

**ADDENDUM DATED OCTOBER 27, 2000**

**TO OFFICIAL STATEMENT DATED OCTOBER 16, 2000**

**NEW ISSUE**

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

**\$14,475,000**

**Minnesota Higher Education Facilities Authority**

**Variable Rate Demand Revenue Bonds, Series Five-H  
(St. Olaf College)**

**(DTC Book Entry Only)**

**RATING**

Moody's Investors Service ("Moody's") has assigned to the Bonds a long-term rating of "Aaa" and a short-term rating of "VMIG1."

In connection with this rating assignment, the Indenture and the Official Statement have been modified.

In Appendix IV, "SUMMARY OF DOCUMENTS -- The Indenture -- Events of Default," which begins on page IV-10 and carries over to page IV-11, item (i) was removed as an Event of Default under the Indenture. That item read as follows:

- (i) If the Bank, prior to the Conversion Date, dishonors a properly presented draft or certificate for payment under the Letter of Credit which complies with the terms of the Letter of Credit.

In addition, reference to item (i) above was removed from the first paragraph in Appendix IV, "SUMMARY OF DOCUMENTS -- The Indenture -- Remedies," on page IV-11, which in its original form read as follows:

Upon the occurrence of an Event of Default described in (a), (b), (e), (f), (g) or (i) above, the Trustee shall, by Notice to the Holders, 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 Bank, or Holders of a majority in aggregate principal amount of Bonds then outstanding (with the consent of the Bank), 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.

The sections of the Summary of Documents, "Events of Default" and "Remedies," on pages IV-10 and IV-11 to the Official Statement are amended to read as follows:

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THIS ADDENDUM IS INCORPORATED BY REFERENCE AS OF THE DATE HEREOF INTO THE OFFICIAL STATEMENT OF THE AUTHORITY DATED OCTOBER 16, 2000, 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.



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 (60) 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 (other than an event of default which is the basis for the Bank's notice that it will not reinstate the interest portion of the Letter of Credit);
- (e) If there is a default in the due and punctual payment of the Purchase Price of Bonds required to be purchased pursuant to Section 4.01 or Section 4.02 of the Indenture (relating to optional and mandatory tender of Bonds) when payment of such amount has become due and payable;
- (f) If the Trustee receives, prior to the Conversion Date, a written notice from the Bank that, as a consequence of certain events as set forth in the Letter of Credit, the Bank will not reinstate the interest portion of the Letter of Credit following an interest drawing;
- (g) If the Trustee receives, prior to the Conversion Date, a written notice from the Bank that an event of default (other than an event of default which is the basis for the Bank's notice that it will not reinstate the interest portion of the Letter of Credit) under the Reimbursement Agreement has occurred and that the Bank is terminating the Letter of Credit; or

- (h) If the College, prior to the Conversion Date, fails to perform its obligations under the Loan Agreement to maintain a Letter of Credit.

## Remedies

Upon the occurrence of an Event of Default described in (a), (b), (e), (f), or (g) above, the Trustee shall, by Notice to the Holders, 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 Bank, or Holders of a majority in aggregate principal amount of Bonds then outstanding (with the consent of the Bank), 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.

Upon and during the continuance of an Event of Default described in (c), (d) or (h) above, and subject to the consent of the Bank, the Trustee (i) with the Bank's consent may, and (ii)(A) with the Bank's consent and upon written request of the Holders of a majority in aggregate principal amount of Bonds outstanding hereunder or (B) upon request of the Bank, shall, by notice in writing delivered to the Holders and the Authority, declare the principal of all Bonds hereby secured 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 (i) the Holders of a majority in aggregate principal amount of Bonds then outstanding hereunder with the Bank's consent or (ii) the Bank, by written notice to the Authority and to the Trustee, to annul such declaration at anytime as described in (c) above.

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



OFFICIAL STATEMENT DATED OCTOBER 16, 2000

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.")*

**\$14,475,000**

**Minnesota Higher Education Facilities Authority**  
**Variable Rate Demand Revenue Bonds, Series Five-H**  
**(St. Olaf College)**

(DTC Book Entry Only)

Dated Date: Date of Issue

Maturity Date: October 1, 2030

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

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

During the Variable Rate Period, payment of principal or the Purchase Price and 36 days of interest on the Bonds at the Maximum Rate will be secured by either an irrevocable Letter of Credit initially issued by

**HARRIS TRUST AND SAVINGS BANK**

or an Alternate Letter of Credit as more fully described herein. During the Variable Rate Period, if St. Olaf College, Northfield, Minnesota (the "College") provides an Alternate Letter of Credit, then the Bonds shall be subject to mandatory tender on the effective date of substitution of the Alternate Letter of Credit.

The Bonds are subject to redemption prior to maturity as described more fully herein.

The Bonds are special obligations of the Authority payable solely from Loan Repayments made by or on behalf of the College and, during the Variable Rate Period, drawings on the Letter of Credit.

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 bear interest at a Variable Rate which initially shall be a Daily Rate and may be converted at the option of the College to a Weekly Rate or a Flexible Rate, each as determined by the Remarketing Agent as described herein. Interest on the Bonds shall be payable on each Variable Rate Interest Payment Date for the immediately preceding Interest Accrual Period. Interest shall be computed on the basis of a 365- or 366-day year and actual days elapsed. At the option of the College and upon the conditions set forth in the Indenture, the interest rate on the Bonds may be converted from a Variable Rate to a Fixed Rate. Prior to the Conversion Date and the establishment of a Fixed Rate, Bondholders have the right to tender their Bonds for purchase by presentation to Wells Fargo Bank Minnesota, National Association (the "Trustee" and the "Tender Agent") at certain times upon prior written notice as described herein at a purchase price equal to 100% of the principal amount thereof plus (unless the purchase date is an Interest Payment Date) accrued interest thereon, as more fully described herein. The initial Remarketing Agent is U.S. Bancorp Piper Jaffray Inc.

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

The Bonds are being offered when, as and if issued and received by the Underwriter, subject to prior sale, to withdrawal or modification of the offer without any notice, and to the opinion as to validity and tax exemption of the Bonds by Leonard, Street and Deinard Professional Association, St. Paul, Minnesota, Bond Counsel. Certain legal matters will be passed upon for the College by Gray, Plant, Mooty, Mooty & Bennett, P. A., Minneapolis, Minnesota; and for the Underwriter by Faegre & Benson LLP, Minneapolis, Minnesota. It is expected that the Bonds in definitive form will be available for delivery to the Underwriter at DTC, on or about October 25, 2000.

**U.S. BANCORP PIPER JAFFRAY INC.**

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

This Official Statement, when further supplemented by an addendum or addenda specifying the rating on 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.

No dealer, broker, sales representative or other person has been authorized by the Authority, the College, or the Underwriter to give any information or to make any representations other than those contained in this Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by the Authority, the College or the Underwriter. The information contained herein, except as it relates to the Authority, the Bank, DTC, the Remarketing Agent, and the Trustee and the tax-exemption of the interest on the Bonds has been obtained from the College and is not guaranteed as to accuracy or completeness. Information relating to DTC, the Bank, the Remarketing Agent and the Trustee has been obtained from such persons and is not guaranteed as to accuracy or completeness. Information regarding the tax-exempt status of the Bonds has been provided by Bond Counsel. Except for information concerning the Authority, such information is not to be construed as a representation by the Authority. Information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the Authority or the College since the date hereof.

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

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

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

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

## **MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY**

### **MEMBERS**

Dr. John S. Hoyt, Jr., Chair	CEO, Effective Golf Course Systems, Inc., Edina, Minnesota
Christopher A. Nelson, Vice Chair	Attorney in Private Practice, St. Louis Park, Minnesota
Gary D. Benson, Secretary	Vice President, Kraus-Anderson Construction Company, Midwest Division, Circle Pines, Minnesota
Jack Amundson	CPA, Partner, Larson, Allen, Weishair & Co., LLP, St. Cloud, Minnesota
Carol A. Blomberg	Retired, former Market Administration Manager, Norwest Bank Minnesota, National Association
Dr. Kathryn Balstad Brewer	Researcher and Consultant, St. Paul, Minnesota
Dr. David B. Laird, Jr. (Ex Officio)	President, Minnesota Private College Council, St. Paul, Minnesota
Gary Langer	Interim Associate Vice Chancellor for Academic Programs, Minnesota State Colleges and Universities, St. Paul, Minnesota
Timothy Medd (Ex Officio)	Audit Supervisor, Minnesota Higher Education Services Office, St. Paul, Minnesota
Mollie N. Thibodeau	CFRE, Fund Raising Consultant, Duluth, Minnesota

Marianne T. Remedios, Executive Director

Bond Counsel  
Leonard Street and Deinard Professional Association

Financial Advisor  
Springsted Incorporated

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## **OFFICIAL STATEMENT**

**\$14,475,000**

**MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY  
VARIABLE RATE DEMAND REVENUE BONDS, SERIES FIVE-H  
(ST. OLAF COLLEGE)  
(DTC BOOK ENTRY ONLY)**

### **INTRODUCTORY STATEMENT**

This Official Statement provides information concerning the Minnesota Higher Education Facilities Authority (the "Authority") and St. Olaf College, an institution of higher education with its campus located in Northfield, Minnesota (the "College"), in connection with the issuance of the Authority's \$14,475,000 Variable Rate Demand Revenue Bonds, Series Five-H (St. Olaf College) (the "Bonds" or the "Issue").

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

The Bonds are being issued pursuant to the Trust Indenture (the "Indenture") between the Authority and Wells Fargo Bank Minnesota, National Association, Minneapolis, Minnesota as trustee (the "Trustee"). The Trustee will initially also act as Tender Agent for the 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 payments and deposits in amounts sufficient to pay the principal of and interest on the Bonds as the same shall become due, and to pay the Purchase Price of the Bonds on each Tender Date. The proceeds of the Bonds will be loaned to the College by the Authority to finance the following improvements:

- Renovation of St. Olaf Center to house Art and Dance Departments
- Replacement of residence hall furniture
- Replacement of Skoglund Athletic Center and Manitou Field bleachers
- Acquisition and renovation of four houses
- Renovation of the Administration Building
- Renovations and improvements on utility tunnels

The improvements above are cumulatively referred to as the "Project" and are to be owned and operated by the College and located on its campus in Northfield, Minnesota. See "USE OF PROCEEDS" herein.

The Bonds are secured by a pledge of the Loan Repayments, which is a general obligation of the College.

At the time of the issuance of the Bonds, an irrevocable, transferable, direct pay letter of credit (the "Original Letter of Credit," which term includes any extensions or renewals thereof or, together with an Alternate Letter of Credit delivered by a different bank in accordance with the provisions of the Loan Agreement, the "Letter of Credit") will be delivered by Harris Trust and

Savings Bank (the "Bank"), to the Trustee, which will be authorized to draw an amount equal to the aggregate principal amount of the Bonds plus 35 days of interest to accrue thereon (assuming a maximum interest rate (the "Maximum Rate") on the Bonds during the Variable Rate Period of 15% per annum). If the Original Letter of Credit is not renewed or replaced prior to its stated expiration date (October 25, 2003), unless terminated earlier pursuant to the terms thereof, the Bonds are subject to mandatory tender. The College has agreed in the Loan Agreement to maintain with the Trustee at all times during the Variable Rate Period, as hereinafter defined, a Letter of Credit in an amount at least equal to the aggregate principal amount of Bonds then outstanding, plus interest thereon, calculated at the Maximum Rate, for a period equal to 35 days (or such other period as the rating agency then rating the Bonds may require).

The Original Letter of Credit is to be issued pursuant to a Reimbursement Agreement dated as of October 1, 2000 (the "Reimbursement Agreement") between the College and the Bank. See "THE ORIGINAL LETTER OF CREDIT AND THE REIMBURSEMENT AGREEMENT."

For information concerning the Bank, including certain financial information, see Appendix VI hereto. In addition, copies of the Bank's Annual Report for the year ended December 31, 1999 and any more recent Consolidated Reports of Condition and Income for a Bank with Domestic and Foreign Offices may be obtained in the manner described in Appendix VI.

**The Bonds shall not be legal or moral obligations of the State of Minnesota nor 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 III and IV for definitions of certain words and terms used herein and for a description of certain provisions of the documents hereinafter referred to.

EXCEPT AS EXPRESSLY PROVIDED HEREIN, THIS OFFICIAL STATEMENT PROVIDES INFORMATION RELEVANT TO THE BONDS ONLY AS OF THE DATE OF THIS OFFICIAL STATEMENT AND, WITH RESPECT TO THE TERM OF THE ORIGINAL LETTER OF CREDIT, INVESTORS ARE CAUTIONED THAT IT BEARS A STATED EXPIRATION DATE OF OCTOBER 25, 2003, THOUGH BY ITS TERMS IT MAY BE TERMINATED SOONER OR EXTENDED. SEE "THE ORIGINAL LETTER OF CREDIT AND THE REIMBURSEMENT AGREEMENT" HEREIN.

## **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 Holders' receipt of payments of the principal of or interest on the Bonds.**

### **Collateral**

The Bonds are secured by (a) during the Variable Rate Period, the Letter of Credit; (b) a pledge of amounts payable by the College under the Loan Agreement and applied to the payment of principal and interest on the Bonds; and (c) money and investments held by the Trustee under the Indenture (except any money and investments required to be paid as rebate to the United States Treasury). The Bonds are not secured by a mortgage or lien on, or a security interest in, any property of the College.

The Bonds are initially secured by the Original Letter of Credit issued by the Bank and the purchasers of the Bonds are expected to rely thereon in deciding whether to purchase, hold, or sell the Bonds. See "Rating" herein. However, if for any reason the Bank fails to honor a drawing on the Original Letter of Credit, the Bonds will be accelerated and may be paid in whole or in part out of the College's Loan Repayments. In addition, failure of the College to comply or otherwise satisfy certain terms, covenants, and conditions contained in the Reimbursement Agreement (including the incorporation by reference therein of the Events of Default under the Pledge Agreement, the Loan Agreement and the Indenture) would entitle the Bank to cause the Trustee to accelerate the Bonds and draw on the Letter of Credit. See "THE ORIGINAL LETTER OF CREDIT AND THE REIMBURSEMENT AGREEMENT."

### **Letter of Credit**

The ability of the Bank to honor drawings on the Letter of Credit will be based solely on the Bank's general credit. Certain information with respect to the Bank is set forth in Appendix VI. Such information was provided by the Bank and no representation is made as to the adequacy or accuracy thereof.

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

In considering whether the Bonds might be redeemed prior to maturity, Bondholders should consider the information included in this Official Statement under the heading "THE BONDS – Redemption." The Bonds may be called for redemption prior to maturity on any Interest Payment Date by the Authority at the College's direction. In addition, if certain Events of Default otherwise occur under the Loan Agreement, the Indenture or the Reimbursement Agreement, the Bank has the right, in its sole discretion, to require that the Bonds be accelerated. The Bonds are subject to mandatory tender for purchase upon (i) the substitution of a Letter of Credit (subject to a right to retain), (ii) proposed conversion to a Fixed Rate, (iii) failure of the College to timely deliver an extension of the Letter of Credit or an irrevocable commitment for an Alternate Letter of Credit, (iv) failure of the College to timely deliver an Alternate Letter of Credit, or (v) certain circumstances surrounding a failure in the conditions to convert to a Fixed Rate (See "THE BONDS – Optional and Mandatory Tender"). The effect on Bondholders of such an acceleration or purchase would be similar to that of early redemption at par. See "THE ORIGINAL LETTER OF CREDIT AND THE REIMBURSEMENT AGREEMENT – The Reimbursement Agreement" herein and, in APPENDIX IV – SUMMARY OF DOCUMENTS see also "THE LOAN AGREEMENT – Events of Default" and "THE INDENTURE – Events of Default." The Reimbursement Agreement provides for the College to reimburse the Bank for drawings on the Letter of Credit, with the failure to make timely reimbursement (and certain other events of default) resulting in an acceleration of the Bonds at the option of the Bank. The ability of the College to reimburse the Bank from time to time is dependent upon the financial condition of the College. The financial condition of the College may be affected by a number of factors, including competition and general economic conditions.

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

Certain historical operating revenue for the College and computed pro forma debt service coverage are provided in Appendix I under the caption "Annual Debt Service by Fiscal Year and Coverage Statement." The pro forma coverage is merely a mathematical computation, as reflected in the applicable table, and constitutes no assurance as to the future sufficiency of College revenues to satisfy College operations and debt service requirements, including its reimbursement obligations under the Reimbursement Agreement or its obligation to make Loan Repayments.

## **Limited Obligation**

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

## **Determination of Taxability**

If a Determination of Taxability occurs during a Fixed Rate Period, the Indenture provides for additional interest of two percent (2.0%) per annum beginning on the later of the Date of Taxability and the Conversion Date. There is no such additional interest for Bonds while in a Variable Rate Period. There is no mandatory redemption or tender following a Determination of Taxability in a Variable Rate Period.

## **Bankruptcy and Receivership**

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

## **CONTINUING DISCLOSURE**

The Bonds are exempt from the continuing disclosure requirements of Rule 15c2-12 of the Securities Exchange Act of 1934 because they are issued in denominations of \$100,000 or more and are subject to optional and mandatory tender as described herein. Consequently, prior to the Conversion Date, the College has not agreed and is not required to provide annual financial information, notices of certain material events or any other disclosure which might otherwise be required by that Rule. The College will enter into an undertaking for continuing disclosure upon a conversion to a Fixed Rate.

## **THE BONDS**

**Although certain features of the Bonds described below will remain the same after the conversion to a Fixed Rate, the sole purpose of this section is to describe features of the Bonds before the Conversion Date, while the Bonds bear interest at the Variable Rate.**

### **General**

The Bonds will be dated the date of initial delivery thereof and will mature October 1, 2030. Interest during the Variable Rate Period will be payable on the first Business Day of each month, on the Conversion Date, and on each Mandatory Tender Date (each a "Variable Rate Interest Payment Date"), commencing November 1, 2000.

