating Expenses | 60,340,254 | | | 60,340,254 |
| **Increase in Net Assets from Operating Activities** | 1,679,524 | 239,352 | | 1,918,876 |
| **NONOPERATING ACTIVITIES** | | | | |
| Long-term investment activities | | | | |
| Investment income | 1,285,981 | 1,819,733 | $ 6,946 | 3,112,660 |
| Net realized gains | 2,118,087 | 2,908,143 | 125,575 | 5,151,805 |
| Net unrealized appreciation | 638,074 | 736,204 | 1,654,772 | 3,029,050 |
| Total long-term investment income | 4,042,142 | 5,464,080 | 1,787,293 | 11,293,515 |
| Less: Long-term investment income and gains allocated for operations | (1,324,440) | (2,851,985) | | (4,176,425) |
| | 2,717,702 | 2,612,095 | 1,787,293 | 7,117,090 |
| Student loan income net of expenses | | | 49,333 | 49,333 |
| Capital giving activities - gifts and grants | 164,323 | 20,579,638 | 2,290,066 | 23,034,027 |
| Deferred giving activities - gifts | 349,295 | 10,784 | 382,159 | 742,238 |
| Capital gift fund raising expenses | (101,310) | | | (101,310) |
| Adjustment to actuarial liability for annuities payable | (39,606) | 274,514 | 749,610 | 984,518 |
| | 3,090,404 | 23,477,031 | 5,258,461 | 31,825,896 |
| Net assets released from restrictions (Note 3) | 3,077,728 | (3,077,728) | | |
| **Increase in Net Assets from Nonoperating Activities** | 6,168,132 | 20,399,303 | 5,258,461 | 31,825,896 |
| **Increase in Net Assets** | 7,847,656 | 20,638,655 | 5,258,461 | 33,744,772 |
| Net Assets - Beginning of Year | 76,742,065 | 8,439,609 | 62,201,356 | 147,383,030 |
| **NET ASSETS - END OF YEAR** | $ 84,589,721 | $ 29,078,264 | $67,459,817 | $ 181,127,802 |

See accompanying notes to financial statements.

**ST. OLAF COLLEGE**

STATEMENT OF ACTIVITIES
Year Ended May 31, 1996

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| **REVENUES, GAINS AND OTHER SUPPORT** | | | | |
| **OPERATING REVENUES** | | | | |
| Tuition | $ 41,890,957 | | | $ 41,890,957 |
| Less: Unfunded scholarships and grants | (9,492,626) | | | (9,492,626) |
| Funded scholarships and grants | (2,009,987) | | | (2,009,987) |
| Net tuition | 30,388,344 | | | 30,388,344 |
| Other tuition and fees | 2,720,555 | | | 2,720,555 |
| Government grants | 2,578,434 | | | 2,578,434 |
| Private gifts and grants | 2,255,097 | $ 2,489,304 | | 4,744,401 |
| Long-term investment income and gains allocated for operations | 1,302,652 | 2,517,407 | | 3,820,059 |
| Other sources | 3,390,828 | 388,799 | | 3,779,627 |
| Net losses on investments | (105,595) | | | (105,595) |
| Auxiliary enterprises - sales and services | 12,694,354 | | | 12,694,354 |
| | 55,224,669 | 5,395,510 | | 60,620,179 |
| Net assets released from restrictions (Note 3) | 5,141,529 | (5,141,529) | | |
| Total Operating Revenues, Gains and Other Support | 60,366,198 | 253,981 | | 60,620,179 |
| **OPERATING EXPENSES** | | | | |
| Program expenses | | | | |
| Instruction | 26,047,549 | | | 26,047,549 |
| Research | 606,288 | | | 606,288 |
| Public service | 3,878,148 | | | 3,878,148 |
| Academic support | 6,319,763 | | | 6,319,763 |
| Student services | 3,827,810 | | | 3,827,810 |
| Auxiliary enterprises | 12,266,529 | | | 12,266,529 |
| Support expenses | | | | |
| Institutional support | 7,239,951 | | | 7,239,951 |
| Total Operating Expenses | 60,186,038 | | | 60,186,038 |
| **Increase in Net Assets from Operating Activities** | 180,160 | 253,981 | | 434,141 |
| **NONOPERATING ACTIVITIES** | | | | |
| Long-term investment activities | | | | |
| Investment income | 1,201,591 | 1,544,134 | $ 7,078 | 2,752,803 |
| Net realized gains | 1,687,685 | 1,811,593 | 150,612 | 3,649,890 |
| Net unrealized appreciation | 9,805,490 | 543,739 | 271,460 | 10,620,689 |
| Total long-term investment income | 12,694,766 | 3,899,466 | 429,150 | 17,023,382 |
| Less: Long-term investment income and gains allocated for operations | (1,302,652) | (2,517,407) | | (3,820,059) |
| | 11,392,114 | 1,382,059 | 429,150 | 13,203,323 |
| Student loan income net of expenses | | | 50,220 | 50,220 |
| Capital giving activities - gifts and grants | 3,552,663 | 5,007,320 | 4,130,465 | 12,690,448 |
| Deferred giving activities - gifts | 45,066 | | 1,274,838 | 1,319,904 |
| Capital gift fund raising expenses | (145,507) | | | (145,507) |
| Adjustment to actuarial liability for annuities payable | (847,509) | 19,660 | (211,792) | (1,039,641) |
| Voluntary separation expenses | (3,485,433) | | | (3,485,433) |
| | 10,511,394 | 6,409,039 | 5,672,881 | 22,593,314 |
| Net assets released from restrictions (Note 3) | 1,592,577 | (1,592,577) | | |
| **Increase in Net Assets from Nonoperating Activities** | 12,103,971 | 4,816,462 | 5,672,881 | 22,593,314 |
| Increase in net assets before cumulative effect of change in accounting principle | 12,284,131 | 5,070,443 | 5,672,881 | 23,027,455 |
| Cumulative effect on prior years of a change in accounting principle (Note 9) | (1,962,309) | | | (1,962,309) |
| **Increase in Net Assets** | 10,321,822 | 5,070,443 | 5,672,881 | 21,065,146 |
| Net Assets - Beginning of Year | 66,420,243 | 3,369,166 | 56,528,475 | 126,317,884 |
| **NET ASSETS - END OF YEAR** | $ 76,742,065 | $ 8,439,609 | $62,201,356 | $ 147,383,030 |

