

OFFICIAL STATEMENT DATED APRIL 9, 2002

NEW ISSUES

DELAYED DELIVERY – The Series Five-M2 Bonds

Moody's Ratings: Series Five-M1: Aaa / VMIG1

Series Five-M2: Aaa / VMIG1

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

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

\$12,205,000

Variable Rate Demand Revenue Bonds, Series Five-M1

\$13,420,000

Variable Rate Demand Revenue Bonds, Series Five-M2

(St. Olaf College)

(DTC Book Entry Only)

Dated Date: Dates of Issue

Maturity Date: For the Series Five-M1 Bonds: October 1, 2032

For the Series Five-M2 Bonds: October 1, 2020

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 two fully registered series of 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 35 days of interest on the Series Five-M1 Bonds at the Maximum Rate of the Series Five-M1 Bonds will be secured by an irrevocable Letter of Credit (the "Series Five-M1 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, payment of principal or the Purchase Price and 35 days of interest on the Series Five-M2 Bonds at the Maximum Rate of the Series Five-M2 Bonds is expected to be secured by an irrevocable Letter of Credit (the "Series Five-M2 Letter of Credit") to be 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, a Minnesota nonprofit corporation (the "College") provides an Alternate Letter of Credit, then the Bonds of the applicable series 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 SHALL THEY CONSTITUTE A DEBT FOR WHICH THE FAITH AND CREDIT OF THE AUTHORITY OR THE STATE OF MINNESOTA, OR THE TAXING POWERS OF THE STATE, ARE PLEDGED. THE AUTHORITY HAS NO TAXING POWERS.

Each series of Bonds, from its date of issuance and delivery, will bear interest at a Variable Rate which initially shall be a Daily Rate, and the interest rate on each series 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. Upon the conditions set forth in the Indenture, the College may direct the Authority to convert the interest rate on either or both series of Bonds 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. There may be separate Mandatory Tender Dates for each series of Bonds.

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, Saint Paul, Minnesota, Bond Counsel. Certain legal matters will be passed upon for the College by Gray, Plant, Mooty, Mooty & Bennett, P. A., Minneapolis, Minnesota; for the Underwriter by Faegre & Benson LLP, Minneapolis, Minnesota; and for the Bank by Chapman and Cutler, Chicago, Illinois. It is expected that the Series Five-M1 Bonds in definitive form will be available for delivery to the Underwriter at DTC on or about April 16, 2002 and the Series Five-M2 Bonds in definitive form will be available for delivery to the Underwriter at DTC on or about July 10, 2002.

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.

Any addendum to this Official Statement 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, the Trustee, and the tax-exemption and the validity 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 and the validity of the Bonds has been provided by Bond Counsel. Except for information concerning the Authority, information contained in this Official Statement is not to be construed as a representation by the Authority. Information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the Authority, the Bank or the College since the date hereof.

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

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Financial Advisor
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OFFICIAL STATEMENT

MINNESOTA HIGHER EDUCATION FACILITIES AUTHORITY

\$12,205,000

VARIABLE RATE DEMAND REVENUE BONDS, SERIES FIVE-M1

\$13,420,000

VARIABLE RATE DEMAND REVENUE BONDS, SERIES FIVE-M2

(ST. OLAF COLLEGE)

(DTC BOOK ENTRY ONLY)

INTRODUCTORY STATEMENT

This Official Statement provides information concerning the Minnesota Higher Education Facilities Authority (the "Authority" or the "Issuer") and St. Olaf College, a Minnesota nonprofit corporation and the owner of an institution of higher education with its campus located in Northfield, Minnesota (the "College"), in connection with the issuance of the Authority's \$12,205,000 Variable Rate Demand Revenue Bonds, Series Five-M1 (St. Olaf College) (the "Series Five-M1 Bonds") and \$13,420,000 Variable Rate Demand Revenue Bonds, Series Five-M2 (St. Olaf College) (the "Series Five-M2 Bonds"), collectively referred to as the "Bonds."

EACH SERIES WILL BE ISSUED PURSUANT TO A SEPARATE INDENTURE AND WILL BE SUBJECT TO A SEPARATE LOAN AGREEMENT, LETTER OF CREDIT, REIMBURSEMENT AGREEMENT, AND REMARKETING AGREEMENT. UNLESS EXPLICITLY NOTED HEREIN, INFORMATION REGARDING THE BONDS APPLIES EQUALLY TO EACH SERIES OF BONDS.

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 Indentures (the "Indentures") 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 each series of Bonds.

Pursuant to a Loan Agreement between the College and the Authority relating to each series of 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 Series Five-M1 Bonds will be loaned to the College by the Authority to finance the following improvements:

- Construction of new Tostrud Recreation Center
- Partial Renovation of Skoglund Athletic Center

The improvements above are cumulatively referred to as the "M1 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 proceeds of the Series Five-M2 Bonds will be loaned to the College by the Authority to refinance the outstanding City of Northfield, Minnesota College Facility Revenue Bonds Series 1992 (St. Olaf Project) (the "Prior Bonds" or the "Series 1992 Bonds"), which will be redeemed on their initial optional redemption date of October 1, 2002. The principal amount of Prior Bonds being refunded is \$14,435,000. See "USE OF PROCEEDS" herein.

The Prior Bonds refinanced bonds previously issued to finance Ytterboe Hall, and provided new financing for improvements including expansion of the College's water system. All these improvements are cumulatively referred to as the "M2 Project."

The M1 Project and the M2 Project are sometimes collectively referred to as the "Project Facilities."

The payments of principal, interest, premium (if any), and Purchase Price of the Bonds are secured by a pledge of the Loan Repayments, which is a general obligation of the College. In connection with the issuance of the Series Five-M2 Bonds, the College has entered into an interest rate swap transaction (the "Swap Agreement"), to effectively convert the variable interest rate on the Series Five-M2 Bonds to a fixed rate. The College's obligations under the Swap Agreement are payable solely from revenues of the College.

At the time of the issuance of the Series Five-M1 Bonds, an irrevocable, transferable, direct pay letter of credit (the "Original Series Five-M1 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 Series Five-M1 Loan Agreement, the "Series Five-M1 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 Series Five-M1 Bonds plus 35 days of interest to accrue thereon (assuming a maximum interest rate (the "Maximum Rate") on the Series Five-M1 Bonds during the Variable Rate Period of 15% per annum). If the Original Series Five-M1 Letter of Credit is not renewed or replaced prior to its stated expiration date (April 16, 2005), unless terminated earlier pursuant to the terms thereof, the Series Five-M1 Bonds are subject to mandatory tender. The College has agreed in the Series Five-M1 Loan Agreement to maintain with the Trustee at all times during the Variable Rate Period, as hereinafter defined, a Series Five-M1 Letter of Credit in an amount at least equal to the aggregate principal amount of Series Five-M1 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 Series Five-M1 Bonds may require).

The Original Series Five-M1 Letter of Credit is to be issued pursuant to a Reimbursement Agreement dated as of April 1, 2002 (the "Series Five-M1 Reimbursement Agreement") between the College and the Bank, and the Original Series Five-M2 Letter of Credit is expected to be issued pursuant to a Reimbursement Agreement dated as of July 1, 2002 (each a "Reimbursement Agreement") between the College and the Bank. The Series Five-M2 Bonds will not be issued unless the Original Series Five-M2 Letter of Credit therefor is issued. See "THE ORIGINAL LETTERS OF CREDIT AND THE REIMBURSEMENT AGREEMENTS."

For information concerning the Bank, including certain financial information, see Appendix VI hereto. In addition, copies of the Bank's Annual Report for the year ended December 31, 2001 and any more recent 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; WITH RESPECT TO THE TERM OF THE ORIGINAL SERIES FIVE-M1 LETTER OF CREDIT, INVESTORS ARE CAUTIONED THAT IT BEARS A STATED EXPIRATION DATE OF APRIL 16, 2005, THOUGH BY ITS TERMS IT MAY BE TERMINATED SOONER OR EXTENDED; AND, WITH RESPECT TO THE TERM OF THE ORIGINAL SERIES FIVE-M2 LETTER OF CREDIT, INVESTORS ARE CAUTIONED THAT IT SHALL BEAR A STATED EXPIRATION DATE OF JULY 10, 2005, THOUGH BY ITS TERMS IT MAY BE TERMINATED SOONER OR EXTENDED. SEE "THE ORIGINAL LETTERS OF CREDIT AND THE REIMBURSEMENT AGREEMENTS" HEREIN.

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

DELIVERY OF THE SERIES FIVE-M2 BONDS

On March 20, 2002, the Authority adopted a resolution authorizing the issuance of the Bonds. The proceeds of the Series Five-M2 Bonds and other funds of the College are to be applied to the payment of the Prior Bonds maturing on October 1, 2002 and to the redemption and prepayment of the Prior Bonds maturing on October 1, 2003 through 2021. The Prior Bonds are subject to optional redemption by the City, at the request of the College, on October 1, 2002, at a price of 102% plus accrued interest to the date of redemption. The Series Five-M2 Bonds cannot be issued as obligations the interest on which is not includable in gross income for federal income tax purposes if the Series Five-M2 Bonds are issued prior to July 3, 2002. The Authority authorized the issuance of the Series Five-M2 Bonds on behalf of the College, but will issue and deliver the Series Five-M2 Bonds on July 10, 2002. The Series Five-M2 Bonds will thus constitute "current refunding" bonds because the Prior Bonds will be redeemed within 90 days of settlement of the Series Five-M2 Bonds.

On the date the Series Five-M2 Bonds are issued and delivered, the Bank is expected to issue the Series Five-M2 Letter of Credit pursuant to the Series Five-M2 Reimbursement Agreement. If the Series Five-M2 Letter of Credit is not issued, the Series Five-M2 Bonds will not be issued. For more information concerning the Series Five-M2 Letter of Credit and the Series Five-M2 Reimbursement Agreement, see "THE ORIGINAL LETTERS OF CREDIT AND REIMBURSEMENT AGREEMENTS – The Series Five-M2 Letter of Credit and the Series Five-M2 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 purchase price, principal of or interest on the Bonds.

EACH SERIES WILL BE ISSUED PURSUANT TO A SEPARATE INDENTURE AND WILL BE SUBJECT TO A SEPARATE LOAN AGREEMENT, LETTER OF CREDIT, REIMBURSEMENT AGREEMENT, AND REMARKETING AGREEMENT. UNLESS EXPLICITLY NOTED HEREIN, INFORMATION REGARDING THE BONDS APPLIES EQUALLY TO EACH SERIES OF BONDS.

Security

The Series Five-M1 Bonds are secured by (a) during the Variable Rate Period, the Series Five-M1 Letter of Credit; (b) a pledge of amounts payable by the College under the Series Five-M1 Loan Agreement; 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 Series Five-M2 Bonds, when issued, will be secured by (a) during the Variable Rate Period, the Series Five-M2 Letter of Credit, (b) a pledge of amounts payable by the College under the Series Five-M2 Loan Agreement, 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). Neither series of Bonds is or will be secured by a mortgage or lien on, or a security interest in, any property of the College.

The Series Five-M1 Bonds are initially secured by the Original Series Five-M1 Letter of Credit issued by the Bank. The Series Five-M2 Bonds, when issued, will be secured by the Original Series Five-M2 Letter of Credit which is expected to be issued by the Bank. 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 an Original Letter of Credit, the related 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 for either series (including the incorporation by reference therein of the Events of Default under the related Loan Agreement and Indenture) would entitle the Bank to cause the Trustee to accelerate the related series of Bonds and draw on the related Letter of Credit. See "THE ORIGINAL LETTERS OF CREDIT AND THE REIMBURSEMENT AGREEMENTS."

Letters of Credit

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

The Original Series Five-M1 Letter of Credit expires April 16, 2005, subject to extension at the option of the Bank as provided in the Series Five-M1 Reimbursement Agreement. The Original Series Five-M2 Letter of Credit is expected to expire on July 10, 2005, subject to extension at the option of the Bank as provided in the Series Five-M2 Reimbursement Agreement. No assurances can be given that the College will be able to obtain an extension of the Original Letters of Credit or to obtain Alternate Letters of Credit to secure the Bonds at their stated interest rates and original terms until and including the respective final stated maturities of the Bonds. In the event of a failure to obtain an extension of an Original Letter of Credit or to obtain an Alternate Letter of Credit, Holders of the related series of Bonds will be required under the applicable Indenture to tender their Bonds to the Trustee for mandatory purchase from proceeds of a draw under such Letter of Credit, at a purchase price equal to the then-outstanding principal amount of the related series of Bonds. Interest owing on the related series of Bonds as of such date will be paid as on any other Interest Payment Date.