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



The Bonds will bear interest at Variable Rates established by the Remarketing Agent, as described under the caption "THE BONDS – Setting of Variable Interest Rates." From the Issue Date to but not including the next Business Day, the Bonds will bear interest at a Daily Rate to be determined by the Remarketing Agent prior to the Issue Date. Thereafter, each Daily Rate Period will last from each Business Day to but not including the next Business Day (unless the Bonds are earlier converted to another Variable Rate or to a Fixed Rate or are redeemed). Interest will be computed on the basis of a 365- or 366-day year, as applicable, for the number of days actually elapsed. The Bonds are subject to optional and mandatory tender. See "THE BONDS – Optional and Mandatory Tender" herein. The Bonds may be converted to a Fixed Rate as described herein under the caption "THE BONDS – Conversion to a Fixed Rate."

### **Setting of Variable Interest Rates**

The College has appointed U.S. Bancorp Piper Jaffray Inc. to serve as the Remarketing Agent (the "Remarketing Agent") who will determine the interest rate on the Bonds for each Variable Rate Period ending prior to the Conversion Date pursuant to the Remarketing Agreement. The College or the Remarketing Agent may terminate the Remarketing Agreement effective upon the later of 30 days' notice or the effective date of appointment of a successor Remarketing Agent.

The Variable Rate will be the minimum interest rate which, in the sole judgment of the Remarketing Agent, would enable the Remarketing Agent to sell outstanding Bonds on the first day of the applicable Variable Rate Period at a price equal to the principal amount thereof (plus accrued interest, if any). If the Remarketing Agent fails to determine the Variable Rate while the Bonds are in the Daily Rate or the Weekly Rate, or if a Variable Rate cannot then legally be determined, the Variable Rate for such period will remain as the last Variable Rate of which the Remarketing Agent notified the Trustee. If the Remarketing Agent fails to determine the Flexible Rate and the Flexible Rate Period, the Bonds will bear interest at a Daily Rate equal to 100% of the prime 30-day commercial paper rate as provided in the Indenture.

The Daily Rate will be determined by the Remarketing Agent on each Business Day and provided to the Trustee by Electronic Notice by 9:00 A.M. Central time on the same day.

The College may from time to time elect to change all of the Bonds from one type of Variable Rate Period to another. Besides the Daily Rate Period, Variable Rate Periods the College may select are the Weekly Rate Period and the Flexible Rate Period.

Weekly Rate Periods commence on each date on which the Variable Rate is changed to the Weekly Rate and end on Wednesday of the following week. Weekly Rate Periods thereafter commence on each Thursday and end on the following Wednesday. The Weekly Rate will be determined by the Remarketing Agent on the Business Day preceding the commencement date thereof and provided to the Trustee by Electronic Notice by 4:00 P.M. Central time on the same day.

Flexible Rate Periods commence on each date on which the Variable Rate is changed to the Flexible Rate and end on the dates the Remarketing Agent determines, which will be no more than 270 days from the date such Flexible Rate Period commences. No Flexible Rate Period may extend beyond the Termination Date of the Letter of Credit, the Conversion Date, or the Maturity Date. The Flexible Rate will be determined by the Remarketing Agent on the second Business Day preceding the commencement thereof and provided to the Trustee by Electronic Notice by 12:00 P.M. Central time on the same day.

The College must notify the Trustee of any proposed change from one Variable Rate Period to another at least seven Business Days before the Trustee must give such notice to affected Holders. The Trustee must notify Holders of any proposed change in the Variable Rate at least 20 days prior to the proposed change date. The College is not limited in the number of such changes it may effect.

The Remarketing Agent will notify the Trustee, the College, the Tender Agent, and the Bank of its determination of each Variable Rate. The Remarketing Agent's interest rate determination shall be conclusive and binding on the Holders, the College, the Authority, the Bank, the Tender Agent and the Trustee.

The interest rate on any Bond before the Conversion Date may not exceed 15% per annum (the "Maximum Rate").

See also "THE BONDS – Conversion to a Fixed Rate" herein.

## **Optional and Mandatory Tender**

### Optional Tender

Prior to the Conversion Date, a Holder may tender Bonds (and a Beneficial Owner may tender its beneficial ownership interest in Bonds) to the Tender Agent for purchase at the principal amount thereof plus accrued interest (the "Purchase Price") upon Notice of tender given to the Tender Agent:

- (i) while Bonds are in the Daily Rate Period, not later than 9:30 A.M. Central time on any Business Day for purchase on the same day;
- (ii) while Bonds are in the Weekly Rate Period, not later than 9:30 A.M. Central time on any Business Day for purchase on a Business Day not less than seven (7) days after the Notice of tender;
- (iii) while Bonds are in the Flexible Rate Period not later than 12:30 P.M. Central time on last Business Day of the existing Flexible Rate Period for purchase on the first Business Day of the next Flexible Rate Period.

An Optional Tender Notice that is delivered to the Tender Agent at its principal office at or before the times stated immediately above on any Business Day shall be deemed delivered on such Business Day and if such Notice is delivered after such times it shall be deemed to be delivered on the next succeeding Business Day. Optional Tender Notices are irrevocable upon receipt by the Tender Agent. The Optional Tender Notice shall state the principal amount of each Bond to be purchased, its number, the name of the Holder, and the date such Bonds are to be purchased (the "Optional Tender Date"). During any period in which the Bonds are in Book-Entry Form, no further deliveries are required of the Beneficial Owner to effect the Optional Tender. During any period in which the Bonds are not in Book-Entry Form, the Optional Tender Notice shall automatically constitute the Holder's agreement to deliver the tendered Bond, together with an appropriate instrument of transfer executed in blank in form satisfactory to the Tender Agent, to the Tender Agent at its payment office not later than 2:30 P.M., Central time, on the Optional Tender Date.

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

### Mandatory Tender

The Bonds are required to be tendered to the Tender Agent for purchase at the Purchase Price on (i) the effective date of the substitution of any Alternate Letter of Credit; (ii) any Proposed Conversion Date; (iii) the last regularly scheduled Variable Rate Interest Payment Date before the Termination Date if the College has failed to deliver an extension of the Letter of Credit or a bank's irrevocable commitment to issue an Alternate Letter of Credit at least thirty-five (35) days prior to such Interest Payment Date; (iv) on the Business Day after the last regularly scheduled Interest Payment Date before the Termination Date if the College has failed to deliver an Alternate Letter of Credit to the Trustee by 9:00 A.M., Central time, on that Interest Payment Date; (v) if there is a failure of the conditions to conversion after the Computation Date but no notice of cancellation of conversion was given on the Computation Date.

The tender price is equal to the principal amount of the Bonds, without premium, plus accrued interest thereon to the Tender Date, provided that this provision shall not preclude the College from establishing a Conversion Date at any time on or prior to such Tender Date, in which event Bonds will be purchased and remarketed as Fixed Rate Bonds.

The Trustee shall give notice by mail to the College, the Bank, the Tender Agent, the Remarketing Agent, and the Holders of the Bonds subject to such mandatory tender not less than thirty (30) days prior to the Mandatory Tender Date, except that Notice of Tender for clause (iv) above shall be given by 11:00 A.M. Central time on the relevant Interest Payment Date.

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

During any period in which Bonds are in Book-Entry Form, the Tender Agent shall purchase any Bond subject to mandatory tender which is not to be retained by the Holder without further action by the Beneficial Owner or Holder. During any period in which the Bonds are not in Book-Entry Form, each Bond which is not to be retained by the Holder must be tendered to the Tender Agent for purchase on behalf of the College at or before 2:30 P.M., Central time, on the Mandatory Tender Date, by delivering such Bond to the Tender Agent (together with an appropriate instrument of transfer executed in blank in form satisfactory to the Tender Agent). On the Mandatory Tender Date the Tender Agent will purchase such Bond or cause such Bond to be purchased for the account of the College at the Purchase Price.

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

### Tenders Under Book-Entry System

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

If any Holder is entitled to receive notice of a Mandatory Tender Date, the notice shall be given by the Trustee to DTC. No Bond in Book-Entry Form (other than a Bond which is to be converted to a Fixed Rate Bond) will be required to be delivered for an exchange, purchase or transfer in connection with such Mandatory Tender Date, and any transfer of beneficial interest in any Tendered Bonds shall be effected through the Book-Entry System. Unless waived by the Tender Agent, beneficial interest in any Tendered Bonds in Book-Entry Form shall be transferred to the Tender Agent on or before the applicable Mandatory Tender Date. For purposes of giving an Optional Tender Notice and requiring an optional tender pursuant to the Indenture of a Bond in Book-Entry Form, the Beneficial Owner shall be deemed the Holder thereof. Upon receipt of an Optional Tender Notice, the Tender Agent will promptly notify the Participant who is the nominee for the tendering Beneficial Owner (or the Depository, if such Beneficial Owner is a Participant) of such receipt. The delivery of certificates evidencing the Tendered Bonds shall not be required to effect any optional tender pursuant to the Indenture, and the beneficial ownership interest of the Beneficial Owner in such Bond shall be transferred through the Book-Entry System to the Tender Agent on the Optional Tender Date against credit for the Purchase Price.

### **Remarketing and Purchase**

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

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

The Indenture provides that the College has the one-time right, to be exercised at any time, to direct the Authority to convert the interest rate on all of the Bonds to a Fixed Rate, effective on any Variable Rate Interest Payment Date which is no earlier than the business day which is the last day of the Flexible Rate Period, if then in effect. To exercise its option, the College must deliver to the Authority, the Trustee, the Bank, the Tender Agent and the Remarketing Agent written notice thereof at least 45 days prior to the Variable Rate Interest Payment Date on which the Fixed Rate is to become effective (the "Conversion Date") and an opinion of nationally recognized bond counsel at least 15 days prior to the Conversion Date to the effect that the conversion to a Fixed Rate is authorized by the Indenture and will not adversely affect the exemption of interest on any Bonds from federal income taxation. See "Tax Exemption" herein.

The Trustee shall give notice by mail to the Holders of the conversion to a Fixed Rate not less than 30 days prior to the Conversion Date, specifying, among other things, the Proposed Conversion Date and stating that the Bonds shall be subject to mandatory tender for purchase on the Proposed Conversion Date.

Notwithstanding the foregoing, the College may cancel the conversion to a Fixed Rate at any time on or prior to 5:00 P.M. Central time on the Computation Date, which is the date on which the Fixed Rate shall be determined and announced, which shall be not less than 15 days prior to the Proposed Conversion Date, by giving notice to the Trustee, the Authority, the Remarketing Agent, the Tender Agent, and the Bank.

On the Computation Date, the Remarketing Agent shall determine the Fixed Rate, which shall be the yield, which, in the determination of the Remarketing Agent, if borne by the Bonds until

their maturity, would result in the market value of the Stated Maturities of the Bonds on that date being as nearly as practicable 100% of, but not less than, the principal amount thereof. In determining the Fixed Rate, the Remarketing Agent shall have due regard for general financial conditions and the yields of debt obligations of similar type, credit quality, maturity and other characteristics, and such other or special conditions as in the judgment of the Remarketing Agent may have a bearing on the yields comprising the Fixed Rate. After the Conversion Date, the Holders of any affected Bonds shall have no right to tender such Bonds for purchase.

## **Redemption**

### Optional Redemption Prior to Conversion to Fixed Rate

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

### Extraordinary Optional Redemption

The Bonds are also subject to optional redemption at par plus accrued interest, as a whole or in part on any Interest Payment Date for which due notice can be given, in certain cases of damage to or destruction or condemnation of the Project (see "SUMMARY OF DOCUMENTS – The Loan Agreement").

### Partial Redemption

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

Notwithstanding the foregoing, while the Bonds are in Book Entry Form, DTC shall select Bonds for redemption within particular maturities according to its stated procedures. In no event shall the portion of Bonds to be redeemed and the portion of Bonds not to be redeemed be less than the minimum Authorized Denomination.

### Notice of Redemption

Notice of any redemption shall be mailed to the registered Owners at their addresses shown on the registration books of the Authority and maintained by the Trustee not less than thirty 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, except in the case of a mandatory redemption resulting from the failure to provide an Alternate Letter of Credit. If moneys are available at the office of the Trustee to pay the redemption price on the date of redemption, any Bonds thus called shall not bear interest after the call date and, except for the purpose of payment by application of the funds so deposited, shall no longer be protected by the Indenture.

## **Book Entry System**

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully registered security certificate will be issued for each maturity of the Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

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

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in 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 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 Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Trustee, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

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

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

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

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

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

The Loan Agreement requires the College at all times during the Variable Rate Period to maintain with the Trustee a Letter of Credit in an amount at least equal to the aggregate principal amount of Bonds then outstanding, plus interest thereon, computed at the Maximum Rate, for a period of 35 days.

### **The Bank**

The Original Letter of Credit will be issued by Harris Trust and Savings Bank (the "Bank"), upon satisfaction of certain conditions precedent to the issuance of the Original Letter of Credit as specified in the Reimbursement Agreement. For information concerning the Bank, see Appendix VI to this Official Statement. The information contained in Appendix VI was furnished by the Bank which is solely responsible for such information.

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

## **The Original Letter of Credit**

The initial Letter of Credit will be in all respects an irrevocable obligation of the Bank. The initial Letter of Credit will be issued in an amount equal to the aggregate principal amount of the outstanding Bonds, plus 35 days' interest thereon at the rate of 15% per annum (the "Cap Interest Rate" as that term is defined in the Letter of Credit, which is the same as the Maximum Rate herein). The Trustee, upon compliance with the terms of the initial Letter of Credit, is authorized and directed to draw up to (a) an amount sufficient (i) to pay principal of the Bonds when due, whether at maturity or upon redemption or acceleration, and (ii) to pay the portion of the Purchase Price of Bonds delivered for purchase pursuant to a demand for purchase by the owner thereof or a mandatory tender for purchase and not remarketed equal to the principal amount of such Bonds, plus (b) an amount not to exceed 35 days of accrued interest on such Bonds at the Cap Interest Rate (i) to pay interest on Bonds when due, and (ii) to pay the portion of the purchase price of Bonds delivered for purchase pursuant to a demand for purchase by the owner thereof or a mandatory tender for purchase and not remarketed, equal to the interest accrued, if any, on such Bonds. Notwithstanding the foregoing, no drawings shall be made under the initial Letter of Credit for payment of the principal or Purchase Price of or interest on Pledged Bonds or College Bonds.

The amount available under the initial Letter of Credit will be reduced to the extent of any drawing thereunder, subject to reinstatement as described below. With respect to a drawing by the Trustee solely to pay interest on the Bonds on an Interest Payment Date, the amount available under the initial Letter of Credit will be automatically reinstated immediately upon payment by the Bank of such drawing. With respect to a drawing by the Trustee to pay the Purchase Price of Bonds delivered for purchase pursuant to a demand for purchase by the owner thereof or a mandatory tender for purchase and not remarketed (a "Liquidity Drawing"), prior to the Conversion Date, upon a remarketing of Bonds (or portions thereof) purchased with the proceeds of such Liquidity Drawing, the amount available under the initial Letter of Credit will be reinstated in an amount equal to the principal amount of the Bonds purchased with the proceeds of such Liquidity Drawing, plus the amount of accrued interest thereon paid with the proceeds of such Liquidity Drawing, upon receipt by the Bank (or the Trustee on behalf of the Bank) of the amount of any Liquidity Drawing relating to Bonds purchased with the proceeds of such Liquidity Drawing plus all accrued interest thereon.

The initial Letter of Credit will terminate on the Bank's close of business on the earliest of (a) the stated expiration date (October 25, 2003, unless renewed or extended); (b) the earlier of (i) the date which is fifteen (15) days following the Conversion Date as specified in a notice from the Trustee to the Bank or (ii) the date on which the Bank honors a drawing under the Letter of Credit on or after the Conversion Date; (c) the date which is fifteen (15) days following the Bank's receipt of written notice from the Trustee that all Bonds have been paid or that a Letter of Credit has been issued in substitution for the initial Letter of Credit in accordance with the terms of the Indenture and the Reimbursement Agreement; (d) the date on which an acceleration drawing is honored by the Bank; or (e) the date which is fifteen days following the date the Trustee receives a written notice from the Bank specifying the occurrence of an event of default under the Reimbursement Agreement and directing the Trustee to accelerate the Bonds.

## **Alternate Letter of Credit**

The Indenture and Loan Agreement provide that during the Variable Rate Period the Bonds will be subject to mandatory tender if the College fails to deliver to the Trustee (i) at least thirty-five (35) days before the last regularly scheduled Interest Payment Date preceding the Termination Date of a Letter of Credit, an irrevocable commitment from a bank to issue an Alternate Letter of Credit and (ii) on such Interest Payment Date an Alternate Letter of Credit and an opinion of counsel for the bank issuing such Alternate Letter of Credit. An Alternate Letter of Credit shall



be an irrevocable letter of credit, having a term of at least one year, issued by a commercial bank organized under the laws of the United States or a foreign national and doing business in the United States, the terms of which are required to be consistent with the Indenture. If at any time there shall have been delivered to the Trustee (i) an Alternate Letter of Credit pursuant to, and meeting the requirements of, the Loan Agreement and in an available amount meeting the requirements specified in the Indenture, and (ii) an opinion of counsel for the bank which is the issuer of the Alternate Letter of Credit to the effect that the Alternate Letter of Credit has been duly authorized, executed and delivered by the issuer thereof and is a valid and binding obligation of the issuer thereof and enforceable against the issuer thereof, subject to bankruptcy and similar laws affecting creditors' rights generally, then the Trustee shall accept such Alternate Letter of Credit and upon the date the Trustee is permitted to draw under such Alternate Letter of Credit promptly terminate and surrender the previously held Letter of Credit to the issuer thereof for cancellation.