See accompanying notes to financial statements.

ST. OLAF COLLEGE

STATEMENT OF ACTIVITIES
Year Ended May 31, 1995

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| **REVENUES, GAINS AND OTHER SUPPORT** | | | | |
| **OPERATING REVENUES** | | | | |
| Tuition | $ 40,722,978 | | | $ 40,722,978 |
| Less: Unfunded scholarships and grants | (8,110,089) | | | (8,110,089) |
| Funded scholarships and grants | (2,177,570) | | | (2,177,570) |
| Net tuition | 30,435,319 | | | 30,435,319 |
| Other tuition and fees | 2,191,390 | | | 2,191,390 |
| Government grants | 2,620,678 | | | 2,620,678 |
| Private gifts and grants | 2,190,881 | $ 2,025,489 | | 4,216,370 |
| Long-term investment income and gains allocated for operations | 1,128,563 | 2,085,996 | | 3,214,559 |
| Other sources | 3,368,226 | 250,817 | | 3,619,043 |
| Net losses on investments | (4,406) | | | (4,406) |
| Auxiliary enterprises - sales and services | 12,684,922 | | | 12,684,922 |
| | 54,615,573 | 4,362,302 | | 58,977,875 |
| Net assets released from restrictions (Note 3) | 4,345,305 | (4,345,305) | | |
| Total Operating Revenues, Gains and Other Support | 58,960,878 | 16,997 | | 58,977,875 |
| **OPERATING EXPENSES** | | | | |
| Program expenses | | | | |
| Instruction | 25,277,452 | | | 25,277,452 |
| Research | 605,980 | | | 605,980 |
| Public service | 3,433,193 | | | 3,433,193 |
| Academic support | 6,788,826 | | | 6,788,826 |
| Student services | 3,548,998 | | | 3,548,998 |
| Auxiliary enterprises | 12,430,323 | | | 12,430,323 |
| Support expenses | | | | |
| Institutional support | 7,662,461 | | | 7,662,461 |
| Total Operating Expenses | 59,747,233 | | | 59,747,233 |
| **Increase (Decrease) in Net Assets from Operating Activities** | (786,355) | 16,997 | | (769,358) |
| **NONOPERATING ACTIVITIES** | | | | |
| Long-term investment activities | | | | |
| Investment income | 1,080,942 | 1,354,128 | $ 5,472 | 2,440,542 |
| Net realized gains | 656,735 | 988,909 | 119,160 | 1,764,804 |
| Net unrealized appreciation | 3,172,500 | 113,130 | 159,183 | 3,444,813 |
| Total long-term investment income | 4,910,177 | 2,456,167 | 283,815 | 7,650,159 |
| Less: Long-term investment income and gains allocated for operations | (1,128,563) | (2,085,996) | | (3,214,559) |
| | 3,781,614 | 370,171 | 283,815 | 4,435,600 |
| Student loan income net of expenses | | | 51,141 | 51,141 |
| Capital giving activities - gifts and grants | 299,622 | 510,706 | 1,727,550 | 2,537,878 |
| Deferred giving activities - gifts | 428,807 | | 659,037 | 1,087,844 |
| Capital gift fund raising expenses | (102,371) | | | (102,371) |
| Capital asset adjustment | 141,241 | | | 141,241 |
| Adjustment to actuarial liability for annuities payable | (326,831) | (23,685) | 32,986 | (317,530) |
| | 4,222,082 | 857,192 | 2,754,529 | 7,833,803 |
| Net assets released from restrictions (Note 3) | 1,870,543 | (1,870,543) | | |
| **Increase (Decrease) in Net Assets from Nonoperating Activities** | 6,092,625 | (1,013,351) | 2,754,529 | 7,833,803 |
| **Increase (Decrease) in Net Assets** | 5,306,270 | (996,354) | 2,754,529 | 7,064,445 |
| Net Assets - Beginning of Year | 61,113,973 | 4,365,520 | 53,773,946 | 119,253,439 |
| **NET ASSETS - END OF YEAR** | $ 66,420,243 | $ 3,369,166 | $56,528,475 | $ 126,317,884 |

See accompanying notes to financial statements.