Redemption, Acceleration, or Purchase Prior to Maturity

In considering whether the Bonds might be redeemed prior to maturity, Bondholders should review the information included in this Official Statement under the heading "THE BONDS – Redemption." Either or both series of Bonds may be called for redemption prior to maturity on any Interest Payment Date by the Authority at the College's direction. The College intends to exercise its right to optionally redeem a portion of the Series Five-M2 Bonds annually to amortize the principal of the Series Five-M2 Bonds until final maturity. See "THE BONDS – Redemption – Expected Amortization of Series Five-M2 Bonds." Either or both series of Bonds may also be called for redemption in certain instances of damage to or destruction or condemnation of the related Project Facilities. In addition, if certain Events of Default otherwise occur under either or both of the Loan Agreements, the Indentures or the Reimbursement Agreements, the Bank has the right, in its sole discretion, to require that the applicable series of Bonds be accelerated. Either or both series of 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 applicable 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 LETTERS OF CREDIT AND THE REIMBURSEMENT AGREEMENTS – 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." Each 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 Series Five-M1 Reimbursement Agreement and the Series Five-M2 Reimbursement Agreement will be cross-defaulted, and the Reimbursement Agreements will also be cross-defaulted with other credit arrangements between the College and the Bank.

If an event of default under a 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. See "THE ORIGINAL LETTERS OF CREDIT AND THE REIMBURSEMENT AGREEMENTS" herein.

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 Agreements 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. During any Variable Rate Period, the Bonds are payable solely from drawings under the Original Letter of Credit or any Alternate Letter of Credit and from payments made by the College pursuant to the Loan Agreement in amounts sufficient to pay, when due, the principal of and interest on and the Purchase Price of the Bonds.

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 and Exchange Commission under 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 for a series of Bonds upon a conversion to a Fixed Rate of that series of Bonds.

Certain continuing disclosure information may be available from national repositories pursuant to continuing disclosure agreements relating to other outstanding obligations of the College. The College has never failed to comply with any previous undertakings under the Rule to provide annual reports or notices of material events.

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.

EACH SERIES WILL BE ISSUED PURSUANT TO A SEPARATE INDENTURE AND WILL BE SUBJECT TO A SEPARATE LOAN AGREEMENT, LETTER OF CREDIT, REIMBURSEMENT AGREEMENT, AND REMARKETING AGREEMENT. UNLESS EXPLICITLY NOTED HEREIN, INFORMATION REGARDING THE BONDS APPLIES EQUALLY TO EACH SERIES OF BONDS, ALL OF WHICH WILL BE IDENTICAL EXCEPT AS TO CERTAIN DATES AND DOLLAR AMOUNTS.

General

Each series of Bonds will be dated the date of the applicable initial delivery date thereof. 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").

The Series Five-M1 Bonds will mature October 1, 2032. Interest payments on the Series Five-M1 Bonds commence May 1, 2002

The Series Five-M2 Bonds will mature October 1, 2020. Interest payments on the Series Five-M2 Bonds commence August 1, 2002.

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

The Bonds will bear interest at 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 on each 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 pursuant to the Remarketing Agreement the interest rate on the Bonds for each Variable Rate Period ending prior to the Conversion Date. The College or the Remarketing Agent may terminate the Remarketing Agreement effective upon the later of 30 days' notice or the effective date of appointment of a successor Remarketing Agent.

The 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 at the appropriate time and date for either or both series, the Bonds of the applicable series will bear interest at a Daily Rate equal to 100% of the

prime 30-day commercial paper rate as provided in the Indenture until the Remarketing Agent again determines a variable rate.

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 direct the Authority to change all of the Bonds of either series from one type of Variable Rate mode to another. The Series Five-M1 Bonds and the Series Five-M2 Bonds may be in different interest rate modes at the same time. 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 ("Optional Tender Notice") 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 series designation, its CUSIP 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

All of the Bonds of each series 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; or (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. It is expected that Beneficial Owners will deliver Optional Tender Notices to their brokers or to DTC Participants. Should a Beneficial Owner deliver an Optional Tender Notice directly to the Tender Agent, upon such receipt 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

Each Indenture provides that the College has the one-time right for the related series of Bonds, to be exercised at any time, to direct the Authority to convert the interest rate on all of the Bonds of that series 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 Variable Rate Period then in effect. The College may exercise its right as to either or both series of Bonds, separately or simultaneously. 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"), indicate the date on which the Fixed Rate shall be announced, which shall not be less than 15 days prior to the Proposed Conversion Date (the "Computation Date"), and provide 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 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, either or both series of 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.

Expected Amortization of the Series Five-M2 Bonds

Although neither the Indenture nor the Reimbursement Agreement relating to the Series Five-M2 Bonds requires the College to pay any portion of the principal thereof prior to the maturity date, the College anticipates and expects to prepay, on each October 1, beginning October 1, 2003, a portion of the principal thereof such that payments of principal and interest are relatively level throughout the life of the Series Five-M2 Bonds. Upon such prepayment of Series Five-M2 Bond principal, the College will direct the Authority and the Trustee to call for redemption Series Five-M2 Bonds in principal amount equal to the amount of the principal payment.

Extraordinary Optional Redemption

The Series Five-M1 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 Tostrud Recreational Center and the Skoglund Athletic Center (see "SUMMARY OF DOCUMENTS – The Loan Agreement").

The Series Five-M2 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 Ytterboe Hall (see "SUMMARY OF DOCUMENTS – The Loan Agreement").

Partial Redemption

If fewer than all of the Bonds of either or both series 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, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of each series 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 ("Direct Participants") deposit with DTC. DTC also facilitates the settlement among Direct Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Direct Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants ("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 LLC; 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 Direct and Indirect 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 interest of each actual purchaser of each Obligation ("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 Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Bonds, such as redemptions, defaults, and proposed amendments to the security documents. Beneficial Owners of the Bonds may wish to ascertain that the nominee

holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners, or in the alternative, Beneficial Owners may wish to provide their names and addresses to the Trustee and request that copies of the notices be provided directly to them.

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

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

Principal and interest payments on the Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts on the 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 the 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 (nor its nominee), the Trustee, the Paying Agent, or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee, disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners is the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Bonds purchased or redeemed, through its Direct Participant, to the nominee holding the Bonds, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Direct Participant's interest in the Bonds, on DTC's records, to the nominee holding the Bonds. The requirement for physical delivery of the Bonds in connection with a purchase or redemption will be deemed satisfied when the ownership rights in the Bonds are transferred by the Direct Participants on DTC's records and followed by a book-entry credit of purchased or redeemed Bonds to the nominee holding the Bonds.

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Authority, the Underwriter and the College believe to be reliable, but none of the Authority, the Underwriter nor the College takes responsibility for the accuracy thereof.

THE ORIGINAL LETTERS OF CREDIT AND THE REIMBURSEMENT AGREEMENTS

EACH SERIES WILL BE ISSUED PURSUANT TO A SEPARATE INDENTURE AND WILL BE SUBJECT TO A SEPARATE LOAN AGREEMENT, LETTER OF CREDIT, REIMBURSEMENT AGREEMENT, AND REMARKETING AGREEMENT. UNLESS EXPLICITLY NOTED HEREIN, INFORMATION REGARDING THE BONDS APPLIES EQUALLY TO EACH SERIES OF BONDS.

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 Series Five-M1 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 SERIES FIVE-M1 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 Series Five-M1 Letter of Credit

The Original Series Five-M1 Letter of Credit will be in all respects an irrevocable obligation of the Bank. The Original Series Five-M1 Letter of Credit will be issued in an amount equal to the aggregate principal amount of the outstanding Series Five-M1 Bonds, plus 35 days' interest thereon at the rate of 15% per annum (the "Cap Interest Rate" as that term is defined in the Series Five-M1 Letter of Credit, which is the same as the Maximum Rate herein). The Trustee, upon compliance with the terms of the Original Series Five-M1 Letter of Credit, is authorized and directed to draw up to (a) an amount sufficient (i) to pay principal of the Series Five-M1 Bonds when due, whether at maturity or upon redemption or acceleration, and (ii) to pay the portion of the Purchase Price of Series Five-M1 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 Series Five-M1 Bonds, plus (b) an amount not to exceed 35 days of accrued interest on such Series Five-M1 Bonds at the Maximum Rate (i) to pay interest on Series Five-M1 Bonds when due, and (ii) to pay the portion of the purchase price of Series Five-M1 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 Series Five-M1 Bonds. Notwithstanding the foregoing, no drawings shall be made under the Original Series Five-M1 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 Original Series Five-M1 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 Series Five-M1 Bonds on an Interest Payment Date, the amount available under the Original Series Five-M1 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 Series Five-M1 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 Series Five-M1 Bonds (or portions thereof) purchased with the proceeds of such Liquidity Drawing, the amount available under the Original Series Five-M1 Letter of Credit will be reinstated in an amount equal to the principal amount of the Series Five-M1 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 Series Five-M1 Bonds purchased with the proceeds of such Liquidity Drawing plus all accrued interest thereon.

The Original Series Five-M1 Letter of Credit will terminate on the Bank's close of business on the earliest of (a) the stated expiration date (April 16, 2005, 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 Series Five-M1 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 Series Five-M1 Bonds have been paid or that a Series Five-M1 Letter of Credit has been issued in substitution for the Original Series Five-M1 Letter of Credit in accordance with the terms of the Series Five-M1 Indenture and the Series Five-M1 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 Series Five-M1 Reimbursement Agreement and directing the Trustee to accelerate the Series Five-M1 Bonds.

The Series Five-M1 Reimbursement Agreement

The Original Series Five-M1 Letter of Credit will be issued by the Bank pursuant to the Series Five-M1 Reimbursement Agreement dated as of April 1, 2002 between the Bank and the College, under which the College will agree, among other things, to reimburse the Bank for drawings under the Series Five-M1 Letter of Credit as more fully described in the Series Five-M1 Reimbursement Agreement. Pursuant to the Series Five-M1 Reimbursement Agreement, the College will also agree to pay certain fees for issuance and maintenance of the Original Series Five-M1 Letter of Credit. The Series Five-M1 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 Series Five-M1 Bonds or the Trustee. **The Series Five-M1 Reimbursement Agreement may be amended by the Bank and the College without the consent of the Trustee or the Holders of Series Five-M1 Bonds, but notice of any such amendment shall be provided to the Trustee.**

If an event of default under the Series Five-M1 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 Series Five-M1 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 Series Five-M1 Bonds, thereby causing the Series Five-M1 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 Series Five-M1 Bonds and to make the required drawing prior to the fifteenth day following receipt of such notice.

“Events of Default” under the Series Five-M1 Reimbursement Agreement include the following:

- (a) any material representation or warranty made by the College in the Series Five-M1 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 Series Five-M1 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 Series Five-M1 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 Series Five-M1 Reimbursement Agreement;
- (e) default in the due observance or performance by the College of any other term, covenant or agreement set forth in the Series Five-M1 Reimbursement Agreement and the continuance of such default for 30 days after the occurrence thereof;
- (f) any material provision of the Series Five-M1 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 Series Five-M1 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;
- (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; or
- (m) the College shall fail to maintain an unenhanced long-term credit rating of at least (i) Baa from Moody’s, and (ii) BBB from S&P.

“Related Documents” means, with respect to each series of Bonds, the applicable Reimbursement Agreement, the Letter of Credit, the Indenture, the Loan Agreement, the Bonds, the Remarketing Agreement, the Bond Purchase Agreement and this Official Statement.

The Original Series Five-M2 Letter of Credit and the Series Five-M2 Reimbursement Agreement

It is expected that the College and the Bank will enter into a reimbursement agreement (the "Series Five-M2 Reimbursement Agreement") pursuant to which the Bank will issue a letter of credit (the "Series Five-M2 Letter of Credit") to support the payment of principal, interest and Purchase Price of the Series Five-M2 Bonds. It is expected that the Series Five-M2 Letter of Credit will be substantially similar in all material respects to the Series Five-M1 Letter of Credit except that (i) the principal amount of the Series Five-M2 Letter of Credit will be equal to the principal amount of the Series Five-M2 Bonds, and (ii) the expiration date of the Series Five-M2 Letter of Credit will initially be July 10, 2005. The provisions of the Series Five-M2 Reimbursement Agreement are expected to be substantially similar to the provisions of the Series Five-M1 Reimbursement Agreement, including the events of default and remedies described above.