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

### **The Reimbursement Agreement**

The Original Letter of Credit will be issued by the Bank pursuant to a Reimbursement Agreement, dated as of October 1, 2000 (the "Reimbursement Agreement"), between the Bank and the College, under which the College will agree, among other things, to reimburse the Bank for drawings under the Letter of Credit as more fully described in the Reimbursement Agreement. Pursuant to the Reimbursement Agreement, the College will also agree to pay certain fees for issuance and maintenance of the Original Letter of Credit. The Reimbursement Agreement, and the terms, conditions and agreements contained therein, are solely for the benefit of the Bank and should not be relied upon by the Holders of Bonds or the Trustee. **The Reimbursement Agreement may be amended by the Bank and the College without the consent of or notice to the Trustee or the Holders of Bonds.**

If an event of default under the Reimbursement Agreement occurs and is continuing, the Bank may, among other things (i) require that the College immediately prepay to the Bank an amount equal to the amount then available under the Letter of Credit, (ii) declare all amounts due thereunder by the College immediately due and payable, (iii) give notice of the occurrence of such event of default to the Trustee directing the Trustee to accelerate the Bonds, thereby causing the Letter of Credit to expire 15 days thereafter, (iv) pursue any rights or remedies the Bank may have under the Related Documents, or (v) pursue any other action available at law or in equity. The Indenture directs the Trustee, upon receipt of the notice described in clause (iii) of the preceding sentence, to immediately accelerate the Bonds and to make the required drawing prior to the fifteenth day following receipt of such notice.

*"Events of Default"* under the Reimbursement Agreement include the following:

- (a) any material representation or warranty made by the College in the Reimbursement Agreement (or incorporated therein by reference) or in any of the other Related Documents or in any certificate, document, instrument, opinion or financial or other statement contemplated by or made or delivered pursuant to or in connection with the Reimbursement Agreement or with any of the other Related Documents, shall prove to have been incorrect, incomplete or misleading in any material respect;
- (b) any *"event of default"* shall have occurred under any of the Related Documents;

- (c) (i) failure to reimburse the Bank for drawings under the Letter of Credit as and when such reimbursement obligations become due thereunder or (ii) failure to pay the Bank any other obligations within five days of the date such obligations are due;
- (d) default in the due observance or performance of certain covenants set forth in the Reimbursement Agreement;
- (e) default in the due observance or performance by the College of any other term, covenant or agreement set forth in the Reimbursement Agreement and the continuance of such default for 30 days after the occurrence thereof;
- (f) any material provision of the Reimbursement Agreement or any of the Related Documents shall cease to be valid and binding, or the College shall contest any such provision, or the College or any agent or trustee on behalf of the College shall deny that it has any or further liability under the Reimbursement Agreement or any of the Related Documents;
- (g) the occurrence of certain events of bankruptcy, insolvency or liquidation of the College or any subsidiary of the College;
- (h) dissolution or termination of the existence of the College or any subsidiary;
- (i) default by the College under certain evidences of indebtedness issued, assumed, or guaranteed by the College or any subsidiary of the College;
- (j) certain judgments or writs are entered or filed against the College or any subsidiary of the College or against any of their respective property and remain unvacated, unbonded or unstayed for a period of 30 days;
- (k) the occurrence of certain events with respect to certain retirement plans maintained by the College or certain related entities; or
- (l) a default shall occur and be continuing under any agreement between the College and the Bank or under any obligation owed by the College to the Bank.

*"Related Documents"* means the Reimbursement Agreement, the Letter of Credit, the Indenture, the Loan Agreement, the Bonds, the Remarketing Agreement, the Bond Purchase Agreement and this Official Statement.

## USE OF PROCEEDS

### The Project

Proceeds of the Bonds will finance several improvements on the College's campus, including the following:

- Renovation of St. Olaf Center to house Art and Dance Departments
- Replacement of residence hall furniture
- Replacement of Skoglund Athletic Center and Manitou Field bleachers
- Acquisition and renovation of four houses
- Renovations to the Administration Building
- Renovations to and improvements on utility tunnels

Construction began in June 2000 on the renovation of the St. Olaf Center and the College expects the work to be substantially completed by August 2001. Oscar J. Boldt Construction, Inc., Appleton, Wisconsin is the construction manager. Hammel, Green & Abrahamson, Minneapolis, Minnesota is the architect and engineer of record. Various of the other improvements are either underway or completed, and it is anticipated that all improvements will be completed by February 2002.

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

The proceeds of the Bonds are expected to be used as follows:

### Sources of Funds

Bond Proceeds	\$14,475,000
College Funds	<u>1,000,000</u>
	<u><u>\$15,475,000</u></u>

### Uses of Funds

Renovate St. Olaf Center	\$11,000,000
Replace residence hall furniture	1,000,000
Replace bleachers	1,400,000
Acquisition and renovation of four houses	1,140,000
Other Project items	660,000
Issuance Costs and underwriter's discount	<u>275,000</u>
Total Uses	<u><u>\$15,475,000</u></u>

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

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

### **General Obligation of the College**

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

The Bonds are secured by the pledge of the Loan Repayments, which are a general obligation of the College. The College will agree pursuant to the terms of the Loan Agreement and the Indenture 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.

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

**The Bonds shall not be legal or moral obligations of the State of Minnesota nor 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 and moneys from draws under the Letter of Credit are to be deposited. These accounts include a Construction Account, a Bond Purchase Fund, a Bond and Interest Sinking Fund Account, a Reserve Account, and a Redemption Account. Each account or fund (except the Construction Account and the Reserve Account) includes a General Account and a Letter of Credit Account. The net proceeds of original issue and sale of the Bonds are to be deposited into the Construction Account. Following Bond Closing, amounts received by the Trustee from the College as Loan Repayments, proceeds of remarketing or proceeds from draws under the Letter of Credit are to be deposited into the Bond and Interest Sinking Fund Account, the Bond Purchase Fund, 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 or the Purchase Price of 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. 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 its available general funds all costs of issuance of the Bonds (including underwriting discount) in excess of 2.00% of the proceeds of the Bonds (principal less original issue discount). Upon receipt of proper documentation, the Trustee will reimburse or pay for the account of the College costs incurred in connection with the Project. When work on the Project has been completed and a certificate to that effect has been furnished to the Trustee, any balance in the Construction Account shall be deposited into the Redemption Account or, upon satisfaction of certain conditions prescribed in the Indenture, into the Bond and Interest Sinking Fund Account.

### **Bond Purchase Fund**

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

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

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

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

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

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

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

### **Reserve Account**

While the Bonds bear interest at the Variable Rate, there shall be no deposit into the Reserve Account.

### **Redemption Account**

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

Amounts on deposit to the credit of the General Account of the Redemption Account shall be used, first, to make up deficiencies in the Bond and Interest Sinking Fund Account, the Bond Purchase Fund and the Reserve Account, in the order listed, and, second, 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 or to pay any unpaid obligations under the Reimbursement Agreement. Notwithstanding the foregoing, the Trustee is authorized in its discretion to use funds and investments in the General Account of the Redemption Account to pay the amount of any rebate due the United States in respect of the Bonds under Section 148 of the Internal Revenue Code if the College or the Authority shall have failed to pay or provide for the payment thereof under the Loan Agreement.

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

### **General Bond Reserve Account**

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

### **Authorized Investments**

Moneys on deposit to the credit of the Construction Account, the Bond and Interest Sinking Fund Account, the Reserve Account, the Bond Purchase Fund and the Redemption Account shall be invested by the Trustee only in investments as authorized by law from time to time which are generally as follows currently: Direct obligations of the United States government and certain obligations issued or guaranteed by certain of its agencies; direct and general obligations of states and local governments, rated at least in the rating category of "AA" or "Aa"; revenue bond obligations of states and local governments insured by municipal bond insurance and rated "AAA" or "Aaa"; mutual funds or unit trusts which invest solely in the foregoing obligations of the United States government, its agencies, state and local governments; time deposits and other accounts fully insured by the Federal Deposit Insurance Corporation; certain guaranteed investment contracts issued by a bank or insurance company rated at least in the highest two rating categories of a nationally recognized rating agency; certain types of repurchase agreements; and certain commercial paper maturing in 270 days or less. Section 8.05 of the Indenture sets forth further restrictions as to type and maturity of investments.

## **FUTURE FINANCING**

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

## THE AUTHORITY

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

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

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

The Authority is authorized and empowered to issue revenue bonds whose aggregate outstanding principal amount at any time shall not exceed \$650 million. The Authority has had 122 issues (including refunded and retired issues) totaling \$775,638,307, of which \$433,743,610 is outstanding as of October 1, 2000. Bonds issued by the Authority are payable only from the loan repayments, rentals, and other revenues and moneys pledged for their payment. The bonds of the Authority do not represent or constitute a debt or pledge of the faith or credit or moral obligation of the State 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 operations of the Authority are financed solely from fees paid by the participating institutions; it has no taxing power.

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

## **FINANCIAL ADVISOR**

The Authority has retained Springsted Incorporated, 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.

## **UNDERWRITING**

The Bonds are being purchased by U.S. Bancorp Piper Jaffray Inc. The Underwriter has agreed to purchase the Bonds at a purchase price of \$14,432,298.75.

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

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

## **RATING**

The College has applied to Moody's Investors Service ("Moody's") for a long-term rating and a short-term rating on the Bonds. The ratings reflect only the view of such rating agency. Further information concerning the ratings is available from Moody's. There is no assurance that either rating will continue for any given period of time or that it may not be lowered or withdrawn entirely by the rating agency if in its judgment circumstances so warrant. Any such downward change in or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

Moody's has confirmed a rating of A3 with a positive outlook on the outstanding debt of the College.



## **LITIGATION**

The Authority and the College are unaware of any pending or overtly threatened in writing litigation which would affect the validity of the Bonds or materially affect the ability of the College to pay its Loan Repayments under the Loan Agreement and its obligations under the Reimbursement Agreement as the same become due.

## **LEGALITY**

The Bonds will be subject to the unqualified approving opinion as to validity and tax exemption by Leonard, Street and Deinard Professional Association, of St. Paul, 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 for the Underwriter by Faegre & Benson LLP, Minneapolis, 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 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.

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

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 Leonard, Street and Deinard Professional Association, 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.

## THE COLLEGE

### History

St. Olaf College ("St. Olaf" or 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 Evangelical Lutheran Church in America (ELCA) on January, 1988. However, the College is neither 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 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 governs the College. The current Board has 25 members, each of whom serves a six-year term. Current members are as follows:

Mr. John Benson	Executive Vice President, 3M Health Care Markets, St. Paul, Minnesota
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
Ms. Sara Fabel	Graduate student in landscape architecture, University of Minnesota, Minneapolis, Minnesota
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
Mr. Mark Jansa	Alumni Board President, Wayzata, Minnesota
Ms. Sonya Pedersen Margerum	Mayor of West Lafayette, Indiana, West Lafayette, Indiana
Dr. Martin E. Marty	Public Religion Project, Chicago, Illinois
Ms. Marilyn Miller	School of Engineering & Applied Science, U of Wisconsin-Milwaukee, Milwaukee, Wisconsin
Mr. Truxtun Morrison	Retired, former President & CEO, ConAgra, Inc., Wayzata, Minnesota
Mr. Bruce Nicholson	President & CEO, Lutheran Brotherhood, Minneapolis, Minnesota
Rev. David W. Olson	Bishop, Minneapolis Area Synod - ELCA, Minneapolis, Minnesota
Mr. Addison Piper	Retired, former Chairman & CEO, U.S. Bancorp Piper Jaffray, Hamel, Minnesota
Mr. Walter Ringer, III	Vice Chairman & CEO, The Foley Companies, Minneapolis, Minnesota
Dr. Judith Ryan	President & CEO, Good Samaritan Society, Sioux Falls, South Dakota
Mr. Darryl Solberg	Attorney, Hecht, Solberg, Robinson & Goldberg, San Diego, California
Mr. O. J. Tomson	Chairman & Director, First Citizens National Bank, Mason City, Iowa
Mr. Jerrol M. Tostrud	Retired, former Executive Vice President, West Publishing Company, Eagan, Minnesota

## **Administration**

The principal officers of the College are as follows:

*President.* On September 12, 2000 the College named The Reverend Dr. Christopher Meredith Thomforde as its tenth president. Dr. Thomforde succeeds former President Dr. Mark U. Edwards, Jr., who left his post on October 1, 2000 after serving as St. Olaf's president for six years. Dr. Thomforde will begin his new role as president on January 15, 2001. Until that time, the Chairman of the Board of Regents of St. Olaf College, Dr. Martin E. Marty, will serve as interim president following Dr. Edwards' departure.

Since 1996, Dr. Thomforde has served as president of Bethany College in Lindsborg, Kansas, during which time he also completed the requirements and received the Doctor of Ministry degree from Princeton Theological Seminary in 2000. Prior to that, Dr. Thomforde served for ten years as chaplain of Susquehanna University in Selinsgrove, Pennsylvania and also taught in the Department of Philosophy and Religion. From 1978 to 1986, he served as pastor at St. Paul's Lutheran Church in Dansville, New York. Dr. Thomforde served as assistant chaplain and instructor in Philosophy and Religion at Colgate University in Hamilton, New York from 1974 to 1978. He attended Yale University Divinity School from 1971 to 1974 when he

received his Masters of Divinity. He was an instructor in Western Languages and Medieval European History at Tunghai University, Taichung, Taiwan, R.O.C. until 1971. He received his A.B. degree in Medieval and Russian History from Princeton University in 1969.

*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 taught economics at St. John Fisher. Between 1975 and 1980 he 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.

*Senior 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 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 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 925 acres of open land, now used for farming, adjoining the campus on the west, southwest and the north. The physical facilities include the 31 main campus buildings, including 11 residence halls. The College also owns 24 off-campus houses. The total book value of the College plant and equipment, at May 31, 1999, was \$58,478,574 and at May 31, 2000 was \$99,331,007. This figure increased significantly when the Buntrock Commons was added to the book value. The

replacement cost of plant and equipment is estimated to be in excess of \$200 million. The College is covered by \$1,000,000 in general liability insurance with a \$50,000,000 umbrella policy for claims in excess of \$1,000,000.

The residence halls house 2,651 students or approximately 90% 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 addition to the campus was the Buntrock Commons, a 170,000 square foot facility that includes space for student dining, the bookstore, student recreation spaces, mail and printing services and a number of meeting and conference rooms. Prior to that major projects were: 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.

## **Academic Information**

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

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 pursues an interdisciplinary approach to its marketing efforts, incorporating direct contact with prospective students and their parents, broad-based media relations, ongoing philanthropic endeavors, web-based communications, advertising, strong alumni and parent relations initiatives, and other related strategies to enhance the recognition and visibility of the institution regionally and nationally.

The Admissions Office participates in a variety of direct mail marketing campaigns designed to solicit inquiries from prospective students. From these campaigns, the Office processes more than 50,000 direct requests for information annually (30,000 high school juniors, 15,000 high school sophomores, and 5,000 other students). The applicant pool has grown 45% over the past ten years and the academic profile of the entering class has improved. The recruitment process is a cooperative effort with the Office of Public Relations and Marketing, which assists in producing written, video and web-based materials used in student recruitment.

The Advancement Office is in the midst of a capital campaign, raising more than \$94 million in cash and pledges on its way to a \$125 million goal. The Advancement Office also works collaboratively with the Office of Public Relations and Marketing in much the same fashion as the Admissions Office. See "Fund Drives" herein.

The Office of Public Relations and Marketing has developed a branding strategy for the College to enhance the name recognition and presence of St. Olaf in the regional and national

marketplace. The Communications team has developed a consistent graphic identity program for the College, ensuring that the St. Olaf "brand" is strengthened through ongoing communications efforts. The Office of Public Relations and Marketing produces a wide range of publications to help in the recruitment, fundraising, "friend-raising" and general recognition of the College. It also has developed a revamped web-site that incorporates the new graphic identity. The web-site has been focus group tested to ensure ease of navigation for a variety of constituencies. The new site was launched in August 2000.

Significant numbers of faculty and staff participate in St. Olaf outreach efforts through speaking engagements, professional writing and serving as experts for the media. It is estimated that more than half of the St. Olaf faculty has joined in this outreach effort.

### **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.

<u>Academic Year</u>	<u>Full-time Students</u>	<u>Head Count Students</u>
1996/97	2,854	2,959
1997/98	2,873	2,975
1998/99	2,920	2,981
1999/00	2,927	2,988
2000/01	2,939	3,014
2001/02*	2,937	2,997
2002/03*	2,923	2,983
2003/04*	2,922	2,982
2004/05*	2,922	2,982
2005/06*	2,922	2,982

\* Denotes projected figures based on estimated retention of continuing students and the planned enrollment of new students.

The present and long-term objective of the College is to maintain a full-time, fall semester enrollment above 2,800. In 2000-01, the student body consisted of students from 46 states and 25 foreign countries. Fifty four percent (54%) of full-time students come from Minnesota.

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

<u>Year</u>	<u>Applicants</u>	<u>Acceptances</u>	<u>Matriculants</u>	<u>Acceptance Rate</u>	<u>Matriculation Rate</u>
1996/97	2,232	1,804	772	80.8	42.8
1997/98	2,311	1,800	725	77.9	40.3
1998/99	2,252	1,866	755	82.9	40.5
1999/00	2,359	1,803	766	76.4	42.5
2000/01	2,538	1,862	750	73.4	40.3

## 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 first-year class, which entered in September 2000, is 1,260; the median ACT score is 27; the average high school rank is the 89<sup>th</sup> percentile.

<u>Academic Year</u>	<u>Median SAT</u>	<u>Median ACT</u>	<u>Average High School Rank</u>
1996/97	1,230	26	86
1997/98	1,240	27	88
1998/99	1,250	27	88
1999/00	1,260	27	89
2000/01	1,260	27	89

## Geographic Distribution of Entering First-Year Students

For the fall of 2000, the geographic distribution of entering first-year students was as follows:

Minnesota	402
Wisconsin	80
Illinois	38
Iowa	32
Colorado	16
California	16
Nebraska	13
Washington	13
South Dakota	12
Other States	<u>128</u>
Total	750

*NOTE: The figures in the preceding three tables relating to first-year students exclude International Students. In the fall of 2000, a total of 52 International Students were enrolled at the College, 16 of whom were enrolled at the College for the first time.*

## Student Retention

<u>Fall Semester</u>	<u>New 1<sup>st</sup> Year</u>	<u>Percent of Students Returning</u>			<u>Percent of Graduates</u>	
		<u>2<sup>nd</sup> Year</u>	<u>3<sup>rd</sup> Year</u>	<u>4<sup>th</sup> Year</u>	<u>4 Years</u>	<u>By 5<sup>th</sup> Year</u>
1995	743	89.2	83.4	81.3	75.1	79.3%
1996	772	88.5	83.2	80.9	73.2	
1997	722	91.6	84.5	82.8		
1998	755	91.5	86.5			
1999	766					
2000	753					



## 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 five academic years and as approved by the Board of Regents for 2000-2001.