## ST. OLAF COLLEGE

### STATEMENTS OF CASH FLOWS
Years Ended May 31, 1997, 1996 and 1995

| | 1997 | 1996 | 1995 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Change in net assets | $ 33,744,772 | $ 21,065,146 | $ 7,064,445 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities | | | |
| Cumulative effect of change in accounting for postretirement benefits | | 1,962,309 | |
| Depreciation expense and amortization | 2,944,217 | 3,123,474 | 3,034,261 |
| Net realized gains on investments | (5,933,197) | (4,117,588) | (408,843) |
| Net unrealized appreciation of investments | (3,029,050) | (10,620,689) | (3,444,813) |
| Provision for losses on student notes | 21,154 | (11,263) | 1,433 |
| Actuarial adjustment of annuities payable | 1,001,646 | 2,640,964 | 1,523,426 |
| Gifts of property, plant and equipment | (291,535) | (69,847) | (127,029) |
| (Increases ) decreases in: | | | |
| Student accounts receivable | (34,146) | (139,604) | (33,907) |
| Other receivables | (222,906) | 60,704 | 395,009 |
| Contributions receivable for operations | 47,979 | (102,438) | (180,276) |
| Inventories, prepaid expenses and deposits | 235,918 | (169,711) | (33,052) |
| Funds held in trust by others | (217,726) | (306,441) | 15,662 |
| Increases (decreases) in: | | | |
| Accounts payable | 525,228 | 51,439 | 244,449 |
| Accrued expenses | (3,619,233) | 2,052,135 | 777,629 |
| Deferred revenue | (57,717) | (65,289) | 105,100 |
| Gifts and grants received for long-term investment, net | (23,674,955) | (13,864,845) | (3,523,351) |
| Nonoperating investment income | (3,112,660) | (2,752,803) | (2,440,542) |
| Net Cash Provided by (Used for) Operating Activities | (1,672,211) | (1,264,347) | 2,969,601 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Purchases of property, plant and equipment | (4,649,124) | (3,112,630) | (2,489,268) |
| Increase (decrease) in funds held for investment in property, plant and equipment | 1,051,503 | (3,590,497) | 430,711 |
| Purchases of investments | (114,489,696) | (98,133,102) | (60,364,659) |
| Proceeds from sales of investments | 112,595,939 | 94,045,077 | 55,412,331 |
| Nonoperating investment income | 3,112,660 | 2,752,803 | 2,440,542 |
| Disbursements of loans to students | (1,147,804) | (1,170,935) | (1,317,112) |
| Repayments of loans by students | 1,075,180 | 1,030,460 | 936,653 |
| Net Cash Used for Investing Activities | (2,451,342) | (8,178,824) | (4,950,802) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Principal repayments of indebtedness | (510,329) | (529,172) | (495,745) |
| Proceeds from indebtedness | 34,000 | 21,905 | 194,219 |
| Gifts and grants received for long-term investment, net | 23,674,955 | 13,864,845 | 3,523,351 |
| (Increase) decrease in nonoperating contributions receivable | (20,071,606) | 1,535,498 | 1,046,375 |
| Increase (decrease) in deposits held in trust for others | 796,641 | (6,109,021) | (434,709) |
| Increase in U. S. government grants refundable, net | 441,764 | 273,737 | 125,194 |
| Increase of annuities payable from new gifts | 1,165,769 | 1,003,459 | 281,014 |
| Payments to annuitants | (1,659,556) | (1,576,776) | (1,445,137) |
| Net Cash Provided by Financing Activities | 3,871,638 | 8,484,475 | 2,794,562 |
| **Net (Decrease) Increase in Cash and Cash Equivalents** | (251,915) | (958,696) | 813,361 |
| CASH AND CASH EQUIVALENTS - Beginning of Year | 8,624,396 | 9,583,092 | 8,769,731 |
| **CASH AND CASH EQUIVALENTS - END OF YEAR** | $ 8,372,481 | $ 8,624,396 | $ 9,583,092 |
| Supplemental disclosures of cash flow information | | | |
| Cash paid during the year for interest on long-term debt | $ 1,331,805 | $ 1,348,450 | $ 1,363,807 |

See accompanying notes to financial statements.

## NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

St. Olaf College (the "College") is an institution of higher education affiliated with the Evangelical Lutheran Church in America. The accounting policies of the College reflect practices common to universities and colleges and conform to generally accepted accounting principles. The more significant accounting policies are summarized below:

***General*** - The College maintains its accounts in accordance with the principles and practices of fund accounting. Fund accounting is the procedure by which resources for various purposes are classified for accounting purposes in accordance with activities or objectives specified by donors.

These financial statements, which are presented on the accrual basis of accounting, have been prepared to focus on the College as a whole and present balances and transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by classification of fund balances and transactions into three classes of net assets — permanently restricted, temporarily restricted and unrestricted, as follows:

***Permanently Restricted Net Assets*** - Net assets subject to donor-imposed stipulations that they be maintained permanently by the College. Generally, the donors of these assets permit the College to use all or part of the income earned on related investments for general or specific purposes.

***Temporarily Restricted Net Assets*** - Net assets subject to donor-imposed stipulations that will be met by action of the College and/or the passage of time.

***Unrestricted Net Assets*** - Net assets not subject to donor-imposed stipulations.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Contributions of assets other than cash are recorded at their estimated fair value.

Income and net gains on investments of endowment and similar funds are reported as follows:

- as increases in permanently restricted net assets if the terms of the gift require that they be added to the principal of a permanent endowment fund;
- as increases in temporarily restricted net assets if the terms of the gift impose restrictions on the use of the income;
- as increases in unrestricted net assets in all other cases.

## NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

***Temporarily Restricted Net Assets*** - With respect to temporarily restricted net assets, the College has adopted the following accounting policies of Statement of Financial Accounting Standards No. 116, *Accounting for Contributions Received and Contributions Made* (SFAS No. 116):

***Reporting as Temporarily Restricted Revenues*** - Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenues of the temporarily restricted net asset class, and a reclassification to unrestricted net assets is made to reflect the expiration of such restrictions.

***Release of Restrictions on Net Assets for Acquisition of Land, Buildings and Equipment*** - Contributions of land, buildings and equipment are reported as revenues of the unrestricted net asset class. Contributions of cash or other assets to be used to acquire land, buildings and equipment are reported as revenues of the temporarily restricted net asset class; the restrictions are considered to be released at the time such long-lived assets are placed in service.

***Cash Equivalents*** - The College considers all highly liquid investments, except for those held for long-term investment, with a maturity of three months or less when purchased to be cash equivalents.

***Inventories*** - Bookstore inventories are valued at a percentage of retail value, which approximates cost and is not in excess of market.

***Investments*** - Investments in marketable equity and debt securities are recorded at fair value. Other investments are recorded at cost, except those items received as gifts, which are valued at fair value at the date of gift. A permanent decline in the value of an investment recorded on the cost basis is recognized in the year such loss occurs. Fair value approximates cost for all investments recorded on the cost basis.

***Deposits Held by Trustee*** - Cash, short-term investments and government securities held by the trustee include amounts restricted for debt service as required by the related trust indentures.

***Debt Acquisition Costs*** - Costs of bond issuance, which relate to the College Facility Revenue Bonds, Series 1992, are deferred and amortized on a straight-line basis over the term of the bonds.

***Physical Plant and Equipment*** - Physical plant assets are stated at cost at date of acquisition less accumulated depreciation. The College depreciates its assets on the straight-line basis over estimated useful lives as follows: buildings 50 years; improvements, 5 to 25 years; equipment 5 years; library books 15 years. Normal repair and maintenance expenses are charged to operations as incurred. The College capitalizes physical plant additions and equipment in excess of $5,000.

## NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

***Grants to Specified Students*** - Amounts received from state and federal agencies designated for the benefit of specified students are considered agency transactions and, therefore, are not reflected as revenues and expenses of the College. The amounts of such grants were $1,880,230 and $683,162, respectively, during the year ended May 31, 1997, $2,255,265 and $754,592, respectively, during the year ended May 31, 1996, and $2,378,544 and $732,141, respectively, during the year ended May 31, 1995.

***Income Tax Status*** - The College is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, any unrelated business income may be subject to taxation. Currently, the College has no obligation for any unrelated business income tax.

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

***Fund-Raising and Advertising Expenses*** - Fund-raising expenses approximated $2,329,000, $2,113,000 and $1,972,000 for the years ended May 31, 1997, 1996 and 1995, respectively. Advertising costs are expensed when incurred.

***New Audit and Accounting Guide*** - The College adopted provisions of the new audit and accounting guide for not-for-profit organizations. Accordingly, certain amounts appearing in the prior years' financial statements have been reclassified to conform with the 1997 presentation.

***Fair Value of Financial Instruments*** - The College records financial instruments at cost, with the exception of investments in marketable equity and debt securities which are reflected in the financial statements at market value. Cash and cash equivalents, accounts payable and accrued liabilities are reflected in the financial statements at fair value because of the short-term maturity of these instruments. The fair value of investments (which are shown in Note 5) are based upon values provided by custodians or quoted market values. In certain 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. The fair value of receivables from students under College loan programs approximates carrying value. The fair value of real estate contracts, grants, contributions and other receivables approximates carrying value.

The carrying amount of long-term debt approximates fair value because these financial instruments bear interest at rates which approximate current market rates for notes with similar maturities and credit quality.

## NOTE 2 - RESTRICTIONS AND LIMITATIONS ON NET ASSETS BALANCES

At May 31, 1997, 1996 and 1995, the College's unrestricted net assets were allocated as follows:

| | 1997 | 1996 | 1995 |
|---|---|---|---|
| Designated | | | |
| For long-term purposes as: | | | |
| Quasi-endowment | $ 14,133,234 | $ 9,101,233 | $ 6,411,664 |
| Deferred gifts | 6,148,832 | 5,269,484 | 6,015,648 |
| Accumulated appreciation resulting from long-term investment of permanently restricted net assets | 35,333,427 | 30,915,714 | 18,905,398 |
| For debt service and renewals and replacements reserves under long-term debt agreements | 3,168,443 | 3,138,367 | 3,125,688 |
| For self-insurance program | 1,155,842 | 1,206,217 | 967,866 |
| For specific operating activities | 1,710,051 | 1,783,456 | 1,519,131 |
| For matching funds under federal government other student loan programs | 823,086 | 781,953 | 718,036 |
| Total Designated | 62,472,915 | 52,196,424 | 37,663,431 |
| Undesignated | 22,116,806 | 24,545,641 | 28,756,812 |
| Total Unrestricted Net Assets | $ 84,589,721 | $ 76,742,065 | $ 66,420,243 |