Alternate Letter of Credit

EACH SERIES WILL BE ISSUED PURSUANT TO A SEPARATE INDENTURE AND WILL BE SUBJECT TO A SEPARATE LOAN AGREEMENT, LETTER OF CREDIT, REIMBURSEMENT AGREEMENT, AND REMARKETING AGREEMENT. UNLESS EXPLICITLY NOTED HEREIN, INFORMATION REGARDING THE BONDS APPLIES EQUALLY TO EACH SERIES OF BONDS.

The Indenture and the 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.

USE OF PROCEEDS

The Project

Proceeds of the Series Five-M1 Bonds will finance the following improvements on the College's campus:

- Construction of new Tostrud Recreation Center
- Partial Renovation of Skoglund Athletic Center

Construction began in June 2001 on the Tostrud Recreation Center. Erection of the superstructure began in September 2001. The College expects the work to be substantially completed by August 2002. Oscar J. Boldt Construction, Appleton, Wisconsin is the design builder. Ellerbee-Becket, Minneapolis, Minnesota is the architect and engineer of record.

The Refunding

A portion of the proceeds of the Series Five-M2 Bonds will be used to pay in advance of their stated maturity the October 1, 2003 through 2021 maturities of the Prior Bonds. Prior Bonds outstanding in the principal amount of \$14,435,000 will be redeemed on their first available optional redemption date of October 1, 2002.

The proceeds of the Prior Bonds, in the original principal amount of \$16,500,000, were used to refund certain bonds issued to finance the acquisition, construction and equipping of Ytterboe Hall, a new student housing facility, and to finance the renovation of two other student housing facilities, the expansion of the College's water system, and the expansion of College parking facilities (collectively, the "Prior Bonds Project").

On the delivery date of the Series Five-M2 Bonds, a portion of the proceeds thereof will be deposited in the Refunding Account and then transferred to the Escrow Account created under the Escrow Agreement, together with balances in the Prior Bonds Reserve Account and other accounts held by the Prior Bonds Trustee, and other funds of the College, representing the payments due under the Prior Bonds Loan Agreement for July, August and September. The Escrow Account will be funded with cash and U.S. Treasury securities sufficient to provide for the payment of the interest and principal due on October 1, 2002 and the redemption of the remaining outstanding principal amount of the Prior Bonds at a price of par, plus a premium of 2 percent of the principal redeemed prior to maturity. In accordance with the Prior Bonds Indenture, the Prior Bonds will no longer be considered outstanding under the Indenture upon such deposit for prepayment, and the Prior Bonds will be payable solely from the funds in the Escrow Account. From the moneys and investments in the Escrow Account, the Prior Bonds Trustee on October 1, 2002 will pay all principal due and interest accrued on the Prior Bonds to the date thereof, and then will redeem the remaining outstanding Prior Bonds.

ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds for the transactions are expected to be as follows:

<u>Sources of Funds</u>	<u>Series Five-M1</u>	<u>Series Five-M2</u>	<u>Total</u>
Bond Proceeds	\$12,205,000	\$13,420,000	\$25,625,000
College Funds	-0-	660,263	660,263
Bond Fund for Prior Bonds	-0-	203,896	203,896
Reserve Fund for Prior Bonds	-0-	<u>1,365,518</u>	<u>1,365,518</u>
Total Sources:	<u>\$12,205,000</u>	<u>\$15,649,677</u>	<u>\$27,854,677</u>
<u>Uses of Funds</u>			
Deposit to Refund Prior Bonds October 1, 2002 payment on Prior Bonds	-0-	\$14,723,700	\$14,723,700
Deposit to Construction Account	-0-	864,159	864,159
Issuance Costs (including underwriting discount)	\$12,000,000	-0-	12,000,000
	<u>205,000</u>	<u>61,818</u>	<u>266,818</u>
Total Uses:	<u>\$12,205,000</u>	<u>\$15,649,677</u>	<u>\$27,854,677</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 sources other than Bond proceeds. The 2% limitation is calculated separately for the Series Five-M1 Bonds and the Series Five-M2 Bonds.

SOURCE OF PAYMENT FOR THE BONDS

EACH SERIES WILL BE ISSUED PURSUANT TO A SEPARATE INDENTURE AND WILL BE SUBJECT TO A SEPARATE LOAN AGREEMENT, LETTER OF CREDIT, REIMBURSEMENT AGREEMENT, AND REMARKETING AGREEMENT. EACH SERIES IS A SEPARATE DEBT ISSUE AND EACH LOAN AGREEMENT IS A SEPARATE OBLIGATION OF THE COLLEGE.

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 LETTERS OF CREDIT AND THE REIMBURSEMENT AGREEMENTS."

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

EACH SERIES WILL BE ISSUED PURSUANT TO A SEPARATE INDENTURE AND WILL BE SUBJECT TO A SEPARATE LOAN AGREEMENT, LETTER OF CREDIT, REIMBURSEMENT AGREEMENT, AND REMARKETING AGREEMENT. UNLESS EXPLICITLY NOTED HEREIN, INFORMATION REGARDING THE BONDS APPLIES EQUALLY TO EACH SERIES OF BONDS.

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 (for the Series Five-M1 Bonds), a Refunding Account (for the Series Five-M2 Bonds), 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, the Refunding Account and the Reserve Account) includes a General Account and a Letter of Credit Account. The proceeds of the Series Five-M1 Bonds are to be deposited into the Construction Account. The proceeds of the Series Five-M2 Bonds are to be deposited into the Refunding 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 Series Five-M1 Bonds. In addition, the College will agree in the Series Five-M1 Loan Agreement to provide for payment of all Project Costs in excess of the proceeds of the Series Five-M1 Bonds available therefor and to pay out of its available general funds all costs of issuance of the Series Five-M1 Bonds (including underwriting discount) in excess of 2.00% of the proceeds of the Series Five-M1 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 Series Five-M1 Indenture, into the Bond and Interest Sinking Fund Account.

Refunding Account

There shall be deposited to the Refunding Account certain proceeds of the Series Five-M2 Bonds. In addition, the College will agree in the Series Five-M2 Loan Agreement to provide for payment of all refunding costs in excess of the proceeds of the Series Five-M2 Bonds available

therefor and to pay out of its available general funds all costs of issuance of the Series Five-M2 Bonds (including underwriting discount) in excess of 2.00% of the proceeds of the Series Five-M2 Bonds (principal less original issue discount). Moneys in the Refunding Account will thereupon be transferred to the Escrow Account created under the Escrow Agreement to be held and invested by the Escrow Agent and used to pay the principal and interest on the Prior Bonds due October 1, 2002 and to redeem the remaining outstanding principal amount of the Prior Bonds and pay a premium of two percent. Upon redemption of the Prior Bonds on October 1, 2002, any balance in the Escrow Account shall be returned to the College.

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 the General Account of the Bond Purchase Fund, the Trustee shall, prior to the close of business on the Optional Tender Date or the Mandatory Tender Date, authorize the payment of such balance to the Bank, but only to the extent of amounts due under the Reimbursement Agreement, and then to the College.

Bond and Interest Sinking Fund Account

There shall be deposited into the General Account of the Bond and Interest Sinking Fund Account transfers of amounts in other accounts, as permitted by the Indenture, and from Loan Repayments made by the College. There shall be deposited to the Letter of Credit Account of the Bond and Interest Sinking Fund Account all 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 a 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 (after the Conversion Date), 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 Series Five-M1 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 twelve months.

THE AUTHORITY

The Minnesota Higher Education Facilities Authority was created by Chapter 868, Laws of Minnesota, 1971 (Sections 136A.25 through 136A.42, as amended, 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 126 issues (including refunded and retired issues) totaling \$822,618,307, of which \$454,875,980 is outstanding as of April 1, 2002. Bonds issued by the Authority are payable only from the loan repayments, rentals, and other revenues and moneys pledged for their payment. The bonds of the Authority do not represent or constitute a debt or pledge of the faith or credit or moral obligation of the State 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, Advisors to the Public Sector, of Saint Paul, Minnesota, as financial advisor (the "Financial Advisor") in connection with the issuance of the Bonds. In preparing the Official Statement, the Financial Advisor has relied upon College officials, and other sources, who have access to relevant data to provide accurate information for the Official Statement, and the Financial Advisor has not been engaged, nor has it undertaken, to independently verify the accuracy of such information. The Financial Advisor is not a public accounting firm and has not been engaged by the Authority to compile, review, examine or audit any information in the Official Statement in accordance with accounting standards. The Financial Advisor is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities and therefore will not participate in the underwriting of the Bonds.

UNDERWRITING

The Bonds are being purchased by U.S. Bancorp Piper Jaffray Inc. The Underwriter has agreed to purchase the Series Five-M1 Bonds at a purchase price of \$12,169,605.50 and the Series Five-M2 Bonds at a purchase price of \$13,381,082.00.

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

As noted on the cover hereof, Moody's Investors Service ("Moody's") has assigned a long-term rating of "Aaa" and a short-term rating of "VMIG1" to each series of the Bonds, conditioned on the issuance of the Letter of Credit by the Bank. Moody's has also confirmed a rating of "A2" on the outstanding debt of the College. Moody's has based the long term rating on the Bonds on its analysis of the credit ratings of both the College and the Bank using its "Two-Party-Pay" rating approach. This approach examines both the College and the Bank and evaluates the likelihood that both parties will be unable to make payments on the Bonds when due. The short term rating on the Bonds is based solely on the credit rating of the Bank. The ratings reflect only the view of such rating agency. Further information concerning the ratings is available from Moody's.

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

The Underwriter has undertaken no responsibility to either bring to the attention of the Bondholders any proposed revision or withdrawal of the rating of the Bonds or to oppose any such proposed revision or withdrawal.

LITIGATION

The Authority and the College are unaware of any pending or overtly threatened in writing litigation which would affect the validity of or the tax-exempt nature of the interest on the Bonds 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 opinions as to validity and tax exemption by Leonard, Street and Deinard Professional Association, of Saint Paul, Minnesota as Bond Counsel. Legal opinions in substantially the form set out in Appendix II herein will be delivered at each Bond Closing.

Certain legal matters will be passed upon for the College by Gray, Plant, Mooty, Mooty & Bennett, P.A., Minneapolis, Minnesota; for the Underwriter by Faegre & Benson LLP, Minneapolis, Minnesota, and for the Bank by Chapman and Cutler, Chicago, Illinois.

Although it is representing the Underwriter in connection with the issuance and sale of the Bonds, Faegre & Benson LLP has previously represented the Authority as bond counsel in connection with other matters. In the future, Faegre & Benson LLP may perform services for the Authority, the Underwriter or the College, and no limits are imposed as a result of the issuance of the Bonds on the ability of Faegre & Benson LLP to act as bond counsel or represent any of these parties in any future transactions.