<u>Year</u>	<u>Tuition</u>	<u>Room</u>	<u>Board</u>	<u>Comprehensive Fee</u>
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
1999-00	18,250	2,020	2,300	22,570
2000-01	19,400	2,100	2,400	23,900

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 15<sup>th</sup> 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 a variation of a guaranteed cost plan. *The \$1,200 Plan*, allows families to make a payment of \$850 in addition to the Comprehensive Fee and in turn, the College guarantees that the Comprehensive Fee will increase no more than \$1,200 per year in the succeeding three years for the participating student.

The following table lists total revenue derived from tuition and fees for the fiscal years ended May 31, 1996 through May 31, 2000:

<u>Year</u>	<u>Tuition and Fees</u>
1995/96	\$ 44,611,512
1996/97	46,976,336
1997/98	49,942,334
1998/99	53,041,214
1999/00	56,501,668

## Comparison of Undergraduate Charges for Minnesota Private Colleges (2000-2001)

<u>College/University</u>	<u>Tuition and Required Fees</u>	<u>Room and Board</u>	<u>Comprehensive Charges*</u>
Carleton College	\$24,390	\$4,950	\$29,340
Macalester College	21,614	5,932	27,546
Minneapolis College of Art & Design	19,360	4,640	24,000
<b>St. Olaf College</b>	<b>19,400</b>	<b>4,500</b>	<b>23,900</b>
Gustavus Adolphus College	18,330	4,605	22,935
University of St. Thomas	17,308	5,407	22,715
College of Saint Benedict	17,241	5,272	22,513
Saint John's University	17,241	5,129	22,370
Augsburg College	16,340	5,320	21,660
Bethel College	15,940	5,660	21,600
Hamline University	16,291	5,304	21,595
College of St. Scholastica	16,290	4,952	21,242
College of St. Catherine	16,442	4,690	21,132
Concordia University (St. Paul)	14,752	5,160	19,912
Saint Mary's University of Minnesota	14,335	4,640	18,975
Concordia College (Moorhead)	14,020	3,900	17,920
Average	\$17,456	\$5,004	\$22,460

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

NOTE: Comprehensive charges are reduced for many students through financial assistance. Approximately three out of four private college students apply for and receive financial assistance, with the amounts and types of aid determined in relation to family resources, calculated need, government funding, institutional policies and other factors. Among private college students who qualified for grant aid in 1998-99, average grant support was \$12,000, including approximately \$3,500 for those who qualified for state grants. \$1,800 for those who qualified for federal Pell grants and \$5,500 for those who qualified for institutional grants, along with other sources. More than 50 percent of grant assistance went to students from families with incomes below \$50,000. In addition to grants, student assistance packages include loans (averaging \$5,300 per year) and work-study.

Source: Minnesota Private College Council.

## Financial Aid

Approximately 62% of the full-time students enrolled receive need-based scholarships or grants from the College. An additional 18% of the full-time students receive merit-based (non-need-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. NOTE: Figures are in thousands.

	<u>1995-96</u>	<u>1996-97</u>	<u>1997-98</u>	<u>1998-99</u>	<u>1999-00</u>
Unrestricted Institutional					
Scholarships and Grants	\$ 9,493	\$10,706	\$12,158	\$13,429	\$14,816
Endowed and Restricted	1,449	1,862	1,783	1,815	2,074
Gift Institutional Scholarships					
Federal Pell & SEO Grants	1,078	1,077	1,128	1,341	1,274
Minnesota State Grants	2,135	1,967	1,860	2,005	1,970
Other Scholarships and Grants	<u>1,294</u>	<u>1,326</u>	<u>1,411</u>	<u>1,456</u>	<u>1,513</u>
Total Scholarships and Grants	\$15,449	\$16,938	\$18,340	\$20,046	\$21,647
Student Loans	8,077	7,469	7,700	8,507	9,697
Student Work	<u>1,793</u>	<u>1,749</u>	<u>2,075</u>	<u>2,500</u>	<u>3,192</u>
Total Financial Aid	\$25,319	\$26,156	\$28,115	\$31,053	\$34,536

## Faculty and Staff

The College has a teaching staff of 205 full-time faculty members and 185 part-time faculty members with a full-time equivalent (FTE) devoted to teaching of 248.85. The student to teaching faculty ratio is approximately 12 to 1. The chart below shows the total number of College employees, stated in FTE terms, by category:

<u>Category</u>	<u>Number of FTE Employees</u>
Teaching Faculty	248.85
Administrative	173.22
Support Staff	<u>214.09</u>
Total	636.16

*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, 2000 was \$38,821,225.

The average salaries for 1999-2000 by faculty rank are:

<u>Rank</u>	<u>Number of Full-time Faculty</u>	<u>Average Salary</u>
Professor	64	\$65,498
Associate Professor	76	53,522
Assistant Professor	44	42,373
Instructor	21	41,250

## 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 amounted to \$2,304,000 for the year ended May 31, 2000.

## Post Retirement Benefit Plan

The College's net postretirement benefit cost for the years ended May 31, 2000, 1999 and 1998 is as follows:

	<u>2000</u>	<u>1999</u>	<u>1998</u>
Service Cost	\$ 46,283	\$ 20,911	\$ 20,190
Interest Cost	229,554	194,298	194,506
Other	<u>68,477</u>	<u>25,770</u>	<u>27,299</u>
Net Postretirement Benefit Expense	\$344,314	\$240,979	\$241,995

Accumulated postretirement benefit obligation components are as follows:

Under-funded accumulated post-retirement benefit obligation	\$ 3,415,232	\$ 3,403,689	\$ 2,887,037
Unrecognized loss	<u>(1,567,510)</u>	<u>(1,490,273)</u>	<u>(786,101)</u>
Accumulated Postretirement Benefit Obligation	\$ 1,847,722	\$ 1,913,416	\$ 2,100,936

An 8.8% rate of increase in per capita costs of covered health care benefits was assumed for the year ended May 31, 2001 (lower rates are assumed for HMO plans), gradually decreasing to an ultimate rate of 5% by the year 2019. A discount rate of 7% was used to determine the accumulated postretirement benefit obligation.

### Gifts and Grants

Listed below are College data for gifts and grants for the noted five fiscal years. Gifts are recorded as pledges when received.

<u>Fiscal Year</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
1995/96	8,431,260	7,496,624	5,455,523	21,383,407
1996/97	7,559,563	23,415,410	2,972,225	33,647,198
1997/98	6,204,706	7,029,966	9,562,634	22,797,306
1998/99	6,100,223	1,188,910	7,578,359	14,867,492*
1999/00	7,157,169	7,944,226	9,836,758	24,938,153

\* The fiscal year 1998-99 total reflects a period when the College was between capital campaigns.

### Endowment Funds

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

<u>Fiscal Year Ended May 31</u>	<u>Endowment Funds</u>	<u>Deferred Gift Funds</u>	<u>Total Funds</u>
1996	\$ 87,023,000	\$ 33,790,000	\$ 120,813,000
1997	98,476,000	37,482,000	135,958,000
1998	115,656,000	46,331,000	161,987,000
1999	128,826,000	48,237,000	177,063,000
2000	152,331,000	52,607,000	204,938,000

As of August 31, 2000, the market value of the College's Endowment Funds (excluding Deferred Gifts) reached \$163,727,845.

Endowment funds are managed primarily by six outside fund managers retained by the College: Harbor Capital Management (Boston, MA) - core equity; Fuller & Thaler Asset Management (San Mateo, CA) - mid cap; Ark Asset Management (New York, NY) - small cap; Putnam International Equity Trust (Boston, MA) - international; First American Asset Management (Minneapolis, MN) - bonds; Mellon Capital Management (Boston, MA) - tactical. The College also has a modest amount (about \$7 million) invested with several venture capital and real estate managers.

The College uses an asset allocation model, which generally allocates 60% to 75% of the endowment to equity investments and 25% to 40% 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, 2000 the total return on the endowment was 15.10%; for fiscal year 1999, the total return was 8.03%; and for fiscal year 1998, the total return was 19.54%.

The College endowment spending policy is based on a spending rate of five percent of a twelve-quarter moving average of market values at the end of the previous year. For fiscal year 2000, the effective payout percentage was about 4.63%, based on the market value of the endowment of \$128.8 million as of May 31, 1999.

## **Fund Drives**

On November 6, 1999, marking the 125<sup>th</sup> anniversary of its founding, the College publicly announced a 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. As of May 31, 2000, gifts and pledges totaling \$94.5 million had been received, including a lead gift of \$26 million to underwrite the new Buntrock Commons in honor of the donor family. A portion of the Buntrock Commons project was financed by a portion of the proceeds from the Series Four-R Bonds (see "Long-Term Debt of the College" in this Appendix I).

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	<u>15,000,000</u>
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. The campaign period is planned to conclude December 31, 2002, although payments on pledges made during the campaign period may continue through approximately 2007.

## **Financial Statements**

Appendix V sets forth the financial statements of the College for the fiscal year ended May 31, 2000, audited by Virchow, Krause & Company, LLP, Minneapolis, Minnesota and prepared in accordance with generally accepted accounting principles (GAAP). The firm has not participated in the preparation of this Official Statement and expresses no opinion on its contents.

## **Statement of Activities (Unrestricted Portion Only) for Fiscal Years 2000, 1999, 1998, 1997 and 1996**

The table on page I-13 sets forth the statement of activities (unrestricted portion only) prepared in accordance with GAAP for the fiscal years 2000, 1999, 1998, 1997, and 1996.

Over a period of two years, from fiscal year 1996 to fiscal year 1998, operating expenses increased a total of \$1.9 million or 3.2%. Operating expenses increased \$4.3 million or 6.9% in fiscal year 1999 and \$4.1 million or 6.1% in fiscal year 2000. While increases occurred in most of the functional areas, the increase in instruction was the largest at \$4,190,192 or 16.2% over two years.

In fiscal year 1996 the College recognized a voluntary separation expense of \$3.5 million in connection with the early retirement of 26 faculty members. This was considered extraordinary and was reported under the Nonoperating Activities heading. These retirements constrained the growth in compensation expenses between fiscal years 1996 and 1997. The College took further steps to reduce the number of faculty in 1998. Thereafter, increases in compensation expenses account for most of the growth in fiscal years 1999 and 2000. The College provided wage increases of six percent for faculty in fiscal years 1999 and 2000. The goal was to increase the wages of the faculty relative to institutions of similar size and location. In fiscal year 1999 the College also recognized an expense for the employees' medical insurance plan of \$2.1 million versus an expense of \$1.2 million in fiscal year 1998, an increase of 75%. The College recognized some additional expense in connection with voluntary separation agreements for several faculty members and these were included in the instruction category in 1999 and 2000. Other areas of expense outside of instruction were also increased during 1999 and 2000 as the capital campaign was launched and the fundraising staff was expanded. The depreciation and interest expense of the College increased from \$4.5 million to \$5.9 million following the completion of the Buntrock Commons during fiscal year 2000.

ST. OLAF COLLEGE  
STATEMENT OF UNRESTRICTED ACTIVITIES

	Fiscal Year Ended May 31:				
	1996	1997	1998	1999	2000
<b>REVENUES, GAINS AND OTHER SUPPORT</b>					
<b>OPERATING REVENUES</b>					
Tuition	\$ 41,890,957	\$ 44,206,227	\$ 46,768,025	\$ 49,614,498	\$ 53,027,326
Less: Unfunded scholarships and grants	(9,492,626)	(10,706,338)	(12,388,643)	(13,794,341)	(15,254,368)
Funded scholarships and grants	(2,009,987)	(2,292,640)	(2,848,853)	(2,362,265)	(2,498,616)
Net tuition	30,388,344	31,207,249	31,530,529	33,457,892	35,274,342
Other tuition and fees	2,720,555	2,770,109	3,174,309	3,426,716	3,478,161
Government grants	2,578,434	2,450,010	2,982,581	2,861,514	2,567,915
Private gifts and grants	2,255,097	2,535,935	2,984,868	2,928,838	3,730,790
Long-term investment income and gains allocated for operations	1,302,652	1,324,440	1,662,108	1,766,666	2,295,463
Other sources	3,390,828	3,373,428	3,598,272	1,342,484	1,845,444
Investment income	(105,595)	(42,620)	(3,005)	844,857	584,927
Net losses on investments				(112,718)	(33,764)
Auxiliary enterprises -- sales and services	12,694,354	12,465,440	12,793,581	15,338,738	14,712,788
Subtotal:	55,224,669	56,083,991	58,723,243	61,854,987	64,456,066
Net assets released from restrictions	5,141,529	5,935,787	6,399,572	6,053,640	7,961,368
Total Operating Revenues, Gains and Other Support	60,366,198	62,019,778	65,122,815	67,908,627	72,417,434
<b>OPERATING EXPENSES</b>					
Program expenses					
Instruction	26,047,549	25,745,843	25,796,732	29,026,562	29,986,924
Research	606,288	688,060	935,256	638,720	701,997
Public service	3,878,148	4,353,592	4,832,426	3,160,854	3,095,246
Academic support	6,319,763	5,495,330	5,558,045	6,365,035	7,034,119
Student services	3,827,810	3,940,896	4,096,628	5,041,772	5,695,834
Auxiliary enterprises	12,266,529	13,026,173	12,601,932	12,776,732	13,597,022
Support expenses					
Institutional support	7,239,951	7,090,360	6,193,008	7,025,155	6,993,264
Fundraising			2,105,953	2,347,960	3,340,312
Total Operating Expenses	60,186,038	60,340,254	62,119,980	66,382,790	70,444,718
<b>Increase in Net Assets from Operating Activities</b>	<b>180,160</b>	<b>1,679,524</b>	<b>3,002,835</b>	<b>1,525,837</b>	<b>1,972,716</b>
<b>NONOPERATING ACTIVITIES</b>					
Long-term investment activities					
Investment income	1,201,591	1,285,981	833,927	963,209	1,073,925
Net realized gains	1,687,685	2,118,087	2,865,165	1,180,635	5,776,110
Net unrealized appreciation	9,805,490	638,074	2,781,593	1,135,375	54,632
Total long-term investment income	12,694,766	4,042,142	6,480,685	3,279,219	6,904,667
Less: Long-term investment income and gains allocated for operations	(1,302,652)	(1,324,440)	(1,662,108)	(1,766,666)	(2,295,463)
	11,392,114	2,717,702	4,818,577	1,512,553	4,609,204
Student loan income net of expenses				525	17,474
Capital giving activities -- gifts and grants	3,552,663	164,323	154,903	512,423	769,623
Deferred giving activities -- gifts	45,066	349,295	82,354	(202,552)	88,841
Capital gift fund raising expenses	(145,507)	(101,310)			
Capital asset adjustment					
Voluntary separation expenses	(3,485,433)				
Adjustment to actuarial liability for annuities payable	(847,509)	(39,606)	3,471,499	(1,303,372)	1,022,020
	10,511,394	3,090,404	8,527,333	519,577	6,507,162
Net assets released from restrictions	1,592,577	3,077,728	8,688,587	2,310,951	7,239,051
<b>Increase in Net Assets from Nonoperating Activities</b>	<b>12,103,971</b>	<b>6,168,132</b>	<b>17,215,920</b>	<b>2,830,528</b>	<b>13,746,213</b>
<b>Increase in Net Assets before Cumulative Effect of Change in Accounting Principle and Reclassification of Net Assets</b>	<b>12,284,131</b>	<b>7,847,656</b>	<b>20,218,755</b>	<b>4,356,365</b>	<b>15,718,929</b>
Reclassification of prior year net assets				4,796,520	(4,899,296)
Cumulative effect on prior years of a change in accounting principle	(1,962,309)			(8,302,661)	0
<b>Increase in Net Assets</b>	<b>10,321,822</b>	<b>7,847,656</b>	<b>20,218,755</b>	<b>850,224</b>	<b>10,819,633</b>
Net Assets -- Beginning of Year	66,420,243	76,742,065	84,589,721	104,808,476	105,658,700
<b>NET ASSETS -- END OF YEAR</b>	<b>\$ 76,742,065</b>	<b>\$ 84,589,721</b>	<b>\$ 104,808,476</b>	<b>\$ 105,658,700</b>	<b>\$ 116,478,333</b>

Source: Audited Financial Statements of the College

## **Long-Term Debt of the College**

1. \$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.
2. \$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; \$15,200,000 is outstanding. The full faith and credit of the College secure the bonds.
3. \$15,000,000 Minnesota Higher Education Facilities Authority Revenue Bonds, Series Four-R, dated May 1, 1998; interest rates range from 4.00% to 5.30%; final maturity is due April 1, 2029; \$14,750,000 is outstanding. The full faith and credit of the College secure the bonds.

As of October 1, 2000, the College's total long-term debt outstanding, adjusted to exclude the discharged Series Y Bonds, is \$29,950,000.

## **Additional Obligations of the College**

The College currently has outstanding several assessments payable to the City of Northfield. Principal outstanding as of October 1, 2000 is \$67,344.00 on the assessments.