Temporarily restricted net assets consist of the following at May 31, 1997, 1996 and 1995:

| | 1997 | 1996 | 1995 |
|---|---|---|---|
| Gifts and other unexpended revenues and gains available for: | | | |
| Scholarships, instruction and other departmental support | $ 1,099,986 | $ 1,107,573 | $ 1,160,992 |
| Acquisition of buildings and equipment | 24,876,676 | 4,731,192 | 246,562 |
| | 25,976,662 | 5,838,765 | 1,407,554 |
| Quasi-endowment | 2,140,593 | 1,913,946 | 1,344,911 |
| Deferred gifts | 961,009 | 686,898 | 616,701 |
| | $ 29,078,264 | $ 8,439,609 | $ 3,369,166 |

Permanently restricted net assets consist of the following at May 31, 1997, 1996 and 1995:

| | 1997 | 1996 | 1995 |
|---|---|---|---|
| Endowment funds | $ 56,394,377 | $ 53,511,943 | $ 49,157,897 |
| Student loan funds | 1,658,873 | 1,597,351 | 1,534,106 |
| Deferred gifts | 9,406,567 | 7,092,062 | 5,836,472 |
| | $ 67,459,817 | $ 62,201,356 | $ 56,528,475 |

## NOTE 3 - NET ASSETS RELEASED FROM RESTRICTIONS

The sources of net assets released from temporary donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of events specified by the donors were as follows for the years ended May 31, 1997, 1996 and 1995:

| | 1997 | 1996 | 1995 |
|---|---|---|---|
| Acquisition of land, buildings and equipment | $ 785,613 | $ 636,677 | $ 1,776,931 |
| Scholarships, instruction and other departmental support | 8,227,902 | 6,097,429 | 4,438,917 |
| | $ 9,013,515 | $ 6,734,106 | $ 6,215,848 |
| These assets were reclassified as follows: | | | |
| Unrestricted operating net assets | $ 5,935,787 | $ 5,141,529 | $ 4,345,305 |
| Unrestricted nonoperating net assets | 3,077,728 | 1,592,577 | 1,870,543 |
| | $ 9,013,515 | $ 6,734,106 | $ 6,215,848 |

## NOTE 4 - CONTRIBUTIONS RECEIVABLE

Contributions receivable include the following unconditional promises to give at May 31, 1997, 1996 and 1995:

| | 1997 | 1996 | 1995 |
|---|---|---|---|
| Temporarily restricted - operations | $ 490,635 | $ 415,633 | $ 313,196 |
| Temporarily restricted - plant projects | 22,658,180 | 930,355 | 1,451,835 |
| Permanently restricted - endowment | 1,245,280 | 1,235,548 | 2,249,565 |
| Gross unconditional promises to give | 24,394,095 | 2,581,536 | 4,014,596 |
| Less: Unamortized discount | (1,671,089) | | |
| Allowance for uncollectible promises | (914,319) | (796,476) | (796,476) |
| Net unconditional promises to give | $ 21,808,687 | $ 1,785,060 | $ 3,218,120 |

Contributions receivable as of May 31, 1997 of $8,639,550 are expected to be collected in less than one year and $13,169,137 in two to three years. Contributions receivable expected to be collected in two to three years have been discounted using a rate of 6%.

## NOTE 5 - CASH AND SHORT-TERM INVESTMENTS AND MARKETABLE SECURITIES

The following summarizes the College's marketable securities at May 31, 1997, 1996 and 1995:

| | 1997 | | 1996 | | 1995 | |
|---|---|---|---|---|---|---|
| | Fair Value | Cost | Fair Value | Cost | Fair Value | Cost |
| Cash and short-term investments | $ 13,662,413 | $ 13,662,413 | $ 3,066,884 | $ 3,066,884 | $ 4,520,720 | $ 4,520,720 |
| Stocks | 61,483,823 | 46,557,123 | 55,760,964 | 48,426,210 | 35,900,126 | 35,272,426 |
| Bonds | 15,287,025 | 15,105,701 | 12,795,992 | 12,748,681 | 4,272,056 | 4,256,345 |
| Federal securities | 26,509,369 | 26,503,295 | 25,292,553 | 25,904,933 | 31,918,110 | 31,508,758 |
| Federal government bonds | | | | | 473,502 | 481,794 |
| Mortgage backed securities | 80,205 | 82,503 | 78,040 | 82,503 | 79,528 | 82,503 |
| Mutual funds | 11,498,797 | 10,366,171 | 21,286,280 | 15,132,162 | 14,998,456 | 13,950,722 |
| | $ 128,521,632 | $ 112,277,206 | $ 118,280,713 | $ 105,361,373 | $ 92,162,498 | $ 90,073,268 |

## NOTE 5 - MARKETABLE SECURITIES (Continued)

The Board of Regents designates only a portion of the College's cumulative investment return for support of current operations; the remainder is retained to support operations of future years and to offset potential market declines.

State law allows the Board to appropriate so much of the net appreciation as is prudent considering the College's long- and short-term needs, present and anticipated financial requirements, expected total return on its investments, price level trends, and general economic conditions. The Board has established an endowment spending rate ranging between 5% and 6% of the average endowment market value from the previous 12 quarters.

Endowment investments are recorded at a market value approximating $97,841,000, $86,390,000 and $67,893,000 for the years ended May 31, 1997, 1996 and 1995, respectively. The total return on all investments held by the endowment funds, on a market basis, was 8.83%, 21.35% and 8.09% for the years ended May 31, 1997, 1996 and 1995, respectively.