TAX EXEMPTION

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met subsequent to the issuance and delivery of the Bonds in order that interest on the Bonds be and remain excludable from gross income under Section 103 of the Code. These requirements include, but are not limited to, (1) provisions relating to the expenditure of Bond proceeds, (2) provisions which prescribe yield and other limits relative to the investment of the proceeds of the Bonds and other amounts, (3) provisions which require that certain investment earnings be rebated periodically to the Federal government and (4) provisions relating to the ownership and operation of the facilities financed by the Bonds. Noncompliance with such requirements may cause interest on the Bonds to become includable in gross income for purposes of Federal and State 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 the Indenture for each series of Bonds 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) in January of 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 28 members, each of whom serves a six-year term unless otherwise indicated. Current members are as follows:

Mr. John W. Benson	Executive Vice President, 3M Health Care Markets, Saint Paul, Minnesota
Mr. Thomas J. Boldt	President, The Boldt Companies, 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
Bishop George G. Carlson	Bishop, South Central Synod of Wisconsin, Madison, Wisconsin
Mr. William G. Cowles	Northfield, Minnesota
Travis J. Cross (2-year)	Band Director, Edina High School, Edina, Minnesota
Rev. Reuben Groehler	Retired Pastor, Minnetonka, Minnesota
Mr. Robert Hatch	Chairman & CEO, Cereal Ingredients, Inc., CII Laboratory Services, Inc., Kansas City, Missouri
Mr. William Hoefft	President & CEO, ZIEGLER, INCORPORATED, Minneapolis, Minnesota
Ms. Ruth Hustad	Hustad Real Estate, Eden Prairie, Minnesota

Mr. Mark Jansa (3-year)	Director, Internet Services, Best Buy Company Incorporated, Eden Prairie, Minnesota
Ms. B. Christine Johnson	General Partner, Affinity Capital Management, Minneapolis, Minnesota
Mr. Mark D. Johnson	Partner, Waterman Group, Spring Park, Minnesota
Ms. Sonya Pedersen Margerum	Mayor of West Lafayette, Indiana, West Lafayette, Indiana
Ms. Marilyn Miller	Director of Congregational Ministries, Luther Human Relations Association, Milwaukee, Wisconsin
Mr. Truxtun Morrison	Retired, former President & CEO, ConAgra, Inc., Wayzata, Minnesota
Ms. Martha Arveson Nelson	Saint Paul, Minnesota
Mr. Bruce Nicholson	President & CEO, AAL/Lutheran Brotherhood, Minneapolis, Minnesota
Mr. Addison Piper	Chairman, U.S. Bancorp Piper Jaffray, Inc., Minneapolis, Minnesota
Mr. Larry Rasmussen	Reinhold Niebuhr Professor of Social Ethics, Union Theological Seminary, New York, New York
Mr. Walter Ringer, III	Vice Chairman & CEO, The Foley Companies, Minneapolis, Minnesota
Dr. Judith Ryan	President & CEO, The Evangelical Lutheran Good Samaritan Society, Sioux Falls, South Dakota
Mr. Darryl Solberg	Attorney, Hecht, Solberg, Robinson & Goldberg, San Diego, California
Dr. Christopher M. Thomforde (ex-officio)	President, St. Olaf College, Northfield, Minnesota
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. The Reverend Dr. Christopher Meredith Thomforde became the College's tenth president on January 15, 2001. From 1996 until joining the College, Dr. Thomforde served as president of Bethany College in Lindsborg, Kansas, during which time he also completed the requirements for and received the Doctor of Ministry degree from Princeton Theological Seminary. From 1987 to 1996 Dr. Thomforde served 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. from 1969 to 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 after serving as Director of Admissions since August 1994. Ms. Lundberg was the Associate Director of College Counseling at the Choate Rosemary Hall in Wallingford, Connecticut from 1990-1994. 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 (IL), Wabash (IN), Augsburg (MN) 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.

Provost and Dean of the College. James Pence joined the College in July of 1996 and recently announced that he will step down from his position on May 31, 2002. President Thomforde plans to fill the position internally and select a new chief academic officer from among the ranks of the current faculty of the College. Prior to serving at St. Olaf College for the past six years, 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 a Ph.D. in English from the University of Arizona.

Vice President for Advancement. Gordon Soenksen joined the College in January of 1998. Mr. Soenksen came to St. Olaf from Guilford College, Greensboro, North Carolina, where he served as Vice President for Institutional Advancement from 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 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/Saint Paul metropolitan area. The College also owns approximately 925 acres of land, now used for farming, that adjoins 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, 2000 was \$99,331,007 and at May 31, 2001 was \$102,796,535. 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 1950s and 1960s, although many of the campus buildings, which were originally constructed in the 1920s and 1930s, 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 \$126.4 million in cash and pledges to exceed its \$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.

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 enrollments are reflected in the table below. These figures reflect enrollments 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>
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	2,941	3,011

In 2001-02, the student body consisted of students from 46 states and 25 foreign countries. Forty-six percent (46%) of full-time students come from outside 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>
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
2001/02	2,702	1,872	744	69.3	39.7

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 2001, is 1,250; the median ACT score is 27; the average high school rank is the 89th percentile.

<u>Academic Year</u>	<u>Median SAT</u>	<u>Median ACT</u>	<u>Average High School Rank</u>
1997/98	1,240	27	88
1998/99	1,250	27	88
1999/00	1,260	27	89
2000/01	1,260	27	89
2001/02	1,250	27	89

Geographic Distribution of Entering First-Year Students

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

Minnesota	397
Wisconsin	78
Iowa	48
Illinois	36
Washington	15
Colorado	15
California	15
Nebraska	14
North Dakota	13
Other States	<u>114</u>
Total	745

Student Retention

<u>Fall Semester</u>	<u>New 1st Year</u>	<u>Percent of Students Returning</u>			<u>Percent of Graduates</u>	
		<u>2nd Year</u>	<u>3rd Year</u>	<u>4th Year</u>	<u>By 4th Year</u>	<u>By 5th Year</u>
1996	772	88.5	83.2	80.9	73.2	78.6
1997	722	91.6	84.5	82.8	74.6	
1998	755	91.5	86.5	85.3		
1999	766	91.6	84.2			
2000	753	92.6				
2001	745					

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 2002-2003.

<u>Year</u>	<u>Tuition</u>	<u>Room</u>	<u>Board</u>	<u>Comprehensive Fee</u>
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
2001-02	21,280	2,150	2,450	25,880
2002-03	22,200	2,200	2,550	26,950

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

The following table lists total revenue derived from tuition and fees for the fiscal years ended May 31, 1997 through May 31, 2001:

<u>Year</u>	<u>Tuition and Fees</u>
1996/97	\$46,976,336
1997/98	49,942,334
1998/99	53,041,214
1999/00	56,501,668
2000/01	59,914,097

Comparison of Undergraduate Charges for Minnesota Private Colleges (2001-2002)

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

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

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

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

Source: The Minnesota Private College Council

Financial Aid

Approximately 61% of the full-time students enrolled receive need-based scholarships or grants from the College. An additional 20% 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>1996-97</u>	<u>1997-98</u>	<u>1998-99</u>	<u>1999-00</u>	<u>2000-01</u>
Unrestricted Institutional Scholarships and Grants	\$10,706	\$12,158	\$13,429	\$14,816	\$15,749
Endowed and Restricted					
Gift Institutional Scholarships	1,862	1,783	1,815	2,074	2,641
Federal Pell & SEO Grants	1,077	1,128	1,341	1,274	1,284
Minnesota State Grants	1,967	1,860	2,005	1,970	1,991
Other Scholarships and Grants	<u>1,326</u>	<u>1,411</u>	<u>1,456</u>	<u>1,513</u>	<u>1,755</u>
Total Scholarships and Grants	\$16,938	\$18,340	\$20,046	\$21,647	\$23,420
Student Loans	7,469	7,700	8,507	9,697	9,979
Student Work	<u>1,749</u>	<u>2,075</u>	<u>2,500</u>	<u>3,192</u>	<u>3,425</u>
Total Financial Aid	\$26,156	\$28,115	\$31,053	\$34,536	\$36,824

Faculty and Staff

The College has a teaching staff of 195 full-time faculty members and 111 part-time faculty members with a full-time equivalent (FTE) devoted to teaching of 264.7. The student to teaching faculty ratio is approximately 11 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	264.7
Administrative	176.5
Support Staff	<u>219.2</u>
Total	660.4

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 College is not aware of any plans for any of its employees to become unionized.

The average salaries for 2001-2002 by faculty rank are:

<u>Rank</u>	<u>Number of Full-time Faculty</u>	<u>Average Salary</u>
Professor	65	\$67,991
Associate Professor	72	55,422
Assistant Professor	44	43,365
Instructor	10	39,906

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 \$2,439,000 for the year ended May 31, 2001.

Post Retirement 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 following tables set forth the plan's status with amounts reported in the College's financial statements at May 31, 2001, 2000, and 1999:

	Postretirement Benefits		
	<u>2001</u>	<u>2000</u>	<u>1999</u>
Accumulated post-retirement benefit obligation	\$ 6,941,910	\$ 3,415,232	\$ 3,403,689
Fair Value of plan assets	<u>0</u>	<u>0</u>	<u>0</u>
Underfunded status	<u>\$ 6,941,910</u>	<u>\$ 3,415,232</u>	<u>\$ 3,403,689</u>
Accrued benefit cost recognized	<u>\$ 1,727,548</u>	<u>\$ 1,847,722</u>	<u>\$ 1,913,416</u>

	Postretirement Benefits		
	<u>2001</u>	<u>2000</u>	<u>1999</u>
Net post-retirement benefit cost	<u>\$ 340,312</u>	<u>\$ 344,314</u>	<u>\$ 240,979</u>
Employer contributions	\$ 460,485	\$ 410,008	\$ 428,499
Plan participant contributions	<u>215,130</u>	<u>156,345</u>	<u>120,287</u>
Benefits paid	<u>\$ 675,615</u>	<u>\$ 566,353</u>	<u>\$ 548,786</u>

A 10.4% pre-65 and 14.14% post-65 rate of increase in per capita costs of covered health care benefits was assumed for the year ended May 31, 2002 (lower rates are assumed for HMO plans), gradually decreasing to an ultimate rate of 5% by the year 2021. 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>
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
2000/01	10,049,655	5,415,086	2,924,487	18,389,228

* The fiscal year 1998-99 total reflects a transition period between the "quiet" phase and the "public" phase of the current capital campaign.

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>
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
2001	160,110,000	51,213,000	211,323,000

As of February 28, 2002, the market value of the College's Endowment Funds (excluding Deferred Gifts) reached \$155,458,422.

Endowment funds are managed primarily by outside fund managers retained by the College. The College also has approximately \$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 calculate a total return. For the following fiscal years ended May 31, the total return on the endowment was:

<u>Year</u>	<u>Return</u>
2001	2.76%
2000	15.10%
1999	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 2001, the effective payout percentage was about 4.8%, based on the market value of the endowment of \$160,110,739 million as of May 31, 2000.

Fund Drives

On November 6, 1999, marking the 125th 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 March 13, 2002, gifts and pledges totaling \$126.4 million had been received, including the lead gift of \$26 million from the Buntrock family to underwrite the Buntrock Commons.

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, 2001, 2000 and 1999 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 1997-2001

The table on the following page sets forth the statement of activities (unrestricted portion only) prepared in accordance with generally accepted accounting principles (GAAP) for the fiscal years 1997-2001.