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

The table on page I-15 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, 2000, 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 pro forma statement of combined annual debt service of the College after giving effect to the issuance of the Bonds based on an assumed interest rate 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.**



**Minnesota Higher Education Facilities Authority  
Series Five-H, St. Olaf College**

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

Fiscal Year May 31,	Estimated Debt Service on Series Five-H (a)	Outstanding Long-Term Debt Service (b)	Combined Long-Term Debt Service	Amount Available for Debt Service (c)	Estimated Coverage (times)
(1)	(2)	(3)	(4)	(5)	(6)
2001	\$393,097	\$2,461,195	\$2,854,292	\$7,721,152	2.65
2002	652,823	2,450,753	3,103,575	7,721,152	2.49
2003	652,823	2,457,963	3,110,785	7,721,152	2.48
2004	652,823	2,312,588	2,965,410	7,721,152	2.60
2005	652,823	2,309,715	2,962,538	7,721,152	2.61
2006	652,823	2,314,155	2,966,978	7,721,152	2.60
2007	652,823	2,305,471	2,958,294	7,721,152	2.61
2008	652,823	2,313,786	2,966,609	7,721,152	2.60
2009	652,823	2,303,968	2,956,790	7,721,152	2.61
2010	652,823	2,306,220	2,959,043	7,721,152	2.61
2011	652,823	2,304,925	2,957,748	7,721,152	2.61
2012	652,823	2,304,765	2,957,588	7,721,152	2.61
2013	652,823	2,300,830	2,953,653	7,721,152	2.61
2014	652,823	2,302,544	2,955,366	7,721,152	2.61
2015	652,823	2,299,375	2,952,198	7,721,152	2.62
2016	652,823	2,301,628	2,954,450	7,721,152	2.61
2017	652,823	2,298,698	2,951,520	7,721,152	2.62
2018	652,823	2,291,018	2,943,840	7,721,152	2.62
2019	652,823	2,293,068	2,945,890	7,721,152	2.62
2020	652,823	2,289,179	2,942,001	7,721,152	2.62
2021	652,823	2,284,325	2,937,148	7,721,152	2.63
2022	652,823	2,283,125	2,935,948	7,721,152	2.63
2023	652,823	992,819	1,645,641	7,721,152	4.69
2024	652,823	990,544	1,643,366	7,721,152	4.70
2025	652,823	991,563	1,644,385	7,721,152	4.70
2026	652,823	990,219	1,643,041	7,721,152	4.70
2027	652,823	991,906	1,644,729	7,721,152	4.69
2028	652,823	996,100	1,648,923	7,721,152	4.68
2029	652,823	992,669	1,645,491	7,721,152	4.69
2030	14,747,009	0	14,747,009	7,721,152	0.52

(a) Based on market rates as of October 12, 2000. Includes a base rate of 4.00% plus a remarketing fee of 0.125% and letter of credit fees of 0.385%. Actual interest rates will differ from projected rates. Years 2001 through 2029 include only interest payments and include no amortization of principal.

(b) Excludes the Series Y Bonds, which have been refunded.

(c) Calculation of Amount Available for Debt Service based on Fiscal Year ended May 31, 2000:

Increase in Unrestricted Net Assets (Operating Activities)	\$1,972,716
Plus:	
Depreciation & Amortization	4,331,125
Debt Service Interest paid	1,808,440
Net Losses on Investments	33,764
Less:	
Net Assets released from restriction for land, buildings and equipment	(424,893)
Amount available for debt service payments:	\$7,721,152

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## PROPOSED FORM OF LEGAL OPINION

## LEONARD, STREET AND DEINARD

PROFESSIONAL ASSOCIATION

October \_\_, 2000

\$14,475,000

Minnesota Higher Education Facilities Authority  
Variable Rate Demand Revenue Bonds, Series Five-H  
(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) Variable Rate Demand Revenue Bonds, Series Five-H (St. Olaf College), in the aggregate principal amount of \$14,475,000 (the "Bonds"), dated October \_\_, 2000, and maturing on October 1, 2030.

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 the improvement of existing 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 Wells Fargo Bank Minnesota, National Association, in Minneapolis, Minnesota, as Trustee (the "Trustee") each dated as of October 1, 2000, one or more opinions of Gray, Plant, Mooty, Mooty & Bennett, P.A. 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 opinion of Gray, Plant, Mooty, Mooty & Bennett, P.A., 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 the opinion of Schmitz, Ophaug and Dowd 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 also relied upon the opinions of Chapman & Cutler, counsel to Harris Trust and Savings Bank (the "Bank") as counsel to the Bank, as to the letter of credit issued by the Bank to secure the Bonds (the "Letter of Credit") having been duly executed and delivered and being a valid and binding obligation of the Bank.

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, and we express no opinion relating thereto (except to the extent, if any, stated 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 valid and binding limited obligations of the Authority payable solely from the proceeds of periodic draws under the Letter of Credit issued by the Bank and are further 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 payments held by the Trustee, as assignee, under the Loan Agreement.
4. Assuming compliance with certain covenants in the Loan Agreement and Indenture, under existing laws, regulations, rulings and decisions as presently construed, 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. 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, however, 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 Letter of Credit, the Indenture and the Loan Agreement may be subject to bankruptcy, insolvency, reorganization, moratorium and receivership proceedings 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 principles of equity.

Very truly yours,

LEONARD, STREET AND DEINARD  
Professional Association

## DEFINITION OF CERTAIN TERMS

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

*Act of Bankruptcy:* Any of the following events: (i) the College shall (a) apply for or consent to the appointment of, or the taking of possession by, a receiver, custodian, trustee, liquidator or the like of itself or of all or a substantial part of its property, (b) commence a voluntary case under the Federal Bankruptcy Code (as now or hereafter in effect), or (c) file a petition with respect to itself seeking to take advantage of any other law relating to bankruptcy, insolvency, reorganization, winding-up or composition or adjustment of debts; or (ii) a proceeding or case shall be commenced, without the application or consent of the College, in any court of competent jurisdiction, seeking (a) the liquidation, reorganization, dissolution, winding-up, or the composition or adjustment of debts, of the College, (b) the appointment of a trustee, receiver, custodian, liquidator or the like of the College or of all or any substantial part of the assets of the College, or (c) similar relief in respect of the College under any law relating to bankruptcy, insolvency, reorganization, winding-up or composition or adjustment of debts.

*Alternate Letter of Credit:* The irrevocable letter of credit delivered to the Trustee in accordance with Section 7.04 of the Indenture and Section 4.11 of the Loan Agreement by a Bank other than the issuer of the then current Letter of Credit.

*Authority:* The Minnesota Higher Education Facilities Authority, an agency of the State of Minnesota.

*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 or Secretary. Such certificate may designate one or more alternates whose specimen signature(s) shall also be provided.

*Authorized Denominations:* (a) \$100,000 and any integral multiple of \$5,000 in excess thereof during the Variable Rate Period, and (b) \$5,000 and any integral multiple thereof during the Fixed Rate Period.

*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, any Vice-Chair or the Secretary or the Treasurer of its Board of Regents or the President or any Vice President appointed by the Board of Regents as officers of the administration of the College. Such certificate may designate one or more alternates whose specimen signature(s) shall also be provided.

*Authorized Investments:* Investments authorized for moneys in the accounts created under Article VIII of the Indenture and described in Section 8.05 thereof.

*Bank:* Harris Trust and Savings Bank, as the issuer of the Original Letter of Credit, its successors in such capacity and their assigns until the full payment and satisfaction of the Letter of Credit Obligations under the original Reimbursement Agreement; upon the issuance of any Alternate Letter of Credit, "Bank" means the issuer of such Alternate Letter of Credit, its successors in such capacity and their assigns until full payment and satisfaction of the Letter of Credit Obligations under the applicable Reimbursement Agreement.

*Beneficial Owner:* With respect to any Authorized Denomination of a Bond of any series in book-entry form, each person who beneficially owns such Bond in such authorized

denomination and on whose behalf, directly or indirectly, such Authorized Denomination of Bond is held by the Depository pursuant to the book-entry system.

*Board of Regents:* The Board of Regents of the College, and including the Executive Committee or any 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 Purchase Agreement:* The Bond Purchase Agreement, dated October 24, 2000, among the Authority, the Underwriter and the College.

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

*Bond Resolution:* The Series Resolution of the Authority adopted on September 19, 2000, authorizing the Bonds, as the same may be amended, modified or supplemented by any amendments or modifications thereof.

*Bonds:* The Series Five-H Bonds issued under the Indenture.

*Bond Year:* (a) The period from the Issue Date to the close of business on September 30, 2001 and (b) each succeeding 12-month period ending at the close of business on September 30 of each year in which the outstanding Series Five-H Bonds, if paid at their stated maturity dates, shall be outstanding.

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

*Business Day:* (i) During the Variable Rate Period, any day other than a Saturday, a Sunday, a day on which banking institutions in the city or cities in which the principal corporate trust offices of the Trustee or of the Tender Agent, or the principal offices of the Remarketing Agent, or the office in which draws are made on the Letter of Credit, are required or authorized by law to remain closed or other than a day on which the New York Stock Exchange is closed, and (ii) during the Fixed Rate Period, any day or other than a day on which banks located in the city or cities in which the principal corporate trust offices of the Trustee are located are required or authorized by law to remain closed.

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

*College Bond:* Any Bond (i) registered in the name of, or the Beneficial Owner of which is, or which the Trustee actually knows is owned or held by the College or the Authority or the Trustee or an agent of the Trustee for the account of the College or the Authority or (ii) with respect to which the College or the Authority has notified the Trustee, or which the Trustee actually knows, were purchased by another person for the account of the College or the Authority or by a person directly or indirectly controlling or controlled by or under direct or indirect common control with the College or the Authority, including Pledged Bonds.

*Computation Date:* The date on which the Fixed Rate shall be announced, which shall be not less than fifteen (15) days prior to the Conversion Date.

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

*Construction Period:* The period between the date of commencement of acquisition, construction, furnishing and equipping of the Project and the completion date set forth in the Certificate of the Project Supervisor furnished pursuant to Section 3.05 of the Loan Agreement.

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

*Daily Rate:* The annual interest rate on the Bonds during a Daily Rate Period determined on a daily basis as provided in Section 2.09(c)(2) of the Indenture.

*Daily Rate Period:* Each period described in Section 2.09(c)(2) of the Indenture during which Bonds accrue interest at a Daily Rate.

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

*Determination of Taxability:* A Notice of Deficiency issued by the Internal Revenue Service or a final decision of a court of competent jurisdiction or an opinion of a nationally recognized bond counsel 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.

*Electronic Notice:* Notice by telephone, telegram, telex, telecopier, electronic mail or other electronic transmission.

*Eligible Funds:* (i) Proceeds of the Bonds and the proceeds from the investment or remarketing thereof to a person other than the Authority, the College, any guarantor of the College, or any affiliate of any of the foregoing; (ii) any amounts which have been on deposit with the Trustee for a period of at least ninety-one (91) days during which time no Act of Bankruptcy has occurred with respect to the person or entity making such deposit, or in the event of a deposit of funds, directly or indirectly, by an affiliate, such funds have been on deposit with the Trustee for a period of at least 367 days during which time no Act of Bankruptcy has occurred with respect to such affiliate, the Authority, or the College; (iii) money (exclusive of funds drawn under the Letter of Credit) with respect to which the Trustee receives a written opinion of nationally-recognized counsel experienced in bankruptcy matters to the effect that payment of such money to the Owners of the Bonds would not constitute a voidable preference under Section 544 or 547 of the Bankruptcy Code and would not be recoverable under Section 550 of the Bankruptcy Code in the event the College, the Authority or an affiliate was to become a debtor under the Bankruptcy Code; or (iv) money derived from the Letter of Credit. In determining whether at the time of deposit of any funds and for the specified period thereafter as described in this definition, any petition or similar act was on file or was filed, the Trustee shall receive and may rely on a written certificate of an Authorized Institution Representative stating that no such petition was on file or was filed with respect to the College, and a written certificate of an Authorized Authority Representation stating that no such petition was on file or was filed with respect to the Authority, provided that if the College or the Authority, as applicable, shall not provide such a certification, the Trustee shall act as if the funds with respect to which such certification was not made are not Eligible Funds.

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

*Financial Journal:* *Northwest 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 Saint Paul, Minnesota, or in the City of New York, New York.

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

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

*Fixed Rate Interest Payment Date:* The first April 1 or October 1 occurring at least 90 days after the Conversion Date, and each April 1 and October 1 thereafter prior to the last Maturity of any Bonds, and the date of such Maturity.

*Fixed Rate Period:* The period from and including the Conversion Date to and including the date of the last Maturity of any Bonds.

*Flexible Rate:* The interest rate, established in accordance with section 2.09(c)(4) of the Indenture, with respect to the Bonds in a Flexible Rate Period.

*Flexible Rate Period:* The period between any two Business Days with respect to any Bonds bearing interest at the Flexible Rate, which period shall have a duration not less than one (1) day nor more than 270 days, designated in accordance with the Indenture.

*General Account:* The account by that name established within the Bond Purchase Fund.

*General Bond Reserve Account:* The General Bond Reserve Account created pursuant to the General Bond Resolution adopted by the Authority on October 31, 1972.

*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.

*Indenture:* The Trust Indenture between the Authority and the Trustee, dated as of October 1, 2000, under which the Bonds are authorized to be issued, and including any indenture supplemental thereto.

*Independent:* Independent, when used with reference to an attorney, engineer, architect, certified public accountant, consultant, insurance consultant, or other professional person, means a person who (i) is in fact independent, (ii) does not have any material financial interest in the College or the Institution the transaction to which such Certificate or opinion relates (other than the payment to be received for professional services rendered), and (iii) is not connected with the Authority, the College or the Institution as an officer, employee or member of the Authority, the College or the Institution or the Board of Regents of the College.

*Initial Rate:* The rate applicable from the Issue Date to the date specified in Section 2.09(b) of the Indenture.



*Institution:* St. Olaf College, a Minnesota institution of higher education headquartered in the City of Northfield, Minnesota owned and operated by the College.

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

*Interest Payment Date:* (i) On and prior to the Conversion Date, each Variable Rate Interest Payment Date; and (ii) after the Conversion Date with respect to Series Five-H Bonds, each Fixed Rate Interest Payment Date.

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

*Issue:* The Bonds.

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

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

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

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

*Loan Agreement:* The Loan Agreement between the Authority and the College, dated as of October 1, 2000, as amended or supplemented from time to time.

*Loan Repayments:* Certain payments required to be made by the College to the Trustee pursuant to Sections 4.02 and 4.09 of the Loan Agreement.

*Mandatory Tender Date:* The meaning assigned thereto summarized in the body of this Official Statement in the section entitled "THE BONDS - Optional and Mandatory Tender - Mandatory Tender".

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

*Maximum Rate:* The maximum rate (15% per annum) authorized to be borne by the Series Five-H Bonds before the Conversion Date.

*Optional Tender Date:* The meaning assigned thereto summarized in the body of this Official Statement in the section entitled "THE BONDS - Optional and Mandatory Tender - Optional Tender".

*Original Letter of Credit:* The irrevocable letter of credit delivered by the Bank to the Trustee on the Issue Date of the Bonds in accordance with Section 4.10 of the Loan Agreement.

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

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

*Project:* The meaning assigned thereto in "USE OF PROCEEDS – The Project" herein.

*Project Buildings:* The buildings improved or constructed with proceeds of the Bonds, including the investment earnings, as part of the Project.

*Project Costs:* Costs properly payable from the Construction Account for the costs of acquiring, constructing, improving and equipping the Project.

*Project Equipment:* All furnishings, furniture, fixtures, equipment, and other personal property of a capital nature acquired with proceeds of the Bonds, including investment earnings, generally described in Exhibit B to the Loan Agreement. and described in the Certificate of the Project Supervisor.

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

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

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

*Purchase Price:* When used with respect to the purchase of a Series Five-H Bond pursuant to the Indenture or the remarketing of a Series Five-H Bond on a Tender Date pursuant to the Indenture, an amount equal to the principal amount of such Bond to be so purchased or remarketed plus interest accrued and unpaid to, but not including, the applicable Tender Date;

provided that, if such Tender Date is an Interest Payment Date for which moneys are available for the payment of such interest, accrued interest will not constitute a part of the Purchase Price but will be paid to the Holder in the ordinary manner.

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

*Redemption Account:* The Redemption Account created under the Indenture for deposit of 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 reserve 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.

*Redemption Date:* With respect to any Series Five-H Bond to be redeemed, means the date on which it is to be redeemed pursuant hereto.

*Reimbursement Agreement:* The Reimbursement Agreement, dated as of October 1, 2000, between the College and the Bank, including any amendments thereto; and, if an Alternate Letter of Credit is issued, "Reimbursement Agreement" means a similar agreement, if any, between the issuer of such Alternate Letter of Credit and the College.

*Remarketing Agent:* U.S. Bancorp Piper Jaffray Inc. or any successor or successors appointed and serving in such capacity pursuant to this Indenture.

*Remarketing Agreement:* The Remarketing Agreement, dated as of October 1, 2000, between the College and the Remarketing Agent, including any amendments thereto; and any other written agreement among the Authority and/or the College and any Remarketing Agent describing the responsibilities of the Remarketing Agent.

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

*Reserve Requirement:* During the Fixed Rate Period, the amount, if any, required to be deposited and held in the Reserve Account.

*Series Five-H Bonds:* Minnesota Higher Education Facilities Authority Variable Rate Demand Revenue Bonds, Series Five-H (St. Olaf College).

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

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

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

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

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

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

*Underwriter:* U.S. Bancorp Piper Jaffray Inc., as original purchaser of the Bonds.

*Variable Rate:* The variable interest rate established from time to time in accordance with the Indenture with respect to the Bonds in a Daily Rate Period, a Weekly Rate Period, or a Flexible Rate Period.

*Variable Rate Interest Payment Date:* (i) the first Business Day of each month, (ii) any Mandatory Tender Date and (iii) the Conversion Date.

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

*Weekly Interest Rate:* A variable interest rate on the Bonds which begins on Thursday of any week or on a date the Bonds are converted to a Weekly Rate Period and ends on the following Wednesday or on date the Bonds are converted to a new interest rate period.

*Weekly Rate Period:* For each period described in Section 2.09(c)(3) of the Indenture during which the Bonds shall bear interest at a Weekly Interest Rate.