## NOTE 6 - CONSTRUCTION IN PROGRESS

Construction in progress consisted of the following projects at May 31, 1997:

| | Estimated Total Cost | Costs to Date |
|---|---|---|
| Buntrock Commons | $ 36,000,000 | $ 1,466,290 |
| Other campus projects | | 7,010 |
| | | $ 1,473,300 |

Construction in progress consisted of miscellaneous campus projects amounting to $607,202 and $137,152 at May 31, 1996 and 1995, respectively.

The Buntrock Commons is expected to be financed through gifts to the College and institutional funds.

## NOTE 7 - PROPERTY, PLANT AND EQUIPMENT

At May 31, 1997, 1996 and 1995, property, plant and equipment consisted of the following:

| | 1997 | 1996 | 1995 |
|---|---|---|---|
| Land | $ 676,006 | $ 676,806 | $ 676,806 |
| Improvements other than buildings | 4,847,622 | 4,841,770 | 4,809,254 |
| Buildings | 71,898,397 | 71,105,453 | 70,199,188 |
| Equipment | 10,864,440 | 8,426,184 | 7,328,998 |
| Library books, videos and art collection | 10,230,166 | 9,391,857 | 8,715,398 |
| Bond issuance costs | 273,087 | 284,309 | 295,532 |
| | 98,789,718 | 94,726,379 | 92,025,176 |
| Less: Accumulated depreciation | (44,706,309) | (41,773,315) | (38,661,065) |
| | $ 54,083,409 | $ 52,953,064 | $ 53,364,111 |

## NOTE 7 - PROPERTY PLANT AND EQUIPMENT (Continued)

The College began depreciating library books in 1996 and made certain other changes in depreciation policies to more appropriately match depreciation expense with plant and equipment use. The 1995 property, plant and equipment amounts have been restated to reflect these changes.

## NOTE 8 - RETIREMENT PLANS

The College has certain contributory defined contribution pension plans for academic and nonacademic personnel. Contributions for employees are based on a percentage of annual compensation. The cost of these retirement plans is paid currently and approximated $2,096,000, $2,306,000 and $2,271,000 for the years ended May 31, 1997, 1996 and 1995, respectively.

The College has recorded liabilities for early retirement benefits given to faculty and staff members meeting certain eligibility requirements. The unpaid liability for these early retirement plans is included in accrued liabilities and approximated $330,000, $3,854,000 and $570,000 at May 31, 1997, 1996 and 1995, respectively.

## NOTE 9 - POSTRETIREMENT BENEFIT PLAN

Effective June 1, 1995, the College adopted Statement of Financial Accounting Standards No. 106, *Employers' Accounting for Postretirement Benefits Other Than Pensions* on the immediate recognition basis. Under this method, the College records health care benefits for current and future retired employees and covered dependents on the accrual basis. The plan is unfunded and the cumulative effect on the prior years was a reduction in the increase in unrestricted net assets for the year ended May 31, 1996 of $1,962,309. Prior year financial statements have not been restated to reflect the accounting change.

The College's net postretirement benefit cost for the years ended May 31, 1997 and 1996 is as follows:

| | 1997 | 1996 |
|---|---|---|
| Service cost | $ 18,600 | $ 18,688 |
| Interest cost | 139,823 | 139,889 |
| Early retirement window expense | 113,000 | |
| Net Postretirement Benefit Cost | $ 271,423 | $ 158,577 |

Accumulated postretirement benefit obligation components are as follows:

| | | |
|---|---|---|
| Active employees fully eligible for benefits | $ 299,763 | $ 261,825 |
| Other active employees | 194,096 | 135,820 |
| Current retirees | 1,611,227 | 1,697,884 |
| Accumulated Postretirement Benefit Obligation | $ 2,105,086 | $ 2,095,529 |

A 9.4% rate of increase in per capita costs of covered health care benefits for pre-65 coverage (9.1% for post-65 coverage) was assumed for the year ended May 31, 1997 (lower rates are assumed for HMO plans), gradually decreasing to an ultimate rate of 5% by the year 2006. Increasing the assumed health care cost trend rates by one percentage point in each year would have resulted in an increase in the accumulated postretirement benefit obligation as of May 31, 1997 of $195,773 and an increase in the aggregate of the service cost and interest cost components of net periodic pension cost for the year ended May 31, 1997 of $17,110. A discount rate of 7% was used to determine the accumulated postretirement benefit obligation.

## NOTE 10 - SELF-INSURANCE

Total resources committed to the self-insurance program were approximately $1,700,600 as of May 31, 1997. Accrued liabilities include a $544,700 reserve, an estimate of amounts due and payable on existing claims for which the College is self-insured and which are expected to be settled currently. Unrestricted net assets include $1,155,842 designated for the self-insurance program. The College is self-insured for the first $50,000 per claim with an aggregate stop loss of $1,649,000.