ST. OLAF COLLEGE
STATEMENT OF UNRESTRICTED ACTIVITIES

	Fiscal Years Ended May 31,				
	1997	1998	1999	2000	2001
REVENUES, GAINS AND OTHER SUPPORT					
OPERATING REVENUES					
Tuition	\$ 44,206,227	\$ 46,768,025	\$ 49,614,498	\$ 53,027,326	\$ 56,182,427
Less: Unfunded scholarships and grants	(10,706,338)	(12,388,643)	(13,794,341)	(15,254,368)	(16,248,146)
Funded scholarships and grants	<u>(2,292,640)</u>	<u>(2,848,853)</u>	<u>(2,362,265)</u>	<u>(2,498,616)</u>	<u>(2,934,855)</u>
Net tuition	31,207,249	31,530,529	33,457,892	35,274,342	36,999,426
Other tuition and fees	2,770,109	3,174,309	3,426,716	3,478,161	3,731,670
Government grants	2,450,010	2,982,581	2,861,514	2,567,915	3,058,737
Private gifts and grants	2,535,935	2,984,868	2,928,838	3,730,790	4,132,579
Long-term investment income and gains allocated for operations	1,324,440	1,662,108	1,766,666	2,295,463	2,071,278
Other sources	3,373,428	3,598,272	1,342,484	1,845,444	1,905,667
Investment income	(42,620)	(3,005)	844,857	584,927	357,442
Net losses on investments			(112,718)	(33,764)	(279,893)
Auxiliary enterprises -- sales and services	<u>12,465,440</u>	<u>12,793,581</u>	<u>15,338,738</u>	<u>14,712,788</u>	<u>15,547,132</u>
Subtotal:	56,083,991	58,723,243	61,854,987	64,456,066	67,524,038
Net assets released from restrictions	5,935,787	6,399,572	6,053,640	7,961,368	8,546,689
Total Operating Revenues, Gains and Other Support	<u>62,019,778</u>	<u>65,122,815</u>	<u>67,908,627</u>	<u>72,417,434</u>	<u>76,070,727</u>
OPERATING EXPENSES					
Program expenses					
Instruction	25,745,843	25,796,732	29,026,562	29,986,924	31,548,024
Research	688,060	935,256	638,720	701,997	542,993
Public service	4,353,592	4,832,426	3,160,854	3,095,246	2,486,199
Academic support	5,495,330	5,558,045	6,365,035	7,034,119	8,001,861
Student services	3,940,896	4,096,628	5,041,772	5,695,834	6,058,381
Auxiliary enterprises	13,026,173	12,601,932	12,776,732	13,597,022	14,840,165
Support expenses					
Institutional support			7,025,155	6,993,264	8,422,315
Fundraising	7,090,360	8,298,961	2,347,960	3,340,312	2,820,590
Total Operating Expenses	<u>60,340,254</u>	<u>62,119,980</u>	<u>66,382,790</u>	<u>70,444,718</u>	<u>74,720,528</u>
Increase in Net Assets from Operating Activities	<u>1,679,524</u>	<u>3,002,835</u>	<u>1,525,837</u>	<u>1,972,716</u>	<u>1,350,199</u>
NONOPERATING ACTIVITIES					
Long-term investment activities					
Investment income	1,285,981	833,927	963,209	1,073,925	1,131,011
Net realized gains	2,118,087	2,865,165	1,180,635	5,776,110	340,133
Net unrealized appreciation	<u>638,074</u>	<u>2,781,593</u>	<u>1,135,375</u>	<u>54,632</u>	<u>(510,917)</u>
Total long-term investment income	4,042,142	6,480,685	3,279,219	6,904,667	960,227
Less: Long-term investment income and gains allocated for operations	<u>(1,324,440)</u>	<u>(1,662,108)</u>	<u>(1,766,666)</u>	<u>(2,295,463)</u>	<u>(2,071,278)</u>
	2,717,702	4,818,577	1,512,553	4,609,204	(1,111,051)
Student loan income net of expenses			525	17,474	19,148
Capital giving activities -- gifts and grants	164,323	154,903	512,423	769,623	2,836,406
Deferred giving activities -- gifts	349,295	82,354	(202,552)	88,841	21,933
Capital gift fund raising expenses	(101,310)				
Capital asset adjustment					
Voluntary separation expenses					
Adjustment to actuarial liability for annuities payable	<u>(39,606)</u>	<u>3,471,499</u>	<u>(1,303,372)</u>	<u>1,022,020</u>	<u>954,442</u>
	3,090,404	8,527,333	519,577	6,507,162	2,720,878
Net assets released from restrictions	<u>3,077,728</u>	<u>8,688,587</u>	<u>2,310,951</u>	<u>7,239,051</u>	<u>704,815</u>
Increase in Net Assets from Nonoperating Activities	<u>6,168,132</u>	<u>17,215,920</u>	<u>2,830,528</u>	<u>13,746,213</u>	<u>3,425,693</u>
Increase in Net Assets before Cumulative Effect of Change in Accounting Principle and Reclassification of Net Assets	7,847,656	20,218,755	4,356,365	15,718,929	4,775,892
Reclassification of prior year net assets			4,796,520	(4,899,296)	(163,757)
Cumulative effect on prior years of a change in accounting principle			<u>(8,302,661)</u>		
Increase in Net Assets	7,847,656	20,218,755	850,224	10,819,633	4,612,135
Net Assets -- Beginning of Year	<u>76,742,065</u>	<u>84,589,721</u>	<u>104,808,476</u>	<u>105,658,700</u>	<u>116,478,333</u>
NET ASSETS -- END OF YEAR	<u>\$ 84,589,721</u>	<u>\$ 104,808,476</u>	<u>\$ 105,658,700</u>	<u>\$ 116,478,333</u>	<u>\$ 121,090,468</u>

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. 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; \$14,830,000 is outstanding. The full faith and credit of the College secure the bonds. The October 1, 2003 through 2021 maturities of the Series 1992 Bonds will be refunded with proceeds from the Series Five-M2 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; \$14,370,000 is outstanding. The full faith and credit of the College secure the bonds.
4. \$14,475,000 Minnesota Higher Education Facilities Authority Revenue Bonds, Series Five-H, dated October 25, 2000; interest rates are variable and are reset daily, although the College can elect to change the reset period and can convert the bonds to fixed rates; final maturity is due October 1, 2030; \$14,475,000 is outstanding. A direct pay Letter of Credit from Harris Trust and Savings Bank secures the bonds.

As of April 1, 2002, the College's total long-term debt outstanding, adjusted to exclude the discharged Series Y Bonds, was \$43,675,000, and as of July 10, 2002, the College's total long-term debt outstanding, adjusted to exclude the discharged Series Y Bonds and the Series 1992 Bonds and to include the Series Five-M1 Bonds and the Series Five-M2 Bonds, is expected to be \$54,470,000.

Additional Obligations of the College

The College currently has outstanding several assessments payable to the City of Northfield. Principal outstanding as of February 28, 2002 is \$34,234 on the assessments.

Annual Debt Service by Fiscal Year and Coverage Statement

The table on the following page 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, 2001, 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-M1 and Series Five-M2, St. Olaf College
Annual Debt Service by Fiscal Year and Coverage Statement**

Fiscal Year May 31, (1)	Estimated Debt Service On Series Five-M1 & Five-M2 (a) (2)	Outstanding Long-Term Debt Service (b) (3)	Combined Long-Term Debt Service (4)	Amount Available for Debt Service (c) (5)	Estimated Debt Service Coverage (Times) (6)
2002	\$0	\$2,927,555	\$2,927,555	\$7,503,648	2.56
2003	1,012,372	2,453,629	3,466,000	7,503,648	2.16
2004	1,697,075	1,575,473	3,272,548	7,503,648	2.29
2005	1,695,888	1,573,360	3,269,248	7,503,648	2.30
2006	1,693,411	1,575,563	3,268,974	7,503,648	2.30
2007	1,684,773	1,571,800	3,256,573	7,503,648	2.30
2008	1,684,845	1,577,279	3,262,124	7,503,648	2.30
2009	1,678,498	1,571,795	3,250,293	7,503,648	2.31
2010	1,675,732	1,575,430	3,251,162	7,503,648	2.31
2011	1,671,418	1,572,880	3,244,298	7,503,648	2.31
2012	1,665,556	1,573,985	3,239,541	7,503,648	2.32
2013	1,658,146	1,573,835	3,231,981	7,503,648	2.32
2014	1,658,930	1,572,551	3,231,481	7,503,648	2.32
2015	1,647,908	1,574,783	3,222,691	7,503,648	2.33
2016	1,645,080	1,575,635	3,220,715	7,503,648	2.33
2017	1,640,188	1,574,825	3,215,013	7,503,648	2.33
2018	1,628,361	1,572,785	3,201,146	7,503,648	2.34
2019	1,624,470	1,574,315	3,198,785	7,503,648	2.35
2020	1,618,257	1,574,066	3,192,323	7,503,648	2.35
2021	1,609,722	1,572,173	3,181,895	7,503,648	2.36
2022	522,374	1,573,573	2,095,947	7,503,648	3.58
2023	522,374	1,573,266	2,095,640	7,503,648	3.58
2024	522,374	1,570,991	2,093,365	7,503,648	3.58
2025	522,374	1,572,010	2,094,384	7,503,648	3.58
2026	522,374	1,570,666	2,093,040	7,503,648	3.59
2027	522,374	1,572,354	2,094,728	7,503,648	3.58
2028	522,374	1,576,548	2,098,922	7,503,648	3.58
2029	522,374	1,573,116	2,095,490	7,503,648	3.58
2030	522,374	580,448	1,102,822	7,503,648	6.80
2031	522,374	14,765,224	15,287,598	7,503,648	0.49
2032	522,374	0	522,374	7,503,648	14.36
2033	12,466,187	0	12,466,187	7,503,648	0.60

(a) Based on observed market rates as of April 1, 2002. Actual interest rates will differ from projected rates. The Series Five-M1 Bonds include no amortization of principal until the final maturity on October 1, 2032. The Series Five-M2 Bonds are assumed amortized during fiscal years 2003-2021.

(b) Excludes the Series Y Bonds (which have been defeased) and excludes the Series 1992 Bonds, which are refunded by the Series Five-M2 Bonds.

(c) The Amount Available for Debt Service is based on FY 2001 financial stmts:

Increase in Net Assets from Operating Activities	\$1,350,199
Plus:	
Depreciation and amortization	5,166,475
Debt Service interest paid	1,749,900
Net loss on investments	279,893
Less:	
Net Assets released from restriction for land, buildings and equipment	<u>(1,042,819)</u>
Amount available for debt service	<u>\$7,503,648</u>

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PROPOSED FORMS OF LEGAL OPINIONS
LEONARD, STREET AND DEINARD

PROFESSIONAL ASSOCIATION

April 16, 2002

\$12,205,000
Minnesota Higher Education Facilities Authority
Variable Rate Demand Revenue Bonds, Series Five-M1
(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-M1 (St. Olaf College), in the aggregate principal amount of \$12,205,000 (the "Bonds"), dated April 16, 2002, and maturing on October 1, 2032.

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 construction and improvement of College 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 April 1, 2002, one or more opinions of Gray, Plant, Mooty, Mooty & Bennett, P.A. and Schmitz, Ophaug and Dowd, 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 and Cutler, counsel to Harris Trust and Savings Bank (the "Bank") as counsel to the Bank, that the letter of credit issued by the Bank to secure the Bonds (the "Letter of Credit") has been duly executed and delivered and is 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)

380 ST. PETER STREET, SUITE 500 SAINT PAUL, MINNESOTA 55102 TEL 651-222-7455 FAX 651-222-7644

LAW OFFICES IN MINNEAPOLIS, SAINT PAUL, MANKATO, SAINT CLOUD AND WASHINGTON, D.C.

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 (a) while variable rate obligations solely from the proceeds of periodic draws under the Letter of Credit issued by the Bank or (b) thereafter from payments made by the College pursuant to the Loan Agreement; and the Bonds 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

LEONARD, STREET AND DEINARD

PROFESSIONAL ASSOCIATION

July 10, 2002

\$13,420,000
Minnesota Higher Education Facilities Authority
Variable Rate Demand Revenue Bonds, Series Five-M2
(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-M2 (St. Olaf College), in the aggregate principal amount of \$13,420,000 (the "Bonds"), dated July 10, 2002, and maturing on October 1, 2020.

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 refinance debt obligations incurred by the College to finance the construction or improvement of College 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 July 1, 2002, one or more opinions of Gray, Plant, Mooty, Mooty & Bennett, P.A. and Schmitz, Ophaug and Dowd 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 and Cutler, counsel to Harris Trust and Savings Bank (the "Bank") as counsel to the Bank, that the letter of credit issued by the Bank to secure the Bonds (the "Letter of Credit") has been duly executed and delivered and is 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).

380 ST. PETER STREET, SUITE 500 SAINT PAUL, MINNESOTA 55102 TEL 651-222-7455 FAX 651-222-7644

LAW OFFICES IN MINNEAPOLIS, SAINT PAUL, MANKATO, SAINT CLOUD AND WASHINGTON, D.C.

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 (a) while variable rate obligations, solely from the proceeds of periodic draws under the Letter of Credit issued by the Bank or (b) thereafter from payments made by the College pursuant to the Loan Agreement; and the Bonds 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

Unless stated otherwise, each of the definitions below applies equally to the Series Five-M1 Bonds and the Series Five-M2 Bonds and is used in both Indentures and both Loan Agreements. *indicates a definition applicable only to the Series Five-M1 Bonds, Indenture and Loan Agreement. #indicates a definition applicable only to the Series Five-M2 Bonds, Indenture and Loan Agreement.

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, the Trustee or the Bank, containing the specimen signature of such person and signed on behalf of the Authority by its Chair, Secretary or Executive Director or any officer authorized to act on behalf of the foregoing officers. Such certificate may designate 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 in excess 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: Collectively, the Series Five-M1 Bond Purchase Agreement and the Series Five-M2 Bond Purchase Agreement.

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 the applicable series of Bonds.

Bond Resolution: The Series Resolution of the Authority adopted on March 20, 2002, authorizing the Bonds, as the same may be amended, modified or supplemented by any amendments or modifications thereof.