**SUMMARY OF DOCUMENTS****THE LOAN AGREEMENT**

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

**Construction of Project**

The College expects that construction, acquisition and installation of St. Olaf Center will be substantially completed and all amounts in the Construction Account will be expended by no later than February, 2002, 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, and upon approval of the Authority, the description of the Project shall accordingly be amended by a supplement to the Loan Agreement executed by the Authority and the College, a copy of which shall be furnished to the Trustee, provided that no such amendment of the description of the Project shall be approved if the Project, as so amended, will not constitute an authorized "project" under the Act or will adversely affect the tax-exempt status of interest on the Bonds and an opinion of counsel to such effects is furnished. The College agrees that it has previously paid or will itself pay all costs relating to the acquisition, construction, improving and equipping of the Project, including costs of issuance of the Bonds, to the extent such payments and costs exceed the proceeds of the Bonds in the Construction Account.

**Loan Repayments**

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

- (a) into the Bond and Interest Sinking Fund Account a sum which will be equal to the amount payable as interest on the Bonds on or before the Business Day immediately prior to the date payable, the amount payable as interest on the Bonds on the next succeeding Interest Payment Date, and the amount payable as principal of the Bonds due on the next succeeding principal payment date; provided that while a Letter of Credit remains in effect, moneys drawn thereunder to pay in full the principal of and interest on the Bonds will be deemed to fulfill the repayment obligation of the College, which will make its debt payments directly to the Bank; and
- (b) on and after the Conversion Date, into the Reserve Account forthwith any amounts then required to be deposited therein by Section 8.02 of the Indenture; and
- (c) prior to a date established for the optional redemption and prepayment of the Bonds, into the Redemption Account such amount, if any, as shall be necessary and sufficient to provide for the redemption of any Bonds called for redemption from the Redemption Account; provided that the obligation of the College is expected to be fulfilled by funds drawn under the Letter of Credit as described in (a) above; and

- (d) to the Trustee the amounts to be disbursed to the Tender Agent to pay the Purchase Price of Bonds upon optional or mandatory tender; provided however that there shall be credited against such obligations the moneys made available for that purpose under the Letter of Credit; 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 8.06 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 summarized in the body of this Official Statement in the section entitled "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 all 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 and replacements as are necessary so that the Project will remain a "project" under the Act and interest on the Bonds will be exempt from federal income taxation. The College may lease or sublease or enter into agreements in the ordinary course of business for the use of the Project Facilities: so long as the tax-exempt status of the Bonds will not be affected thereby; such lease, sublease or use agreement shall not be inconsistent with the Loan Agreement, the Indenture, the Reimbursement Agreement or the Act; the College shall remain fully obligated under the Loan Agreement as if such lease, sublease or use agreement had not been made.

### **Operating Expenses and Liens**

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

## **Taxes and Other Governmental Charges**

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

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

## **Insurance**

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

- (a) Insurance against loss and/or damage to the Project Facilities and contents, including fire and extended coverage in an amount not less than 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 of up to \$250,000 per occurrence, and against liability for property damage in the minimum amount for each occurrence of \$100,000.
- (c) Workers' compensation insurance in such amount as is customarily carried by organizations in like activities of comparable size and liability exposure to the College.

Upon the written request of the College, the Trustee (i) may permit modifications to such insurance requirements and deductible amounts, including permission for the College to be self-insured in whole or in part for any such coverage, upon such terms and conditions as the Trustee may require, and (ii) shall permit modifications to such insurance requirements and deductible amounts, including permission for self-insurance, 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 any part of 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 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 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 any Project Building shall be used for redemption or purchase of outstanding Bonds. "Pro rata" portion means 72% of the outstanding principal amount of Bonds in the case of St. Olaf Center, and 7% of the outstanding principal amount of Bonds in the case of the Skoglund Athletic Center bleachers.

### **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, there shall be no abatement in the Loan Repayments, and to the extent that the Net Proceeds of the award is not greater than \$1,000,000, the College will promptly repair, rebuild or restore the property 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 exceeds \$1,000,000, the College shall either redeem the Bonds in whole or in part or rebuild, restore or replace such facilities, as more fully provided in the Loan Agreement.

If the Bonds are to be redeemed, the available Net Proceeds (or if less, the pro rata portion) in respect to any Project Building and site thereof which the 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 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 is continuing and upon the following conditions:

- (a) the College may substitute furnishings, 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; provided that if the depreciated book value of the equipment so released was less than \$25,000, such release 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;
- (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 of the Project Facilities.

In connection with (a), (b), and (c) above, if the depreciated book value of the Project Equipment or 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 of such equipment will not materially impair the character or revenue producing significance of the Project Facilities.



## **Indemnification**

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

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

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

The College agrees that during the term of the Loan Agreement it will maintain its existence as a nonprofit corporation and will maintain the Institution's existence as a nonprofit institution of higher education under the laws of Minnesota, accredited as such by recognized accrediting agencies, and that it will not dissolve or otherwise dispose of all or substantially all of its assets or all or substantially all the assets of the 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 discrimination and requiring that the Institution be nonsectarian; and (b) the College shall furnish to the Trustee an opinion of bond counsel that such consolidation, merger or transfer shall have no effect upon the tax-exempt nature of the interest on the Bonds under the Internal Revenue Code and regulations thereunder.

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

The College has represented that the sum of the principal amount of the Bonds, plus the respective outstanding aggregate principal amounts of all tax-exempt non-hospital bonds issued on behalf of or for the benefit of the College and all organizations under common management or control with the College (other than qualified hospital bonds and tax-exempt bonds issued after August 5, 1997 which proceeds have been or will be applied to capital expenditures incurred after August 5, 1997), within the meaning of Section 145 of the Internal Revenue Code, does not exceed \$150,000,000.

## **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. All courses of study at the Institution, including any religion or theology courses, will be taught according to the academic requirements of the subject matter and professional standards.

## **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 that is exempt from income taxes under Section 501(a) of such Code.

## **Determination of Taxability**

In the event a Determination of Taxability is made on or after the Conversion Date that interest payable on the Bonds is includable in gross income for purposes of federal income taxation under the provisions of the Internal Revenue Code and regulations thereunder as in effect at the date of issuance of the Bonds, the Bonds shall bear additional interest at the rate of two percent (2.00%) per annum from the later of the Date of Taxability or Conversion Date 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 as a whole or in part on the next date for which due notice can be given or any date thereafter and the redemption price 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 additional interest, as more fully set forth in the Loan Agreement.

## **Other Covenants**

The College further agrees to provide financial statements and other information to the Authority and the Trustee; to comply with all applicable laws and regulations against discrimination, and not to discriminate on account of religion, race, color or creed in the use of the Project Facilities; to provide and file such financing statements and other instruments of further assurance as the Trustee may request; to perform all obligations imposed by the Internal Revenue Code and regulations thereunder with respect to the non-arbitrage status of the Bonds and to comply with the applicable rebate requirements under Section 148 of the Code and regulations thereunder; and to observe all applicable State laws and regulations, including those of the Authority and the Minnesota Higher Education 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 (or the Bank in lieu of the College while a Letter of Credit remains in effect) shall fail to make any Loan Repayment when due and either (i) the moneys on deposit in the Bond and Interest Sinking Fund Account, the Reserve Account or the 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) On or after the Conversion Date, if the College shall fail to maintain the balance in the Reserve Account with respect to the Series Five-H Bonds in the amount of the Reserve Requirement (if more than -0-), 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; 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 (90) 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; or
- (h) If the College fails to pay when due the amount of any Purchase Price required to be paid under the Loan Agreement.

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

### **Remedies on Default**

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

- (a) 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 10.04 of the Indenture and third to the Bank to pay Letter of Credit Obligations and any excess to the College.

### **Amendments**

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

## **THE INDENTURE**

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

### **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, including the Bond Purchase Fund, (ii) moneys and investments in the Construction Account not paid out for Project Costs, and (iii) all accounts, contract rights, general intangibles, moneys and instruments arising therefrom or relating thereto and all proceeds and products of and accessions to any thereof; and
- (c) any and all other property of every name and nature from time to time conveyed, mortgaged, assigned or transferred, or in which a security interest is granted, by the Authority or the College or by anyone in behalf of them or with their written consent, to the Trustee.

### **Accounts**

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

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

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

### **Covenants of the Authority**

Under the Indenture the Authority covenants, among other things, to perform its various undertakings and agreements; 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 (60) 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 (other than an event of default which is the basis for the Bank's notice that it will not reinstate the interest portion of the Letter of Credit);;
- (e) If there is a default in the due and punctual payment of the Purchase Price of Bonds required to be purchased pursuant to Section 4.01 or Section 4.02 of the Indenture (relating to optional and mandatory tender of Bonds) when payment of such amount has become due and payable;
- (f) If the Trustee receives, prior to the Conversion Date, a written notice from the Bank that, as a consequence of certain events as set forth in the Letter of Credit, the Bank will not reinstate the interest portion of the Letter of Credit following an interest drawing;
- (g) If the Trustee receives, prior to the Conversion Date, a written notice from the Bank that an event of default (other than an event of default which is the basis for the Bank's notice that it will not reinstate the interest portion of the Letter of Credit) under the Reimbursement Agreement has occurred and that the Bank is terminating the Letter of Credit;

- (h) If the College, prior to the Conversion Date, fails to perform its obligations under the Loan Agreement to maintain a Letter of Credit; or
- (i) If the Bank, prior to the Conversion Date, dishonors a properly presented draft or certificate for payment under the Letter of Credit which complies with the terms of the Letter of Credit.

## **Remedies**

Upon the occurrence of an Event of Default described in (a), (b), (e), (f), (g) or (i) above, the Trustee shall, by Notice to the Holders, 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 Bank, or Holders of a majority in aggregate principal amount of Bonds then outstanding (with the consent of the Bank), 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.

Upon and during the continuance of an Event of Default described in (c), (d) or (h) above, and subject to the consent of the Bank, the Trustee (i) with the Bank's consent may, and (ii)(A) with the Bank's consent and upon written request of the Holders of a majority in aggregate principal amount of Bonds outstanding hereunder or (B) upon request of the Bank, shall, by notice in writing delivered to the Holders and the Authority, declare the principal of all Bonds hereby secured 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 (i) the Holders of a majority in aggregate principal amount of Bonds then outstanding hereunder with the Bank's consent or (ii) the Bank, by written notice to the Authority and to the Trustee, to annul such declaration at anytime as described in (c) above.

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

## **Concerning the Trustee**

The Trustee has no responsibility to use its own funds under the Indenture, but it may make advances at a rate equal to its reference or prime rate, which advances are given priority of payment. The Trustee also has a lien with right of payment prior to payment of Bond interest or principal for reasonable compensation, expenses, advances and counsel fees. The responsibilities of the Trustee prior to an Event of Default are limited to express provisions of the Indenture, and at all times the Trustee shall not be liable unless it acts negligently or in bad faith. The Trustee is not required to institute suit or take other steps to enforce its rights and powers unless indemnified to its satisfaction against all costs and expenses. The Trustee and its officers and directors are authorized to acquire and hold Bonds and otherwise deal with the Authority or the College to the same extent as if it were not Trustee. Provision is made for the succession or replacement of the Trustee by another corporate Trustee with a minimum capital, surplus and undivided profits of \$10 million in event of merger, resignation, or removal by Holders of a majority in principal amount of outstanding Bonds, or in the event of disability, by the Authority or a court. Provision is also made for removal of the Trustee by Bondholders or the Authority, at the request of the College, with the consent of the Bank, 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 or the Bank shall have made written request to the Trustee and shall have offered it reasonable opportunity either to proceed to exercise the powers granted or to institute such action, suit or proceeding in its own name; nor unless also they shall have offered to the Trustee indemnity as provided in the Indenture; and no one or more Bondholders shall have the right to affect, disturb, or prejudice the lien of the Indenture by his or their action or to enforce any right thereunder except in the manner therein provided, and that all proceedings at law or in equity shall be instituted and maintained in the manner therein provided: First for the equal benefit of the Holders of all Bonds outstanding (other than College Bonds), and Second for the benefit of the Bank and Third for the benefit of the Holders of the College Bonds.

The Trustee (a) with the consent of the Bank and upon the written request of the Holders of a majority in principal amount of the Bonds at the time outstanding or (b) upon the written request of the Bank shall waive any default under the Indenture and its consequences, except a default in the payment of the principal of the Bonds at the date of maturity specified therein or the Purchase Price; provided, however, that a default in the payment of interest on the Bonds shall not be waived unless, prior to such waiver, all arrears of interest, and all expenses of the Trustee shall have been paid or shall have been provided for by deposit with the Trustee of a sum sufficient to pay the same. 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.



## Payment, Defeasance and Release

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 and interest on the outstanding Bonds by depositing with the Trustee at or at any time before maturity an amount either in (i) Eligible Funds during the Variable Rate Period or (ii) cash or direct obligations of or obligation guaranteed by the United States which, during the Variable Rate Period have been purchased with Eligible Funds, in such aggregate face amount, bearing interest at such rates, and maturing on such dates sufficient to pay the entire amount due or to become due for principal and premium, if any, and interest to maturity of all such Bonds outstanding, or
- (c) on or after the Conversion Date, deliver to the Trustee (1) proof that notice of redemption of all of such outstanding Bonds not surrendered or to be surrendered to it for cancellation has been given or waived, or that arrangements have been made insuring that such notice will be given or waived, or (2) a written instrument executed by the College for the Authority and expressed to be irrevocable, authorizing the Trustee to give such notice for and on behalf of the Authority, or (3) file with the Trustee a waiver of such notice of redemption signed by the Holders of all such 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 all Letter of Credit Obligations or cause the Letter of Credit to be surrendered to the Bank for cancellation and to pay other sums due and payable under the Indenture by the Authority, 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 such Bonds in respect thereof, shall thereupon cease, determine and become void; and the Trustee in such case, upon cancellation of all such Bonds for the payment of which cash or government obligations shall not have been deposited in accordance with the provisions of the Indenture, shall, upon receipt of a written request of the Authority and of a certificate of the Authority and an opinion of counsel as to compliance with conditions precedent, and at its cost and expense, execute to the Authority, or its order, proper instruments acknowledging satisfaction of the Indenture and surrender to the Authority or its order, all cash and deposited securities, if any (except that held for the payment of such 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 the 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 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;
- (e) to modify the Indenture as authorized by Holders;
- (f) to modify or supplement provisions relating to procedures for drawing on the Letter of Credit in connection with the issuance of an Alternate Letter of Credit; and
- (g) to make any other changes with the Bank's consent except those changes which require unanimous approval of the holders of all outstanding Bonds described in the Indenture.

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

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

## **Amendments to the Loan Agreement**

The Authority and 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, or (c) so as to add additional rights acquired in accordance with the provisions of the Loan Agreement, (d) in connection with any other change therein which, in the judgment of the Trustee, is not to the prejudice of the Trustee or the Holders of the Bonds, or (e) in connection with any other change approved by the Bank except those changes requiring unanimous consent of Holders of all Bonds then outstanding.

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.

No amendment to or other modification of the Loan Agreement or waiver of any provision thereof may be entered into or given without the prior written consent of the Bank. Any amendment to or other modification of the Loan Agreement which affects any of the rights or obligations of the Bank or the Tender Agent shall not be effective without the written consent of the party so affected.

## **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. Bonds may be exchanged only for a new Bond or Bonds of the same series, aggregate principal amount, maturity and, during the Fixed Rate Period, the same 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.

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**FINANCIAL STATEMENTS  
INCLUDING INDEPENDENT AUDITOR'S REPORT FOR THE  
FISCAL YEARS ENDED MAY 31, 2000, 1999 AND 1998**



**Virchow, Krause & Company, LLP**

**Certified Public Accountants & Consultants**

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statements of financial position of St. Olaf College as of May 31, 2000, 1999 and 1998 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, 2000, 1999 and 1998 and the changes in its net assets and its cash flows for the years then ended in conformity with generally accepted accounting principles.

As discussed in note 15 to the financial statements, in 1999, St. Olaf College changed its method of recording gifts of long-lived assets.