## NOTE 11 - LONG-TERM DEBT

Long-term debt at May 31, 1997, 1996 and 1995 consisted of the following:

| | 1997 | 1996 | 1995 |
|---|---|---|---|
| St. Olaf College Dormitory and Student Union Construction and Refunding Bonds, Series C, D and E of 1963 issued to refund dormitory and student center bonds and to finance the construction of two dormitories; interest is payable semiannually at 2.875%, 3.125% and 3.5% on April 1 and October 1 on Series C, D and E Bonds, respectively. The bonds mature in amounts from $135,000 to $220,000 annually until the year 2003 and are secured by the general obligation of the College and by a mortgage on dormitories and the student union center. | $ 1,005,000 | $ 1,209,000 | $ 1,454,000 |
| Minnesota Higher Education Facilities Authority Capital Lease Agreement issued in connection with the First Mortgage Revenue Bonds Series Y to finance the Rand Hall dormitory construction. The bonds mature in annual installments of $145,000 to $310,000 with the last payment of $1,175,000 due on April 1, 2010 and bear interest at rates varying from 6.30% to 6.75% per annum. The College has the option to purchase the leased premises for $500 at the end of the lease period. | 3,810,000 | 3,950,000 | 4,080,000 |
| College Facility Revenue Bonds, Series 1992 sold through the City of Northfield, Minnesota to refund, in advance of maturity, the City's $13,100,000 College Facility Revenue Bonds, Series 1988 and to finance the costs of repairing and renovating two residence halls, expanding a campus water system, and expanding and repairing campus parking facilities. The bonds are payable in amounts from $50,000 to $1,250,000 annually until the year 2021. The bonds bear interest at rates varying from 5.25% to 6.4% and are payable semiannually on April 1 and October 1. The bonds are secured by the general obligation of the College. | 16,250,000 | 16,300,000 | 16,350,000 |
| Other long-term debt | 286,237 | 368,566 | 450,833 |
| Total Long-Term Debt | $ 21,351,237 | $ 21,827,566 | $ 22,334,833 |

## NOTE 11 - LONG-TERM DEBT (Continued)

The College maintains short-term investments and U.S. government securities held by trustees for retirement of indebtedness totaling $2,908,480. These funds are intended to satisfy the reserve requirements of the above financing arrangements. In addition, the College is subject to various restrictive covenants under long-term debt indentures, including a requirement to maintain a minimum market value of unencumbered unrestricted endowment assets of at least $3,000,000.

Anticipated long-term debt principal payments are as follows:

| | |
|---|---|
| Year ending May 31: | |
| 1998 | $ 522,300 |
| 1999 | 742,600 |
| 2000 | 733,100 |
| 2001 | 677,600 |
| 2002 | 712,600 |
| Thereafter | 17,963,037 |
| Total | $ 21,351,237 |

## NOTE 12 - CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the College to concentrations of credit risk consist principally of cash and cash equivalents, short-term investments, marketable securities and other investments, accounts receivable and notes, mortgages and contracts for deed. The College places substantially all of its cash and liquid investments with high-quality financial institutions and limits the amount of credit exposure to any one financial institution; however, cash balances may periodically exceed federally insured limits. Marketable securities, consisting of both debt and equity instruments, are generally placed in a variety of managed funds administered by different investment managers in order to limit credit risk. Concentrations of credit risk with respect to the notes, mortgages and contracts for deed are limited due to the College holding a secured position in these agreements. Student notes and receivables and other receivables are due from a variety of sources concentrated primarily in the midwestern United States. As of May 31, 1997, management considers the College to have no significant concentration of risk, except for the market risk of holding one investment in common stock of a corporation representing approximately 6.6% of the market value of endowment fund marketable securities. This investment has accumulated through gifts by an individual donor.

## NOTE 13 - ALLOCATION OF EXPENSES

The College allocated the following expenses to program and support functions for the years ended May 31, 1997, 1996 and 1995 as follows:

| | 1997 | 1996 | 1995 |
|---|---|---|---|
| Interest expense | $ 1,328,289 | $ 1,344,495 | $ 1,365,402 |
| Operation and maintenance of plant | 4,016,201 | 4,370,847 | 4,214,628 |
| Depreciation | 2,932,994 | 3,112,251 | 3,023,038 |
| | $ 8,277,484 | $ 8,827,593 | $ 8,603,068 |

## NOTE 14 - DEFERRED GIFT AGREEMENTS

The College has arrangements with donors classified as charitable lead trusts, charitable remainder trusts, charitable gift annuities and pooled life income funds. In general, under these arrangements the College receives a gift from a donor in which it has a remainder interest and agrees to pay the donor stipulated amounts over the life of the donor. The arrangement may cover one or more lives. The College invests and administers the related assets and makes distributions to the beneficiaries as required. When the agreement reaches the end of its term, remaining assets are retained by the College as unrestricted, temporarily restricted or permanently restricted net assets, or in some instances, distributed to third-party beneficiaries.

When a gift is received under one of these arrangements, it is split into the amount representing the actuarial present value of future distributions back to the donor and the remaining gift value to be retained for the benefit of the College or third-party beneficiaries. The actuarial liability is adjusted annually using actuarial tables appropriate for the type of arrangement, number of lives covered and age and sex characteristics of the donor. The College used interest rates of 8.2% in making the calculations.