Bonds: Collectively, the Series Five-M1 Bonds issued under the Series Five-M1 Indenture and the Series Five-M2 Bonds issued under the Series Five-M2 Indenture.

Bond Year: (a) The period from the Issue Date to the close of business on October 1, 2002 and (b) each succeeding 12-month period ending at the close of business on the anniversary thereof of each year in which the outstanding 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 or Prior Bonds Project Site, as applicable, and acquired from funds other than, as applicable, the proceeds of the Series Five-M1 Bonds, or the Prior Bonds (or bonds refunded by the Prior 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 (in the case of an Alternate Letter of Credit) 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 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 Series Five-M1 Indenture for the deposit of certain Series Five-M1 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 Series Five-M1 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.

#Escrow Agreement: The Escrow Agreement dated as of July 1, 2002 between the Wells Fargo Bank Minnesota, National Association, as “Escrow Agent” thereunder, and the College.

#Escrow Agent: The meaning given that term in the definition of “Escrow Agreement.”

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 LETTERS OF CREDIT AND THE REIMBURSEMENT AGREEMENTS.”

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

General Bond 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: Collectively, the Series Five-M1 Indenture and the Series Five-M2 Indenture.

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 the 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 each series of 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: Collectively, the Series Five-M1 Loan Agreement and the Series Five-M2 Loan Agreement.

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 applicable series of 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.

#Prior Bonds: The City of Northfield, Minnesota, College Facility Revenue Bonds, Series 1992 (St. Olaf College Project) originally issued to finance, in part, and refinance, in part, the Prior Bonds Project.

#Prior Bonds Bond Fund: The "Bond Fund" created by the Prior Bonds Indenture.

#Prior Bonds Documents: The Indenture of Trust dated July 1, 1992 by and between the City of Northfield and Wells Fargo Bank Minnesota, National Association and the Loan Agreement dated July 1, 1992 between the City of Northfield, Minnesota and the College.

#Prior Bonds Indenture: The Indenture of Trust dated July 1, 1992 by and between the City of Northfield, Minnesota and Wells Fargo Bank, National Association (as successor to Norwest Bank Minnesota, National Association).

#Prior Bonds Project: The acquisition and construction of Ytterboe Hall, repairs, renovation and improvements to Rand and Thorson Residence Halls, to the Skogland parking facility and to the campus water main system.

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

#Prior Bonds Reserve Fund: The Reserve Fund” created by Section 5-4 of the Prior Bonds Indenture.

#Prior Bonds Trustee: Wells Fargo Bank Minnesota, National Association (f/k/a Norwest Bank Minnesota, National Association).

Project: The meaning assigned thereto in “USE OF PROCEEDS – The Project” herein.

Project Buildings: The buildings improved or constructed or refinanced 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 or the Prior 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 or the Prior Bonds Project Site, as applicable, 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-M 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 Bond pursuant to the Indenture or the remarketing of a Bond on a Tender Date pursuant to the Indenture, an amount equal to the principal amount of such Bond to be so purchased or remarketed plus interest accrued and unpaid to, but not including, the applicable Tender Date; provided that, if such Tender Date is an Interest Payment Date for which moneys are available for the payment of such interest, accrued interest will not constitute a part of the Purchase Price but will be paid to the Holder in the ordinary manner.

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 15th day of the calendar month next preceding such Fixed Rate Interest Payment Date, regardless of whether such day is a Business Day.

Redemption Account: The Redemption Account created under the Indenture for deposit of 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 Bond to be redeemed, means the date on which it is to be redeemed pursuant hereto.

Reimbursement Agreement: Collectively, the Series Five-M1 Reimbursement Agreement and the Series Five-M2 Reimbursement Agreement.

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: Collectively, the Series Five-M1 Remarketing Agreement and Series Five-M2 Remarketing Agreement.

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-M1 Bond Purchase Agreement:* The Bond Purchase Agreement, dated April 16, 2002, among the Authority, the Underwriter and the College.

**Series Five-M1 Bonds:* Minnesota Higher Education Facilities Authority Variable Rate Demand Revenue Bonds, Series Five-M1 (St. Olaf College).

**Series Five-M1 Indenture:* The Trust Indenture between the Authority and the Trustee, dated as of April 1, 2002, under which the Bonds are authorized to be issued, and including any indenture supplemental thereto.

**Series Five-M1 Loan Agreement:* The Loan Agreement between the Authority and the College, dated as of April 1, 2002, as amended or supplemented from time to time.

**Series Five-M1 Reimbursement Agreement:* The Reimbursement Agreement, dated as of April 1, 2002, between the College and the Bank, including any amendments thereto; and, if an Alternate Letter of Credit is issued, "Reimbursement Agreement" means a similar agreement, if any, between the issuer of such Alternate Letter of Credit and the College.

**Series Five-M1 Remarketing Agreement:* The Remarketing Agreement, dated as of April 1, 2002, between the College and the Remarketing Agent, including any amendments thereto; and any other written agreement among the Authority and/or the College and any Remarketing Agent describing the responsibilities of the Remarketing Agent.

#Series Five-M2 Bond Purchase Agreement: The Bond Purchase Agreement, dated July 10, 2002, among the Authority, the Underwriter and the College.

#Series Five-M2 Bonds: Minnesota Higher Education Facilities Authority Variable Rate Demand Revenue Bonds, Series Five-M2 (St. Olaf College).

#Series Five-M2 Indenture: The Trust Indenture between the Authority and the Trustee, dated as of July 1, 2002, under which the Bonds are authorized to be issued, and including any indenture supplemental thereto.

#Series Five-M2 Loan Agreement: The Loan Agreement between the Authority and the College, dated as of July 1, 2002, as amended or supplemented from time to time.

#Series Five-M2 Reimbursement Agreement: The Reimbursement Agreement, dated as of July 1, 2002, between the College and the Bank, including any amendments thereto; and, if an Alternate Letter of Credit is issued, "Reimbursement Agreement" means a similar agreement, if any, between the issuer of such Alternate Letter of Credit and the College.

#Series Five-M2 Remarketing Agreement: The Remarketing Agreement, dated as of July 10, 2002, between the College and the Remarketing Agent, including any amendments thereto; and any other written agreement among the Authority and/or the College and any Remarketing Agent describing the responsibilities of the Remarketing Agent.

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 (as defined in the Reimbursement Agreement) 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; (iii) each Purchase Date described in the Indenture with respect to Pledged Bonds; and (iv) the Conversion Date.

Variable Rate Period: The period from and including the Issue Date to and including the earlier of (i) the day next preceding the Conversion Date of the Bonds 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.

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SUMMARY OF DOCUMENTS

Unless stated otherwise, each of the provisions below relates equally to the Series Five-M1 Bonds and the Series Five-M2 Bonds.

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 acquisition, construction, furnishing and equipping of the student recreation center and renovation of Skogland Athletic Center will be substantially completed and all amounts in the Construction Account held under the Series Five-M1 Indenture will be expended by no later than August, 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 Series Five-M1 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 Series Five-M1 Bonds in the Construction Account.

Redemption of Prior Bonds

The Series Five-M2 Bond proceeds shall be deposited in the Refunding Account and then immediately transferred to the Escrow Agent pursuant to the Escrow Agreement in order to provide for the redemption of the Prior Bonds on October 1, 2002.

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 ___% of the outstanding principal amount of Series Five-M1 Bonds in the case of the student recreation center, ___% of the outstanding principal amount of Series Five-M1 Bonds in the case of the Skoglund Athletic Center; ___% of the outstanding principal amount of Series Five-M2 Bonds in the case of Ytterboe Hall; and ___% of the outstanding principal amount of Series Five-M2 Bonds in the case of _____.

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 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; 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.

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, 2001, 2000 AND 1999**



Virchow, Krause & Company, LLP

Certified Public Accountants & Consultants

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, 2001, 2000 and 1999 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 auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our 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, 2001, 2000 and 1999 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 16 to the financial statements, in 1999, St. Olaf College changed its method of recording gifts of long-lived assets.

Virchow, Krause & Company, LLP

Minneapolis, Minnesota
August 6, 2001

ST. OLAF COLLEGE

STATEMENTS OF FINANCIAL POSITION

May 31, 2001, 2000, and 1999

ASSETS			
	<u>2001</u>	<u>2000</u>	<u>1999</u>
Cash and cash equivalents	\$ 2,561,058	\$ 2,931,482	\$ 14,535,691
Receivables			
Student accounts, net of allowance for doubtful accounts of \$451,300, \$421,600, and \$386,300	403,252	529,963	449,018
Contributions, net	9,704,830	12,024,870	9,023,059
Other	314,782	207,291	241,082
Inventories	763,917	818,781	768,835
Prepaid expenses and deposits	308,580	314,141	131,142
Student notes receivable, net of allowance for doubtful notes of \$83,000, \$73,000, and \$69,200	9,360,431	9,048,008	8,657,941
Investments			
Cash and short-term investments	5,740,323	4,923,705	3,380,493
Marketable securities	196,355,555	186,871,727	165,832,708
Mortgages and contracts for deed	315,389	908,442	745,804
Notes receivable	350,000	353,399	364,288
Real estate	7,000,275	6,239,610	3,804,968
Other investments	4,994,833	5,224,923	4,174,312
Deposits held by trustee	10,166,066	4,587,347	6,046,396
Deferred debt acquisition costs	464,252	308,424	322,881
Funds held in trust by others	1,638,474	1,827,458	1,955,306
Construction in progress	7,059,858	3,191,933	30,127,764
Property, plant and equipment, net	<u>102,796,535</u>	<u>99,331,007</u>	<u>58,478,574</u>
TOTAL ASSETS	<u>\$ 360,298,410</u>	<u>\$ 339,642,511</u>	<u>\$ 309,040,262</u>
LIABILITIES AND NET ASSETS			
LIABILITIES			
Accounts payable	\$ 2,717,503	\$ 2,684,010	\$ 4,005,144
Accrued liabilities	9,566,171	9,799,477	10,202,910
Deferred revenue	2,382,829	2,261,934	1,982,141
Annuities payable	17,040,648	16,295,811	14,627,550
Long-term debt	44,755,667	31,473,220	32,320,773
U. S. government grants refundable	6,822,322	6,790,678	6,394,019
Deposits held in trust for others	<u>5,723,184</u>	<u>6,017,473</u>	<u>7,594,500</u>
Total Liabilities	<u>89,008,324</u>	<u>75,322,603</u>	<u>77,127,037</u>
NET ASSETS			
Unrestricted	121,090,468	116,478,333	105,658,700
Temporarily restricted	50,801,927	52,105,308	41,931,370
Permanently restricted	<u>99,397,691</u>	<u>95,736,267</u>	<u>84,323,155</u>
Total Net Assets	<u>271,290,086</u>	<u>264,319,908</u>	<u>231,913,225</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 360,298,410</u>	<u>\$ 339,642,511</u>	<u>\$ 309,040,262</u>

See accompanying notes to financial statements.