VIRCHOW, KRAUSE & COMPANY, LLP

*Virchow, Krause & Company, LLP*

Minneapolis, Minnesota  
July 31, 2000

**ST. OLAF COLLEGE**

**STATEMENTS OF FINANCIAL POSITION**  
May 31, 2000, 1999 and 1998

<b>ASSETS</b>			
	<u>2000</u>	<u>1999</u>	<u>1998</u>
Cash and cash equivalents	\$ 2,931,482	\$ 14,535,691	\$ 2,391,709
Receivables			
Student accounts, net of allowance for doubtful			
accounts of \$421,600, \$386,300, and \$332,800	529,963	449,018	430,597
Contributions, net (Note 4)	12,024,870	9,023,059	20,710,667
Other	207,291	241,082	503,779
Inventories	818,781	768,835	831,502
Prepaid expenses and deposits	314,141	131,142	264,283
Student notes receivable, net of allowance for doubtful			
notes of \$73,000, \$69,200 and \$66,600	9,048,008	8,657,941	8,245,393
Investments			
Cash and short-term investments (Note 5)	4,923,705	3,380,493	5,095,317
Marketable securities (Note 5)	186,871,727	165,832,708	152,518,324
Mortgages and contracts for deed	908,442	745,804	2,052,246
Notes receivable	353,399	364,288	368,735
Real estate	6,239,610	3,804,968	3,235,609
Other investments	5,224,923	4,174,312	3,773,419
Deposits held by trustee	4,587,347	6,046,396	18,535,389
Deferred debt acquisition costs	308,424	322,881	337,338
Funds held in trust by others	1,827,458	1,955,306	1,931,223
Funds held for investment in property, plant and equipment			6,449,119
Construction in progress (Note 6)	3,191,933	30,127,764	9,350,502
Property, plant and equipment, net (Note 7)	<u>99,331,007</u>	<u>58,478,574</u>	<u>54,712,542</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 339,642,511</u></b>	<b><u>\$ 309,040,262</u></b>	<b><u>\$ 291,737,693</u></b>
 <b>LIABILITIES AND NET ASSETS</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 2,684,010	\$ 4,005,144	\$ 2,699,888
Accrued liabilities	9,799,477	10,202,910	8,598,555
Deferred revenue	2,261,934	1,982,141	2,080,708
Annuities payable	16,295,811	14,627,550	14,163,423
Long-term debt (Note 10)	31,473,220	32,320,773	33,073,904
U. S. government grants refundable	6,790,678	6,394,019	6,999,405
Deposits held in trust for others	6,017,473	7,594,500	7,955,523
Total Liabilities	<u>75,322,603</u>	<u>77,127,037</u>	<u>75,571,406</u>
 <b>NET ASSETS (Note 2)</b>			
Unrestricted	116,478,333	105,658,700	104,808,476
Temporarily restricted	52,105,308	41,931,370	32,838,846
Permanently restricted	95,736,267	84,323,155	78,518,965
Total Net Assets	<u>264,319,908</u>	<u>231,913,225</u>	<u>216,166,287</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 339,642,511</u></b>	<b><u>\$ 309,040,262</u></b>	<b><u>\$ 291,737,693</u></b>

## ST. OLAF COLLEGE

STATEMENT OF ACTIVITIES  
Year Ended May 31, 2000

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>REVENUES, GAINS AND OTHER SUPPORT</b>				
<b>OPERATING REVENUES</b>				
Tuition	\$ 53,027,326			\$ 53,027,326
Less: Unfunded scholarships and grants	(15,254,368)			(15,254,368)
Funded scholarships and grants	(2,498,616)			(2,498,616)
Net tuition	35,274,342			35,274,342
Other tuition and fees	3,478,161			3,478,161
Government grants	2,567,915	\$ 1,150		2,569,065
Private gifts and grants	3,730,790	3,214,053		6,944,843
Long-term investment income and gains allocated for operations	2,295,463	3,667,323		5,962,786
Other sources	1,845,444	550,477		2,395,921
Investment income	584,927	89,764		674,691
Net gains (losses) on investments	(33,764)	543		(33,221)
Capital gifts allocated		802,890		802,890
Auxiliary enterprises - sales and services	14,712,788			14,712,788
	64,456,066	8,326,200		72,782,266
Net assets released from restrictions (Note 3)	7,961,368	(7,961,368)		
Total Operating Revenues, Gains and Other Support	72,417,434	364,832		72,782,266
<b>OPERATING EXPENSES</b>				
Program expenses				
Instruction	29,986,924			29,986,924
Research	701,997			701,997
Public service	3,095,246			3,095,246
Academic support	7,034,119			7,034,119
Student services	5,695,834			5,695,834
Auxiliary enterprises	13,597,022			13,597,022
Support expenses				
Institutional support	6,993,264			6,993,264
Fundraising	3,340,312			3,340,312
Total Operating Expenses	70,444,718			70,444,718
<b>Increase in Net Assets from Operating Activities</b>	<b>1,972,716</b>	<b>364,832</b>		<b>2,337,548</b>
<b>NONOPERATING ACTIVITIES</b>				
Long-term investment activities				
Investment income	1,073,925	1,978,269	\$ 88,619	3,140,813
Net realized gains	5,776,110	10,366,967	476,637	16,619,714
Net unrealized appreciation	54,632	77,092	4,508	136,232
Total long-term investment income	6,904,667	12,422,328	569,764	19,896,759
Less: Long-term investment income and gains allocated for operations	(2,295,463)	(3,667,323)		(5,962,786)
	4,609,204	8,755,005	569,764	13,933,973
Student loan income net of expenses	17,474		34,305	51,779
Capital giving activities - gifts and grants	769,623	4,697,269	8,002,395	13,469,287
Deferred giving activities - gifts	88,841	31,754	1,834,363	1,954,958
Capital gifts allocated to operations		(802,890)		(802,890)
Adjustment to actuarial liability for annuities payable	1,022,020	(525,777)	965,785	1,462,028
	6,507,162	12,155,361	11,406,612	30,069,135
Net assets released from restrictions (Note 3)	7,239,051	(7,239,051)		
<b>Increase in Net Assets from Nonoperating Activities</b>	<b>13,746,213</b>	<b>4,916,310</b>	<b>11,406,612</b>	<b>30,069,135</b>
<b>Increase in Net Assets before Reclassification of Net Assets</b>	<b>15,718,929</b>	<b>5,281,142</b>	<b>11,406,612</b>	<b>32,406,683</b>
Reclassification of prior year net assets	(4,899,296)	4,892,796	6,500	
<b>Increase in Net Assets</b>	<b>10,819,633</b>	<b>10,173,938</b>	<b>11,413,112</b>	<b>32,406,683</b>
Net Assets - Beginning of Year	105,658,700	41,931,370	84,323,155	231,913,225
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 116,478,333</b>	<b>\$ 52,105,308</b>	<b>\$ 95,736,267</b>	<b>\$ 264,319,908</b>



**ST. OLAF COLLEGE**  
**STATEMENT OF ACTIVITIES**  
Year Ended May 31, 1999

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>REVENUES, GAINS AND OTHER SUPPORT</b>				
<b>OPERATING REVENUES</b>				
Tuition	\$ 49,614,498			\$ 49,614,498
Less: Unfunded scholarships and grants	(13,794,341)			(13,794,341)
Funded scholarships and grants	(2,362,265)			(2,362,265)
Net tuition	33,457,892			33,457,892
Other tuition and fees	3,426,716			3,426,716
Government grants	2,861,514	\$ 243,146		3,104,660
Private gifts and grants	2,928,838	3,892,204		6,821,042
Long-term investment income and gains allocated for operations	1,766,666	3,245,447		5,012,113
Other sources	1,342,484	275,756		1,618,240
Investment income	844,857	90,731		935,588
Net losses on investments	(112,718)	(974)		(113,692)
Capital gifts allocated		478,122		478,122
Auxiliary enterprises - sales and services	15,338,738			15,338,738
	61,854,987	8,224,432		70,079,419
Net assets released from restrictions (Note 3)	6,053,640	(6,053,640)		
Total Operating Revenues, Gains and Other Support	67,908,627	2,170,792		70,079,419
<b>OPERATING EXPENSES</b>				
Program expenses				
Instruction	29,026,562			29,026,562
Research	638,720			638,720
Public service	3,160,854			3,160,854
Academic support	6,365,035			6,365,035
Student services	5,041,772			5,041,772
Auxiliary enterprises	12,776,732			12,776,732
Support expenses				
Institutional support	7,025,155			7,025,155
Fundraising	2,347,960			2,347,960
Total Operating Expenses	66,382,790			66,382,790
Increase in Net Assets from Operating Activities	1,525,837	2,170,792		3,696,629
<b>NONOPERATING ACTIVITIES</b>				
Long-term investment activities				
Investment income	963,209	1,735,957	\$ 54,113	2,753,279
Net realized gains	1,180,635	2,080,829	66,328	3,327,792
Net unrealized appreciation	1,135,375	1,995,976	63,785	3,195,136
Total long-term investment income	3,279,219	5,812,762	184,226	9,276,207
Less: Long-term investment income and gains allocated for operations	(1,766,666)	(3,245,447)		(5,012,113)
	1,512,553	2,567,315	184,226	4,264,094
Student loan income net of expenses	525		54,971	55,496
Capital giving activities - gifts and grants	512,423	60,516	7,286,467	7,859,406
Deferred giving activities - gifts	27,425	3,873	291,892	323,190
Capital gifts allocated to operations		(478,122)		(478,122)
Contributions receivable written-off		(2,532,707)		(2,532,707)
Adjustment to actuarial liability for annuities payable	(1,533,349)	1,274,263	2,818,038	2,558,952
	519,577	895,138	10,635,594	12,050,309
Net assets released from restrictions (Note 3)	2,310,951	(2,310,951)		
Increase (Decrease) in Net Assets from Nonoperating Activities	2,830,528	(1,415,813)	10,635,594	12,050,309
Increase in Net Assets before Cumulative Effect of Change in Accounting Principle and Reclassification of Net Assets	4,356,365	754,979	10,635,594	15,746,938
Reclassification of prior year net assets	4,796,520	34,884	(4,831,404)	
Cumulative effect on prior years of a change in accounting principle (Note 15)	(8,302,661)	8,302,661		
Increase in Net Assets	850,224	9,092,524	5,804,190	15,746,938
Net Assets - Beginning of Year	104,808,476	32,838,846	78,518,965	216,166,287
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 105,658,700</b>	<b>\$ 41,931,370</b>	<b>\$ 84,323,155</b>	<b>\$ 231,913,225</b>

## ST. OLAF COLLEGE

STATEMENT OF ACTIVITIES  
Year Ended May 31, 1998

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>REVENUES, GAINS AND OTHER SUPPORT</b>				
<b>OPERATING REVENUES</b>				
Tuition	\$ 46,768,025			\$ 46,768,025
Less: Unfunded scholarships and grants	(12,388,643)			(12,388,643)
Funded scholarships and grants	(2,848,853)			(2,848,853)
Net tuition	31,530,529			31,530,529
Other tuition and fees	3,174,309			3,174,309
Government grants	2,982,581			2,982,581
Private gifts and grants	2,984,868	\$ 2,955,610		5,940,478
Long-term investment income and gains allocated for operations	1,662,108	2,968,045		4,630,153
Other sources	3,598,272	549,873		4,148,145
Net losses on investments	(3,005)	(611,322)		(614,327)
Auxiliary enterprises - sales and services	12,793,581			12,793,581
	58,723,243	5,862,206		64,585,449
Net assets released from restrictions (Note 3)	6,399,572	(6,399,572)		
Total Operating Revenues, Gains and Other Support	65,122,815	(537,366)		64,585,449
<b>OPERATING EXPENSES</b>				
Program expenses				
Instruction	25,796,732			25,796,732
Research	935,256			935,256
Public service	4,832,426			4,832,426
Academic support	5,558,045			5,558,045
Student services	4,096,628			4,096,628
Auxiliary enterprises	12,601,932			12,601,932
Support expenses				
Institutional support	6,193,008			6,193,008
Fundraising	2,105,953			2,105,953
Total Operating Expenses	62,119,980			62,119,980
Increase (Decrease) in Net Assets from Operating Activities	3,002,835	(537,366)		2,465,469
<b>NONOPERATING ACTIVITIES</b>				
Long-term investment activities				
Investment income	833,927	1,751,025	\$ 57,097	2,642,049
Net realized gains	2,865,165	5,338,938	196,171	8,400,274
Net unrealized appreciation	2,781,593	5,183,211	190,449	8,155,253
Total long-term investment income	6,480,685	12,273,174	443,717	19,197,576
Less: Long-term investment income and gains allocated for operations	(1,662,108)	(2,968,045)		(4,630,153)
	4,818,577	9,305,129	443,717	14,567,423
Student loan income net of expenses			63,314	63,314
Capital giving activities - gifts and grants	154,903	4,074,356	9,535,885	13,765,144
Deferred giving activities - gifts	82,354		1,229,911	1,312,265
Contributions receivable written-off			(1,203,162)	(1,203,162)
Adjustment to actuarial liability for annuities payable	3,471,499	(392,950)	989,483	4,068,032
	8,527,333	12,986,535	11,059,148	32,573,016
Net assets released from restrictions (Note 3)	8,688,587	(8,688,587)		
Increase in Net Assets from Nonoperating Activities	17,215,920	4,297,948	11,059,148	32,573,016
Increase in Net Assets	20,218,755	3,760,582	11,059,148	35,038,485
Net Assets - Beginning of Year	84,589,721	29,078,264	67,459,817	181,127,802
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 104,808,476</b>	<b>\$ 32,838,846</b>	<b>\$ 78,518,965</b>	<b>\$ 216,166,287</b>

ST. OLAF COLLEGE

STATEMENTS OF CASH FLOWS  
Years Ended May 31, 2000, 1999 and 1998

	2000	1999	1998
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Change in net assets	\$ 32,406,683	\$ 15,746,938	\$ 35,038,485
Adjustments to reconcile change in net assets to net cash flows from operating activities			
Depreciation and amortization expense	4,331,125	3,325,099	3,190,884
Net realized gains on investments	(16,787,016)	(13,566,939)	(10,690,834)
Net unrealized (appreciation) depreciation of investments	770,042	1,487,724	(10,424,939)
Loss on dispositions of property, plant and equipment		10,245	116,095
Provision for losses on student notes	3,840	2,603	(10,200)
Actuarial adjustment of annuities payable	1,383,004	1,915,422	2,493,864
Gifts of property, plant and equipment	(65,519)	(60,742)	(51,056)
(Increases ) decreases in:			
Student accounts receivable	(80,945)	(18,421)	35,794
Other receivables	33,791	262,697	152,701
Contributions receivable for operations	(204,126)	(253,870)	(169,262)
Inventories, prepaid expenses and deposits	(232,945)	195,808	(168,661)
Funds held in trust by others	127,848	(24,083)	(421,976)
Increases (decreases) in:			
Accounts payable	734,323	1,305,256	1,470,057
Accrued liabilities	(403,433)	1,604,355	390,806
Deferred revenue	279,793	(98,567)	23,796
Gifts and grants received for long-term investment, net	(15,424,245)	(8,182,596)	(13,874,246)
Nonoperating investment income	(3,140,813)	(2,753,279)	(2,642,049)
Net Cash Flows from Operating Activities	<u>3,731,407</u>	<u>897,650</u>	<u>4,459,259</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchases of property, plant and equipment	(20,223,208)	(27,803,439)	(12,020,887)
(Increase) decrease in funds held for investment in property, plant and equipment		6,449,119	(3,217,963)
Purchases of investments	(227,946,065)	(121,357,943)	(166,911,799)
Proceeds from sales of investments	218,956,294	132,982,567	143,535,089
Nonoperating investment income	3,140,813	2,753,279	2,642,049
Disbursements of loans to students	(1,408,307)	(1,258,618)	(1,393,420)
Repayments of loans by students	1,014,400	843,467	956,224
Net Cash Flows from Investing Activities	<u>(26,466,073)</u>	<u>(7,391,568)</u>	<u>(36,410,707)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Principal repayments of indebtedness	(847,553)	(753,131)	(3,277,333)
Proceeds from indebtedness			15,000,000
Gifts and grants received for long-term investment, net	15,424,245	8,182,596	13,874,246
(Increase) decrease in nonoperating contributions receivable	(2,797,685)	11,941,478	1,267,282
Increase (decrease) in deposits held in trust for others	(1,330,466)	1,323,638	(395,229)
Increase (decrease) in U. S. government grants refundable, net	396,659	(605,386)	160,953
Increase in annuities payable from new gifts	2,455,928	484,570	1,138,229
Payments to annuitants	(2,170,671)	(1,935,865)	(1,797,472)
Net Cash Flows from Financing Activities	<u>11,130,457</u>	<u>18,637,900</u>	<u>25,970,676</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<u>(11,604,209)</u>	<u>12,143,982</u>	<u>(5,980,772)</u>
<b>CASH AND CASH EQUIVALENTS - Beginning of Year</b>	<u>14,535,691</u>	<u>2,391,709</u>	<u>8,372,481</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 2,931,482</u>	<u>\$ 14,535,691</u>	<u>\$ 2,391,709</u>
<b>Supplemental disclosures of cash flow information</b>			
Cash paid during the year for interest on long-term debt	\$ 1,593,330	\$ 1,154,100	\$ 1,243,465
Noncash investing and financing activities			
Property, plant and equipment acquired through accounts payable	774,141	2,829,598	

ST. OLAF COLLEGE

NOTES TO FINANCIAL STATEMENTS  
May 31, 2000, 1999 and 1998

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.

ST. OLAF COLLEGE

NOTES TO FINANCIAL STATEMENTS  
May 31, 2000, 1999 and 1998

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:

**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** - Effective June 1, 1998, the College began reporting contributions of exhaustible long-lived assets, or of cash and other assets to be used to acquire them, without donor stipulations concerning the use of such long-lived assets as revenues of the temporarily restricted net asset class; the restrictions are considered to be released over the estimated useful lives of the long-lived assets using the College's depreciation policies.

**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 proceeds from long-term financing to be expended for plant facilities and 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.

**Government Grants Refundable** - Funds provided by the United States Government under the Federal Perkins Loan Program are loaned to qualified students and may be released after collections. These funds are ultimately refundable to the government and are included as liabilities in the statements of financial position. Revenues from other government grants are recognized as they are earned in accordance with the agreement. Any funding received before it is earned is recorded as a refundable advance. Expenses incurred before cash is received are recorded as receivables.

## ST. OLAF COLLEGE

NOTES TO FINANCIAL STATEMENTS  
May 31, 2000, 1999 and 1998

## 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 as follows:

	2000	1999	1998
State grants	\$ 1,965,417	\$ 2,018,288	\$ 1,863,310
Federal grants	731,895	814,054	726,596

**Income Tax Status** - The Internal Revenue Service has determined that 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.

**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.

**Advertising Expenses** - Advertising costs are expensed when incurred.

**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.

**Functional Allocation of Expenses** - The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain expenses have been allocated among the programs and supporting services benefited.

**Reclassifications** - Certain amounts appearing in the 1999 and 1998 financial statements have been reclassified to conform with the 2000 presentation.