Information pertaining to the College's deferred gift agreements for the years ended May 31, 1997, 1996 and 1995 follows:

| | 1997 | 1996 | 1995 |
|---|---|---|---|
| Deferred gift income recognized | $ 675,835 | $ 1,102,720 | $ 681,921 |
| Annuities payable related to new gifts | 1,165,769 | 1,003,459 | 686,437 |
| Funds held for others related to new gifts | 12,906 | 162,661 | 3,822 |
| Total funds received | $ 1,854,510 | $ 2,268,840 | $ 1,372,180 |
| Total deferred gift assets held by the College at fair value | $ 37,482,491 | $ 32,634,750 | $ 27,990,907 |
| Total deferred gift liabilities | 12,970,871 | 12,479,248 | 10,248,940 |

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**PROPOSAL FORM**

**SALE DATE:** April 14, 1998

**TO:** Mr. J. Luther Anderson, Executive Director
Minnesota Higher Education Facilities Authority
Galtier Plaza, Suite 450
175 East Fifth Street
St. Paul, MN 55101
(612) 296-4690

**RE:** $15,000,000 Revenue Bonds, Series Four-R

For the Bonds of this Issue which shall mature and bear interest at the respective annual rates, as follow, we offer a price of $__________________ (Note: This amount may not be less than $14,775,000) and accrued interest to the date of delivery.

| | | |
|---|---|---|
| ______% April 1, 2000 | ______% April 1, 2010 | ______% April 1, 2020 |
| ______% October 1, 2000 | ______% October 1, 2010 | ______% October 1, 2020 |
| ______% April 1, 2001 | ______% April 1, 2011 | ______% April 1, 2021 |
| ______% October 1, 2001 | ______% October 1, 2011 | ______% October 1, 2021 |
| ______% April 1, 2002 | ______% April 1, 2012 | ______% April 1, 2022 |
| ______% October 1, 2002 | ______% October 1, 2012 | ______% October 1, 2022 |
| ______% April 1, 2003 | ______% April 1, 2013 | ______% April 1, 2023 |
| ______% October 1, 2003 | ______% October 1, 2013 | ______% October 1, 2023 |
| ______% April 1, 2004 | ______% April 1, 2014 | ______% April 1, 2024 |
| ______% October 1, 2004 | ______% October 1, 2014 | ______% October 1, 2024 |
| ______% April 1, 2005 | ______% April 1, 2015 | ______% April 1, 2025 |
| ______% October 1, 2005 | ______% October 1, 2015 | ______% October 1, 2025 |
| ______% April 1, 2006 | ______% April 1, 2016 | ______% April 1, 2026 |
| ______% October 1, 2006 | ______% October 1, 2016 | ______% October 1, 2026 |
| ______% April 1, 2007 | ______% April 1, 2017 | ______% April 1, 2027 |
| ______% October 1, 2007 | ______% October 1, 2017 | ______% October 1, 2027 |
| ______% April 1, 2008 | ______% April 1, 2018 | ______% April 1, 2028 |
| ______% October 1, 2008 | ______% October 1, 2018 | ______% October 1, 2028 |
| ______% April 1, 2009 | ______% April 1, 2019 | ______% April 1, 2029 |
| ______% October 1, 2009 | ______% October 1, 2019 | |

**Designation of Serial and Term Maturities**

Last Date of Serial Maturities ________ Dates of Term Maturities ________ - ________
________ - ________

In making this offer we accept all of the terms and conditions of the Terms of Proposal published in the Official Statement dated April 2, 1998. In the event of failure to deliver these Bonds in accordance with the Terms of Proposal as printed in the Official Statement and made a part hereof, we reserve the right to withdraw our offer, whereupon the deposit accompanying it will be immediately returned. All blank spaces of this offer are intentional and are not to be construed as an omission.

Subject to any applicable exemption in the Rule, this offer to purchase/bid is subject to the Authority's covenant and agreement to take all steps necessary to assist us in complying with SEC Rule 15c2-12, as amended.

Not as a part of our offer, the above quoted prices being controlling, but only as an aid for the verification of the offer, we have made the following computations:

NET INTEREST COST: $____________________

TRUE INTEREST RATE: ____________ %

Account Members

____________________

Account Manager

BY: ____________________

Phone: ____________________

The foregoing offer is hereby accepted by the Issuer on the date of the offer by its following officer duly authorized and empowered to make such acceptance.

____________________

Executive Director

_____ SURE-BID _____ Good Faith Check Submitted

**PROPOSAL FORM**

**SALE DATE:** April 14, 1998

**TO:** Mr. J. Luther Anderson, Executive Director
Minnesota Higher Education Facilities Authority
Galtier Plaza, Suite 450
175 East Fifth Street
St. Paul, MN 55101
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_______% April 1, 2000
_______% October 1, 2000
_______% April 1, 2001
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_______% April 1, 2027
_______% October 1, 2027
_______% April 1, 2028
_______% October 1, 2028
_______% April 1, 2029

**Designation of Serial and Term Maturities**

Last Date of Serial Maturities __________ Dates of Term Maturities __________ - __________
__________ - __________

In making this offer we accept all of the terms and conditions of the Terms of Proposal published in the Official Statement dated April 2, 1998. In the event of failure to deliver these Bonds in accordance with the Terms of Proposal as printed in the Official Statement and made a part hereof, we reserve the right to withdraw our offer, whereupon the deposit accompanying it will be immediately returned. All blank spaces of this offer are intentional and are not to be construed as an omission.

Subject to any applicable exemption in the Rule, this offer to purchase/bid is subject to the Authority's covenant and agreement to take all steps necessary to assist us in complying with SEC Rule 15c2-12, as amended.

Not as a part of our offer, the above quoted prices being controlling, but only as an aid for the verification of the offer, we have made the following computations:

NET INTEREST COST: $____________________________

TRUE INTEREST RATE: ______________ %

Account Members

_______________________________

Account Manager

BY: ___________________________

Phone: ________________________

The foregoing offer is hereby accepted by the Issuer on the date of the offer by its following officer duly authorized and empowered to make such acceptance.

_______________________________________

Executive Director

_____ SURE-BID _____ Good Faith Check Submitted