ST. OLAF COLLEGE

STATEMENT OF ACTIVITIES
Year Ended May 31, 2001

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT				
OPERATING REVENUES				
Tuition	\$ 56,182,427			\$ 56,182,427
Less: Unfunded scholarships and grants	(16,248,146)			(16,248,146)
Funded scholarships and grants	(2,934,855)			(2,934,855)
Net tuition	36,999,426			36,999,426
Other tuition and fees	3,731,670			3,731,670
Government grants	3,058,737	\$ 2,500		3,061,237
Private gifts and grants	4,132,579	3,021,646		7,154,225
Long-term investment income and gains allocated for operations	2,071,278	4,272,604		6,343,882
Other sources	1,905,667	483,243		2,388,910
Investment income	357,442	74,376		431,818
Net losses on investments and capital assets	(279,893)			(279,893)
Capital gifts allocated		1,042,819		1,042,819
Auxiliary enterprises - sales and services	15,547,132			15,547,132
	67,524,038	8,897,188		76,421,226
Net assets released from restrictions	8,546,689	(8,546,689)		
Total Operating Revenues, Gains and Other Support	76,070,727	350,499		76,421,226
OPERATING EXPENSES				
Program expenses				
Instruction	31,548,024			31,548,024
Research	542,993			542,993
Public service	2,486,199			2,486,199
Academic support	8,001,861			8,001,861
Student services	6,058,381			6,058,381
Auxiliary enterprises	14,840,165			14,840,165
Support expenses				
Institutional support	8,422,315			8,422,315
Fundraising	2,820,590			2,820,590
Total Operating Expenses	74,720,528			74,720,528
Increase in Net Assets from Operating Activities	1,350,199	350,499		1,700,698
NONOPERATING ACTIVITIES				
Long-term investment activities				
Investment income	1,131,011	2,188,140	\$ 132,436	3,451,587
Net realized gains	340,133	474,391	39,828	854,352
Net unrealized depreciation	(510,917)	(975,148)	(59,826)	(1,545,891)
Total long-term investment income	960,227	1,687,383	112,438	2,760,048
Less: Long-term investment income and gains allocated for operations	(2,071,278)	(4,272,604)		(6,343,882)
	(1,111,051)	(2,585,221)	112,438	(3,583,834)
Student loan income net of expenses	19,148		53,877	73,025
Capital giving activities - gifts and grants	2,836,406	2,323,259	2,755,430	7,915,095
Deferred giving activities - gifts	21,933	67,681	169,057	258,671
Capital gifts allocated to operations		(1,042,819)		(1,042,819)
Adjustment to actuarial liability for annuities payable	954,442	68,836	626,064	1,649,342
	2,720,878	(1,168,264)	3,716,866	5,269,480
Net assets released from restrictions	704,815	(704,815)		
Increase (Decrease) in Net Assets from Nonoperating Activities	3,425,693	(1,873,079)	3,716,866	5,269,480
Increase (Decrease) in Net Assets before Reclassification of Net Assets	4,775,892	(1,522,580)	3,716,866	6,970,178
Reclassification of prior year net assets	(163,757)	219,199	(55,442)	
Increase (Decrease) in Net Assets	4,612,135	(1,303,381)	3,661,424	6,970,178
Net Assets - Beginning of Year	116,478,333	52,105,308	95,736,267	264,319,908
NET ASSETS - END OF YEAR	\$ 121,090,468	\$ 50,801,927	\$ 99,397,691	\$ 271,290,086

See accompanying notes to financial statements.

ST. OLAF COLLEGE

STATEMENT OF ACTIVITIES
Year Ended May 31, 2000

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT				
OPERATING REVENUES				
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	7,961,368	(7,961,368)		
Total Operating Revenues, Gains and Other Support	72,417,434	364,832		72,782,266
OPERATING EXPENSES				
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
Increase in Net Assets from Operating Activities	1,972,716	364,832		2,337,548
NONOPERATING ACTIVITIES				
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	7,239,051	(7,239,051)		
Increase in Net Assets from Nonoperating Activities	13,746,213	4,916,310	11,406,612	30,069,135
Increase in Net Assets before Reclassification of Net Assets	15,718,929	5,281,142	11,406,612	32,406,683
Reclassification of prior year net assets	(4,899,296)	4,892,796	6,500	
Increase in Net Assets	10,819,633	10,173,938	11,413,112	32,406,683
Net Assets - Beginning of Year	105,658,700	41,931,370	84,323,155	231,913,225
NET ASSETS - END OF YEAR	\$ 116,478,333	\$ 52,105,308	\$ 95,736,267	\$ 264,319,908

See accompanying notes to financial statements.

ST. OLAF COLLEGE

STATEMENT OF ACTIVITIES
Year Ended May 31, 1999

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT				
OPERATING REVENUES				
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	6,053,640	(6,053,640)		
Total Operating Revenues, Gains and Other Support	67,908,627	2,170,792		70,079,419
OPERATING EXPENSES				
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
NONOPERATING ACTIVITIES				
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	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	(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
NET ASSETS - END OF YEAR	\$ 105,658,700	\$ 41,931,370	\$ 84,323,155	\$ 231,913,225

See accompanying notes to financial statements.

ST. OLAF COLLEGE

STATEMENTS OF CASH FLOWS
Years Ended May 31, 2001, 2000, and 1999

	2001	2000	1999
CASH FLOWS FROM OPERATING ACTIVITIES			
Change in net assets	\$ 6,970,178	\$ 32,406,683	\$ 15,746,938
Adjustments to reconcile change in net assets to net cash flows from operating activities			
Depreciation and amortization expense	5,166,475	4,331,125	3,325,099
Net realized gains on investments	(4,547,407)	(16,787,016)	(13,566,939)
Net unrealized depreciation of investments	1,960,990	770,042	1,487,724
Loss on dispositions of property, plant and equipment	275,959		10,245
Provision for losses on student notes	10,000	3,840	2,603
Actuarial adjustment of annuities payable	3,095,685	1,383,004	1,915,422
Gifts of property, plant and equipment	(84,125)	(65,519)	(60,742)
(Increases) decreases in:			
Student accounts receivable	126,711	(80,945)	(18,421)
Other receivables	(107,491)	33,791	262,697
Contributions receivable for operations	(358,027)	(204,126)	(253,870)
Inventories, prepaid expenses and deposits	60,425	(232,945)	195,808
Funds held in trust by others	188,984	127,848	(24,083)
Increases (decreases) in:			
Accounts payable	(603,137)	734,323	1,305,256
Accrued liabilities	(233,306)	(403,433)	1,604,355
Deferred revenue	120,895	279,793	(98,567)
Gifts and grants received for long-term investment, net	(8,173,766)	(15,424,245)	(8,182,596)
Nonoperating investment income	(3,451,587)	(3,140,813)	(2,753,279)
Net Cash Flows from Operating Activities	<u>417,456</u>	<u>3,731,407</u>	<u>897,650</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment	(12,037,288)	(20,223,208)	(27,803,439)
Withdrawals from deposits held by trustee for construction, net	7,372,600		
Decrease in funds held for investment in property, plant and equipment			6,449,119
Purchases of investments	(106,816,648)	(227,946,065)	(121,357,943)
Proceeds from sales of investments	100,382,549	218,956,294	132,982,567
Nonoperating investment income	3,451,587	3,140,813	2,753,279
Disbursements of loans to students	(1,328,349)	(1,408,307)	(1,258,618)
Repayments of loans by students	1,005,926	1,014,400	843,467
Net Cash Flows from Investing Activities	<u>(7,969,623)</u>	<u>(26,466,073)</u>	<u>(7,391,568)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Principal repayments of indebtedness	(1,192,553)	(847,553)	(753,131)
Gifts and grants received for long-term investment, net	8,173,766	15,424,245	8,182,596
(Increase) decrease in nonoperating contributions receivable	2,678,067	(2,797,685)	11,941,478
Increase (decrease) in deposits held in trust for others	(158,333)	(1,330,466)	1,323,638
Increase (decrease) in U. S. government grants refundable, net	31,644	396,659	(605,386)
Increase in annuities payable from new gifts	144,571	2,455,928	484,570
Payments to annuitants	(2,495,419)	(2,170,671)	(1,935,865)
Net Cash Flows from Financing Activities	<u>7,181,743</u>	<u>11,130,457</u>	<u>18,637,900</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(370,424)	(11,604,209)	12,143,982
CASH AND CASH EQUIVALENTS - Beginning of Year	2,931,482	14,535,691	2,391,709
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 2,561,058	\$ 2,931,482	\$ 14,535,691
Supplemental disclosures of cash flow information			
Cash paid during the year for interest on long-term debt	\$ 1,762,187	\$ 1,593,330	\$ 1,154,100
Noncash investing and financing activities			
Property, plant and equipment acquired through accounts payable	1,410,771	774,141	2,829,598
Proceeds from bond issue	14,475,000		
Debt acquisition costs paid from bond proceeds	173,672		

See accompanying notes to financial statements.

ST. OLAF COLLEGE

NOTES TO FINANCIAL STATEMENTS

May 31, 2001, 2000 and 1999

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 accounting principles generally accepted in the United States of America. 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, 2001, 2000 and 1999

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 amounts restricted for debt service as required by the related trust indentures and in 2001, includes \$6,928,728 of proceeds from long-term financing to be expended for plant facilities.

Debt Acquisition Costs - Costs of bond issuance, which relate to the College Facility Revenue Bonds, Series 1992 and the MHEFA Variable Rate Demand Revenue Bonds, Series Five-H, 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 reloaned 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, 2001, 2000 and 1999

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:

	<u>2001</u>	<u>2000</u>	<u>1999</u>
State grants	\$ 1,959,242	\$ 1,965,417	\$ 2,018,288
Federal grants	755,731	731,895	814,054

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

ST. OLAF COLLEGE

NOTES TO FINANCIAL STATEMENTS
May 31, 2001, 2000 and 1999

NOTE 2 - RESTRICTIONS AND LIMITATIONS ON NET ASSETS BALANCES

At May 31, 2001, 2000 and 1999, the College's unrestricted net assets were allocated as follows:

	<u>2001</u>	<u>2000</u>	<u>1999</u>
Designated			
For long-term purposes as:			
Quasi-endowment	\$ 76,284,492	\$ 72,976,777	\$ 62,375,152
Deferred gifts	19,705,893	18,654,076	17,543,215
For debt service and renewals and replacements reserves under long-term debt agreements	2,947,497	4,285,191	4,264,970
For self-insurance program	(47,317)	249,290	300,189
For specific operating activities	497,278	960,927	920,965
For matching funds under federal government other student loan programs	<u>1,057,936</u>	<u>1,003,813</u>	<u>946,041</u>
Total Designated	<u>100,445,779</u>	<u>98,130,074</u>	<u>86,350,532</u>
Undesignated	<u>20,644,689</u>	<u>18,348,259</u>	<u>19,308,168</u>
	<u>\$ 121,090,468</u>	<u>\$ 116,478,333</u>	<u>\$ 105,658,700</u>

Temporarily restricted net assets consist of the following at May 31, 2001, 2000 and 1999:

Gifts and other unexpended revenues and gains available for:			
Scholarships, instruction and other support	\$ 5,151,172	\$ 4,972,036	\$ 2,859,488
Unamortized plant gifts	33,301,260	33,626,090	8,145,298
Acquisition of buildings and equipment	<u>1,992,705</u>	<u>4,711,386</u>	<u>26,040,407</u>
	40,445,137	43,309,512	37,045,193
Quasi-endowment	9,284,444	7,859,967	3,456,325
Deferred gifts	<u>1,072,346</u>	<u>935,829</u>	<u>1,429,852</u>
	<u>\$ 50,801,927</u>	<u>\$ 52,105,308</u>	<u>\$ 41,931,370</u>

Permanently restricted net assets consist of the following at May 31, 2001, 2000 and 1999:

Endowment funds	\$ 81,754,557	\$ 78,791,834	\$ 69,129,659
Student loan funds	1,904,018	1,836,384	1,789,348
Deferred gifts	<u>15,739,116</u>	<u>15,108,049</u>	<u>13,404,148</u>
	<u>\$ 99,397,691</u>	<u>\$ 95,736,267</u>	<u>\$ 84,323,155</u>

ST. OLAF COLLEGE

NOTES TO FINANCIAL STATEMENTS
May 31, 2001, 2000 and 1999

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, 2001, 2000 and 1999:

	<u>2001</u>	<u>2000</u>	<u>1999</u>
Acquisition of land, buildings and equipment	\$ 1,042,819	\$ 811,236	\$ 493,122
Scholarships, instruction and other departmental support	<u>8,208,685</u>	<u>14,389,183</u>	<u>7,871,469</u>
	<u>\$ 9,251,504</u>	<u>\$ 15,200,419</u>	<u>\$ 8,364,591</u>
These assets were reclassified as follows:			
Unrestricted operating net assets	\$ 8,546,689	\$ 7,961,368	\$ 6,053,640
Unrestricted nonoperating net assets	<u>704,815</u>	<u>7,239,051</u>	<u>2,310,951</u>
	<u>\$ 9,251,504</u>	<u>\$ 15,200,419</u>	<u>\$ 8,364,591</u>

NOTE 4 - CONTRIBUTIONS RECEIVABLE

Contributions receivable include the following unconditional promises to give at May 31, 2001, 2000 and 1999:

	<u>2001</u>	<u>2000</u>	<u>1999</u>
Temporarily restricted - operations	\$ 1,466,045	\$ 1,117,219	\$ 822,707
Temporarily restricted - plant projects	1,400,444	4,090,113	2,132,291
Temporarily restricted - quasi-endowment	1,700,986		
Permanently restricted - deferred gifts	16,987	30,302	39,289
Permanently restricted - endowment	<u>6,357,285</u>	<u>8,073,737</u>	<u>6,810,993</u>
Gross unconditional promises to give	10,941,747	13,311,371	9,805,280
Less: Unamortized discount	(628,691)	(1,086,433)	(690,175)
Allowance for uncollectible promises	<u>(608,226)</u>	<u>(200,068)</u>	<u>(92,046)</u>
	<u>\$ 9,704,830</u>	<u>\$ 12,024,870</u>	<u>\$ 9,023,059</u>

Contributions receivable as of May 31, 2001 of \$4,266,085 are expected to be collected in less than one year and \$ 5,438,745 in two to five years. Contributions receivable expected to be collected in two to five years have been discounted using a rate of 6%.