## ST. OLAF COLLEGE

NOTES TO FINANCIAL STATEMENTS  
May 31, 2000, 1999 and 1998

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

At May 31, 2000, 1999 and 1998, the College's unrestricted net assets were allocated as follows:

	2000	1999	1998
Designated			
For long-term purposes as:			
Quasi-endowment	\$ 72,976,777	\$ 62,375,152	\$ 53,193,292
Deferred gifts	18,654,076	17,543,215	19,112,962
For debt service and renewals and replacements reserves under long-term debt agreements	4,285,191	4,264,970	3,360,296
For self-insurance program	249,290	300,189	1,155,538
For specific operating activities	960,927	920,965	1,968,601
For matching funds under federal government other student loan programs	1,003,813	946,041	894,314
Total Designated	98,130,074	86,350,532	79,685,003
Undesignated	18,348,259	19,308,168	25,123,473
Total Unrestricted Net Assets	\$ 116,478,333	\$ 105,658,700	\$ 104,808,476

Temporarily restricted net assets consist of the following at May 31, 2000, 1999 and 1998:

	2000	1999	1998
Gifts and other unexpended revenues and gains available for:			
Scholarships, instruction and other support	\$ 4,972,036	\$ 2,859,488	\$ 1,022,773
Unamortized plant gifts	33,626,090	8,145,298	
Acquisition of buildings and equipment	4,711,366	26,040,407	28,448,388
	43,309,512	37,045,193	29,451,161
Quasi-endowment	7,859,967	3,456,325	2,822,758
Deferred gifts	935,829	1,429,852	564,927
	\$ 52,105,308	\$ 41,931,370	\$ 32,838,846

Permanently restricted net assets consist of the following at May 31, 2000, 1999 and 1998:

	2000	1999	1998
Endowment funds	\$ 78,791,834	\$ 69,129,659	\$ 65,703,494
Student loan funds	1,836,384	1,789,348	1,722,187
Deferred gifts	15,108,049	13,404,148	11,093,284
	\$ 95,736,267	\$ 84,323,155	\$ 78,518,965

## ST. OLAF COLLEGE

NOTES TO FINANCIAL STATEMENTS  
May 31, 2000, 1999 and 1998**NOTE 3 - NET ASSETS RELEASED FROM RESTRICTIONS**

Net assets were released from temporary donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of events specified by the donors as follows for the years ended May 31, 2000, 1999 and 1998:

	2000	1999	1998
Acquisition of land, buildings and equipment	\$ 811,236	\$ 493,122	\$ 379,642
Scholarships, instruction and other departmental support	14,389,183	7,871,469	14,708,517
	<u>\$ 15,200,419</u>	<u>\$ 8,364,591</u>	<u>\$ 15,088,159</u>
These assets were reclassified as follows:			
Unrestricted operating net assets	\$ 7,961,368	\$ 6,053,640	\$ 6,399,572
Unrestricted nonoperating net assets	7,239,051	2,310,951	8,688,587
	<u>\$ 15,200,419</u>	<u>\$ 8,364,591</u>	<u>\$ 15,088,159</u>

**NOTE 4 - CONTRIBUTIONS RECEIVABLE**

Contributions receivable include the following unconditional promises to give at May 31, 2000, 1999 and 1998:

	2000	1999	1998
Temporarily restricted - operations	\$ 1,117,219	\$ 822,707	\$ 559,266
Temporarily restricted - plant projects	4,090,113	2,132,291	14,274,365
Permanently restricted - deferred gifts	30,302	39,289	
Permanently restricted - endowment	8,073,737	6,810,993	6,968,941
Gross unconditional promises to give	13,311,371	9,805,280	21,802,572
Less: Unamortized discount	(1,086,433)	(690,175)	(1,091,905)
Allowance for uncollectible promises	(200,068)	(32,046)	
	<u>\$ 12,024,870</u>	<u>\$ 9,023,059</u>	<u>\$ 20,710,667</u>
Net unconditional promises to give			

Contributions receivable as of May 31, 2000 of \$ 3,479,907 are expected to be collected in less than one year and \$ 8,544,963 in two to five years. Contributions receivable expected to be collected in two to five years have been discounted using a rate of 6%.

**NOTE 5 - MARKETABLE SECURITIES**

The following summarizes the fair value of the College's marketable securities at May 31, 2000, 1999 and 1998:

	2000	1999	1998
Stocks	\$ 74,279,673	\$ 61,705,856	\$ 95,638,299
Bonds	23,742,056	23,840,379	22,425,644
Mutual funds	88,849,998	80,286,473	34,454,381
	<u>\$ 186,871,727</u>	<u>\$ 165,832,708</u>	<u>\$ 152,518,324</u>

## ST. OLAF COLLEGE

NOTES TO FINANCIAL STATEMENTS  
May 31, 2000, 1999 and 1998**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 as 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 \$152,330,964, \$128,825,800 and \$115,722,000 for the years ended May 31, 2000, 1999 and 1998, respectively. The total return on all investments held by the endowment funds, on a market basis, was 15.10%, 8.032% and 19.54% for the years ended May 31, 2000, 1999 and 1998, respectively.

**NOTE 6 - CONSTRUCTION IN PROGRESS**

Construction in progress consisted of the following projects at May 31, 2000:

	Estimated Total Cost	Costs to Date	Funding Plan
Telecommunications wiring replacement	\$ 950,000	\$ 885,754	Gifts, current operations
Skoglund bleachers	1,050,000	837,847	External debt
Residence hall furniture	1,000,000	425,520	External debt
Telecommunications - call accounting	240,000	232,617	Gifts, current operations
Science equipment	150,000	93,304	Gifts, current operations
WCAL - dalet digital storage	85,000	84,117	Gifts, current operations
Renovation projects	260,000	74,774	External debt
Energy management systems upgrade	100,000	69,644	Gifts, current operations
Telecommunications - reroute floor board	100,000	68,080	Gifts, current operations
Media classroom technology	80,400	50,085	Gifts, current operations
Telecommunications - cable TV	75,000	44,516	Gifts, current operations
Network wiring in Melby Hall	100,000	33,300	Gifts, current operations
Paracollege memorial	25,000	24,600	Gifts, current operations
Faculty start up	30,000	24,078	Gifts, current operations
Telecommunications - video distribution	50,000	22,383	Gifts, current operations
Boe Chapel sound system	35,000	21,806	Gifts, current operations
Boe Chapel renovation project	5,000	4,713	Gifts, current operations
Fine Arts Building renovation	11,000,000	183,401	Gifts, external debt
WCAL-sonic studio update	13,000	11,394	Gifts, current operations
		<u>\$ 3,191,933</u>	

## ST. OLAF COLLEGE

NOTES TO FINANCIAL STATEMENTS  
May 31, 2000, 1999 and 1998**NOTE 7 - PROPERTY, PLANT AND EQUIPMENT**

At May 31, 2000, 1999 and 1998 property, plant and equipment consisted of the following:

	2000	1999	1998
Land	\$ 676,006	\$ 676,006	\$ 676,006
Improvements other than buildings	5,832,228	5,825,142	5,596,687
Buildings	113,821,253	74,656,693	71,833,687
Equipment	20,582,336	15,458,480	12,559,201
Library materials	11,997,379	11,160,326	10,325,971
Art collection	705,832	669,286	612,984
	153,615,034	108,445,933	101,604,536
Less: Accumulated depreciation	(54,284,027)	(49,967,359)	(46,891,994)
	<u>\$ 99,331,007</u>	<u>\$ 58,478,574</u>	<u>\$ 54,712,542</u>

**NOTE 8 - RETIREMENT PLANS**

The College has certain contributory defined contribution pension plans for academic and nonacademic personnel. The cost of these retirement plans is paid currently and approximated \$2,304,000, \$2,181,000 and \$2,155,000 for the years ended May 31, 2000, 1999 and 1998, 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 \$1,013,000, \$751,000 and \$275,000 at May 31, 2000, 1999 and 1998, respectively.

**NOTE 9 - POSTRETIREMENT BENEFIT PLAN**

The College records health care benefits for current and future retired employees and covered dependents on the accrual basis. The plan is unfunded. The College's net postretirement benefit cost for the years ended May 31, 2000, 1999 and 1998 is as follows:

	2000	1999	1998
Service cost	\$ 46,283	\$ 20,911	\$ 20,190
Interest cost	229,554	194,298	194,506
Other	68,477	25,770	27,299
Net Postretirement Benefit Cost	<u>\$ 344,314</u>	<u>\$ 240,979</u>	<u>\$ 241,995</u>

## ST. OLAF COLLEGE

NOTES TO FINANCIAL STATEMENTS  
May 31, 2000, 1999 and 1998**NOTE 9 - POSTRETIREMENT BENEFIT PLAN (CONTINUED)**

Accumulated postretirement benefit obligation components for the years ended May 31, 2000, 1999 and 1998 are as follows:

	2000	1999	1998
Underfunded accumulated post-retirement benefit obligation	\$ 3,415,232	\$ 3,403,689	\$ 2,887,037
Unrecognized loss	(1,567,510)	(1,490,273)	(786,101)
Accumulated Postretirement Benefit Obligation	<u>\$ 1,847,722</u>	<u>\$ 1,913,416</u>	<u>\$ 2,100,936</u>

A 8.8% rate of increase in per capita costs of covered health care benefits was assumed for the year ended May 31, 2001 (lower rates are assumed for HMO plans), gradually decreasing to an ultimate rate of 5% by the year 2019. A discount rate of 7% was used to determine the accumulated postretirement benefit obligation.

**NOTE 10 - LONG-TERM DEBT**

Long-term debt at May 31, 2000, 1999 and 1998 consisted of the following:

	2000	1999	1998
St. Olaf College Dormitory and Student Union Construction and Refunding Bonds, Series E of 1963	\$ 395,000	\$ 595,000	\$ 785,000
Minnesota Higher Education Facilities Authority Capital Lease Agreement (First Mortgage Revenue Bonds, Series Y)	580,000	750,000	910,000
College Facility Revenue Bonds, Series 1992	15,550,000	15,885,000	16,200,000
Minnesota Higher Education Facilities Authority Revenue Bonds, Series Four-R	14,875,000	15,000,000	15,000,000
Other long-term debt	73,220	90,773	178,904
	<u>\$ 31,473,220</u>	<u>\$ 32,320,773</u>	<u>\$ 33,073,904</u>

St. Olaf College Dormitory and Student Union Construction and Refunding Bonds of 1963 were issued to refund dormitory and student center bonds and to finance the construction of two dormitories. Interest is payable semiannually at 3.5% on April 1 and October 1 on the Series E Bonds. The bonds mature in amounts from \$130,000 to \$135,000 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. The Series D bonds were paid in full during the year ended May 31, 2000.

Minnesota Higher Education Facilities Authority Capital Lease Agreement was 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 \$180,000 to \$205,000 with the last payment due on April 1, 2003. The bonds bear interest at rates varying from 6.5% to 6.75% per annum. The College has the option to purchase the leased premises for \$500 at the end of the lease period.

## ST. OLAF COLLEGE

NOTES TO FINANCIAL STATEMENTS  
May 31, 2000, 1999 and 1998**NOTE 10 - LONG-TERM DEBT (CONTINUED)**

The College Facility Revenue Bonds, Series 1992, were 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 \$350,000 to \$1,250,000 annually until the year 2021. The bonds bear interest at rates varying from 5.7% to 6.4% which is payable April 1 and October 1. The bonds are secured by the general obligation of the College.

Minnesota Higher Education Facilities Authority Revenue Bonds Series Four-R were issued in 1998 to partially finance the Buntrock Commons Building and to finance an electrical generator, academic and administrative computers, payroll system hardware and software, classroom renovation and residence hall furniture. Principal and interest payments on the bonds are payable semiannually on April 1 and October 1 through 2029, with the first principal payment due on April 1, 2000. Interest payments began October 1, 1998. Total annual principal payments range from \$250,000 to \$955,000. Bonds maturing on or after April 1, 2008 are callable at par value. The bonds bear interest at rates varying from 4.0% to 5.25%.

The College maintains short-term investments and U.S. government securities held by trustees for retirement of indebtedness totaling \$4,183,836. 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:	
2001	\$ 927,550
2002	967,550
2003	1,022,550
2004	697,940
2005	732,940
Thereafter	<u>27,124,690</u>
Total	<u>\$ 31,473,220</u>

Interest expense on long-term debt totaled \$1,588,200, \$1,210,800 and \$1,273,400 for the years ended May 31, 2000, 1999 and 1998, respectively. In addition, interest expense totaling \$220,240 and \$72,200 was capitalized during the years ended May 31, 2000 and 1999, respectively.

**NOTE 11 - SELF-INSURANCE**

The College provides medical benefits through a self-insurance plan which is available to all employees of the College for certain medical expenses. Total resources committed to the self-insurance program were approximately \$990,600 as of May 31, 2000. Accrued liabilities include a \$741,300 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 \$249,300 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.

## ST. OLAF COLLEGE

NOTES TO FINANCIAL STATEMENTS  
May 31, 2000, 1999 and 1998**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. In addition, the College's student's receive a substantial amount of support from state and federal student financial assistance programs which are subject to audit by governmental agencies. A significant reduction in the level of this support, if this were to occur, could have an adverse effect on the College's programs and activities. As of May 31, 2000, management considers the College to have no significant concentration of risk.

**NOTE 13 - ALLOCATION OF EXPENSES**

The College allocated the following expenses to program and support functions for the years ended May 31, 2000, 1999 and 1998 as follows:

	2000	1999	1998
Interest expense	\$ 1,588,226	\$ 1,210,791	\$ 1,273,444
Operation and maintenance of plant	6,301,188	5,337,304	4,332,535
Depreciation	<u>4,316,668</u>	<u>3,310,642</u>	<u>3,176,426</u>
	<u>\$ 12,206,082</u>	<u>\$ 9,858,737</u>	<u>\$ 8,782,405</u>

**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 7.8%, 6.4% and 6.8% for the years ended May 31, 2000, 1999 and 1998, respectively, in making the calculations.



**ST. OLAF COLLEGE**

**NOTES TO FINANCIAL STATEMENTS**  
May 31, 2000, 1999 and 1998

**NOTE 14 - DEFERRED GIFT AGREEMENTS (CONTINUED)**

Information pertaining to the College's deferred gift agreements for the years ended May 31, 2000, 1999 and 1998 follows:

	2000	1999	1998
Deferred gift income recognized	\$ 1,954,958	\$ 323,190	\$ 1,312,265
Annuities payable related to new gifts	2,455,928	484,570	1,138,229
Funds held for others related to new gifts	91,368	58,938	125,979
Total funds received	<u>\$ 4,502,254</u>	<u>\$ 866,698</u>	<u>\$ 2,576,473</u>
Total deferred gift assets held by the College at fair value	<u>\$ 52,606,776</u>	<u>\$ 48,237,205</u>	<u>\$ 46,330,599</u>
Total deferred gift liabilities	<u>\$ 17,908,822</u>	<u>\$ 15,859,989</u>	<u>\$ 15,549,425</u>

**NOTE 15 - CHANGE IN ACCOUNTING PRINCIPLE**

Effective June 1, 1998, the College changed its method for recording gifts of long-lived assets, including gifts of cash restricted for those acquisitions, to imply a time restriction that expires over the estimated useful life of the donated asset. The College made this change to better allow for the matching of the release of restrictions on those gifts with the related depreciation expense. The cumulative effect of the change in accounting on each class of net assets has been presented in the statement of activities for the year ended May 31, 1999.

**NOTE 16 - SUBSEQUENT EVENT**

Subsequent to the year ended May 31, 2000, the College obtained an unsecured \$10,000,000 line of credit through Wells Fargo Bank. Borrowings under this line of credit bear interest at an annual rate of 50 basis points below the Bank's base (prime) rate. Interest is payable on the last day of each calendar quarter, beginning September 30, 2000. Principal, and any unpaid interest, is due on October 31, 2000. In addition, the agreement requires the College to comply with certain financial covenants.

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**LETTER OF CREDIT BANK**

Harris Trust and Savings Bank (the "Bank"), with executive offices in Chicago, Illinois, is a wholly-owned subsidiary and the principal asset of Harris Bankcorp, Inc., a Delaware corporation ("HBI"). HBI is a wholly-owned indirect subsidiary of Bank of Montreal. The Bank is a commercial bank offering a wide range of banking and trust services to its customers in the Chicago metropolitan area, throughout the United States and around the world. As of June 30, 2000, the Bank and its consolidated subsidiaries had total assets of approximately \$21.228 billion, total deposits (including deposits in foreign offices) of approximately \$11.473 billion, total loans and lease finance assets net of unearned income, allowance and reserve for possible credit losses of approximately \$10.688 billion and total equity capital of approximately \$1.311 billion. The Bank and its consolidated subsidiaries had net income for the year ended December 31, 1999, of \$144.302 million as compared to \$129.557 million for the year ended December 31, 1998. The Bank and its consolidated subsidiaries had net income for the six-month period ended June 30, 2000, of approximately \$107.796 million.

The Bank's Consolidated Reports of Condition and Income for a Bank with Domestic and Foreign Offices – FFIEC 031, as of the close of business on December 31, 1998, December 31, 1999 and June 30, 2000, respectively, as submitted to the Federal Reserve Bank of Chicago, are incorporated by reference in this Appendix A and shall be deemed to be a part hereof.

In addition, all reports filed by the Bank pursuant to 12 U.S.C. § 324 after the date of this Official Statement shall be deemed to be incorporated herein by reference and shall be deemed to be a part hereof from the date of filing of any such report.

Additional information, including financial information relating to HBI and the Bank, is set forth in HBI's (a) Annual Report on Form 10-K for the year ended December 31, 1999, and (b) Quarterly Reports on Form 10-Q for the quarters ended March 31, 2000 and June 30, 2000. Such reports and all reports filed by HBI pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, after the date of this Official Statement are incorporated herein by reference and shall be deemed a part hereof from the date of filing of any such report. The Letter of Credit is an obligation of the Bank and not of HBI.

Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this Official Statement to the extent that a statement contained herein or in any subsequently filed document that also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.

The Bank hereby undertakes to provide, without charge to each person to whom a copy of this Official Statement has been delivered, on the written request of any such person, a copy of any or all of the documents referred to above which have been or may be incorporated in this Official Statement by reference, other than exhibits to such documents. Written requests for such copies should be directed to Harris Trust and Savings Bank, 111 West Monroe Street, P.O. Box 755, Chicago, Illinois 60690, Attention: Public Relations Department.

Neither the Bank nor its affiliates make any representations as to the contents of this Official Statement (except as to this Appendix VI), the suitability of the Bonds for any investor, the feasibility or performance of any project or compliance with any securities or tax laws and regulations.