ST. OLAF COLLEGE

NOTES TO FINANCIAL STATEMENTS
May 31, 2001, 2000 and 1999

NOTE 5 - MARKETABLE SECURITIES

The following summarizes the fair value of the College's marketable securities at May 31, 2001, 2000 and 1999:

	<u>2001</u>	<u>2000</u>	<u>1999</u>
Stocks	\$ 74,631,204	\$ 74,279,673	\$ 61,705,856
Bonds	29,829,206	23,742,056	23,840,379
Mutual funds	<u>91,895,145</u>	<u>88,849,998</u>	<u>80,286,473</u>
	<u>\$ 196,355,555</u>	<u>\$ 186,871,727</u>	<u>\$ 165,832,708</u>

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 \$160,217,060, \$152,330,964 and \$128,825,800 for the years ended May 31, 2001, 2000 and 1999, respectively. The total return on all investments held by the endowment funds, on a market basis, was 2.764%, 15.10% and 8.032% for the years ended May 31, 2001, 2000 and 1999, respectively.

NOTE 6 - CONSTRUCTION IN PROGRESS

Construction in progress consisted of the following projects at May 31, 2001:

	<u>Estimated Total Cost</u>	<u>Costs to Date</u>	<u>Funding Plan</u>
Fine Arts Building renovation	\$ 11,400,000	\$ 6,706,794	Gifts, external debt
Water connection and tunnels	312,000	105,877	External debt
Refurbish president's home	107,000	81,970	Gifts
Skoglund retaining wall	90,000	34,137	Current operations
Christiansen Orchestra Room	50,000	33,120	Current operations
Recreation Center	12,067,000	25,491	Gifts, external debt
Forte piano	26,300	13,150	Gifts
Student information system - Phase 1	300,000	8,000	Current operations
Tunnel System-City Junction	296,400	6,196	Current operations
Kandi start-up	35,000	1,443	Current operations
Roof replacement projects	148,200	747	Current operations
WCAL projects	50,000	<u>42,933</u>	Current operations
		<u>\$ 7,059,858</u>	

ST. OLAF COLLEGE

NOTES TO FINANCIAL STATEMENTS
May 31, 2001, 2000 and 1999

NOTE 7 - PROPERTY, PLANT AND EQUIPMENT

At May 31, 2001, 2000 and 1999 property, plant and equipment consisted of the following:

	<u>2001</u>	<u>2000</u>	<u>1999</u>
Land	\$ 676,006	\$ 676,006	\$ 676,006
Improvements other than buildings	5,652,445	5,832,228	5,825,142
Buildings	116,389,413	113,821,253	74,656,693
Equipment	25,205,674	20,582,336	15,458,480
Library materials	13,007,580	11,997,379	11,160,326
Art collection	<u>716,432</u>	<u>705,832</u>	<u>669,286</u>
	161,647,550	153,615,034	108,445,933
Less: Accumulated depreciation	<u>(58,851,015)</u>	<u>(54,284,027)</u>	<u>(49,967,359)</u>
	<u>\$ 102,796,535</u>	<u>\$ 99,331,007</u>	<u>\$ 58,478,574</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 \$2,439,000, \$2,304,000 and \$2,181,000 for the years ended May 31, 2001, 2000 and 1999, 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 \$489,000, \$1,013,000 and \$751,000 at May 31, 2001, 2000 and 1999, 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 following tables set forth the plan's status with amounts reported in the College's financial statements at May 31, 2001, 2000 and 1999:

	<u>Postretirement Benefits</u>		
	<u>2001</u>	<u>2000</u>	<u>1999</u>
Accumulated postretirement benefit obligation	\$ 6,941,910	\$ 3,415,232	\$ 3,403,689
Fair value of plan assets	<u>0</u>	<u>0</u>	<u>0</u>
Underfunded status	<u>\$ 6,941,910</u>	<u>\$ 3,415,232</u>	<u>\$ 3,403,689</u>
Accrued benefit cost recognized	<u>\$ 1,727,548</u>	<u>\$ 1,847,722</u>	<u>\$ 1,913,416</u>

ST. OLAF COLLEGE

NOTES TO FINANCIAL STATEMENTS
May 31, 2001, 2000 and 1999

NOTE 9 - POSTRETIREMENT BENEFIT PLAN (CONTINUED)

	Postretirement Benefits		
	2001	2000	1999
Net postretirement benefit cost	\$ 340,312	\$ 344,314	\$ 240,979
Employer contributions	\$ 460,485	\$ 410,008	\$ 428,499
Plan participant contributions	215,130	156,345	120,287
Benefits paid	\$ 675,615	\$ 566,353	\$ 548,786

A 10.4% pre-65 and 14.14% post-65 rate of increase in per capita costs of covered health care benefits was assumed for the year ended May 31, 2002 (lower rates are assumed for HMO plans), gradually decreasing to an ultimate rate of 5% by the year 2021. 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, 2001, 2000 and 1999 consisted of the following:

	2001	2000	1999
St. Olaf College Dormitory and Student Union Construction and Refunding Bonds		\$ 395,000	\$ 595,000
Minnesota Higher Education Facilities Authority Variable Rate Demand Revenue Bonds, Series Five-H	\$ 14,475,000		
Minnesota Higher Education Facilities Authority Capital Lease Agreement (First Mortgage Revenue Bonds, Series Y)	400,000	580,000	750,000
College Facility Revenue Bonds, Series 1992	15,200,000	15,550,000	15,885,000
Minnesota Higher Education Facilities Authority Revenue Bonds, Series Four-R	14,625,000	14,875,000	15,000,000
Other long-term debt	55,667	73,220	90,773
	\$ 44,755,667	\$ 31,473,220	\$ 32,320,773

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. The Series D bonds were paid in full during the year ended May 31, 2000. The Series E Bonds were paid in full during the year ended May 31, 2001.

ST. OLAF COLLEGE

NOTES TO FINANCIAL STATEMENTS
May 31, 2001, 2000 and 1999

NOTE 10 - LONG-TERM DEBT (CONTINUED)

Minnesota Higher Education Facilities Authority Variable Rate Demand Revenue Bonds, Series Five-H, were issued to finance the renovation of St. Olaf Center to house the art and dance departments, replace residence hall furniture, replace Skoglund Athletic Center bleachers, acquire and renovate four houses, renovate the Administration Building, and renovate and improve utility tunnels. The bonds were issued October 25, 2000 and will mature October 1, 2030. Interest on the bonds is payable monthly and no principal payments are required until the maturity date. The bonds bear interest at a variable rate which at May 31, 2001 was 3.05% plus letter of credit of 38.5 basis points and 12.5 basis points for remarketing.

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 \$195,000 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.

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 \$370,000 to \$1,250,000 annually until the year 2021. Bonds maturing after October 1, 2003 are callable in increments of \$5,000 at redemption prices as follows: October 1, 2002 at 102%, October 1, 2003 at 101%, and October 1, 2004 and thereafter at 100%. The bonds bear interest at rates varying from 5.8% 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. The first principal payment was due on April 1, 2000 while interest payments began October 1, 1998. Total annual principal payments range from \$255,000 to \$955,000. Bonds maturing on or after April 1, 2008 are callable at par value. The bonds bear interest at rates varying from 4.1% to 5.25%.

The College maintains short-term investments and U.S. government securities held by trustees for retirement of indebtedness totaling \$3,237,338. 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:	
2002	\$ 837,550
2003	887,550
2004	697,940
2005	732,940
2006	777,940
Thereafter	<u>40,821,747</u>
Total	<u>\$ 44,755,667</u>

ST. OLAF COLLEGE

NOTES TO FINANCIAL STATEMENTS

May 31, 2001, 2000 and 1999

NOTE 10 - LONG-TERM DEBT (CONTINUED)

Interest expense on long-term debt totaled \$1,749,900, \$1,588,200 and \$1,210,800 for the years ended May 31, 2001, 2000 and 1999, respectively. Interest totaling \$220,240 and \$72,200 was capitalized during the years ended May 31, 2000 and 1999, respectively.

NOTE 11 - SHORT-TERM CREDIT ARRANGEMENT

The College has 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. Principal, and any unpaid interest, is due on October 31. In addition, the agreement requires the College to comply with certain financial covenants. At May 31, 2001, 2000 and 1999, there were no outstanding borrowings under this arrangement.

NOTE 12 - 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 \$656,600 as of May 31, 2001. Accrued liabilities include a \$703,900 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. The College is self-insured for the first \$75,000 per claim with an aggregate stop loss of \$2,701,250.

NOTE 13 - ALLOCATION OF EXPENSES

The College allocated the following expenses to program and support functions for the years ended May 31, 2001, 2000 and 1999 as follows:

	<u>2001</u>	<u>2000</u>	<u>1999</u>
Interest expense	\$ 1,749,872	\$ 1,588,226	\$ 1,210,791
Operation and maintenance of plant	7,141,924	6,301,188	5,337,304
Depreciation	<u>5,148,631</u>	<u>4,316,668</u>	<u>3,310,642</u>
	<u>\$ 14,040,427</u>	<u>\$ 12,206,082</u>	<u>\$ 9,858,737</u>

ST. OLAF COLLEGE

NOTES TO FINANCIAL STATEMENTS
 May 31, 2001, 2000 and 1999

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 5.8%, 7.8% and 6.4% for the years ended May 31, 2001, 2000 and 1999, respectively, in making the calculations.

Information pertaining to the College's deferred gift agreements for the years ended May 31, 2001, 2000 and 1999 follows:

	<u>2001</u>	<u>2000</u>	<u>1999</u>
Deferred gift income recognized	\$ 237,054	\$ 1,954,958	\$ 323,190
Annuities payable related to new gifts	212,256	2,455,928	484,570
Funds held for others related to new gifts	<u>21,617</u>	<u>91,368</u>	<u>58,938</u>
 Total funds received	 <u>\$ 470,927</u>	 <u>\$ 4,502,254</u>	 <u>\$ 866,698</u>
 Total deferred gift assets held by the College at fair value	 <u>\$ 55,052,962</u>	 <u>\$ 52,606,776</u>	 <u>\$ 48,237,205</u>
 Total deferred gift liabilities	 <u>\$ 18,535,608</u>	 <u>\$ 17,908,822</u>	 <u>\$ 15,859,989</u>

NOTE 15 - 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.

ST. OLAF COLLEGE

NOTES TO FINANCIAL STATEMENTS

May 31, 2001, 2000 and 1999

NOTE 16 - 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 17 - SUBSEQUENT EVENT

Subsequent to May 31, 2001, a donor has made a commitment to donate a total of \$12,067,700 to the College. Of the total amount committed, the College had previously received \$4,632,738 from the donor and will receive the remaining \$7,434,962 in four equal annual installments beginning January 2002. The governing board has decided to place this gift in an unrestricted quasi-endowment fund that will be used to support the operations of a new fieldhouse connected to Skoglund Center. The College intends to issue variable rate revenue bonds to finance the project

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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 December 31, 2001, the Bank and its consolidated subsidiaries had total assets of approximately \$19.879 billion, total deposits (including deposits in foreign offices) of approximately \$11.206 billion, total loans and lease finance assets net of unearned income, allowance and reserve for possible credit losses of approximately \$9.745 billion and total equity capital of approximately \$1.565 billion. The Bank and its consolidated subsidiaries had net income for the year ended December 31, 2001 of \$82.272 million as compared to \$226.444 million for the year ended December 31, 2000.

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, 2000 and December 31, 2001, 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 subsequent reports filed by the Bank pursuant to 12 U.S.C. § 324 prior to and 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 Annual Report on Form 10-K for the year ended December 31, 2001. Such report and all subsequent reports filed by HBI pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, prior to and 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.

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